Dottorato di ricerca in Istituzioni e Politiche

Ciclo XXVI

S.S.D: SECS-P/02, SECS-P/10, SPS -10

APPLIED SUSTAINABILITY: EXPLORING INCLUSIVE BUSINESS STRATEGIES ALONG SPATIAL AND INSTITUTIONAL DIMENSIONS

Tesi di Dottorato di Lucia Dal Negro

Matricola: 3911215

Anno Accademico 2012/2013
ACKNOWLEDGMENTS

I want to thank the interviewees and the BOP Global Network that proactively contributed to my research. A special thanks to Irene, Shruti, Maria Luisa, Cornelia and Phuong for their help and passion, they are much more than colleagues. I would like to thank my tutor, Prof. Roberto Zoboli, whose expertise, understanding, and patience, added considerably to my PhD experience. Last but not least, I would like to thank my family for their unconditioned support during these years.
ABSTRACT

This study wants to investigate the process of diffusion of Inclusive Businesses according to the principles of the Bottom of the Pyramid (BOP) theory. The rationale is to investigate whether the Inclusive Business approach may lead to a new policy framework addressing Sustainability needs and Human Development, at a global level.

Two diffusion-related variables were tested: the geographical replication of Inclusive Business models and the presence of a supporting institutional landscape. The study verified the hypothesis through a qualitative analysis of two firms (geographical replication variable), sixteen labs from the BOP Learning Lab Network (supporting institutional landscape variable) and ninety-six case-studies of the UNDP Growing Inclusive Markets database (both variables).

Results showed cultural, policy, regulatory and economic barriers hampering the geographical replication of BOP ventures. From the institutional point of view, results showed a poor integration of actors from the BOP within the supporting institutions. Yet, two drivers to diffuse the Inclusive Businesses emerged: migrant networks and sector-level organizations. Both were investigated highlighting their potentialities in relation to the research question.

Finally, open issues on the diffusion of Inclusive Business models were presented, explaining their contribution in advancing the state of the art of the BOP theory.

Keywords: Inclusive Business, BOP theory, development aid, sustainable development, business diffusion, supporting institutional landscape.
# LIST OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgments</td>
<td>2</td>
</tr>
<tr>
<td>Abstract and Keywords</td>
<td>3</td>
</tr>
<tr>
<td>List of contents</td>
<td>4</td>
</tr>
<tr>
<td>Introduction</td>
<td>6</td>
</tr>
<tr>
<td><strong>Chapter one: literature review and conceptual framework</strong></td>
<td>11</td>
</tr>
<tr>
<td>1.1. Measuring Sustainability to apply Sustainability</td>
<td>11</td>
</tr>
<tr>
<td>1.1.1 The Strong Sustainability Paradigm</td>
<td>12</td>
</tr>
<tr>
<td>1.1.2 Two indicators of Strong Sustainability</td>
<td>13</td>
</tr>
<tr>
<td>1.1.3 The Weak Sustainability Paradigm</td>
<td>17</td>
</tr>
<tr>
<td>1.1.4 Two indicators of Weak Sustainability</td>
<td>17</td>
</tr>
<tr>
<td>1.2 International development aid: towards a conceptual an practical shift</td>
<td>23</td>
</tr>
<tr>
<td>1.2.1 International aid and the progressive commitment of the private sector</td>
<td>24</td>
</tr>
<tr>
<td>1.2.2 Three institutional settings</td>
<td>28</td>
</tr>
<tr>
<td>1.3. From ethical business to Inclusive Business</td>
<td>31</td>
</tr>
<tr>
<td>1.3.1 Two pioneering examples</td>
<td>35</td>
</tr>
<tr>
<td>1.4 The Bottom of The Pyramid Theory</td>
<td>37</td>
</tr>
<tr>
<td>1.4.1 Market potential of the BOP tier</td>
<td>39</td>
</tr>
<tr>
<td>1.4.2 Partnering with the poor</td>
<td>40</td>
</tr>
<tr>
<td>1.4.3 Innovation at the Bottom of the Pyramid</td>
<td>42</td>
</tr>
<tr>
<td>1.5 Food for thoughts</td>
<td>45</td>
</tr>
<tr>
<td><strong>Chapter two: methodology</strong></td>
<td>47</td>
</tr>
<tr>
<td>2.1 Filling the gap: the policy potential of Inclusive Business Initiatives</td>
<td>47</td>
</tr>
<tr>
<td>2.2 Methodological Approach</td>
<td>53</td>
</tr>
<tr>
<td>2.2.1 Geographical replication</td>
<td>54</td>
</tr>
<tr>
<td>2.2.2 Supporting Institutional Landscape</td>
<td>56</td>
</tr>
<tr>
<td><strong>Chapter three: analysis</strong></td>
<td>67</td>
</tr>
<tr>
<td>3.1 Results from the UNDP Growing Inclusive Markets database:</td>
<td></td>
</tr>
</tbody>
</table>
profile and patterns  
3.2 Geographical replication  
  3.2.1 Findings  
  3.2.2 Evidence from the UNDP Inclusive Growing Markets database  
  3.2.3 Comments  
3.3 Supporting Institutional Landscape  
  3.3.1 Findings  
  3.3.2 Evidence from the UNDP Growing Inclusive Markets database  
  3.3.3 Comments

Chapter four: discussion and perspectives  
  4.1 Striking the balance between the novelties and pipedreams  
  4.2 Beyond the hype  
    4.2.1 Two promising pathways  
    4.2.2 Credits and seeds of replication

Chapter five: conclusions

References

APPENDIX A: Information extracted from the UNDP Growing Inclusive Markets Database

APPENDIX B: list of questions submitted to the interviewees
Introduction

“BOP marketing is subject to false positive because firms announce their plans and success but not their failures”.
(Ireland, 2008)

The goal of ensuring prosperity to poor people is a permanent policy issue in the agenda of different types of policy actors. Being it for restoring livelihoods hit by unexpected events (e.g. natural disasters) or to relieve a chronic situation of deprivation, different subjects at national and international level are engaged to address such a goal. At international level, almost every regional or global institution has its own line of funds to devolve resources to low-income communities or to those endangered by environmental disasters. Seemingly, the civil society, at all levels, is more and more receptive of the need to redress gross injustices that penalizes vulnerable categories, such as women, refugees or ethnic minorities. Governments as well do their part, for example by signing agreements to donate a given percentage of their national GDP to foreign development assistance, as agreed in the Monterrey Consensus. Lastly, the profit sector confirms its engagement supporting philanthropic initiatives promoted by charities or corporate foundations. Much of this “good doers” are motivated by humanitarian reasons, even though donating the most is no doubt a way to increase the moral authority and credibility of such philanthropic leaders, ultimately paying back in terms of reputation and trust.

In addition to socially-oriented motivations, environmental needs adds other reasons for pushing the international and national donor community to support development and to sustain growth where both are lacking. Ensuring a sustainable kind of development leads the above
mentioned actors to consider ecosystems and biodiversity among their beneficiaries, considering their inextricable links to human livelihood.

In terms of defining a way to intervene in order to reverse conditions of unsustainable development and poverty, different were the strategies undertaken by experts of development aid to shape a model, namely a shared approach of what to do and how to take action. Within the development assistance arena, for instance, the Basic Needs Development Strategy was launched by the International Labour Organization\(^1\) to put employment and human needs (food, clothing, housing, education, and public transportation) at the centre of pro-development initiatives. Different from other approaches, Basic Need interventions prioritized ends in contrast to means, focusing particularly on how to ensure the availability and consumption of basic goods or services to poor people. Another approach was the one theorized by Amartya Sen and called “Capability Framework”, for which in addition to entitling human rights to everyone, pro-development efforts had to strive for giving equal capabilities to everyone, thus reifying the mere enjoyment of human rights in terms of processes for responding to people’s value and choices (Sen, 1999; Sen, 2005).

As a parallel phenomenon, private companies involved in charity operations adopted philanthropic strategies establishing corporate foundations or boosting Corporate Social Responsibility projects, whose goals were to position the company as a socially-oriented actor within its specific stakeholder community. This phenomenon responded to a mutual dependency between firms and society that Porter and Kramer explained by saying: “Successful corporations need a healthy society and at the same time an healthy society needs successful companies” (Porter and Kramer, 2006:83).

The involvement of the private sector (here referring to profit-driven actors such as SMEs, multinational corporations and financial institutions\(^2\)) in pro-development initiatives gave rise to the latest wave of development aid models, namely those in which business-driven companies actively contribute to foster sustainable development at a global level. Among the many examples of this phenomenon, Inclusive Business initiatives represent a case in point. What is innovative of this approach to business and development is epitomized by the UNDP sentence: “This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace” (UNDP, 2013:8).

---

\(^2\) In this study the concept of “private sector” will not include the non-profit sector. The latter, although not public, is considered as part of the civil society category.
Within the broad category of Inclusive Business, a specific approach called “Bottom of the Pyramid” is particularly worth of further investigation. Launched in 2003 by two professors from Cornell University, C.K Prahalad and S. Hart, it soon revived the debate about the inclusion of development outcomes within the core business of profit actors investing in low-income communities. Not by chance, such a contribution was included by The Economist amongst the best publications of the recent years due to its disruptive vision of how business will revolutionize the world. The landmark of this theory is to radically change the common idea of poor people living with few dollars per day. More precisely, instead of looking at them as passive victims, the authors prompted to look at them as business partners, thus developing with them innovative business solutions to address poverty and deprivation. Moreover, a key aspect of this theory is to co-create environmentally-friendly business solutions, and not to simply adapt old and polluting products/services to the low purchasing power of people living in need. Ultimately, the goal of the Bottom of the Pyramid Theory is to test innovative/green business solutions in low-income tiers to scale them towards upper or similar income tiers. This specific process, part of the BOP paradigm, is known as “Reverse Innovation”.

Since its first publication, many authors advanced the main aspects of the theory, particularly focusing on how to build partnerships with local people, how to assess the effectiveness of these types of pro-development businesses and how to obtain international funds to support their implementation. Interestingly, among the different threads of research, a point lacked of enough attention: the possibility to ascribe the theory to a proper policy framework for addressing poverty and sustainability needs at a global level.

In other words, given that the Bottom of the Pyramid business model aims at redressing social and environmental imbalances, ultimately contributing to boost development and growth in low-income communities, why has it not reached the corridor of international development policies?

This study wants to shed light on this point in order to understand the reach of the theory, namely whether its application may represent, for the international community, a new model of intervention to address the demand of sustainable development at international level. In other words, the goal of this investigation is to verify whether the success of the Bottom of the Pyramid Theory depends on anecdotic evidence or, on the contrary, holds a systemic potential to profitably serve the world’s poor by adopting consistent policies shaped on the theory’s principles. To understand that it is crucial to analyze the process of diffusion of such business approaches given

---

3 Full article available at: http://www.economist.com/node/18894875
that, in order to have a global reach and to redress sustainability imbalances, Inclusive Business needs to be effective and replicable in different regions, thus demonstrating its suitability for informing global pro-development policies. To highlight this aspect, a specific attention will be given to examine the process of diffusion of Inclusive Businesses in different geographical settings (corresponding to BOP or non-BOP income tiers), and the functioning of the institutions which at a global level (thus not only where the BOP initiative is implemented) support and advocate for the adoption of Inclusive Business as a new paradigm for ensuring sustainable human development through the market.

The structure of this study will be the following: in the following chapter, the literature on sustainable development and development assistance will be presented and organized to provide the conceptual framework within which framing the research question. A particular relevance will be given to sustainability indicators, particularly those referring to the Weak Sustainability paradigm, as the Index of Sustainable Economic Welfare (ISEW).

Chapter two will present the research question and it will show the methodology adopted by this study to carry out the empirical research. The variables adopted to verify the hypothesis will be described and their relevance for answering to the research question will be explained. Additionally, the three data sources will be presented: their rationale, nature and relevance will be justified in relation to the study’s aim.

The third chapter will analyze the information collected during the empirical phase of the research: the results of the investigation will be presented and contextualized according to their relative variable and to their relative data source. Moreover, comments on the data restitution will be added to provide more nuances to the results.

Chapter four will discuss the significance of the information collected relating them to a broader theoretical view. Additionally, two insightful perspectives for a further development of the theory will be critically assessed, suggesting future gateways to fortify and advance the theory and its application.

In the closing chapter, the overall frame of the study will be recalled, and the main conclusions drawn from the investigation will be illustrated.

Finally, two appendices will complete the study: in the first, ninety-six case-studies of the UNDP Growing Inclusive Markets database will be presented in their economic, social and environmental characterizing features. This appendix is a re-elaboration of the materials available in the UNDP database and it aims at presenting the main reasons for which Inclusive Business Initiatives are
positively contributing to sustainable development at a global level. In the second appendix, the list of questions used for the interviews will be reported.

The aspiration of this study is to clarify the limits, if any, of the policy potential of the Bottom of the Pyramid Theory, and Inclusive Business in general, as a model of pro-development initiatives. Where international policy arenas constantly debate about which is the best way to address and solve sustainable development issues at a global level, it makes sense to verify whether what has been portrayed as one of the most innovative approaches to deal with poverty and environmental degradation can really live up to the expectations of millions of people waiting for a concrete answer to inequalities, environmental vulnerability and lack of basic resources.

Actually, the need of “dotting the ‘I’ s and crossing the ‘T’ s of such a promising business approach, has never been more relevant.
Chapter one

Literature review and conceptual framework

In this chapter it will be presented a literature review of the theoretical contributions underpinning the main topics investigated in this study. The literature will be approached in order to shape a conceptual framework within which the research question may be positioned. More precisely, in the first section the concept of Sustainable Development will be presented looking particularly at some of its sustainability indicators. Moreover, two indicators of Weak and Strong Sustainability will be illustrated more in depth, particularly looking at their potential of policy information, in order to highlight the potentialities as well as the criticalities stemming from their conceptualization. In addition to that, looking at the literature on Development Studies, it will be illustrated the evolution of the traditional model of development aid assistance. Moreover, it will be scrutinized the process whereby profit actors became progressively more involved in providing development assistance. Presenting three institutional settings and two pioneering examples supporting the thesis of an hybridization of development assistance models, the chapter will continue exploring the broader category of Ethical Business. Furthermore, the discussion will be deepened illustrating what is Inclusive Business and, finally, the Bottom of the Pyramid approach will be described. The latter, will be depicted in its main and most debated aspects, in order to offer a complete scenario of its most relevant features. Finally, the open issues relevant for the research questions will be highlighted and linked to the methodology chapter where they will be empirically addressed.

1.1. MEASURING SUSTAINABILITY TO APPLY SUSTAINABILITY

The conceptualization of Sustainable Development, defined by the UN World Commission on Environment and Development in the Brundtland Report (1987), had relevant consequences on the kind of environmental policies implemented thereafter.
For instance, in addition to the introduction of the temporal dimension in the shape of an intergenerational responsibility\(^4\), another relevant effect has been the disruption of the sectoral approach which had long characterized national and international environmental policies. More precisely, by merging together economic, social and environmental aspects, the Brundtland definition of Sustainable Development enlightened a new multidimensional approach applicable to different policy levels and disciplines. A sustainable perspective, holistic and intertemporal, could then be adopted by different policies: from the establishment of conservation programs to preserve biodiversity and local livelihood (Blaikie and Jeanrenaud, 1997), to subsidies to revitalize stagnant economies, as for eco-tourism initiatives (Wight, 1993), or to foster green innovation (Clemens, 2011).

As for many new concepts, however, beyond their inherent conceptual value it soon emerged the need of a quantitative understanding of the supposed degree of sustainability (or unsustainability) of a certain development level. In other words, to clearly understand the concept of Sustainable Development, the definition of indicators to quantitatively order the presence of sustainability dynamics was requested. This was meant to capture the different nuances of Sustainable Development referred to a given ecosystem, ultimately helping the prioritization of specific measures and polices. In view of that, different measurement approaches were developed, either referring to Strong or Weak Sustainability: indicators and paradigms will be explained in the following four paragraphs.

1.1.1 The Strong Sustainability paradigm

The Strong Sustainability paradigm relates back to the work of Herman Daly and his postulate of a non-substitutability of natural capital. The main advocate of the Strong Sustainability paradigm stated that natural capital has to be preserved in physical terms and not just in terms of its value. Consequently, natural capital is not interchangeable with human or man-made capital of equivalent value (Daly, 1992). Following from that, rising levels of man made and/or human capital cannot compensate for a physical decrease of natural stocks, as maintained by the Weak Sustainability paradigm. Another important aspect of such a paradigm is referred to the scale of the global Economy, which has to be limited as it is natural capital carrying capacity. For this reason, beyond ensuring a certain maximum level of natural resource exploitation, Strong Sustainability

\(^4\) The famous excerpt “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” epitomizes the willingness to compromise current and future generations’ needs (UNWCED, 1987). Source: http://www.un-documents.net/ocf-02.htm.
requires to respect an absolute scale of what maximum can be exchanged globally, so to avoid the
overshoot of the finite macro-economic system (Daly, 1991).
Consequences of this assumption are: the need of do not exceeding the natural carrying capacity of
renewable resources, or exhausting non-renewable ones, and the need of using the environment as a
sink without exceeding its absorptive capacity not to deteriorate it irreversibly. In other words,
within the Strong Sustainability paradigm it is crucial to maintain the environmental functions of
natural capital, managing its services to secure their natural performances over time.

Back to the intergenerational equity stated in the Brundtland Report, this aspect has been
particularly investigated and debated from a Strong Sustainability perspective in terms of its policy-
related consequences. If, on the one hand, sustainability has been recognized as a necessary
condition for intergenerational justice (Barry, 1997), the political consequences of such a binary
relationship have been questioned. To clarify this contentious aspect, three examples will be
presented.

First, it has been argued by Stern (2007) that the right of future generations to enjoy a
preserved natural environment ultimately leads to the idea of a global limit to environmental
pollution, as well as re-payments in case of excessive greenhouse gas emissions. However, Stern
questions the essence of this right, considering it as a simple assertion and not as a principle
accepted by the international community and based on ethical beliefs shared at international level
(ibid:47).

Still on the responsibilities towards future generations, Roberts (2004) explains how politics
cannot justify, nor accept, a downsize of current activities to respect rights of people not yet alive.
In her words: “One reason for this in democratic societies is that future generations have no votes”
(ibid:67). Such a pragmatic consideration is no doubt realistically undermining the applicability of
Sustainable Development in political terms.

Finally, even the option of balancing the voids of future generations’ corrupted ecosystems
through an increased availability of material capital is unacceptable in the eyes of Spash (1993),
who argues that it is an inviolable right of future generations to be free from environmental
damages inherited from the past. Consistently with that, the Strong Sustainability paradigm can be
seen as a stricter interpretation of the intergenerational principle introduced by the Brundtland
conceptualization of Sustainable Development.

1.1.2 Two indicators of Strong Sustainability
In relation to the Strong Sustainability paradigm, indicators were primarily focused on quantifying material flows to be preserved in order to be Strong Sustainable. Given the assumption of non-substitutability of natural capital, they referred to physical quantities instead of monetary values of natural capital.

In this study Ecological Footprint and Material Flows will be illustrated as two examples of Strong Sustainability indicators.

**Ecological Footprint** equates the impacts of all human activities to the area required to provide the resources used and to absorb the waste generated by economic activities (WWF, 2012). This indicator highlights the impacts of a country consumption processes on the natural environment, hence, it is the consumer-side to be evaluated for its environmental impacts. For example, a developing country extracting oil will not be considered for the impacts of its extraction activities but the latter will be counted on the consumption profile of the country using such oil for its industrial and energy needs, most of the times a developed country. Such calculations are finally compared to the bioproductive capacity of the land, namely the carrying capacity of the land unit, called “Global Hectare”. In case the Ecological Footprint (Demand) exceeds the bioproductive capacity (Supply) of the global hectare, natural capital is considered as being permanently corrupted, and this imbalance leads to an ecological deficit/overshoot (ibid:40).

For instance, mentioning the case of two leading economies, Brazil has a biocapacity above its Ecological Footprint, although decreasing, whereas the United States are characterized by an overshoot condition lasting since 1960\(^5\). Connections between the Ecological Footprint and human activities are given by Ecological Footprint’s drivers, namely: population growth, consumption of goods/services per capita and footprint intensity. These represent proxies of “the efficiency with which natural resources are converted in goods and/or services” (ibid:41). Notably, such imbalances are more likely to characterize developed country than developing countries.

Overall, according to the WWF (2012), the global Ecological Footprint was that in 1964 humanity used only 54% of the global biocapacity, whereas in 2005 it exceeded the global limit of 2.1 global hectare, causing the first Ecological Footprint overshoot. Currently, the global Ecological Footprint is 2.7 hectares, namely 0.6 global hectares bigger than the global acceptable limit.

Critiques to the Ecological Footprints have mostly pinpointed problems in accounting for carbon sequestration activities, which the indicator refers only to forestry instead of encompassing solar or wind energy (Ayres, 2000). Indeed, including clean sources of energy may reverse the computation in favour of developed countries which are, in fact, big investors in solar and wind

---

energies on their territories but small actors in forest carbon capture due to few land available for
tree plantations as carbon sink projects. Additionally, two main aspects were criticized for their
consequences on international policies: the risk of an ecological autarky and the idea of a possible
substitutability between natural capitals.

The first point relates to the negative relevance given by such indicator to international
trade, deemed as responsible for increased consumption and consequent environmental degradation.
Detractors of Ecological Footprint state that international trade cannot be downsized following the
idealist scenario of an ecological autarky (van den Bergh and Verbruggen, 1999). This point is
also highlighted by Stiglitz et al. (2008:61), claiming that different resource endowments
incentivize mutually beneficial exchanges more than being a signal of a risky status of non-
sustainability. The authors, hence, conclude that indicators as the Ecological Footprint should be
used to raise the awareness about the carrying capacity of our planet more than informing political
actions that could possibly lead to a dangerous global autarky.

Secondly, Ecological Footprint maintains that natural capital cannot be substituted by
human or man made capital whereas it is admitted to offset natural losses with other natural
resources. From the point of view of policy makers such a conclusion is questionable since it is
difficult to inform policies justifying a loss of certain natural functions by simply adding other types
of natural resources. Moreover, such an indirect form of natural capital substitutability runs counter
to a strict definition of Strong Sustainability, which predicates a complete non substitutability of
natural capital, including by other forms of natural capital (Neumeyer, 2010).

In sum, as reckoned by McManus and Haughton (2006:117) Ecological Footprint became
popular in environmental policy circles due to its communicative appeal, primarily driven by the
catchy idea of an ecological footprint, a concept more easy to communicate beyond the scientific
community of environmental scientists. Nonetheless, such indicator has relevant methodological
flaws leading to criticalities in terms of policy information and implementation.

The second indicator of Strong Sustainability illustrated in this study is called Total
Material Requirement and it measures the weight of all the materials (input flows) entering the
economy. More specifically, it counts the extracted materials not utilized for consumption or
production activities (e.g mining discards) and those materials which were inputs of other countries’
imported goods (UN et al. 2003:124). Similarly to the Ecological Footprint, Total Material
Requirement highlights the environmental impacts along the early stages of production. The
rationale of such indicator is that the more materials are required to produce a certain good or
service, the worse is for the environment, which is subject to a higher anthropic pressure.
At a policy level, the rational of such indicator is to shed light about the systemic nature of the relationships between the environment and the economy, leading to a comprehensive analysis (Material Flows Analysis) of the weight of all the materials inserted and processed during production and consumption activities. Quantitative goals in favor of a more sustainable global production and consumption were defined considering such indicator, for example, Weizsacker et al. (1997) estimated that the global Material Flows had to be reduced by a “Factor of Four”, meaning that the use of resources needs to be halved and the welfare needs to be doubled, thus leading to quadruplicating the eco-efficiency in the long run. Finally, as illustrated by Robert et al. (2002:208), “Factor 10” was another quantitative goal developed by Schmidt-Bleek, founder of the Factor Ten Institute, pointing at reducing of ten times the weight associated to extractive and transformative activities along the supply chain. In Schmidt-Bleek’s words: “Practical experience in industry indicates that Factor 10 and more can be achieved without jeopardizing end-use satisfaction. A tenfold improvement of the overall resource productivity of the economy will not only preserve natural resources for future generations, it will reduce emissions, effluents and wastes accordingly” (Schmidt-Bleek, 2007:7).

Critiques to this indicator referred primarily to a difficulty in isolating the system or the flows to be analyzed (Venuta, 2002). More precisely, it is equally possible to analyze a single product within a specific productive sectors or the entire economic process subject to a certain authority, being it a district, a region or a country. Both options lead to different results, undermining the consistency of such indicator’s policy lessons. Moreover, another flaw refers to the unclear boundaries between environment and economy. For example, agricultural land may be counted as a productive input (relevant to the economy) or as a natural endowment (not relevant for the economy). In the latter case, intermediary flows such as pesticides or cattle feed would not be tracked (ibid:14). Additionally, as argued by Sheerin (2002:58), who wrote on the application of the Material Flow Analysis in the UK between 1970 and 2000, it is questionable to consider a country responsible for the transformation of natural resources associated to goods consumed by other countries (exported goods). Finally, according to Hinterberger et al. (2003:9), the use of Total Material Requirement as an indicator of Material Flows Analysis presents the following shortcomings: (i) its aggregated value hides the relevance of certain materials which may have higher impacts on the environment and should, therefore, be differentiated from less impacting material groups, (ii) its quantitative nature overlooks the fact that small material flows, hence with a lower weight, can be relatively more dangerous for the environment than others quantitatively bigger, (iii) its focus on material balances overlooks the role of actors responsible for such material
flows and, consequently, it fails in indicating who may be appointed for begin a process of
dematerialization.

1.1.3 The Weak Sustainability paradigm

The second type of Sustainability, Weak Sustainability, states that the condition to be sustainable is to keep the stock of global capital above zero, the latter being a mix of all forms of productive capital. Consequently, the three forms of capital (natural, man-made and human) are seen as interchangeable, contributing to the consideration of such a type of Sustainability as the “Paradigm of Substitutability” (Neumeyer, 2010:21).

From a theoretical standpoint, the main assumption for this conceptualization is the Solow-Hartwick rule, which stated that investments in human capital or man-made capital can offset declining stocks of non-renewable resources (Hartwick, 1977). In other words, to have a constant level of consumption per capita it is requested to re-invest all the returns obtained by the consumption of natural resources. As claimed by Cabeza Gutès (1996:151), there are two strong assumptions behind the concept of Weak Sustainability: (i) a high degree of substitutability between natural and other forms of capital, namely an elasticity of substitution among the forms of capital equal or greater than zero, and (ii) the consideration of natural capital as homogeneous, regardless the different functions that natural resources play within both the economy and the ecosystem.

At a policy level, Weak Sustainability does not require specific environmental measures since, as long as the availability human or man made capital can compensate the depreciation of natural capital, the overall condition of Weak Sustainability keeps standing. Considering the natural capital as always substitutable as input (or sink) for global production and consumption means that rising investment levels can compensate for a decline in natural resources or for an increase of pollution levels. Because of that, Weak Sustainability has been called by Neumeyer (2010:22) “the Optimistic Paradigm”, highlighting the optimistic assumption that natural capital can be always monetarily and conceptually equated to any other form of capital.

1.1.4 Two indicators of Weak Sustainability

Among the indicators that have been drawn referring to the paradigm of Weak Sustainability, two will be illustrated more in detail: Genuine Savings (GS) and the Index of Sustainable Economic Welfare (ISEW). The reason for choosing these two is that, as aggregate indicators, they encompass all three forms of capital (human, man-made and natural) responding to
the comprehensive conception of Sustainable Development which, indeed, addresses the economy and the society as a whole.

**Genuine Savings** (GS), or Adjusted Net Savings, is an indicator developed as a direct consequence of the Solow-Hartwick rule. It compares the savings rate with the sum of the depreciation of natural and man-made capital. If savings are enough to be re-invested in non-natural capital so to compensate the depreciation of natural resources, then the overall consumption will be constant (Pearce and Atkinson, 1993). Hence, man-made and human capital are considered equally able to produce welfare as natural resources are. This point is particularly relevant since, according to the Weak Sustainability paradigm, the consideration of such forms of intangible capital responds to a more flexible picture of what may concur to increase the welfare of a people. However, a positive GS is no proof of a Weak Sustainability status but only of non-UNsustainability status, because natural capital may be underpriced and hidden costs may affect the final account (Asheim 1994, p.262).

Shortcomings of this indicator are primarily methodological: first, GS is based on the condition of having all values and quantities at optimal levels, implying an economy following an optimal path of growth. No externalities are conceived and it is supposed that all the actors have perfect information, now and in the future, to decide the level of optimal consumption for all the different forms of capital (Barro and Sala-i-Martin, 1995). Realistically, such a context is far from being replicable in real terms. Indeed, it could be that quantities and prices are not optimal due to hidden externalities resulting in a positive GS but also in an unsustainable level of consumption. Moreover, GS calculations do not consider loss of human capital through death, knowledge obsolescence or its partial inoccupation in the case of retired people (Schepelmann et al. 2010:28). Additionally, GS only considers natural capital for which there are monetary evaluations. On the contrary, it may be that for some natural resources such as biodiversity, wetlands, wilderness there is no (or imperfect) market values, limiting the impacts of depreciation of natural capital to some forms of natural resources (Hanley et al. 1999:59). Finally, another critical point is the role of natural reserves. On this point Neumeyer (2010:149) analyzed GS rates for Saudi Arabia (1970-1997) as developed by a method adopted by the World Bank and by a competing method called “El Serafi”, from the name of its developer. The author found that, according to the World Bank computations, Saudi Arabia was Weak Unsustainable, with a GS permanently below zero, given the strong activity of resource extraction\(^6\). Contrary to that, adopting the second method, GS

calculations for the same country showed a positive trend because of the inclusion of the value of oil reserves, which offset the depreciation of extracted oil quantities (as shown in the picture).

![Graph showing GS rates over years](image)

**Figure 1.1**: Sensitivity analysis for GS rates of Saudi Arabia. **Source**: Neumeyer (2010)

In addition to that, GS is an indicator providing a snapshot of the global level of Weak Sustainability particularly biased in favor of developed countries. Indeed, given that the majority of resource-intense activities are located in developing countries unable to invest in human or man made capital, the overall picture identifies primarily Low-income Countries as Weak Unsustainable. On this point, Costanza et al. (2009) confirms that rising levels of welfare in developing countries are obtained by selling off natural capital, whereas advanced economies increase their wealth rising their intangible capitals. According to Proops et al. (1999) if natural capital depreciation would be attributed to the country of resource consumption, GS would be reversed in favor of developing countries.

At a policy level all these aspects contribute to hinder the process of decision making, given the strong assumptions on which the indicator is based. What is difficult to draw from looking at GS figures is a precise idea of what is the best policy to implement. For example, politicians facing a country’s GS below zero have different and sometimes competing policies to choose from. Some decision makers may prefer investing in man made capital, so to compensate the depreciation of natural resources, whereas others may be willing to invest in education so to rise human capital levels (Neumeyer, 2010:151). Thus, it is difficult to translate the meaning of GS indicator in terms of pragmatic policies to address environmental balances, not to consider that it is politically questionable to blame developing countries for the environmental impacts of resources that they do not directly consume.
The other indicator of Weak Sustainability is called **Index of Sustainable Economic Welfare** (ISEW) and, together with the Genuine Progress Indicator which is its latest evolution, it is part of the so called Green GDP Accounting System, an attempt to develop indicators alternative to Gross Domestic Product (or Gross National Product) for measuring global welfare (Talberth, 2012). Methodologically it is built on personal consumption expenditures (a GDP component) weighted by an index of distributional income inequality. On this basis, some expenditures are added or subtracted depending on their role in terms of contributing (or not) to the well-being: adjustments for income inequality, costs of environmental degradation, defensive private expenditure and depreciation of natural capital are subtracted, whereas services form domestic labor, economic adjustments and non-defensive public expenditures are added (Daly and Cobb, 1989). For instance, the value of volunteer work is added, whereas the cost of commuting is subtracted from the computational base. Notably, what has to be avoided is a decrease of the ISEW indicator because this would mean a reduction in terms of global well-being (Hanley et al. 1999:60). Building on this logic, the latest evolution of the ISEW was called Genuine Progress Indicator (GPI) and it incorporated the costs of crime, divorce, unemployment and changes in leisure time (Schepelmann et al. 2010:25). The picture below shows in details the expenditure added or subtracted to the personal consumption expenditures, as part of the US GPI for the year 2006.

**Adjustments to weighted personal consumption expenditures, US GPI of 2006**

- Value of housework and parenting (+)
- Value of higher education (+)
- Value of volunteer work (+)
- Services of consumer durables (+)
- Services of highways (+)
- Costs of crime (-)
- Loss of leisure time (-)
- Costs of unemployment (-)
- Costs of consumer durables (-)
- Cost of commuting (-)
- Cost of household pollution abatement (-)
- Cost of auto accidents (-)
- Cost of water pollution (-)
- Cost of air pollution (-)
- Cost of noise pollution (-)
- Loss of wetlands (-)
- Loss of farmland (-)
- Loss of primary forests (-)
- Resource depletion (-)
- Carbon dioxide emissions damage (-)
- Cost of ozone depletion (-)
- Net capital investment (+/-)
- Net foreign borrowing (+/-)
The elaboration of such indicators as an evolution of GDP (or GNP), weighted by some adjustments referred to an increased or decreased well-being, responded to the need of moving out from a conception of growth dominated by monetary and consumption goals to a more inclusive one, characterized by social and environmental targets in addition to economic achievements. In this sense the ISEW (here considered as inclusive of its analytical elaborations such as the GPI) represents an indicator contributing to decouple the concept of well-being from economic growth, responding to what the famous speech of Robert Kennedy highlighted: “GDP measures everything except that which makes life worthwhile”.

Analytically, the stark difference between measuring welfare by adopting GDP (or GNP) or the ISEW indicator is explained by Max-Neef (1995) with the so called “Threshold Hypothesis”. The latter refers to the moment in which additional level of income do not correspond to increased levels of life quality. Considering the United States of America, as shown in the picture, such detachment happened in the ‘70s when, for the author, welfare policies were cut and substituted by measures inspired to neoliberal principles (ibid:118). Looking at the determinants of the rising gap between GNP and ISEW, Jakson and Marks (1994), pointed at resource depletion, long term environmental damage and unequal income distribution as the three main causes for the split of the two indicators over time.

---

Figure 1.3: the “Threshold Effect” relative to the United States of America. Source: Max-Neef (1995)

Critiques to this indicator are primarily referring at the so called “defensive expenditures” namely expenditures which are not contributing to additional welfare but just maintaining the former levels of well-being preventing possible decreases. Cobb and Cobb (1994), for example, discounted 50% of health expenditures value since the latter were just preventing possible future diseases instead of producing additional value. From an ethical point of view this approach is contestable because avoiding diseases is already a way to increase the global well-being (Neumeyer, 2010). Following the same line of reasoning, holidays should not be included within the expenditures improving the quality of life since they are means by which avoiding stress-related diseases instead of adding welfare (Neumayer, 1999 in Lawn 2005).

In sum, the ethical acceptability of ISEW as an indicator to track which expenditures improve global welfare is at risk given the difficulty to draw the line between what is a defensive expenditure and what it is not. Finally, listing the adjustments to personal consumption expenditures is a process flawed in two ways: (i) defining what can concur to welfare and what can undermine it may be a culturally biased process and (ii) the assignment of a monetary value to some activities may suffer from arbitrariness given the absence of a market for activities such as, for instance, domestic labor (Schepelmann et al. 2010). Having said that, it may seem that the ISEW as well as its evolution, the Genuine Progress Indicator, may not realistically inform national and international policies preventing un-sustainable development. Nonetheless, as reckoned by Daly (1996), ISEW is built on arbitrary judgments exactly as the GDP is. The difference between the two indicators is that the first tries to include some sort of social and environmental costs or, in Daly’s words: “If GDP were a cigarette, ISEW would be that cigarette with a charcoal filter” (ibid:97).

What has been described so far has been investigated to illustrate some of the most important indicators of Weak and Strong Sustainability and their potential to be translated into policies. From the study of their evolution and particularly their significance in terms of policy implementation, two conclusions can be drawn: first, shaping an indicator is a complex process of approximation and data selection. As argued by Mayer (2008:287), sustainability indicators are not immune to methodological criticalities including: (i) system boundaries, when the ecosystem limits mismatch with the extension of the political authority; (ii) data inclusion, when different indices are added in later years thus altering the consistency of the analysis; (iii) standardization, which, equating the weight of all the components of an indicator decreases the specific relevance of some
of them; (iv) *aggregation methods* that overlooks non-linear relationships between economic, social or environmental realms, and finally (v) *comparisons across indices*, when the latter may respond to opposite approaches such as Weak or Strong Sustainability. All these aspects are relevant to be considered for their consequences in terms of policy implementation, namely in their potential to inform measures and policy-plans derived from the adoption of a certain indicator.

Second, the need to measure forms of social capital and environmental capital in order to investigate all the dimensions of the Sustainability’s definition sheds light on other forms of welfare measurements than GDP or GNP. Consequence of this process was the consideration of social capital as equally concurring to the well-being of people as tangible capitals, whereas the integrity of natural capital was finally prioritized for increasing global prosperity. Particularly on the role of social capital, Sobel (2002:139) defines it as “*circumstances in which individuals can use membership in groups and networks to secure benefits*”. In other words, social capital refers to institutions, networks, aggregations never considered by economic indicators, whose belonging increases people’s prosperity. On this topic it is particularly relevant the work of Dasgupta (2005) on trust, as the main condition making social transactions be relevant. More precisely, what the author argued was that interpersonal networks are trustworthy when five conditions are in place: mutual affection; pro-social disposition; incentives; external enforcement and reputation as capital asset.

In sum, rising the attention on the need to measure sustainable development led to a new conceptualization of what had to be considered progress and development, including variables that referred to capabilities, empowerment, environmental assets and equity, and to move away from an exclusive attention towards economic growth (Drudy, 2009). Yet, how such conceptual shift could transfer its meaning into consistent policies practically responding to what the indicators highlighted is still unclear, as the picture portrayed by Weak or Strong Sustainability indicators is highly complex.

1.2. INTERNATIONAL DEVELOPMENT AID: TOWARDS A CONCEPTUAL AND PRACTICAL SHIFT

What has been described so far were the various attempts to shape indicators for measuring sustainability and consequently informing consistent policies to boost it. The above mentioned
indicators were, indeed, created to pave the way for measuring a kind of development more respectful of natural resources and social dynamics, namely a proper Sustainable Development.

However, as recalled by Shepelmann et al.’s critiques (2010) about the adjustments to add or subtract to the ISEW indicator, what made considering certain activities fruitful in terms of development changed over time and among different cultures. This was seemingly experienced by development aid policies, which changed according to an evolving conceptualization of what progress had to mean (Black, 2002:73) and to a progressive transformation of its political premises (Raimondi and Antonelli, 2001:71).

Hence, similarly to the theoretical shift that led to the inclusion of social and natural capital within sustainability indicators, another theoretical evolution interested development aid policies. More precisely, what was long conceived to represent the best way to intervene in poor countries to bring development and prosperity went through a process of redefinition of its basic assumptions, leading to a new model of action.

1.2.1 International aid and the progressive commitment of the private sector

The origins of international development aid go back to the immediate aftermath of the World War II, when the massive destruction of European countries required the material help of the countries that won the Second World War in order to rebuild infrastructures and territories. The most famous intervention to recover Europe from the ruins of the war was the Marshall Plane, from the name of the Secretary of State George Marshall who signed the Plan. At that time, after a devastating period, reconstruction and aid were both associated to monetary assistance to provide relief and to boost economic growth. Given the extraordinary results obtained by the plan, which managed to rebuilt the economic conditions for the proper functioning of the market after the Great Depression and the tragedy of the War (De Long and Eichengreen, 1991), such a type of assistance became a model of development aid provided by foreign countries (Kotler and Lee, 2009:24). In 1969, the World Bank Commission for International Development, headed by the Canadian Prime Minister Lester Pearson, launched an international campaign for donating the 0.7% of advanced economies’ GDP to development assistance initiatives, following the blueprint of the Marshall Plan (Human Development Report, 2005:117). According to this model, the type of aid provided to low-income countries was exclusively pointing at industrial growth, capital formation and large-scale investments, being the latter a sign of richness, economic stability and power (McGillivray et al., 2006). This was particularly evident during the Cold War, when both the USA and URSS supported their satellites allies through such a kind of development aid’s pattern. European and non-European
countries were forced to modernize their industrial strategies looking at big investments in massive infrastructures (dams, new industrial cities, mines, etc.) and to prioritize sectors such as chemicals, defense or automotive because of their strategic political relevance (Ellerman, 2005). All these pro-development initiatives were fully managed at a public level, involving exclusively public institutions from donor and receiving countries. Notably, among the supporters of this approach, Sachs and his coauthors (2004) argued that this is still the best strategy to approach development issues, particularly in Africa. More precisely, what the academics reckoned was the effectiveness of a big push, in terms of public investments, given by foreign development assistance to well-governed states. Such an interventionist approach pointed at rich countries delivering infrastructures, goods and services needed to foster local economy. In sum, the first wave of international development aid was remarkably political, highly impacting on the territories and societies and publicly-driven.

After roughly thirty years of adoption of such a model of development aid, first looking at European countries and secondly at the so-called “Third World” countries, a new conceptualization of what had to be Development assistance emerged in the 1980s. Due to the rise of a strong neoliberal approach in politics, with the election of Ronald Regan and Margareth Thacher in the two countries leading the western coalition, most of the centralistic and institutional-oriented forms of development were substituted by a more privatistic approach (Strange, 1996). Proving that, according to official UK Government figures released by the International Development Department (2013), from 1979 to 1990 Official Development Aid decreased constantly from 0.51% of Gross National Income to 0.27%, the third lowest level ever. Instead of following country-level plans designed by foreign institutions delivering assistance, yet rarely co-partnering with the beneficiaries, development aid began to be scrutinized by the same criteria used for private initiatives namely effectiveness and efficiency. Building on that, Nelson (2010:21) concludes that private companies can be a catalyst for new technologies, skills and resources boosting the effectiveness of development aid initiatives. Seemingly, Davies (2011) in his study on the role of the private sector in the context of aid effectiveness argues that profit actors can contribute with a focus on input/output rather than broader societal benefits, as well as stressing the need for development impact measurements and requiring a more transparent and accountable process of resource allocations.

---

8 Sauvy A., the Observateur, August, 14 1952.
Reasons for such a shift were primarily two: (i) excessive bureaucracy resulting in redundant procedures and (ii) a low level of local empowerment as result of development aid initiatives. Before looking more in depth at the above mentioned flaws, it is crucial to introduce the idea of empowerment, a concept that became soon a category with which evaluating development aid. According to its theorist, Julian Rappoport (1981), empowerment refers to a condition in which people gain control over their lives either autonomously or thanks to others’ help. Particularly considering social policies, empowerment has to be reached at individual, community and professional level. In order to do so, social policies need to be decentralized, small-scale and open to outcomes, namely designed as an open-ended process (ibid:19). Looking more specifically into the development literature, the concept of empowerment was a crucial component of Sen’s capability approach, as argued by Hill (2003:122) and it became an operational benchmark for evaluating multilateral development aid initiatives in the years 2000, when the World Bank translated it in terms of access to information, participation, accountability and organizational capacity (World Bank, 2002 and Aslop et al. 2006).

Back to the reasons whereby the centralistic and public-driven development aid went through a process of transformation, Easterly (2002) and Polman (2009) analyzed the difficulty of working with different poor countries’ institutions trying to avoid corruption and inefficiencies. On the latter, Easterly affirms that foreign aid creates a cartel of bureaucratic inefficiencies in which aid officers belong to a redundant architecture and poor people are forced to accept such an hegemonic infrastructure. According to the author, to move away from these monopolistic bureaucracies “one possibility is giving aid vouchers directly to poor people to increase competition, feedback and accountability” (Easterly, 2002:57). Considering the low level of empowerment, Banae and Yandell (2006:313) deem international development policies responsible for the passive attitude of poor countries unable to manage their own educational and health systems as chronically addicted to foreign assistance. Seemingly, Moyo (2009) highlights the distortive effects of publicly-driven development assistance on the fragile economies of poor countries. In the example of the distortive effects of mosquito nets on African economies, the author enlightens as giving for free mosquito nets bailed out local producers, increasing the level of unemployment. Consequences of such imbalances were that after five years from the first delivery, nets were broken and their replacement not possible due to the absence of any knowledgeable technician in the local economy. To solve this problem, according to the author, a radical reshape of the concept of development is needed, moving from assistance to empowerment, and fostering people’s responsibilities in implementing development projects while boosting private companies on the field (ibid:84).
This shift towards a more private-alike approach magnified the role of firms, and big companies, and reduced the one of governments and public institutions in managing development aid. Consequently profit-oriented actors were pointed as new subjects for improving development, thus counterbalancing years of unheard requests addressed from low-income countries to their own local institutions.

At theoretical level, Bird (2009: 88) argues that the positive role played by firms engaged in development is linked to their willingness to adopt the so-called “asset building approach” as opposed to the classic “cost-minimization approach”, the latter being interested in short-term, cheap and replicable solutions. More precisely, the appropriateness of considering a private company a development actor depends to the extent to which the firm is able to mitigate the urgency of a quick pay-back from the pro-poor investments, accepting lower margins in exchange for asset creation. Additionally, Shuster and Holtbrügge (2012) justified the involvement of business actors in development issues due to their historical know-how about technological solutions to address specific needs, and managerial know-how. Sheerer et al. (2006) reckon that particularly multinationals are actively implementing policies once forwarded by public institutions and, according to the authors, this is particularly visible within the human rights, peacekeeping, social/environmental standards domain. To this regard, Frynas (2008:279) argues that in Nigeria, due to unsuccessful public development projects, people started asking Shell (the Dutch energy and petrochemicals company) to build hospitals, schools and modern infrastructures, bypassing the State and any other form of national institution (also Matten and Crane, 2005).

Notably, the importance of private companies for reaching development goals equally interested emerging markets’ companies operating in low-income countries. Indeed, according to a study of the German Ministry for Economic Cooperation and Development (BMZ, 2011) focused on twelve large multinationals from Brazil, China, Egypt, India, Mexico and South Africa, the latter contributed to poverty alleviation and sustainable development in three ways: with philanthropic initiatives, inclusive business and improving the business environment of low-income countries (ibid:28).

About the commitment of firms in pro-development initiatives it is starkly important to differentiate between developmental outcomes obtained by the simple effect of companies relocating certain productions in developing countries, for example increasing local employment, and private initiatives concurring to reach developmental goals by way of their embeddedness in a thoroughly development-oriented kind of business. Back to the previous two examples, hence, it is possible to say that while Shell had possibly improved Nigerian livelihood building schools and hospitals, it has more remarkably condemned local Ogoni people to forced migrations from the
Niger Delta due to oil drilling activities (Frynas, 2001). Contrary to that, CEMEX, a Mexican building materials company mentioned in the BMZ’s study, managed to ensure free access to credit to poor people willing to build proper houses, thus contributing to reduce the housing gap and shaping its business on the specific needs of low-income customers (BMZ, 2011:33). Such a clarification is meant to differentiate from investments made by companies which may have unintentional positive developmental outcomes and an intentional pro-development approach that has represented the new feature of development aid after the ‘80s.

Adopting a policy perspective, it is possible to analyze the involvement of private companies in development issues looking at three institutional settings that framed such a phenomenon.

1.2.2 Three institutional settings

Three examples illustrate the progressive involvement of private actors in international development policies. Such cases are useful to exemplify a continuum along which it is possible to track the progressive involvement of business actors within development initiatives once exclusively shaped by institutional actors.

The first example refers to the Global Compact Initiative, a voluntary partnership promoted by the United Nations in 1999, willing to pool private companies respecting ten principles in the field of social, labor and environmental rights. The goal of the Global Compact is to foster the dialogue between the multilateral institution and the business sector, as well as to advance the agenda of private companies with regard to their role as development’s actors (Global Compact, 2010). From the institutional point of view, this is a type of initiative whose first aim is to align multiple forces and resources to translate development principles into practice, including the latter in the typical profit-driven approach adopted by firms. Hence, the Global Compact is a context for creating a dialogue and strengthening learning networks among firms and the UN, the latter shaping the governance and the functioning of the Compact according to its institutional mindset. The debate about such an initiative mainly points at evaluating its effectiveness. On the one hand, authors such as Whitehouse (2003), argues that the main flaw of the Global Compact is the lack of a proper enforcement procedure. In other words, the author claims that the Global Compact is not enough to inform a mandatory regime within which firms are forced to implement actions consistent with the endorsed principles. Moreover, the lack of an independent verification of companies’ declarations regarding the ten principles and the avoidance of publicizing the names of
actors not complying with their commitments lead to a *perceived* observance and not of an *effective* one (ibid:310). Contrary to that, Rasche (2009) argues that much of the critiques about the Global Compact derives from a misunderstanding about its nature, which is the one of a temporary solution to supplement existing and missing regulations involving business actors in development issues. In other words, the aim of the Compact is not to create a binding policy regime but to provide a long term learning arena where profit actors can learn, in partnership with the UN, how to approach the responsibilities they have, once endorsed the ten principles of the Compact. In sum, according to the author, there is the need to avoid the dichotomy whereby the effectiveness of any institutional initiative is exclusively linked to its enforcement potential (ibid:25). Finally, Kell (2005) highlights the importance of the Global Compact looking at two main outcomes: first, it transformed the operational infrastructure of the UN, traditionally based on administrative bureaucracies, changing its hierarchical nature towards a diffuse, network-based approach dealing with emerging right-based issues. Second, it launched a new era of cooperation between the business community and multilateral institutions, overcoming the mutual suspicion that had previously identified market actors as the capitalist ideology (ibid:71). In sum, the importance of the Global Compact is to act as a catalytic initiative demonstrating that business actors can team up with global institutions to define a common pro-development agenda.

The second example is the UNDP Business call to Action, launched in 2008. The program responds to the idea of recruiting private firms in order to address specific development needs listed by the UN. Differently from the case of the Global Compact, the governance of this initiative is shared among purely public institutions (national o multilateral) and private institutions. More specifically, the UNDP Business call to Action is supported by the Australian Agency for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the UK Department for International Development, the US Agency for International Development, the United Nations Development Programme, the United Nations Global Compact, the Clinton Global Initiative and the International Business Leaders Forum (Business Call to Action brochure, 2009). Such a private/public governance shows a progressive shift towards an alignment of different partners *co-managing* development projects at international level. Additionally, the modus operandi of such program is need-based, namely it is up to private firms to see how they can partner with the institutions, browsing the UN need list and saying in what way they intend to collaborate with the UN\(^{10}\). These characteristics, therefore, refer to a more pragmatic governance approach in which the decision making process is initiated by the

firm itself, which offers its collaboration on a list of pre-defined needs. Hence, this process differs from other UN initiatives where goals and agenda setting were decided by institutional actors and eventually shared among profit actors. As claimed by Africa (2011), the Business Call to Action engaged the profit sector for what it does better: make profit and innovate, leaving to firms the independence to develop the best profit-driven strategy ensuring the reach of development improvements. The author defines the Business Call to Action a landmark event since it demonstrates that instead of asking money to the profit sector, development aid policies may best look at integrating the entrepreneurial spirit into pro-development traditional approaches, showing that profit and aid can fruitfully address development needs.

Finally, among the purely private initiatives, the creation of the World Business Council for Sustainable Development (WBCSD) represents a crucial case. Launched in 1995, on request of the Secretary General of the Rio Summit, the WBCSD was born to represent the perspective of business actors in sustainable development issues. Members of the WBCSD gather during meetings and conferences where leaders, CEOs and members of companies develop and test their ideas encompassed within four branches: focus areas, sector projects, systems solutions and capacity building (WBCSD’s website)\(^{11}\). Such branches are thought to provide a platform for the formulation of positions, messages and action (Focus Area) particularly referred to themes such as: the Business Role, Development, Energy and Climate, Ecosystems. Sector Projects are industry-specific initiatives focused on Water, Buildings, Cement, Electricity Utilities, Tires, Mobility, Forest Solutions, demonstrating how partnerships and commitment among companies can fruitfully address crucial dilemmas along the value chain. Systems solutions address two issues, namely Urban Infrastructure and Sustainable Consumption&Value Chain adopting a systems-based approach. Finally, Capacity building programs promote education and training programs making business professionals able to address pressing challenges before they turn into crises (ibid). In this case it is possible to notice how the rational of the governance architecture is strongly similar to the one adopted by multinationals: different branches are organized around relevant topics and their rationale depends on the reach of practical goals and the fulfillment of the expected results. Completely absent from this institutional setting are symbolic roundtables, declaration of intents or generic endorsement often typical of the institutional arenas. Moreover, different from the two previous examples, within the WBCSD the agenda setting is completely shaped by the participating companies, thus no public institutions interfere with the definition of priorities and objectives. On the importance of the WBCSD as a policy arena for business familiarizing with sustainable

development needs, Najam (1999) claims that the WBCSD is important for highlighting the linkages that the industry has with sustainable development issues. Moreover, even if such involvement is aimed at the creation of a competitive advantage, hence for a profit-drive scope, the WBCSD is nonetheless a valuable arena where firms have the possibility to commit themselves and deploy effective initiatives according to their own understandings, as well as strengthening their role as policy actors (ibid:74).

The three cases above mentioned exemplified how, at international level, the governance of development aid initiatives shifted from being held by multilateral institutions, to be co-shared and finally purely private, determining an evolution of the decision-making process once monopolized by multilateral public institutions. This shift resulted in the progressive emancipation of profit actors and private means as respectively subjects and objects of pro-development aid policies, something culturally supported by the neoliberal dominant ideology of the 1980s (Steidlmeier, 1993). Such an evolution had relevant institutional consequences like a fragmentation of the chain of actors involved in developmental projects (with a rising number of private-actors) and the filtering of effectiveness and efficiency criteria within development projects once dominated by political convenience.

In sum, after the end of the Cold War development policies started being managed by profit-driven actors implementing profitable solutions to development needs.

1.3 FROM ETHICAL BUSINESS TO INCLUSIVE BUSINESS

What has been showed above was an institutional and conceptual transformation which addressed development aid over the last eighty years, as a result of geo-political dynamics as well as evidence collected over time from field projects. Consequence of such an evolution was the rise of a phenomenon called “Ethical Business”. The latter, meant to respond to “morally right or wrong issues”, (Crane and Matten, 2010:5) aimed at coupling a profit-driven approach with ethical values informing expectations and methods of business implementation. According to Ardichvili et al. (2009) there are five characteristics that typify ethical business: mission and value driven, stakeholder balance, leadership effectiveness, process integrity and long-term perspective. All of them contribute to shape the concept’s keystones which, per se, has no univocal definition, yet it represents a catalyst concept gathering different experiences with a shared inspiration. Adding on that, Sausen (2005) conceptualizes ethical business as the examination and application of five
standards of ethical behavior, namely: the law, organizational and category code of conduct, ethical expectations and internal moral standards. The latter are, according to the author, the sources of ethics which most significantly incentivize business actors to include ethical values within their business practices. In practical terms, instead of a neoclassical business model, whose goal of optimizing costs and maximizing revenues can create social disparities and environmental imbalances, ethical business provides lower margins but a more stable long-term performance as well as a solid brand reputation.

Beyond the many possible definitions of ethical business what, represents the innovativeness of the concept is the fundamental challenge of ensuring positive margins to firms involved in pro-poor activities, while simultaneously fostering social and environmental gains. An important theoretical application of the concept of ethical business was the Elkington’s (1999) “Triple Bottom Line”: this refers to a conception of business able to ensure the same prioritization of economic, social and financial gains at the beginning and at the end of the investment period. Building on that, Collins (1994:5) claims that the specificity of Ethical Business is to create value and building trust among the involved stakeholders. More precisely, Ethical business goes beyond the rigid separation between producers and consumers to add value along every passage of the supply chain, thanks to the many different actors that, at various levels, have a role in the creation and implementation of the business proposition. As summarized by Nielsen and Samia (2008) ethical business provides outcomes able to yield development across the system. Notably, “Corporate Philanthropy” or “Socially-oriented Business” are all synonymous of the same coupling of profit and social values within business models (see also Tuncer et al., 2008). To this regard, it is important to consider the term “social” very broadly, including everything which has a positive impact on deprived human communities, from employment creation to gender empowerment.

Concerning the inclusion of environmental aspects as part of the broad category of “social values”, the literature is still divided: some authors consider the environment as inherent to the social context, given its fundamental role in contributing to a satisfying livelihood (Shiva, 2012); others, prefer to separate the two areas in order to highlight different tools and approaches for measuring positive gains within the two realms (Bleischwitz and Hennicke, 2005). Here the two domains will be recognized as complementary given their equivalent contribution to developmental improvements12, but they will be described separately in order to go more in depth into their respective specificities.

To organize the many examples pertaining to the Ethical Business realm it is necessary to clarify the stark separation between ethical gains obtained from the core business, from those rising from ethically-friendly activities implemented beyond the core business of a firm. Such a criterion is fundamental because it marks the separation between two branches of Ethical Business: Corporate Social Responsibility (CSR) and Inclusive Business (IB).

Corporate Social Responsibility gathers every initiative developed by a firm, whose beneficiaries are not only the shareholders but the stakeholders, namely the broad spectrum of people interested by the firm’s impacts on the society (Garriga and Melé, 2004). Part of this category are consumers, input providers, retailers, local institutions, competitors, or in other words, everyone that can be touched by the effects of firms’ activities. Against the idea of having moral duties with exclusive reference to shareholders (Friedman, 1970), Corporate Social Responsibility does not address the core business of the company, however, it concurs to its maximization because it can optimize production processes (Lankoski, 2008) and brand reputation (Hoogiemstra, 2000). Hence, as reckoned by Khanna and Anton (2004), competitive advantages are the stimulus for firms to implement CSR activities such as quality environmental management or environmental reporting. Adding an international perspective to the issue, Perkins (2007) argued that companies from developing countries are equally motivated to enforce CSR initiatives, particularly by greening their businesses, due to a process of growing international political engagement, market integration and transnational social communication. These factors led to a so called “convergence dynamics” whereby external pressures trickle-up developing countries’ CSR to the standards of firms from advanced markets (ibid:304).

Contrary to that, Inclusive Business refers to firms and profit-driven actors ensuring social, monetary and environmental returns stemming from their own core business. Overall, the conceptualization of Inclusive Business is a fairly recent phenomenon stemming from a debate about the interconnections between business and societal values that gathered momentum in the early years 2000, as visualized in the following picture showed during the BOP Global Summit 2013, November 6\textsuperscript{th}-10\textsuperscript{th}. 
According to a definition of Inclusive Business given by the International Finance Corporation (2010) Inclusive Business “refers to profitable core business’ activity that also tangibly expands opportunities for the poor and disadvantaged in developing countries. Such business models can engage the poor as employees, suppliers, distributors or consumers” (ibid:1). More precisely, as reported by the study, Inclusive Business is a two-folded concept: similar to mainstream business for being a commercial operation and not an add-on as for philanthropy, yet, alternative to mainstream business models given the creative strategies required to target a substantial number of people with accessible pro-development products or services. Moreover, another study by Jenkins et al. (2011) claims that such a business approach is characterized for adopting innovative tools to overcome the infrastructural constraints typical of low-income markets. For example, smallholder procurement, micro distribution and retail, experience-based customer credit or e-transaction platforms are all strategies to adopt in order to enable the environment for Inclusive Business strategies. Finally, as reckoned by Gradl and Knobloch (2010) the entire business proposition has to be customized to: (i) specific features that characterize the kind of markets involved; (ii) the cultural assumptions typical of the beneficiaries and (iii) context-related specificities of targeted products or services. On the first point, for example, to understand the regulatory environment, local competitors or the presence/absence of monopolies is key. For the second point, figuring the level of people’s literacy or the relevance attributed to trust and familiar connections helps the deployment of Inclusive Business initiatives. Finally, capturing the capital intensity of the goods provided, or the kind distribution network to rely on is crucial for possibly scaling the market (ibid, 2010).
1.3.1 Two pioneering examples

In order to better explain the concept of Inclusive Business, it is important to enrich its theoretical definition with significant examples to clarify its practical features. Microcredit and Fair Trade will be presented to explore the rational behind Inclusive Business initiatives.

Fair Trade refers to a virtuous market system in which people in the Global South produce handcrafts or source crops to sell in advanced markets (Jaffee et al., 2004). A Fair Trade supply chain is typical for ensuring a fair and decent pay to the producers particularly in the early phases of the supply chain. Fair Trade labels, responding to a set of principles codified at international level, guarantee to consumers that such products result from a close and respectful relationship between producers, buyers and retailers (Renard, 2003:94). The International Fair Trade Organization is the institution which codified the ten principles of Fair Trade, among the others: ensuring transparency and accountability, paying a fair price, avoiding child labor and forced labor, respecting the environment, promoting gender equity (WFTO, 2009). The concept underpinning Fair Trade is to reverse the unequal redistribution of revenues (especially from food crops) at international level. This is a point in close connection with the Dependency Theory, an international relations’ thread of literature looking at the asymmetrical power between rich and poor countries as the cause of unfair labor conditions and ultimately low level of development (Prebisch, 1959). Contrary to that, Fair Trade goods are produced responsibly and are offered to consumers, typically of advanced markets, willing to pay more in exchange for the respect of labor standards (De Pelsmacker et al., 2005). Interestingly, even though the traditional direction of Fair Trade has long been South-North, according to Jaffee et al. (2004:194) there are similar experiments within South-based or North-based markets, as for the Fair Trade Tortillerias (Mexico) or the United Farm Workers Fair Trade Apple Campaign (USA).

In sum, the contribution of Fair Trade as an example of Ethic Business stands in demonstrating that “Trade, not Aid” (Renard 2003:89) is a powerful way to improve labor standards in disadvantaged areas, without overlooking the need of a return from these market-driven initiatives.

Microcredit is the second example of Inclusive Business and, differently from Fair Trade, it is conceived to address exclusively low-income countries’ stakeholders. Microcredit first theorist, Mohammed Yunus, adapted the rules of mainstream finance to the peculiar social and economic features of poor countries, where the rigid parameters for money lending prevented poor people
from accessing loans because they were not credit worthy (Yunus, 2003). More specifically, he codified a set of principles for giving small quantities of money to groups of poor people, preferably women. These are the specific principles: to consider access to credit as a human right, to avoid any formal contract for money lending, just relying on mutual trust, to approach poor people with doorstep services and to imply interest rates commensurate with the solvency potential of poor people (ibid, 2003). Consistently with Inclusive Business principles, Microcredit rejects charity or philanthropy as the answer to poverty preferring a completely new methodology to cater for poor people’s needs, tailoring a new business model shaped on their specific requirements. Among the many perspectives through which microcredit has been studied, two are particularly interesting for their social impacts: gender empowerment and group identity.

Concerning the first point, microcredit prefers women as recipients of loans instead of following the patriarchal model which identifies men as the reference for any social interaction. In so doing, microcredit responds to the evidence of women managing household’s resources, and consider them as the best spokesperson for microcredit transactions. As argued by Mahmud (2003) such a preference for women has increased females’ ability to exercise power in intra-household dynamics, contributing to empower them and to reduce gender disparities.

Concerning the second point, Anthony (2005) highlights how choosing groups of people as beneficiaries, instead of individuals, boosts group cooperation and compliance. More precisely reciprocity, group identity and inner sanctions foster solvency, proving that collective action dilemmas can be reduced.

In sum, Fair Trade and Microcredit initiatives, although the one pointing at consumers from developed countries and the second addressing beneficiaries from poor countries, showed what Inclusive Business is about: an overturn of mainstream business assumptions in favor of needy people from low-income communities.

As for the above mentioned examples, Inclusive Business actively involves poor people in profitable activities, bypassing the former model of poverty alleviation based on publicly-driven charity. What is particularly interesting of such Inclusive Business strategies is that they overcome structural constraints that typically characterize low-income countries, such as: limited market information, inadequate physical infrastructures, missing knowledge or skills and restricted access to capital (UNEP, 2008). Because of that, Inclusive Business has to be innovative, meaning able to reshape business models to face such criticalities while keeping the balance between developmental and economic returns. Kharamachandani et al. (2009) highlights, for example, that Inclusive
Business often looks at the informal sector in order to learn how poor people experience market dynamics, helping them to improve the low quality of local products and to increase local competitiveness. Additionally, Inclusive Business is called to experiment new technical solutions to build local capacities or to set up partnerships with non-traditional partners (London and Hart, 2004).

Besides experimenting new business propositions, Inclusive Business strategies are particularly relevant in terms of environmental sustainability. Indeed, beyond being targeted as new types of development actors, firms are specifically important to harmonize development, economic and sustainability needs. For example, as reckoned by Schmidheiny (1992), business can dramatically contribute to environmental preservation while adopting the Polluter Pays principle. Additionally, the author highlights the importance of profit actors sustaining the costs of environmental labeling operations, which help reducing waste and pollution along the supply chain while informing consumers. Finally, the author recognizes how companies partnering with public institutions can create alliances of actors willing to coordinate their efforts towards a more environmentally sustainable production, thus increasing standards and disseminating best practices (also Andonova, 2009).

In sum, Inclusive Business rational relies on the acknowledgment that market forces are not unknown to people from low-income countries, either as producers (as for Fair Trade) or as customers (as for Microcredit). What is innovative of Inclusive Business are two aspects: (i) the need of re-shaping the business proposition in order to overcome the many constraints that, in low-income countries, hinder market development and (ii), the adoption of greener business models to improve the environmental records of mainstream businesses while ensuring affordable products or services for people from low-income countries.

1.4. THE BOTTOM OF THE PYRAMID THEORY

A seminal contribution to the Inclusive Business literature is the “Bottom of the Pyramid Theory”, (hereafter BOP), which gained an immediate momentum since its first conceptualization in 2002 in the article “The Fortune at the Bottom of the Pyramid”. This theory, authored by J.K Prahalad and Stuart Hart from the Cornell University, advanced the debate about Inclusive Business models shedding light on their disruptive potential for the entire global economy.

The starting point for the BOP is considering the global market as segmented in different income-based tiers, piled up in a shape of a pyramid. At the bottom of such a pyramid, at its largest
tier, in 2008 there were 2.47 billion people living with less than $2 a day\textsuperscript{13}. This massive amount of people has never been reached by any attempt from private companies to address and solve their developmental needs because, due to their poor finances, poor people could not guarantee the minimum purchasing power to establish a valuable commercial exchange of goods or services. According to the author, however, this assumption has to be reversed in order to transform a business constraint in a business opportunity, looking at the poor as new potential customers. What big multinationals should do, therefore, is to “\textit{look at globalization strategies through a new lens of inclusive capitalism}” (Prahalad and Hart, 2002:1) in order to contribute to growth and poverty reduction. In other words, poor people represent a managerial challenge for pioneering entrepreneurs willing to test the market potential of such an underserved income segment, additionally obtaining developmental and environmental improvements (Prahalad and Hammond, 2002). As affirmed by S. Hart during his lecture at the BOP Global Summit 2013, the difference from mainstream business is that the latter, focused at the top of the income pyramid, creates needs in existing markets, whereas business at the bottom of the income pyramid creates markets from existing needs\textsuperscript{14}.

Reasons for business initiatives not to target the poor were a set of distortive assumptions such as: (i) mainstream business cannot concur with the cost structure of poor markets, (ii) only developed markets appreciate and can pay for new technologies, (iii) the lowest income segment is no guarantee of long-term sustainability of profit initiatives (Prahalad and Hart, 2002:4; D’Andrea et al., 2004).

Prahalad and Hart suggested four strategies for implementing fruitful business initiatives in the BOP segment: customizing product development and distribution to local features (e.g relying on local networks for distributing goods in rural areas where infrastructures are lacking), innovating the products/services to respond to BOP constraints, such as ensuring robustness and multitasking features, prioritizing sustainability through the use of recycled materials, renewable energies and low waste intensity, and finally, ensuring profitability relying on high volumes of sales and investment intensity (Prahalad and Hart, 2002:6).

Notably, Prahalad and Hart (2004) affirmed that multinationals are the key actors to implement BOP strategies because to radically innovate the business model it is crucial to invest in research and development and to rely on a knowledge base deriving from different markets and countries. In their following publications, however, this trust in the role of multinational corporations will be


\textsuperscript{14} Stuart Hart’s kick-off lecture titled: “BOP: pushing the boundaries”. First BOP Global Summit, November 7\textsuperscript{th} 2013 , San Paolo, Brazil.
smoothed until affirming that: “market-based ecosystems [include] SMSs, single entrepreneurs, NGOs and cooperatives, not just MNCs” (Prahalad, 2011:XXV). On this point, Jaiswal (2008:12) mentioned that larger firms can paradoxically create problems in BOP contexts due to their resource-intensive production process, as for the case of Coca Cola contaminating with cadmium the groundwater of Palachimada village in Kerala. Seemingly, on the role of multinationals implementing BOP initiatives, an interesting contribution came from Halme et al. (2012) who defined “Intrapreneurial Bricolage” the attempt to create internally to big corporations’ headquarters the cultural inclination to overcome constraints such as short-term profit maximization, shortage of time, lack of adequate financing or expertise. What the authors claim, hence, is that being a big firm does not necessarily facilitate the diffusion of a BOP-friendly attitude within the corporation.

In sum, BOP initiatives aim at generating self-sustained growth in order to demonstrate that profits and poverty alleviation can be coupled, creating virtuous synergies enhancing development and growth at the base of the world’s income pyramid (London, 2007).

In order to organize the many contributions, in the following paragraphs three cornerstones of the BOP theory will be clarified: (i) the market potential of the BOP tier; (ii) the type of relationship to establish with poor people and (iii) the need of an innovative business model.

• 1.4.1 Market potential of the BOP tier

From what previously said it emerges that the BOP theory is exclusively addressing firms for implementing BOP businesses in low-income countries. The business case to justify firms embracing such a new business model is related to the market potential of the BOP income segment, which is growing size and purchasing power (Hammond et al., 2007). According to Gueslaga and Marshall (2008:417) the BOP tier accounts for more of the 50% of the purchasing power in low-income countries. Even if not comparable in absolute terms with the purchasing potential of non-BOP segments, the poorest of the poor have a considerable market share due to the additional premiums that they must pay on everything they want to buy. This additional charge, often called “poverty penalty” (Prahalad and hart, 2004:11), stems from particular market distortions which characterize the BOP segments, such as local monopolies, corruption and poor distribution channels. These market inefficiencies are the reasons, for example, for poor people from the Dharavi area (India) paying from 600 to 1000 percent interest for credit (ibid:2004). Hence, according to the author of the BOP Theory, the BOP segment is both burdened by the structural constraints and distinguished by enormous economic potential.
Among the academics, the market potential of the BOP sector was long debated. Karnani (2006:5) claimed that Prahalad and Hart were imprecise in defining the income potential of the BOP sector. Moreover, he affirmed that the expected profit returns are lower because multinationals repatriate profits at the financial exchange rate and not at the Purchasing Power Parity (PPP). This means that the market potential of the BOP sector is $0.3 trillion and not $13 trillion (ibid:2006). The size of the segment was also contested by Jenkins (2005), who affirmed that Prahalad included people from the middle class within the BOP tier, thus increasing its volume. Partially closing the gap between these opposed positions, London (2007) argued that income is a misleading variable to define the BOP tier and suggested to consider it as the segment pooling a population so poor to be forced to transact within the informal market economy. Seemingly, Bais (2008:6) concludes that “the BOP population is [the one which is] hardly integrated into the global market economy and for sure does not benefit from it”.

Finally, Gueslaga and Marshall (2008) posit the need to differentiate the market potential of BOP tiers according to their geographical location and expenditure composition. More precisely, Asia has the highest purchasing power relative to Africa, Eastern Europe and Latin America/Caribbean; the greatest buying power pertains to the lowest income tier (annual income of $1000 or less) in Africa and Asia and the tier of $2000 or less in Eastern Europe and Latin America/Caribbean. In terms of expenditure composition, the BOP tier spends primarily on food, housing and household goods, whereas according to Hammond et al. (2007) poor spend mostly on food, energy and housing.

### 1.4.2 Partnering with the poor

One of the most important aspect of the BOP theory is the need to cooperate with people from the BOP tier in order to develop together a type of business that could fruitfully apply to the BOP context. Indeed, firms are expected to invest both in infrastructures and trust. Karamchandani et al. (2011:4) for example, highlights the importance of partnerships with local people to have access to potential customers located in remote areas. In this sense, the type of improvements deriving from local people are linked to a better knowledge of the territory and of the existing local networks. Building on that, Karnani (2006:23) suggests to view the poor as entrepreneurs and producers and not only as minor actors at the end of the supply chain. Seemingly, Habib and Zurawicki (2010) in a paper dedicated to the role of businesses in the BOP Theory conclude that: “Strictly looking at the poor as customers for making profit is neither hugely attractive nor does it fulfill the socio-economic objective of reducing poverty” (ibid:29). Such an insight is strongly
supported by entrepreneurs from the BOP segment, eager to accept a stronger role in BOP business
definition within their own market. On this point, for example, Dr. H. Hande from Selco Power
(India), stated that poor people are not passive recipients of production process, instead, they are
“asset activators\textsuperscript{15}”, namely key actors for magnifying the effects of the business model within the
BOP context. About that, Bais (2008:3) suggests that shifting towards a more inclusive BOP
business development has two main consequences: the possibility to develop new products in close
conjunction with the local communities and the creation of unconventional partnerships between
companies and local institutions/NGOs/government bodies. An example of this BOP co-venture is
reported by Cross and Street (2009) regarding a BOP initiative sponsored by Unilever Lifebuoy
soap in the Kerala State (India). The authors describes as this business was established to halt the
diffusion of diseases due to poor hygiene practices. They found that initially the firm was intended
to simply enter the BOP segment with superficial claims about the social improvements linked to
the diffusion of Lifebuoy soap. Such a mainstream kind of marketing was firmly condemned by
Kerala’s authorities, which argued that Unilever was destroying local soap factories with a neo-
imperialist attempt of market colonization. Responding to that, Unilever decided to adopt a more
participative approach, like financing workshops teaching the importance of hand washing and
microcredit loans for women working as retailers. Outcomes were, in addition to higher sales, the
improvements of hygienic practices and the empowerment and education of women and children.

At a theoretical level, the importance of partnering with the poor gave rise to the BOP
Protocol, developed by Simanis and Hart (2008). This refers to a document defining the passage
from a so-called BOP 1.0 to a BOP 2.0, where the former represents a BOP business model
exclusively selling to the poor, whereas the second looks at BOP business co-venturing with needy
people. More precisely, the BOP Protocol reckons the importance of selecting the business site and
local partners, proceeding with the team formation, preparation and business implementation side
by side with local people from low-income countries (see also: Michelini, 2012:5). Finally, the BOP
Protocol presents operating guidelines for firms entering the BOP tier and a Code of Conduct
requiring, among others, the need of ensuring an equal share of the business revenues with the local
communities or the use of the most appropriate and sustainable technologies (ibid:48).

In sum, the BOP theory highlights the importance of a demand-driven business model in which the
needs of people from the BOP are placed at the core of the business proposition. Such a demand-
driven perspective, according to Riordan (2007:50), is an innovative approach that differentiates
BOP initiatives from development assistance. The rational behind the need of involving poor
people, those called “fringe stakeholders” by Hart and Sharma (2004:7), is to identify, explore and

\textsuperscript{15} Dr. H. Hande from Selco Power (India) was a key lecturer of the CARIPLO conference “Disruptive thinkers: shaping
solutions for poverty alleviation”, January 28th 2013, Cariplo Foundation Congress Centre, Milan.
integrate the views of marginalized stakeholders in order to manage disruptive changes in business strategies to be applied in BOP tiers. Consequently, as affirmed by Selsky and Parker (2005), firms involved in BOP initiatives must consider the creation of Cross-Sector Partnerships (CSP) pooling together different actors working for the fruitful implementation of BOP initiatives. Business/non-profit, Government/Business, Government/non-profit and tri-sector partnerships are required to merge the specific know-how of poor people and BOP entrepreneurs, tailoring the best BOP solutions for a certain product or service. On the specific role of such partnerships and advantages brought by local partners, van der Klein et al. (2013:4) listed seven reasons for which the private sector should work in collaboration with the BOP tier: first, BOP partnerships help understanding the demands at the BOP; second, they provide a right to operate; third, they address infrastructural deficiencies, for example in the distribution system; fourth, strengthen innovation capacity (as previously pointed out by Bais); fifth, they clarify what are the missing steps for implementing the business in a profitable way; sixth, they guarantee additional internal resources and, last, they allow the scaling of impact of BOP ventures.

1.4.3 Innovation at the Bottom of the Pyramid

The third crucial aspect of BOP ventures is their innovativeness, required to boost social transformation with marketable solutions at the base of the income pyramid. More precisely, firms are called to innovate their products/services and processes to serve the unmet needs of the poor instead of offering micro adjustments to already existing products (Deloitte Touche Tohmatsu, 2006). Boyer (2003) listed a series of assumptions that companies have to review if they want to keep the profitability of their businesses in BOP tiers: to perceive the barriers to market entry (such as distribution hurdles and fears about non-Western cultures), to avoid the “West knows best” attitude; to rethink technology platforms mixing high and low tech solutions; to focus on functional needs and services, not just producing more products; to explore shared use/access models and, finally, to shift from an economies of scale mentality towards more distributed and small-scale operations. Building on that Nakata and Weidner (2012) clarified the main managerial implications for firms changing the business approach. They stated that, in practical terms, it is important to make products visually comprehensive (to communicate their features to illiterate people); to design products for collective needs and to employ an atomistic distribution so to reach rural areas. Moreover, the authors suggested to reverse the direction of business definition, traditionally going from the idea to the product, finally activating the marketing campaign. The suggestion is, on the contrary, to begin with studies about the needs to fulfill and subsequently develop the production of
an appropriate, valuable and sustainable good. The goal is first to “…learn about the needs and aspirations of the [BOP] community by walking in their shoes” (ibid:30).

From a theoretical standpoint, Viswanathan and Sridharan (2012) argue that traditional product development research needs to change in order to abandon its traditional roots in formal, advanced market contexts and get closer to the BOP contexts. The latter, with their specific features such as intensity, corruption, poor infrastructures require a completely different approach to product development. More precisely a multifunctional context-driven product design process, a user-centric approach and integrated local skills are all suggestions that concur to the customization of the managerial evolution on BOP tiers. On this point a recent contribution came from Pfitzer et al. (2013), for whom a company willing to innovate for shared value creation may follow their step-by-step approach consisting in: embedding social purpose (i), defining the social need (ii), measuring shared value (iii), creating optimal innovation structure (iv) and, eventually, co-creating with external stakeholders (v). Weidner et al. (2010) add that it is important to focus on different metrics, avoiding to concentrate on margins and focusing on single unit sales. Moreover, the authors suggest to tap into diverse disciplines, as suggested by Chakravarty (2006) with regard to consumer psychology, to learn how to see market barriers in a different perspective, for instance by conducting participatory research and by adopting innovative sizing and price-markup conventions. For example, Weidner et al. (2010) mentioned the case of Reliance Infocomm, a BOP initiative which abandoned Indian-industry pricing conventions giving access to their system to those hardware producers that pledged to offer low-priced unites (ibid:560). Another insightful example of the need to be innovative in order to enter fruitfully in a BOP context is the one presented by Cooper and Boye (2007) about BOP penetration in telecommunications. The authors posited that adopting a customized approach to enter the BOP segment may not be enough if goods are delivered in the absence of local infrastructures and education activities guiding the adoption of the new products. Hence, beyond an innovative business proposition, what is key for the success of BOP initiatives are partnerships with local institutions to create the enabling environment for these goods to fruitfully serve the poor and create opportunity for poor people.

One of the reasons whereby the disruption of mainstream firms’ assumptions and of mainstream business models become evident was related to the need of entering the BOP segment with environmentally-friendly goods and services. As argued by Prahalad and Hammond (2002:8) tapping a BOP market cannot be done by selling the cheap version of goods used in advanced economies. This would have fatal consequences for global environmental balances, undermining the positive developmental outcomes of BOP ventures in subsistence markets. Indeed, considering
the massive amount of people living in low-income countries that may become consumers of BOP products or services, it is crucial to analyze the environmental impacts of BOP businesses so to avoid environmental hazards. This point was originally touched by Prahalad and Hart (2002:4) who mentioned the importance of avoiding the replication of mass consumption habits in the BOP tier, particularly considering waste creation. About that, they optimistically concluded that “MNCs involved in BOP markets have the ability and the motivation to find solutions to the problem of packaging in emerging markets” (Prahalad and Hart, 2004:57). Beyond this wish to consider the waste deriving from new products entering untapped markets, the duty to adjust BOP production processes to environmental needs was ancillary. For example, in the study conducted by London (2009), only one reference is made about the need to avoid environmentally-unbalanced business models. More precisely, land and water quality are listed as points to clarify in order to deeply understand what implementing a BOP venture brings about (ibid:108). Moreover, Karnani (2006:10) briefly mentions the ecological impacts of BOP initiatives but without suggesting any possible solution. The latter, are suggested by Wijen (2008) who to reduce the environmental burden of BOP businesses funded out that market clearing, corporate innovations and CSR are possible alternatives. Moreover, among non-market solutions, government regulations, self regulations and civic action may fruitfully avoid ecological risks. Finally Tuncer et al. (2008) focus only on the consumption side, suggesting repair services to reduce waste as well as the introduction to service-based business models.

Responding to such environmental concerns, while reinforcing the need for innovative business models, Prahalad began writing a book “Next generation Business strategies for the Base of the Pyramid” (2011), which unfortunately could not ultimate due to his premature death. His work was continued by his colleagues Ted London and Stuart Hart who finalized the book.

In this fundamental work, it was introduced the Great Convergence Theory (GCT hereafter) namely the theoretical evolution of the BOP Theory, enriched by environmental and participative dynamics. On the first aspect the GCT sheds light on the opportunity to experiment green technologies in BOP markets due to the absence of competitors and the rapid diffusion of technological innovations. More specifically, acknowledging that green technologies are often disruptive in character, London and Hart (2011:89) looked at BOP segments as ideal labs to implement the green technology potential with no risk of path dependency. To this end, green technologies need to be customized to the BOP sector, namely: distributed, on-site, labor intensive and bottom-up. Here stands the innovativeness of BOP strategies: the goal of harmonizing BOP needs, profitable outcomes and green/innovative solutions.
Hence, coupling the BOP Theory (profit-driven) and a green technology sensitivity (environment-driven) it is possible to address untapped BOP markets with a business strategy for boosting Sustainable Development locally. The two authors ultimately state that on the long term this process will lead to a “reverse innovation”, namely to the migration of green and affordable BOP goods to the top tier of the income pyramid. Such a process, already called “The Great Leap” by Hart and Christensen (2002) (who yet overlooked its ecological potential) may concur to greening the world economy thanks to such bottom-up waves of innovation. As noted by Immelt et al. (2009), trickling up the global market with BOP initiatives is the opposite of the traditional “Glocalization” process wherein multinationals develop innovative products in developed countries and then export them worldwide. In this view, the inclusion of the environmental variable in the BOP Theory implied an enlarged scenario for profit actors interested in doing good, green and fair. Finally, as suggested by Michelini (2012:8), the replication of such business models has always been conceived amongst different low-income communities. Yet, considering that the number of people below the poverty line in Europe has reached 15% of the entire population, it may be the case of scaling BOP business models to the lowest income tiers of more advanced economies, and not only towards other low-income communities of least developed countries.

1.5 FOOD FOR THOUGHTS

This chapter began with the illustration of how the concept of Sustainable Development was coupled by the development of indicators of Strong Sustainability and Weak Sustainability. Furthermore, it has been shown how such indicators highlighted different issues related to the concept: hidden material flows, international trade, intangible capitals were all aspects whose relevance was reaffirmed thanks to the emergence of a scientific and political debate about Sustainable Development. Notably the policy implications stemming from such theoretical debates were also considered.

In parallel with that, the progressive involvement of the profit sector as a development aid actor was presented in order to signal the filtering of profit-driven principles within pro-development policies at international level. More in depth, the emergence of a consistent branch of research called Inclusive Business was presented as to demonstrate that the academic community was acknowledging such a process, giving rise to theoretical and empirical contributions. Finally, the Bottom of the Pyramid Theory was presented to describe the most debated example of Inclusive Business.
Hence, on the one side the concept of Sustainable Development revealed crucial development dimensions never investigated by monetary-based indicators of growth (such as the GDP), on the other, the Bottom of the Pyramid Theory posited to obtain positive outcomes exactly in the three areas (society, economy and environment) that characterized the concept of Sustainable Development.

Considering that, what is still missing at theoretical level is an evaluation of the extent to which the two phenomena can be coupled. In other words, there is no evidence about the possibility to consider BOP initiatives as the “armed arm” of international policies willing to reverse imbalances detected by sustainability indicators, at a national or global level.
Chapter two
Methodology

2.1 FILLING THE GAP: THE POLICY POTENTIAL OF INCLUSIVE BUSINESS INITIATIVES

In the previous chapter it has been showed how the definition of sustainable development as postulated in the Brundtland Report was accompanied by the creation of different indicators, namely analytic instruments able to indicate the level of Sustainability of a certain geographical area or productive process. The rational behind such indicators was to provide tools able to inform policies conducive to better social, environmental and economic outcomes. In so doing, such indicators contributed to the debate about the capacity of GDP to effectively consider all the aspect of prosperity and well being, including social and environmental variables within its components. This was particularly true for Weak Sustainability indicators such as the ISEW.

In parallel, a crucial shift happened within the realm of international development aid policies: the latter, abandoned their institutionally-driven and philanthropic nature became progressively privately managed, profit-driven and more participative of receiving countries’ instances and potentialities. A prominent example of such a conceptual shift towards a more decentralized and business-driven way to implement development aid was the diffusion of Inclusive Business initiatives. The latter were conceived to give the same relevance to environmental, social and economic returns, thus representing a third way between the classical development assistance and mainstream business models selling goods or services in poor countries. Particularly for those ventures inspired by the Bottom of the Pyramid Theory, such an innovative approach represented a new way to couple the three dimensions of Sustainable Development, suggesting that innovative businesses can be the catalysts for social transformation.

Consequently, what emerged was that, on the one hand, the GDP was accompanied by other indicators conducive to a more realistic understanding of what prosperity and growth mean. This was particularly true for Weak Sustainability indicators, those adding social and environmental values to the “personal consumption expenditures”, a component of the GDP. On the other hand, the literature showed many innovative business models able to go beyond the mere economic return as the only threshold for judging the success of profit initiatives in low-income markets. The bottom
of the Pyramid Theory, for instance, reckons that combining green and economic values with social improvements is a viable option.

Building on that, it is here supposed that the two phenomena can be related and included within a common policy and analytical framework. In other words, one can suppose that indicators of Weak Sustainability depict sustainability trends of a certain geographical area or productive process, paving the way for Inclusive Business interventions. This hypothesis is particularly interesting looking at the ISEW indicator, the one encompassing social, economic and environmental dimensions. For example, a decreasing ISEW indicator shows that in a certain area the sustainable economic welfare is dropping. Inclusive Businesses, more precisely BOP initiatives, can be the solution for bringing the ISEW figures back to positive trends, or in other words, for increasing it again.

Such an hypothesis concurs framing the intellectual contributions stemming from Weak Sustainability indicators and Inclusive Business models within a common problem-solving model, aligning them within the same pro-development policy process. Moreover, the definition of a common policy framework for analytic indicators and innovative business models would boost their relevance in both theoretical and practical terms. More precisely, it would set up an operational scenario in which the insights provided by the indicators can apply, and it would enhance inclusive business initiatives with a quantitative analytic background.

At international level, the only one case in which Inclusive Business principles filtered the political arena was the President Correa’s Government decision to include Inclusive Business as a core pillar of its efforts to address socio-economic challenges. In 2007 the Ecuadorian Ministry of Social and Economic Inclusion developed, together with the WBCSD and the Agency for Development of the Netherlands (SNV), a policy agenda shaped on the principles of Inclusive Business, prioritizing four sectors, namely: agriculture, nutrition, Fair Trade and artisan productions (WBCSD, undated). This example, thus, suggests that there has been the intention to adopt Inclusive Business strategies to shape the national political agenda. Yet, such experiment was exclusively at local level and was not informed by sustainability indicators as part of the policy strategy. Globally, there has been no attempt to integrate Inclusive Business within policy frameworks responding to ISEW records.

In view of that, this study wants to shed light on the policy correlation between ISEW trends and Inclusive Business strategies, supposing that the latter would leverage the economic, social and environmental components of the ISEW indicator, at a global level, thus representing the armed-arm of pro-sustainability policies. As reckoned by Hahn (2012), indeed, Inclusive Business has a
strong influence on various aspects of human dignity and development. The author suggests that Inclusive Business reduces the policy penalties that victimize the poorest population of low-income countries, such as price gaps for basic goods, pharmaceuticals or access to credit. In view of that, BOP initiatives can be seen as ways to enforce the article seven of the UN Declarations of Human Rights, claiming that “all are entitled to equal protection against every discrimination” (ibid:53).

The author concludes affirming that Inclusive Business ensures improved financial freedom, the right to self esteem and the right to provision (ibid:59).

Many examples of Inclusive Business initiatives confirm their beneficial outcomes particularly within environmental and social domains. A study of the UNDP titled “Creating value for all: strategies for doing business with the poor” (2008) gathered a vast array of examples in which Inclusive Business generated sensible human development improvements. For instance, in the Philippines, a local firm called Coco Technologies established an inclusive business model producing cocofiber nets made from waste coconut’s husks. This business helped 6,000 families, employed in manufacturing nets for slope stabilization and erosion control. Additionally, CocoTech provides supplementary income for non-productive family members and a low-cost, environmentally-friendly solution (ibid, 2008:111).

As suggested by Hahn and supported by field evidence collected by the UN Agency’s study, hence, Inclusive Businesses improve human dignity via social inclusion dynamics. This is the reason whereby in this study Inclusive Business has been theorized as policy agent for translating ISEW outlooks into consistent pro-Sustainability policies. Notably, the three-folded nature of such an indicator, including economic, social and environmentally-related dynamics, represents the context where Inclusive Business outcomes may be conceived and evaluated.

Considering that, the aim of this study is testing if the hypothesis of a policy connection between the significance of the ISEW Weak Sustainability indicator and the contribution of Inclusive Business strategies, can effectively pave the way for innovative sustainable development policies at a global level. To do that, the focus of this study will be on testing two specific aspects of the above mentioned hypothesis: first, it will be investigated the spatial flexibility (or geographical replication) of inclusive business strategies; secondly, it will be investigated their institutional supporting landscape. The two variables will be explained in the following paragraphs.

Spatial flexibility is a crucial variable to verify, since the replication along geographical vectors of Inclusive Businesses is important for both reasons of theoretical and policy reliability. To
understand more in depth the concept of spatial flexibility (here adopted as a synonymous of geographical replication) it is possible to refer to Mike Smith’s words: “(...) going to scale means taking a promising innovation and replicating it in a large number of places. Going to scale at a significant level means spreading an innovation throughout an entire geographic region. In the policy environment (...) it means taking an idea that seems to work in a particular setting, or in multiple settings, codifying it and then enforcing it (...)”\(^{16}\). Considering that Weak Sustainability indicators are meant to analyze different countries and production processes, it has to be that what are supposed to be their policy tools, namely Inclusive Businesses, are equally flexible to be fruitfully adopted in different contexts. In other words, as the ISEW can be applied in different countries or regions, Inclusive Business strategies need to be implementable in different countries or regions too.

About the point of the replication of BOP initiatives, studies are primarily focused on BOP ventures’ scaling (Karamchandani et al. 2009:27). The latter is identified as the process whereby successful BOP initiatives trickle up the income pyramid towards advanced economies thanks to the market penetration of their technological innovations combined with low prices (Hart and Christensen, 2002:54). Calling this process “vertical scaling”, there is no clear investigation about it, nor about a symmetrical “horizontal replication” of BOP ventures, namely the latter’s migration towards similar low-income community of different regions. Only Hart and Simanis (2008) illustrated the possibility to expand BOP initiatives following what they call “an Open Pollination model” (ibid:41). This includes a first period where business ambassadors reach out new communities disseminating the BOP approach; a second phase in which the ecosystem of the former business is linked to the new one, accelerating the development of the business model and, finally, a third one in which the enterprise is re-created in the new community. Yet, such a theorization lacks of practical details about how to choose other BOP segments in other countries, what different actors might be involved, which are the best drivers to replicate and why. Finally, Bloom and Chatterji (2010:8) found seven organizational capabilities needed to scale social impact: staffing, as the need to recruit and train human resources in the best possible way; communicating, as the ability to convince stakeholders to change their behaviors in a more sustainable way; alliance building, as the process of building partnerships to reach social improvements; lobbying, to be aligned with institutional actors; earnings, to be financially sustainable and, finally, stimulating market forces to encourage people endorsing the goal of reaching economic and social returns at the same time. These actions concurred framing a model for social ventures’ replication whose

\(^{16}\) Mike Smith was senior counsellor to the secretary as well as director of International Affairs at the U.S Department of Education in 2010. His interview focused on the meaning of scaling social ventures is included in the publication: Weiss H. (ed.) (2010), Scaling Impact, Harvard Family Research Project, 12-13.
acronym, “SCALERS”, offers a roadmap for social entrepreneurs interested in scaling their impact.

All in all, despite the above mentioned contributions, all focused at micro level, the process of geographical replication of a BOP venture remains obscure, partially because too focused on technological aspects (as for the Hart and Christensen’s model), or because too general and abstract, namely lacking of detailed guidelines, hence, not enough tailored on Inclusive Business needs.

The institutional supporting landscape of Inclusive Business strategies is the second point to test since ISEW includes social and environmental variables (e.g. the value of volunteering work or loss of primary forests) that can be tracked looking at how institutional actors are participating to such dynamics. Hence, if Inclusive Business strategies are meant to impact on environmental and social records, the importance of local institutions, communities and intermediate actors working for the correct implementation of BOP ventures must be recognized and deepened. In line with the hypothesis, for Inclusive Businesses to be the armed-arm of ISEW records there has to be an institutional supporting landscape proactively enhancing, at national and international level, the deployment of BOP initiatives. This variable is relevant at a macro level, for highlighting global strategies to enforce global development policies.

The importance of institutions for ensuring developmental improvements was addressed primarily by North (1990), who argued that incomplete institutional settings do not promote economic activities. In his analysis, the author particularly highlighted the role of institutions in ensuring fruitful human interaction, avoiding the uncertainties of human behaviors. Moreover, depending on the type of institutional framework, a given society may develop incentives to make businesses flourishing, while others may stagnate oppressed by inefficiencies and corruption. At international level, the institutional context was recognized for its importance in balancing the opportunities and the risks that globalization brings in developing productive capacities in least developed countries (UNCTAD, 2006:74). In this case, hence, institutions are seen as a guarantor of sustainable development.

Considering more specifically the BOP literature, there are few studies addressing the point of the institutional environment. For example, Gradl and Jenkins (2011:14) building on Moore’s definition of “Business Ecosystem” (1996), identified three types of institutional settings for BOP businesses: (i) private initiatives from an individual company, (ii) project-based alliances involving a company and one (or more) strictly related organizations, and (iii) platforms, which engage a large number of stakeholders, representing the most relevant setting for our study since it refers to a macro level. However, the study does not investigate how the third type of setting can concur to the
reach of developmental gains, possibly becoming the ideal institutional landscape for ensuring sustainable development worldwide.

About the role of Governments in BOP ventures, Karnani (2009:84) suggested to consider their importance in order not to delegate the fulfillment of basic needs in low-income segments exclusively to private companies. Thus, in this case, local institutions are seen as legitimate competitors of private BOP initiatives and not as co-partners. Sanchez et al. (2007) sustain that BOP embeddedness, leading to improve the institutional environment, is motivated by the high psychic distance of a firm in regard to low-income markets, suggesting that partnering with the poor is necessary to foster the distribution process, the social trust and human resources recruitment. Notably, in such a study only companies far from BOP segments (thus MNCs based in advanced economies) are considered and the concept of embeddedness is simply instrumental to reinforce a mainstream business model, not an innovative one.

In sum, about the presence of an institutional supporting landscape for BOP initiatives, it is not clarified how the former may respond to global development strategies (i), how such a landscape may translate the insights developed at a theoretical level into practice (ii), which actors it should represent (iii) and how flexible it could be over different countries (iv).

The novelty of this study is to suppose a policy linkage between ISEW records and BOP initiatives, leading to an innovative policy framework to enforce sustainable policies at a global level. This possibility is tested through the validation of two variables: the geographical replication and the institutional supporting landscape of BOP business models. It is here assumed that both the variables are necessary to make BOP initiatives responding to ISEW data within the same policy framework. The aim of this study is, therefore, to answer to the one question: in what ways, if any, Inclusive Business can inform policies responding to ISEW outlooks at a global level?

By grounding the reasoning in empirical researches depicted in the following paragraphs, the goal is to provide a greater vision for implementing innovative policies enhancing sustainable development worldwide. This work also contributes to the research on two specific aspects rarely addressed by the Inclusive Business literature: the scalability of BOP initiatives and the functioning of its institutional supporting landscape.
2.2 METHODOLOGICAL APPROACH

For the purpose of clarifying if and how it is possible to define a connection between the insights of the ISEW indicator and the implementation of BOP initiatives as consequent policy response, a qualitative approach will be used to provide an in-depth understanding of the issue.

As stated by Hennink et al. (2011), qualitative research is suitable to investigate the context in which phenomena take place, providing “depth, detail, nuance” (ibid:10) to the research. According to Denzin and Lincoln (2000:3) it “involves an interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them”. Hence, qualitative research is any research not aiming at quantifying physical materials (Strauss and Corbin, 1998). In other words, qualitative research aims at offering an in depth analysis of the social and material circumstances of the observed actors, their perspectives, opinions and histories (Spencer et al. 2003 in Ritchie and Lewis, 2003).

In order to test the theorized policy connection between ISEW trends and BOP initiatives, qualitative research is the most appropriate methodology because it uncovers dynamics not detectable by quantitative approaches. More specifically, given the multiple dimensions touched by ISEW as an indicator of Weak Sustainability (e.g human, natural and man-made capital’s contributions to welfare) and the rich institutional environment of Inclusive Business initiatives, qualitative research allows to disentangle inputs, particularly stemming from the social realm, which are difficult to detect via quantitative analysis. For example, asking about personal opinions it may be relevant to let the interviewee free to express its perspective and eventually analyze the hidden social norms that concurred to that response, avoiding any prior categorization of expected answers, as for a quantitative survey. In sum, the adoption of an open-ended method of investigation leads to rich and explanatory responses, revealing the “why” and the “how” of a certain phenomenon.

In this study the hypothesis to investigate is that of a new policy framework for sustainable policies resulting from the interactions between ISEW data and Inclusive Business initiatives specifically designed to improve ISEW trends. It is here assumed that, in order to test if such a connection can be theorized, two conditions must hold true at the same time:

1. a geographical replication of Inclusive Business strategies must be possible, towards BOP and non-BOP segments;
2. a supporting landscape must be present, representing actors from the BOP and the non-BOP tiers

The first condition is needed to generalize a model of policy response that can be extended in different contexts, so to define a model of policy reaction independent from the location of its implementation. This is particularly important to extend the use of ISEW data, and their relative policy actions, at a global scale.

The second condition is required to ensure that Inclusive Business strategies are shared and co-created among key-actors in BOP countries, where such strategies are implemented, as well as within the scientific community where Inclusive Business is theorized and theoretically advanced.

Finally, the study will combine retrospective and real time data sources (Leonard-Barton, 1990 in Heisenhart and Graebner, 2007), namely it will investigate case studies that will be studied to increase the number and depth of records (i.e the UNDP database) and real-time cases that, together with observation, will avoid retrospective sensemaking and impression management (i.e the interviews and the conferences’ participation) (ibid, 2007).

2.2.1 Geographical replication

The geographical replication has been tested focusing on two case-studies: Fez Ta Pronto (Brazil, housing sector) and Agroils/BIND – Biofuelsindustry Dominicana- (Italy/Dominican Republic, biofuel in the Dominican Republic). The choice of selecting companies working in different sectors and countries reflects the idea that using “polar types” (Shuster and Holtbrügge, 2011:14) may reveal potentialities or criticalities of the supposed condition on a broader scale (also in Eisenhart and Graebner, 2007). Such an approach is also motivated by the fact that Inclusive Business strategies claim a universal applicability, from education, to health or finance. In view of that, it makes sense to avoid focusing on one single sector and to test the geographical replicability of Inclusive Businesses in different domains. The housing and energy sectors have been chosen to test the geographical replication of Inclusive Business strategies because:

1) housing solutions tailored for low-income people are very rare. As a matter of fact, the majority of firms implementing the BOP theory operates in the ITC, health or energy sector. Moreover, the increasing demographic trends of low-income countries will increase the demand for affordable houses in the future, resulting in an unmet demand. Finally, housing expenditures are
among the three top expenditures of BOP consumers, as revealed by Gueslaga and Marshall (2008) and Hammond et al. (2007);

2) within BOP businesses the energy sector is primarily conceived for domestic purposes, such as heating or lightening (Prahalad and Hart, 2004:137). Contrary to that, the BOP firm involved in this study collects and recycles used oils to generate biodiesel for industrial purposes. The target on local industries, instead of households’ needs, is important to understand if biodiesel can play a strategic role, at national level, to convert the entire industrial sector towards a greener energy path.

Looking more in depth into the two case-studies, it is possible to define a profile of the two companies: the first firm involved in the study is called Fez Ta Pronto and it is based in Macaê, Rio de Janeiro. Its commitment is to bring the highest quality of housing to low-income people. To avoid the displacement of poor people in extended slums, usually located outside the city, they build vertical structures integrated within urban centres. Moreover, Fez Ta Pronto’s houses produce no on-site waste since the gypsum blocks with which they are built are completely recyclable, non-toxic and emit 60% less carbon emissions than standard building blocks. Additionally, houses incorporate solar panels and hydraulic water installation utilizing sourced and rain water. The latter device reduces up to 70% of water costs. In terms of affordability, Fez Ta Pronto’s mortgage payment for an apartment unit is R$ 264 (maximum) per month vis à vis 350 R$ required for the rent of an average favela unit in the south part of Rio de Janeiro (Fez Ta Pronto Report, 2012).

The second company involved in the study is called Agroils/Biofuelsindustry Dominicana (BIND). It is a business venture between Agroils, an Italian company specialized in technologies for green energies, and Biofuelsindustry dominicana (BIND), which is based in Santo Domingo and implements the business in the Caribbean country. Their commitment is to providing green energy for BOP industries. More precisely, Agroils/BIND collects used oils from fast foods, hotels and restaurants of the Dominican Republic, purifying and processing them to obtain biodiesel. Such an activity is economically sustainable, namely the local demand is enough to cover production costs. From the technical point of view, the biodiesel sourced from used oils ensures the same performance as a fossil fuel. From the environmental point of view, it is estimated a 63% CO2 emission reductions for traditional diesel blended with 25-35% biodiesel (Agroils Report, 2012).

Data collection occurred via different sources: primary and secondary data. The latter encompassed press releases and official reports published by the companies. Primary data was
gathered through eleven semi-structured interviews, six for Agroils/BIND and five for Fez Ta Pronto, with company members working for the firm at different levels. Questions were divided into three sections focussed on social aspects, environmental aspects and questions related to the geographical replication of Inclusive Businesses. Questions were phrased to favour a discussion about the issue, thus “making the interviewees' implicit knowledge more explicit” (Flick, 2009:156) and avoiding questionnaire-like approaches. However, in order to maintain a grade of homogeneity among the three firms, the interviews had the same questions for all the interviewees. The number of interviewees covered all the personnel involved in the definition and/or implementation of the firm’s BOP strategy, hence, all the most knowledgeable actors were targeted.

The interviews took place between the 5th of July and the 30th of July 2012 and their duration was approximately from 30 to 50 minutes. For the Italian company the interviews were conducted by Skype from the 22nd of July to the of 30th 2012. Similarly, for the Brazilian company the interviews occurred via Skype from the 5th of July to the 20th of July 2012. Concerning the language of the interviews, they were conducted in Italian and Spanish (for Agroils/BIND), and English and Portuguese for the Brazilian company. For the interviews collected in Portuguese, an interpreter was contacted to translate simultaneously from Portuguese into English during the calls online. In order to deal with problems of mistranslation an “interactionist, non-normative, dialogical” approach has been adopted, as suggested by Wadensjö (1995:112).

Anonymity was given as a possible option but never requested. Concerning data confidentiality, no question focussed on technical aspects of firms’ products, therefore, there were no risks of information leakages.

Questions are reported in Appendix B.

2.2.2 Supporting institutional landscape

Concerning the supporting institutional landscape, as reported in the previous paragraph, this was rarely investigated at international level but just at local level, looking at the actors engaged in BOP initiatives in low-income countries. For example, Santos and Rufin (2010), argued that BOP institutional environments are typical for being centralistic, non-linear, dense and with structural holes due to the lack of specialized intermediaries (ibid:132). On the same topic, Viswanathan et al (2010:579) concluded that subsistence markets are strongly characterized by social networks
building trust and social acceptance. This reckons that in BOP settings the buyer-seller relationship is not necessarily adequate to explain the diffusion of certain products or services.

Such contributions, surely important to provide a detailed knowledge of BOP relevant actors and processes, does not allow to understand if there are factors external to a certain BOP setting which can help shaping the best condition for a BOP business to develop, responding to ISEW trends. It is true that specific context-related conditions are important for designing innovative BOP models tailored on BOP potentialities and constraints, however, looking at a more systemic level, the institutional environment for incubating and applying BOP businesses within a global policy framework needs to enjoy from the insights of institutions pertaining to both the international and the BOP contexts. Consistently with that, to investigate this variable the perspective adopted by this study will be at a macro level.

In order to shed light on this unrevealed aspect, the functioning of an institutional supporting landscape has been tested focusing on the Base of the Pyramid Learning Lab network. This, as explained by Gardetti (2007:66) is the scientific community founded in 2000 by Professor Stuart Hart, the co-author of the seminal article “The fortune at the Bottom of the Pyramid” together with C.K Prahalad. Such a community is entitled to raise the awareness at all institutional levels about Inclusive Business initiatives, creating the best conditions for them to be implemented and advanced.

In this sense, the BOP Learning Lab network can be associated to an epistemic community namely “a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy relevant knowledge within that domain or issue area” (Haas,1992:3). Moreover, building on the re-conceptualization of what is an epistemic communities made by Cross (2013), who stated that it can be “governmental or non-governmental, scientific or non-scientific, and that their persuasiveness rests (…) on their degree of internal cohesion and professionalism” (ibid:147), the BOP Learning Lab network appears as a crucial institutional community to look at for clarifying the synergies between BOP businesses and ISEW trends. Additionally, BOP laboratories share the mission to research, disseminate and incubate new BOP business models, they are nation-based and, finally, are used at sharing projects and governance yet maintaining their own juridical nature.

According to BOP Global network’s internal documents (2011), all the laboratories worldwide have to respect four principles:

1) to maintain a focus on private-sector business models;
2) to focus on transformational businesses, namely initiatives that significantly improve the livelihood of BOP segments;

3) to embed environmental, social and cultural impacts in BOP strategies;

4) to have an aspiration to scale and propagate.

Purposes of BOP Labs are knowledge generation, hence creating valuable contribution to the BOP Theory, and knowledge dissemination in order to promote “the concept, theory and practice of the emerging field of BOP enterprise development” (ibid:3). More precisely, the BOP Labs do not carry out BOP investments, which is the firm’s goal, nonetheless they consult and train the private sector on how to develop successful BOP initiatives. Such a network is, therefore, the best community where to test the presence of a supporting institutional landscape for Inclusive Business strategies since it is the only official group of experts, practitioners, entrepreneurs and academics involved at different levels in the implementations of Inclusive ventures. Hence, the global network represents a constellation of intermediate actors operating, theoretically and practically, to share projects and researches in the BOP domain.

The BOP Labs network is organized in two branches, the European and the Global network. The European network encompasses the European Labs, which are located in Spain, The Netherlands, Denmark, Germany, France, Finland, Sweden and France. In this study all of them, but the French Lab, have been studied and interviewed.

BOP Lab’s profiles are different in nature since each of them has been established in different periods and through a different process. More precisely:

- the Spanish Lab, called Centre for Partnerships for Development, is based in Barcelona and it gathers international experts specialized in partnership for development management. They work in Strategic Analysis, Research, Training and Raising the Awareness/Event Management in the field of Sustainable Development and Corporate Social Responsibility\(^\text{17}\); The lab is headed by Mr. Fernando Casado, founder and director, who was interviewed for this study.

\(^{17}\) [www.globalcad.org](http://www.globalcad.org)
• the German Lab, called Endeva, is based in Berlin and it works primarily on Inclusive Business. They develop enterprise solutions for development and partner up with companies willing to implement sustainable businesses in low-income countries. They share knowledge about Inclusive Business principles and work as a consultancy for the Ministry of Development and private entrepreneurs\(^\text{18}\); The Lab is headed by Mrs. Christina Gradl, founder and director, who was interviewed for this study.

• the Finnish Lab, called Aalto Global Impact, is a spin-off of the Aalto University’s programs. They work at the intersection of sustainable technologies, design and business, developing multidisciplinary projects and researches. They are particularly engaged in the involvement of local communities in Inclusive Business projects, hence, they prioritize the study of participatory approaches conducive to the co-creation of BOP ventures\(^\text{19}\); The Lab is headed by Mrs. Teija Lehtonen, development director, who was interviewed for this study.

• the Danish Lab, called International Business Development, has been launched in 2007 by a unit of the Confederation of Danish Industry. The Lab works organizing events, workshops and study trips to understand and diffuse BOP business models. Their main goal is to help companies to develop effective strategies for the BOP markets. Moreover, they launched a platform called “Access2Innovation”, which is fostering the diffusion of innovative technologies in low-income segments\(^\text{20}\); The Lab is headed by Mrs. Sara Ballan, director, who was interviewed for this study together with Mr. Jacob Ravn from “Access2Innovation” network.

• the Dutch Lab, called BOP Innovation Centre, develops market-driven pro-poor innovation strategies. To do that, it works with private companies, NGOs, investors, universities and public authorities to facilitate sustainable innovations in BOP markets. Their main sectors are Energy, Food and Water. They study and create win-win models to enable the best environment for BOP ventures\(^\text{21}\). The Lab is headed by Mrs. Myrtille Danse, executive director, who was interviewed for this study.

\(^{18}\) http://www.endeva.org
\(^{19}\) http://www.altoglobalimpact.org
\(^{20}\) http://www.boplearninglab.dk
\(^{21}\) http://www.bopinc.org
• The Swedish Lab, called Inclusive Business Sweden\textsuperscript{22}, is formally an NGO launched in July 2013 whose goal is to consult the private and the public sectors with regards to sustainability projects at the base of the income pyramid. During the interview, the Lab was represented by Mike Debelak, founder and CEO of Inclusive Business Sweden. Inclusive Business Sweden serves as a platform for creating awareness of inclusive business, facilitating collaboration between organizations, as well as for connecting and supporting organizations to create opportunities associated with the BOP.

The non-EU Labs network gathers laboratories from non-European countries and, together with the European fellows, it is coordinated at a central level by the Global BOP Network. The latter is hosted by Enterprise for a Sustainable World, a non-profit organization based in the USA. Professor Stuart Hart is the founder of the Global Lab Network, which is directed by Mrs. Andrea Shpak. Likewise the European Labs, also the non-European BOP laboratories have their mission in generating specific research on Inclusive Business and consulting entrepreneurs seeking to implement sustainable ventures. In this study, the non-European Labs interviewed were:

• the Brazilian Lab, in the person of Mr. Edward Barki, who was interviewed for this study. Mr. Barki is a professor of marketing at Fundaçao Getulio Vargas, a São Paulo University. He also coordinates the Base of the Pyramid topic for GVcev (Center of Excellence in Retail FGV-EAESP), which is part of the BoP Lab Network. The centre, created in 2001, wants to play a leadership role as a catalyst for Brazil's retail development and evolution through education, research and consulting. Its main activities are research and publication (i), conferences and raising awareness events (ii), continued education (iii), discussion forums (iv) and seminars (v)\textsuperscript{23}.

• the Philippino Lab, in the person of Mr. Markus Dietrich, director, who was interviewed for this study. Mr. Dietrich is the founder of the Asian Social Enterprise Incubator (ASEI), whose mission is to boost inclusive business and renewable energy through consulting, research and project development. Its goal is to portray the Philippines as an investment destination and source of innovative business models for those sectors\textsuperscript{24}.

\textsuperscript{22} http://www.inclusivebusiness.se/about/
\textsuperscript{23} http://eaesp.fgvsp.br/en/TeachingandKnowledge/studycenters/gvcev
\textsuperscript{24} http://kbmarca.com/asei/
• the Colombian Lab, in the person of the directors Mr. Daniel Ortega and Yaromir Munoz. Both Professors, interviewed for this study, coordinate the Colombian research centre on BOP-related issues hosted by the Colombian EAFIT University within the EAFIT Social unit. The latter is a department devoted to Corporate Social Responsibility and Socially-oriented issues, involved in education and research activities aligned with the principles of Inclusive Business²⁵.

• the South African Lab, in the person of Mr. Pierre Coetzer, founding associate, who was interviewed for this study. Mr. Coetzer is the Founder of Reciprocity, the focal point for Inclusive Business initiatives in South Africa, established in 2007. The aim of this BOP lab is to develop pilot projects, conduct quantitative and qualitative studies and dialogue with private companies leveraging their awareness about the potential of low-income markets²⁶.

• the Costa Rican Lab, in the person of Mr. Felipe Perez, academic coordinator, who was interviewed for this study, head of the area of Sustainable Development at INCAE Business School, Costa Rica. The mission of the INCAE Bop Lab is to upscale the BOP approach to big multinationals in Latin America, exchanging knowledge and innovation about Inclusive Business initiatives. They primarily focus on investigating ten Latin American case studies of BOP initiatives in order to build evidence to consult big firms on how to adopt Inclusive Business strategies²⁷.

• the Indian Lab, in the person of Ms. Pryia Dasgupta, director of strategic initiatives, who was interviewed for this study. Her role is Director of Strategic Initiatives at the IISE/Emergent Institute. The mission of the Emergent Institute is to increase the number and success of intrapreneurs and entrepreneurs focused on socially inclusive and environmentally sustainable business development for the 21st century. The lab is based in Bangalore and it works along with field-based affiliates in India and partners around the world²⁸.

• the US/Global Lab, in the person of Prof. Stuart Hart and Mrs. Andrea Shpak as founder and Secretary of the Global network. Professor Hart is the inventor of the Base of the Pyramid approach, together with Prof. Prahalad. He represents the most knowledgeable actor in the

²⁵ http://www.eafit.edu.co/social/acerca-nosotros/Paginas/about-us.aspx
²⁶ http://www.reciprocity.co.za/home.html
²⁷ http://www.incaedu/
²⁸ http://www.emergentinstitute.net/our-story/
Inclusive Business realm and he was interviewed for this study. He founded the BOP Learning Lab network in 2000, hosted by the University of Carolina. In 2003 he moved to the Cornell University where he established the Center for Sustainable Global Enterprise at the Johnson School. He eventually founded the Enterprise for a Sustainable World, which is now guiding the process and taking the necessary steps to formalize the BoP Global Network. Mrs. Andrea Shpak is the Secretary and manager of the Global BOP network and she works for harmonizing the activities of the Labs at a global level.  

- The William Davidson Institute (WDI), in the person of Mr. Sateen Sheth, Manager for the Research Project Implementation Unit. He was interviewed for this study. The William Davidson Institute is not formally a BOP Lab, since it doesn’t exclusively investigate BOP issues, yet it works as a non-profit research institute within the University of Michigan, devoted to BOP themes as well as health care research, executive education, developing consulting services. In the BOP area, they follow three main realms: venture development, market creation and impact assessment. Prof. Ted London, the co-author of the book “Next Generation Strategies for the Base of the Pyramid” works at the WDI as Senior Research Fellow and Director of the Base of the Pyramid Research Initiative.

- the Chinese Lab, in the person of Peng Rui Mei, assistant of the managing director, Prof. Tong Yunhua. The Chinese Lab is a University based entity, whose core business is researching on BOP initiatives and applying Inclusive Business models in China. The Lab is hosted at the Tsinghua University of Beijing.

- The Japanese Lab, in the person of Mr Tokutaro Hiramoto, assistant of the managing director. The Japanese Lab is an entity whose core business is to consult firms on how to integrate Inclusive Business principles within their business proposition. The Lab is hosted by the Nomura Research Institute, founded in 1965 and devoted to research and apply innovative corporate strategies.

Data collection occurred via different sources: primary and secondary data. The latter encompassed press releases and articles published by the BOP Labs network. Primary data was

---

29 http://www.bopglobalnetwork.org/
30 http://wdi.umich.edu/
31 http://www.sem.tsinghua.edu.cn/portalweb/appmanager/portal/sem
32 http://www.nri.co.jp
gathered through nineteen semi-structured interviews. Questions were divided into three sections focused on: the specific identity of the BOP Lab (i), the practical implementation of BOP ventures and future scenarios (ii) and the partnerships with Institutions/representatives of BOP/non-BOP segments (iii).

Questions are reported in the Appendix B.

The interviews took place via Skype, between the 18th of October 2012 and the 17th of November 2013 and their duration was approximately from 40 to 50 minutes. All the interviews were conducted in English and followed the same pattern of those asked to Agroils/BIND and Fez Ta Pronto. The French Lab was repeatedly asked to participate in this study but it never responded to the invitation.

The elaboration of qualitative information followed the principles of the Grounded Theory, namely data were codified, categorized and conceptualized in order to be related to the points of investigation (Charmaz, 2006). Such an approach belongs to the Symbolic Interactionism, a tradition of research originally adopted by sociology, which aimed at developing emergent theories identifying analytical categories and relationships within the collected information (Ritchie and Lewis, 2003:12). Given the circular process of information analysis, which did not followed a linear sequence as for quantitative researches, tasks were overlapping during the process of data collection. More specifically, case-studies were selected, interviewed and data analysed. Subsequently a further sample was identified to refine emergent categories or theories, and the process continued until no new insights emerged. Consequently, comparisons among data resulted in a constant process of redefinition of the most important concepts and findings emerged from data induction instead of from theory deduction (Hennik et al. 2011).

Additionally, insights were gathered investigating the UNDP Growing Inclusive Business database, which has been accessed in order to check whether the two variables (geographical replication and supporting institutional landscape), if present, positively or negatively influenced the outcomes of the selected case studies. This data set represented an indirect source of insights stemming from the UN official international database of BOP initiatives and offered an additional perspective on a broader range of experiences that proved to be successful in ensuring social, environmental and economics returns.\textsuperscript{33}

\textsuperscript{33} http://www.growinginclusivemarkets.org/
The rationale of such a parallel investigation relies on double-checking the role of the two investigated variables on a broader scale, thus strengthening the findings’ reliability. The UN database, accessed on the 18th of May 2013, was browsed selecting one hundred and ten case studies, resulting from adopting the following filters:

- Document type: case-studies
- Countries: all
- Business Sector: all
- Theme: all
- Organizations: Cooperative, Developing Country MNC, Foreign MNC, Foreign Company/MNC, Large Domestic Company (all but Government Initiative, International NGO and Non-profit (excluded International NGO)
- Role of the Poor: all
- Millennium Development Goal: all
- Language: all (English and Spanish)
- Constraints: all
- Strategies: all

The filters were intentionally loose so to collect the biggest number of case studies for drawing relevant conclusions. After the first round of case selection, a second scrutiny led to reduce the number of case studies to ninety-six, given that some initiatives were classified in both languages (English and Spanish) or they were a repetition of already classified documents. Concerning the type of data investigated, the records consisted in a publication of ten to thirty pages depending on the author, which offered an overview of the BOP business. They did not follow a common layout nor pattern, hence detecting the variables required a customized approach depending on the way in which the author presented the strengths and weaknesses of the BOP venture. Additionally, for certain case-studies information about the environmental impacts of the BOP initiative were missing, as it appears in the first Appendix at the end of this study.

Finally, interesting suggestions for understanding the role of geographical replication and institutional supporting landscapes were gathered during two conferences organized by the European BOP learning Lab Network. The first was organized by the German BOP Lab, ENDEVA, titled “How to translate Inclusive Business into Action?” and took place in Berlin, from the 23rd to the 24th of November 2012. The second, titled “Implementing Inclusive Innovation” took place in
Amsterdam on the 29th of November 2012. Both meetings were particularly important since in these occasions the European BOP Lab network worked for a systematization of the state-of-the-art of the Base of the Pyramid Theory, ultimately defining the future scenarios of its evolution. Consequently, participating in these conferences represented an opportunity to track how the institutional actors involved (Social entrepreneurs, academics, experts, students, donors, consultants, BOP labs, politicians, etc.) worked together to focus on new perspectives for fruitfully implementing Inclusive Business initiatives. In other words, attending the high-level discussion panels of both conferences allowed for a real time understanding of what to expect from BOP initiatives at practical end theoretical level.

During the first conference data on the institutional environment were primarily sourced from two sessions: the first was open to all participants and the second was exclusively for BOP Labs’ members. The first discussion was organized as a session of four seminars where participants were asked to take part in all the debates. Topics of discussion were: BOP scale (i), company perception (ii), BOP incubation (iii) and ecosystem creation (iv). Such aspects were all discussed with the audience and they concurred to update the institutional setting for BOP initiatives, enriching it with new insights and suggestions. The second panel was just for BOP Labs and there it was discussed the involvement of private companies in the functioning and governance of the Global BOP learning lab network.

The second conference was important for the insights stemming from two interactive workshops: “Finance Inclusive Innovation” and “Partnership creation”. Both sessions were open to participants and implied interactive methods to involve the audience and collect fresh case studies and anecdotic evidence of specific regions and/or products. More specifically, the first workshop underlined the need of a strong business plan to raise funds for BOP initiatives: particularly, venture capital and impact investing were identified as the two most significant tools to pool resources for Inclusive Business thus avoiding the so-called “valley of the death” where many business ideas perish before reaching the market. The second workshop highlighted the contributions from local partners to BOP ventures. A participative method called “fish-bowl” was implied to create sub-groups to involve participants in real life BOP cases, from which emerged that BOP consumers and producers contribute in three important ways: problem analysis (i), resources (ii), vision (iii).

To conclude, the research design was meant to test the replication of Inclusive Business strategies in BOP and non-BOP segments, as well as the presence of an institutional supporting
landscape enabling the implementation of BOP ventures. The empirical research revolved around the investigation of two primary data sets, as well as of a secondary data set, offering a double avenue for positioning the findings. Ultimately, the study was intended to contribute to the understanding of the policy potential of BOP ventures as policy responses to ISEW’s trends.
Chapter three
Analysis

In this chapter the results of the empirical analysis whose method has been described in the previous chapter will be illustrated. As a preliminary step, the case studies of the UNDP Growing Inclusive database will be presented in order to confirm the reasons whereby they attain to the BOP Theory, highlighting geographical and sectorial patterns, business origins and role of the poor. Ultimately, the two variables identified as crucial to test if BOP initiatives can be shaped as the policy approach to improve ISEW’s trends will be presented separately.

First, the geographical replication of BOP initiatives, scrutinized through the experience of Agroils/BIND and Fez Ta Pronto, will be reported through the words of the eleven interviewees. Seemingly, the second variable will be illustrated through the data emerged from the nineteen interviews with the BOP Labs. In addition to these sources, the UNDP Growing Inclusive Market database will offer a third perspective offering its insights about the role of the two variables. Comments on the findings are added at the end of each variable’s section.

3.1 RESULTS FROM THE UNDP GROWING INCLUSIVE MARKETS DATABASE: PROFILE AND PATTERNS

The Growing Inclusive Markets database intends to collect case-studies of Inclusive business initiatives from all over the world. It represents a UNDP-led project to diffuse knowledge through cases presented in a way that could inspire other businesses and diffuse the awareness about innovative business solutions responding to developmental needs. In terms of contents, all the cases clarify the role of the many different actors that participate in a specific BOP venture, the geo-political context and the outcomes measured (where possible) in terms of economic, social and environmental results. As stated in the website\(^{34}\), to build such a data source the UNDP researchers partnered with experts and practitioners with the goal of demonstrating that business can contribute to human development by engaging with the poor as consumers, producers, business-partners or employees.

\(^{34}\) http://www.growinginclusivemarkets.org/about/approach/
The rationale of investigating such a database, as explained in the previous chapter, was to have a storehouse of data to double-check and possibly confirm the evidence emerged from the other two data sources, namely the two BOP companies and the BOP Labs’ community. The ninety-six examples were all validated by the UNDP researchers and offered a practical insights on the many sectors and processes with which BOP initiatives took place worldwide.

Looking more in depth into the records, selecting filters that suit with the BOP approach, there were a total of ninety-six cases to analyse, of which thirty-nine from Africa, twenty-eight from Asia, seventeen from Latin America, eleven from Europe and one from Oceania. Concerning their sectors, the database collected ninety-six different experiences from fourteen different sectors, as specified in the following table.

<table>
<thead>
<tr>
<th>Regions</th>
<th>AFRICA</th>
<th>LATIN AMERICA</th>
<th>ASIA</th>
<th>EUROPE</th>
<th>OCEANIA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>WASTE</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>TOURISM</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>ICT</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>FOOD</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>1</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>COSMETICS</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>ENERGY</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>HOUSING</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>FINANCE/CREDIT ACCESS</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>RETAILING</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>TRANSPORTATION</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>WATER/HEALTH/SANITATION</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>39</td>
<td>17</td>
<td>28</td>
<td>11</td>
<td>1</td>
<td>96</td>
</tr>
</tbody>
</table>

**Table**: business sectors relative to the UNDP Growing Inclusive markets database.

**Source**: personal elaboration on UNDP data.

Overall, the most common sectors for BOP initiatives were agriculture, finance/credit access, energy and water/health-sanitation. At a regional level, the UNDP database showed that in Africa, agriculture and finance/credit access are the two BOP sectors most diffused; in Asia, manufacturing and agriculture; in Latin America agriculture and in Europe ICT and waste management. At a national level, the country hosting most BOP businesses is Colombia, followed by South Africa and Egypt.
Another relevant aspect emerged from the analysis of the UNDP Growing Inclusive Business database was the fact that not always the company doing BOP businesses came from the country where the business was implemented. It could be, for instance, that the business idea belonged to an Asian company investing in African low-income markets, or to a Western MNC willing to test the market potential of the BOP tier.

In order to detect this phenomenon, the business cases have been double-checked resulting in the following table, which shows the relationships between business’ home country and its implementation area. Methodologically, the case-studies in which the firm required the intervention of foreign institutions financing the initiative have been classified as belonging to the firm’s home country, since in no cases the international institutions (being them USAID, DIFID or the IFC) took over property rights on the BOP initiative.

<table>
<thead>
<tr>
<th>Business setting</th>
<th>AFRICA</th>
<th>LATIN AMERICA</th>
<th>ASIA</th>
<th>EUROPE</th>
<th>OCEANIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm’s home country</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFRICA</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LATIN AMERICA</td>
<td></td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUROPE</td>
<td></td>
<td></td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASIA</td>
<td></td>
<td></td>
<td></td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>OCEANIA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Non-BOP country</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table: business home’s country and business implementation area relative to the UNDP Growing Inclusive markets database. Source: personal elaboration.

As emerged from the above table, the majority of the BOP initiatives that took place in low-income countries were originally coming from the same area, demonstrating that BOP businesses are not initiatives exclusively pertaining to the MNCs’ realm, yet, they can fruitfully be implemented by SMEs from the BOP country. In absolute terms, this was especially the case of African and Asian ventures. Particularly relevant is the Latin American case, for which none of the case studies of this area was driven by an external actor, namely by a company not belonging to the BOP tier. Looking carefully at the cases in which the business management and setting were
different, the foreign MNCs that implemented the BOP ventures were from France, UK, Japan, the Netherlands and Sweden. Concerning the only case in which the BOP implementer was a foreign public institution, this was the case of the Swiss Agency for Cooperation.

Reading this evidence from a theoretical perspective, it is possible to argue that the theoretical shift for which the BOP Theory moved from a MNCs-led approach to a SMCs’ strategy happened as well “on the field”, as the above data confirm. In other words, from its early conceptualization made by Prahalad and Hart, the BOP theory has ultimately migrated towards the involvement of smaller companies from the BOP tier itself. This confirms what the “BOP Protocol 2.0” publication by Simanis and Hart (2008) argued, namely that poor people are not just consumers or client but co-producers, entrepreneurs with which the BOP community needs to partner with.

Finally, a third characteristic of the BOP ventures emerged looking at the UNDP database: the role of the poor in BOP businesses, namely the type of engagement typical of people from the BOP tier within the considered business initiative. This feature is particularly important due to its theoretical relevance for the BOP debate that, at academic level, resulted in acknowledging that the poor cannot just be seen as consumers or final clients but must be integrated along the supply chain, creating synergies for improving the product/service as well as boosting the BOP firm’s internal management.

In the table below, each case study has been classified depending on the one (or more) role of BOP people involved in the business. Figures exceed the total of ninety-six records since it happened of having a double-role for the poor in the same business venture.

<table>
<thead>
<tr>
<th>Role of the poor</th>
<th>Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>48</td>
</tr>
<tr>
<td>Producer</td>
<td>22</td>
</tr>
<tr>
<td>Employee</td>
<td>27</td>
</tr>
<tr>
<td>Entrepreneur</td>
<td>36</td>
</tr>
</tbody>
</table>

**Table**: Role of the poor in BOP businesses relative to the UNDP Growing Inclusive markets database. **Source**: personal elaboration.

As shown in the table, the UNDP database showed that, in line with Karnani’s critique, poor are still primarily involved as consumers/end-users, even though the number of poor seen as entrepreneur is anyway significant. Yet, in some cases, being the final users is associated with being the entrepreneurial force of the business case. Consequently the two roles are not necessarily
conflicting, which gives even more relevance to the 36 records in which BOP people launched their own BOP business.

Considering the sectors where the four roles were detected, data showed that: BOP people were primarily consumers in the finance/banking sector and in the housing sector, namely part of a business-to-consumer venture in which they represented the final passage. Producers were BOP people involved in agricultural activities, such as fair or organic farming, or textile activities. Employees was a condition that interested poor people particularly in the retailing sector and, finally, entrepreneurs was a role that characterized business-to-business ventures in the manufacturing sector.

After this overview about the UNDP Growing inclusive market database, in the following paragraphs the two variables used to respond to the research question will be investigated through the evidence emerged from the direct and indirect data investigated during the study.

3.2 GEOGRAPHICAL REPLICATION

The first group of interviews addressed the first variable to investigate, namely the geographical replication of BOP initiatives. This variable needs to be detected since to consider the connection between ISEW trends and BOP outcomes as part of a common policy framework it is necessary that BOP solutions apply in different geographical areas, meaning in different contexts where ISEW trends may indicate the need of such pro-poor business models. Hence, to verify such a variable is crucial to generalize a policy model, applicable worldwide, in which the BOP approach can be adopted to shape international policy initiatives aiming at boosting Sustainability at a global level.

In order to investigate this variable, eleven interviews involving Fez Ta Pronto and Agroils/BIND -Biofuelsindustry Dominicana- were collected. They referred to three main domains: (i) social impacts, (ii) environmental impacts and (iii) scalability of BOP initiatives. Their aim was to understand to what extent it is possible to shape a BOP business strategy customized for underserved markets and exportable towards other BOP or non-BOP markets.

In addition to that, the same variable was studied within the UNDP Growing Inclusive market database, the official collection of Inclusive Business cases validated at international level
by the UN Agency. The ninety-six initiatives were scrutinized to understand if and how they had the potential to replicate in other BOP or non-BOP tiers.

3.2.1 Findings

QUESTIONS ON THE SOCIAL IMPACTS

Question: Why does the receiving context of your business need your solutions?

Five of Fez Ta Pronto’s participants affirmed that their business addresses an important challenge, namely the provision of decent houses at affordable prices for poor people. Indeed, according to Mr. Ruban Selvanayagam (Fez Ta Pronto’s International Relation Manager) housing and associated infrastructures in Brazil are primarily for rich people whereas low-income people have to live in poor suburbs or favelas. Government figures indicate that in Brazil there is a housing deficit of 6.93 millions units, 90.3% of which is affecting low-income people. However, he said: “the reality is at least quadruple that because the Government, just because [the constructions] are made of bricks, classifies them as “houses” but they are not, according to the international building standards. The actual demand for good quality houses in Brazil has never been higher and I would argue it is close to 30 millions”. Additionally, affirmed Ruban, banks are not meeting BOP needs since loans are still too expensive for BOP customers. Consequently, poor people build their own one-floor houses with poor materials in precarious areas on the periphery (hills or slopes) contributing to a random urban expansion and to ghetto formation. According to Mr. Manoel Pinto (Fez Ta Pronto’s President) the employment of unskilled local workforce is also responding to a social problem that in the region of Macaè is particularly severe.

Six out of six Agroils/BIND respondents considered energy independence of the Dominican Republic as the main need to meet, given that the country spends every year $10 billion to import diesel. Moreover, according to Mr. Isak Rufat (BIND – CEO/Biofuels Industry – President), the energy supply is not efficient, for example, public grids are not ensuring a constant supply of electricity and this is why people in the Dominican Republic use personal generators powered by diesel to rely on a stable energy supply. This was also confirmed by Mr. Giovanni Venturini Del Greco (Agroils Technologies CEO) and Mr. Carlos Urbaez (technology director Agroils Technologies Dominicana). To address these problems, all the interviewed parties declared that
Agroils/BIND developed a business addressing small entrepreneurs and local institutions to provide affordable biodiesel, derived from used oils, for industrial purposes. In so doing, Agroils/BIND addressed another issue, namely the absence of any local plan to recycle used oils. Consequently, as mentioned by Mr. Rufat and Mr. Urbaez, Agroils/BIND avoids the disposal of used oils in the ground, or the reuse as cattle feed or ingredients for breads. The latter are dangerous options due to the dioxin contained in used oils. Mr. Gabriele Regio (agronomist and BIND partner) added that Agroils/BIND responded to other two problems typical of BOP markets, namely unemployment and gender imbalances, employing local workforce, preferably female.

**Question:** What are the specificities of your potential customers?

Fez Ta Pronto’s customers are, according to Mr. Daniel Oliveira (Director of Logistics) and Mr. Anselmo Souza (Director of financial operations), small households (four to five people) with a maximum of three minimum wages as monthly income. Additionally, as reckoned by Mrs Andrea Guimarães (Director of urbanization and infrastructures), Fet Ta Pronto’s clients are people with temporary jobs and, consequently, short term financial availabilities.

Agroils/BIND respondents stated that their customers are any activities using fuels to produce, particularly local small and medium enterprises. Mr. Gabriele Regio (agronomist and BIND partner) specified that used oil is especially important for “companies using generators to produce electricity, hotels and restaurants. We have also been in touch with a company, called NOEL, working with transports”. Adding on that, Mr. Rufat (Biofuels Industry Dominicana CEO and Biofuels Industry President) listed also a fishing company as client of Agroils/BIND’s recycled oil.

**Question:** What are the structural constraints that you face while developing your business approach? (e.g political instabilities, corruption, lack of collaboration from institutions).

Five out of five parties from Fez Ta Pronto reported that bureaucracy is still the main obstacle to their business development, since it slows down the attainment of land permission for building houses. In addition to that, Mr. Oliveira and Mr. Pinto mentioned the lack of financial availabilities and investors as another obstacle to supporting BOP businesses.
Six out of six BOP experts from Agroils/BIND stated that bureaucracy is a relevant problem. In particular, waiting for authorizations increases business uncertainties. Additionally, Mr. Rufat added that poor legislation in the field of green energies represents another problem because it reduces the institutional support required by BOP firms for their activities. Finally, Mr. Crea (Chairman & CSO Agroils Technologies) said that representatives of particular interests, such as land intermediaries, may complicate the deployment of business activities adding another layer of external interests to be satisfied.

**Question:** Do you have competitors rooted in the local market? If so, could you briefly explain how your company is different from them?

All the interviewees from Fez Ta Pronto affirmed that they have no competitors. This, according to them, is due to the innovativeness of their business model, which was originally conceived, tested and patented by Fez Ta Pronto.

On this point, Mr. Del Carlo (vice-president of Biofuels Industry Srl) affirmed that in the Dominican Republic Agroils/BIND is the only company doing the service of recycling used oils directly on the field, whereas “there is another company offering the same service but after importing the recycled oil from abroad, hence, positioning itself as mere distributor”. Seemingly, this answer was confirmed by all the other people interviewed.

**QUESTIONS ON THE ENVIRONMENTAL IMPACTS**

**Question:** What are the main environmental concerns of your business sector? Do you think your business and your attitude may affect or enhance the environmental concerns related to your sector?

Five out of five interviewees from Fez Ta Pronto said that the housing sector is environmentally dangerous in terms of waste production. More precisely, Mr. Selvanayagam said that “every three buildings one can be built from the amount of wasted materials”. Fez Ta Pronto’s houses have zero waste because they are made of gypsum, the waste from which is recycled on site for use on other houses. In addition, with regards to technical features, five out of five interviewees explained that Fez Ta Pronto’s approach is environmentally sustainable because houses are provided with technologies for recycling/storing rainwater and with solar panels.
Six out of six interviewees from Agroils/BIND pointed out how recycling used oils is important to avoid their disposal through ordinary waste-disposal means, in the absence of a clear legislation on collection and regeneration. Used oils contain dioxin (a carcinogen) generated during the process of burning the oil and this is why it is dangerous to release them randomly. Mr. Rufat and Mr. Urbaez added that problems may arise also if used oils are given to cattle feed or bread-making businesses, which generally pay high prices to collect used oils. Moreover, all the participants said that using fossil fuel for generators is environmentally harmful since they contribute to Climate Change in the form of CO2 emissions. Within such a context, Mr. Regio said that Agroils/BIND produces biofuels in a sustainable way, namely relying on a Dominican firm for the treatment of polluting co-products of oil purification (e.g residues in filters, rinse waters) and using biofuel to power the purification process.

**Question**: Do you think that the scale of your business may affect the balance between social and environmental returns relatively to your business?

All the experts denied the possibility that enlarging Fez Ta Pronto’s business might lead to negative environmental or social impacts. Mr. Selvanyagam considered that possible drawbacks from transporting materials in different locations would be minimum since gypsum is a common material, locally available in many different countries. Mr. Pinto specified that “given the mechanized process of building construction, Fez Ta Pronto can replicate its business on different scales maintaining the optimal balance between social and environmental variables”.

All the interviewees from Agroils/BIND said that enlarging the size of their activities would not affect the balance between environmental and social returns.

**Question**: How do you cope with the concurrence of mainstream (not sustainable) products similar to yours?

Mr. Pinto said that Fez Ta Pronto is conceptually different from other types of building solutions, more precisely it is a unique example of BOP building initiatives rooted in a Developing Countries. Nonetheless, they need to be competitive and to do so they need to show outstanding performances, for example relying on a high productivity. Mr. Pinto said: “a mainstream construction worker can build on average two squared meters per hours. Fez Ta Pronto’s workforce reach twelve squared meters per hour. This because our building system is extremely
simple and we can build faster curbing costs”. Mr. Selvanagayam reckoned that they are also competitive with mainstream building firms in terms of workforce’s costs: “since our houses are extremely simple, we can imply unskilled workforce reducing costs”. Finally, Mrs Andreas Guimarães adds that “in Brazil JP Morgan is powerful, but they are building luxury houses with which we cannot compete at all”.

Six out of six participants from Agroils/BIND said that they are not afraid by the concurrence of conventional fuels because their biodiesel is cheaper and cleaner. Mr. Regio said: “our biodiesel is 10% cheaper that the conventional diesel imported by Venezuela. People can save the equivalent of fifteen thousands Euros a year just buying our recycled oil”.

**Question**: What do you think it may be the role of clean technologies/innovations within BOP markets?

All the interviewees highlighted the importance of green innovation to address the challenges that low-income countries need to face. Mrs. Guimarães (Director of urbanization and infrastructures) affirmed that green technologies are increasingly important in developing countries, particularly in Brazil, because they concur to create a model of best practices to which every investment has to refer. Mr. Pinto added that BOP markets are perfect contexts for deploying green technologies because they have many needs to fulfil and green innovations can diffuse rapidly. As a matter of fact, Fez Ta Pronto is willing to boost the role of green technologies within its own business using wind energy to produce gypsum blocs. At this stage the company is looking for investors to advance this wind power project.

All the interviewees recognized the importance of green technologies for social transformations in BOP-markets. However, Mr. Regio specified that green technologies have to be affordable. This is the main reason whereby BOP stakeholders, sometimes with a low awareness on environmental issues, may switch to greener energy consumption. Mr. Rufat added to this that low-income countries are interesting areas for green technologies because they allow to shape their institutional and infrastructural potential, magnifying social and environmental improvements. Mr. Crea said that green energies, for example bio-ethanol in Brazil, “are important for social transformation because they provide economic returns from every phase along the production chain, thus enhancing the livelihood of the different actors involved”. Finally, Mr. Urbæez said that green energies can be used for industrial large-scale goals or for household consumption. This
flexibility is the reason why they are suitable for developing countries’ needs, which are often polarized.

**QUESTIONS ON THE SCALABILITY OF BOP INITIATIVES TOWARDS OTHER BOP VS. NON-BOP MARKET SEGMENTS**

**Question:** Are there possibilities to build partnerships with local entrepreneurs to co-create business solutions to meet BOP-related needs?

To this question, Fez Ta Pronto’s interviewees answered mentioning a partnership established between the firm and three banks: Santander, Banco du Brazil and Caixa Econômica. More precisely, Mr. Anselmo Souza (director of financial operations) said that Fez Ta Pronto is concluding an agreement to engage these banks supporting up to 30% of the housing costs. This will benefit poor people in terms of favorable conditions to receive and payback the loan. About partnering with local, meaning from the BOP tier, entrepreneurs Mr. Pinto clarified that Fez ta Pronto is a company directly coming from the BOP tier, hence all the people with whom they are working are locally based, “I personally was a bricklayer from La Rochina\(^{35}\) (...) there are no asymmetries between our company and its social surrounding”.

Agroils/BIND answered that they have interesting partnerships with entrepreneurs from the Dominican Republic. The principal collaboration is with BIND, the company which is practically cleaning and recycling the used oils, following the technical directions of Agroils. Secondly, Mr. Del Carlo (vice-president of Biofuels Industry) said that “we are establishing a partnership with ice cream shops. We would like to sell them the biofuels needed for generators to refrigerate the ice creams”. Finally, Mr. Regio said that: “Agroils/BIND relies on a local firm called Ecoservice\(^{36}\), which collects the used oils that will be processed by us. Then we are financing a Master of Science at the local university, focused on Sustainable Development. Then we have connections with local communities to whom we give for free the by-products of our industrial processes. For example we donate all the glycerin we obtain and with that locals produce candles and soap”.

**Question:** What could be the first priority to make your business scaling up the market in similar BOP contexts? (e.g. financial subsidies, institutional support, a more permeable market, more marketing/information).

\(^{35}\) La Rochina is the biggest favela of Rio de Janeiro.

\(^{36}\) http://www.ecoservices.com.do/dominicana/
Mr. Selvanayagam (Fez Ta Pronto’s Director of International Relations and Operations) said that they would immediately expand in other low income areas, such as sub-Saharan Africa, but they need big investments. “We identified Nigeria as a good market to anchor. Gypsum is abundant as the demand for cheap houses. The only problem is to find money and go there building our housing solutions”. All the other interviewees confirmed that.

Agroils/BIND claimed that their business model can be exported in other BOP countries with the two caveats of targeting areas where energy requirements are growing and where local political conditions are stable enough to secure the investments.

Question: Do you think that your product might scale up the market towards non-BOP customers? If so, how could the BOP-oriented features be applied to non-BOP needs?

All the participants considered theoretically possible to replicate their business in non-BOP markets. However, all of them recognized that this option would require additional costs, for example to buy building land. Consequently, all the interviewees would preferably target the housing deficit of other low-income countries.

All the participants considered theoretically possible to implement Agroils/BIND business in developed countries. However, Mr. Del Carlo added that regulatory costs play a crucial role in enhancing such a perspective: “…in advanced economies it is more expensive to comply with environmental regulations for collecting used oils”. Therefore, the profitability of scaling up the market is lower. Mr. Venturini Del Greco stated that moving towards advanced economies is not economically rational because “in developing countries there are more underserved needs and possibilities to develop the business”.

Question: Do you think that your product in non-BOP markets may potentially diffuse as a mainstream model or it would be a niche product?

Regarding the market penetration of Fez ta Pronto BOP products in non-BOP countries, participants affirmed that Fez Ta Pronto’s solutions may win consumers from advanced economies and spread as mass consumption products if only cost adjustments guarantee the profitability of the entire business operation.
On the same point, Agroils/BIND’s interviewees said that biodiesel for industrial purpose can substitute 100% of the demand of fossil fuels in non-BOP tiers, provided that its production volumes increase, as affirmed by Mr. Rutfat. Additionally, Mr. Venturini Del Greco highlighted that legislators are called to “support biodiesel diffusion in order to enable green energy to become of mass consumption”.

3.2.2 Evidence from the UNDP Inclusive Growing Markets database

About the replication of BOP initiatives in other BOP tiers, the ninety-six case studies gathered by the UNDP Growing Inclusive Markets database showed the following results: ninety-three experiences did not replicated their BOP business and only three experiences proved to be flexible enough to be successfully exported in other BOP tiers. Among the vast majority of business cases that were not replicated, some couldn’t be exported due to structural reasons whereas others could be potentially replicated provided that favorable conditions were enforced.

For instance, among the cases that did not replicated their business model in other BOP countries, three firms (Toyola Stoves, Construmex and Kandelous) admitted that this was not an option due to structural reasons. The first firm, operating in Ghana to produce and distribute energy efficient charcoal stoves and solar lantern, limited its operation in Ghana since replicating the business would have meant a more capital intensive production in order to reduce production costs. This would have led to a reduction of labour force with negative employment impacts on local communities. On the contrary, prioritizing a labour-intensive production meant to keep the production volumes smaller, while ensuring pro-poor benefits.

The second case refers to a firm from the social housing sector, Construmex, helping Mexican migrants to build houses in their homeland. Again, the replicability of this business in other BOP countries (e.g Construmex helping Indian migrants to build their homes back in India) is strongly subject to the level of trust between the expatriated community and the firm. As pointed out in the case study, the relationship between Construmex and their expatriated country fellows resulted from years of social housing investments in Mexico. Yet, such a positive brand reputation is not easily replicable in other cultures and consequently the flexibility of such an inclusive business is questioned.

Finally, the third case study refers to an Iranian firm, Kandelous, producing herbal medicines while promoting rural tourism in Iran. As for the previous example, the limitations in terms of replicability of this initiative relied on the value added by local networks, family
connections and reputation that were crucial for developing the business case. This enabling environment is unlikely to be found in alternative BOP tiers, considering that it stemmed from Kandelous founder’s deep sense of attachment to his fatherland.

Besides these three examples, for other case studies the possibility to replicate their business in other BOP countries was theoretically envisioned provided that the following interventions were enforced:

- a regulatory environment similar to the one enforced where the firm initially implemented the BOP initiative (see Edipak, Kandelous and Forus Bank case studies). This is mandatory in order to sell products/services complying to the legal standards of different markets;
- the active involvement of the government, as highlighted by the MTS case study, a firm producing telemedicine devices in Belarus. In this case the replication of the BOP experience from Belarus to Ukraine is subject to the implementation of favourable policies embracing telemedicine solutions in Ukraine.
- capital investments, needed by AtoZ, a textile mills producing long-lasting insecticide bed nets, to buy new machineries and spare parts to establish new plants in other BOP tiers. Fresh capitals were also needed to ensure a greater production volume as a pre-condition for replicating the model in other BOP tiers, as for the Gadim Guda case study.
- new infrastructures, skilled human capital, existing manufacturing plants and appropriate government incentives, suggested as a prerequisite for expanding Aspen, a BOP pharmaceutical business supplying the South African market with medicines at affordable prices.

Differently from these cases for which BOP replication was either not possible or strongly conditioned to mandatory interventions, the three firms that exported their inclusive business model were: Amanco, selling integrated irrigation solutions for low income markets, particularly for the agriculture sector; Cemex, exporting low-income housing solutions and Moladi, working in the construction sector too.

Concerning the first company, it adapted its experience from Guatemala to Mexico thanks to a community of actors concurring to this end. They encompassed: a competitor company, which

37 More detailed description of each case study is available in the final Appendix and on the UNDP Growing Inclusive markets website: http://www.growinginclusivemarkets.org/.
intended to test the same business model in Guerrero, Mexico, boosting the process of replication. Secondly, small farmers committees from Mexico willing to learn from Amanco’s experience to replicate it in other Mexican states such as Colima and Michoacan. Thirdly, Ashoka Foundation that intended to test the business model in different sectors (health, housing, etc.) and countries (Brazil, India) willing to generate systemic transformations. Finally, a network of Mexican NGOs that wanted to expand Amanco’s business model in seventeen Mexican states.

The second company replicated its business model from Mexico to Colombia, where Cemex developed financing models by which the poor had enough liquidity to buy a proper house, build by the firm.

Finally, the third company, Moladi, from South Africa exported its business in Mexico, Panama, India, Botswana and Nigeria thanks to partnerships with property developers, construction companies and international development agencies financing new houses in areas interested by earthquakes or flooding.

### 3.2.3 Comments

The first set of questions targeted firms actively involved in BOP initiatives addressing low-income people. The picture emerged shows how these firms are effectively implementing business solutions enhancing social and environmental conditions, while making profits. Goal of these interviews was to investigate the geographical flexibility of such initiatives, which is crucial to establish the policy connection between sustainability needs emerged from ISEW trends and pro-development policies implying BOP initiatives.

Regarding the point of the replication of BOP initiatives in other BOP areas, it emerged that: first, replicating BOP initiatives in other BOP countries was considered a possible scenario, in theory, provided that the firm had enough capital to expand in other BOP contexts. Secondly, to migrate BOP business models in other BOP tiers it is important to have guarantees of a stable political situation, in which investments and partnerships would not be reversed by changing governments. Finally, it emerged that BOP initiatives needs to have a significant consumer base in order to compensate lower costs on the single product/service with a massive diffusion among low-income people.

Consequently, the possibility to export a given BOP solution to different BOP contexts is possible but conditioned by the above caveats that undermine the simplistic conclusion that BOP business models can apply wherever there are needy people. This finding is particularly significant
considering the necessary condition of a stable political condition, which is something not common in poor, and often politically unstable, countries.

Regarding the point of replicating the BOP model in non-BOP countries, evidence has shown that such a scenario is unlikely to happen due to two potential barriers.

First, non-BOP markets have higher input costs and this may reduce the profitability of exporting BOP businesses in non-BOP markets. As reported by Fez Ta Pronto, exporting their activities in advanced economies requires buying land in countries where prices are higher. Seemingly, as mentioned by Agroils/BIND, in advanced markets there are higher regulatory costs and this reduces the rationale of replicating BOP approaches in advanced economies. Hence, what prevents the scaling up of BOP strategies towards the top of the pyramid is the perspective of lower profits due to a more difficult process of cost optimization, which is fundamental for BOP business solutions.

Secondly, all the BOP firms involved declared that it is not realistic to look at non-BOP economies to replicate their BOP strategies or directly export, there, their BOP products. This because the bulk of BOP goods’ demand is in other developing countries, not in advanced economies. Therefore, data suggests that it would be economically unwise to aim at completely different markets where needs, if comparable in nature, are on smaller volumes and present higher production and regulatory costs.

In sum, the goal of verifying the spatial flexibility of BOP initiatives resulted in questioning such a possibility in practical terms. Indeed, both BOP firms, which relied on cost optimization to customize their goods to the purchasing power of poor people, considered difficult to scale the income pyramid because the costs of inputs in non-BOP countries are higher. Furthermore, the need of ad-hoc legislations to support the massive adoption of BOP products demonstrates that BOP solutions, per se, cannot compete in non-BOP markets. Lastly, the market share of non-BOP markets is smaller, hence there is no convenience in trickling up the income pyramid.

Ultimately, the evidence emerged from the UNDP database confirms these findings demonstrating that the replication of a BOP initiative in other BOP markets is not a consequence of its initial successful implementation. More precisely, for some kind of BOP businesses their small production volumes and their embeddedness in a certain community act as barriers for the expansion in other BOP markets. Moreover, for those cases in which the type of BOP business would allow for a replication of the model, the lack of favourable policy or regulatory interventions, as well as insufficient capital investments and skilled workforce, hinder the possibility to replicate the initiative.
Notably, the few cases in which the BOP business was successfully replicated showed how this was a consequence of a supporting institutional landscape that, within all the involved BOP countries, pushed for this end. Such a network of different actors, as for the Amanco’s case, was fully engaged at different levels (from the Mexican farmers to the international foundation - Ashoka), in exporting the BOP experience abroad. The same happened for Cemex and Moladi, for which creating partnerships with property developers and construction companies was the key for replicating their BOP business abroad. This demonstrates that an integrated and multilateral institutional landscape is crucial for the adoption of the BOP business model as a framework for pro-sustainability policy, as the following paragraph will confirm.

3.3 SUPPORTING INSTITUTIONAL LANDSCAPE

The second cluster of interviews addressed the second variable to investigate, namely the institutional environment of BOP initiatives. This variable needs to be studied since for verifying the possibility to connect ISEW trends and BOP outcomes within a common policy framework it is necessary that BOP solutions are sustained by a supporting institutional landscape. The latter needs to encompass both partnerships with BOP institutions (where the business is implemented) and network-based connections at international level. This is particularly important to strengthen the level of embeddedness of key institutional actors supporting the adoption of the BOP approach within international policies aiming at eradicating poverty. In other words, if institutions from BOP tiers are crucial to the correct implementation of BOP businesses on the field, the presence of an integrated institutional community pooling academics, BOP practitioners, entrepreneurs, donors and researchers is fundamental to build a coalition of advocates for Inclusive Business solutions underpinning sustainable global policies.

In order to investigate this variable, nineteen interviews involving the European and the non-European BOP Labs part of the Global Learning Lab Network were collected. Questions looked at three main domains: (i) the BOP Lab’s partners engaged in BOP initiatives, (ii) practical implementation and future scenarios of BOP ventures, and (iii) partnerships with institutions/representatives of BOP/non-BOP tiers. The aim was to verify the presence of an institutional supporting landscape for BOP initiatives, both at local and international level, able to advocate for the adoption of BOP solutions as policies for responding to ISEW’s trends.

As for the previous set of interviews, the same variable was investigated within the UNDP Growing Inclusive market database. The ninety-six BOP initiatives were studied to verify the
presence of a supporting institutional landscape and its role in advocating for Inclusive Business solutions as policy instruments to enhance ISEW’s trends.

### 3.3.1 Findings

**QUESTIONS ABOUT THE BUSINESS PARTNERS ENGAGED BY EACH LAB IN BOP INITIATIVES**

**Question:** How many business companies have you partnered up with?

The number of companies with which the BOP labs worked greatly differs from European Labs and non-European Labs. More precisely, EU Labs worked with fifteen companies (on average) for project development and with a number of firms ranging from sixteen to fifty for research-oriented activities and campaigning. Contrary to that, non-EU labs worked on average with eight companies primarily engaged for consultancy or research-based projects. Differently from other non-European Labs, the Japanese Lab, represented by Mr. Tokutaro Hiramoto, affirmed to have partnered with more than thirty companies in BOP spaces.

**Question:** are they primarily from a specific industrial sector or from different sectors?

All the interviewees mentioned the sectors in which their partners work. For example, the Dutch Lab listed the fruit sector, the Chinese Lab the energy sector, the Danish Lab the forestry one, the Spanish Lab cited wasted management sector, whereas insurances, health assistance, retailing/distribution and concrete were some sectors reported by the German, Indian, Brazilian and Colombian BOP Labs. The Costa Rican Lab, which is currently researching on ten BOP initiatives in Latin America, affirmed that the sectors of their investigations are waste management, energy, beverages, eco-tourism and cosmetics. The newly born Swedish Lab said to be working on a project about Payments for Environmental Services (PES).

Overall, the most common industry sectors from which the firms come from are energy, agricultural and food industry, communication/ITC and health.

**QUESTIONS ON THE PRACTICAL IMPLEMENTATION OF BOP VENTURES AND FUTURE SCENARIOS**
**Question:** What hurdles have you faced in entering into and implementing collaborations with companies for developing Inclusive Businesses?

The criticalities encountered by the Labs are many and diverse. According to ENDEVA, if the company is big you may face difficulties in conceiving the BOP as different from Corporate Social Responsibility (CSR). As Mrs. Christina Gradl said: “We often face internal hurdles, because CSR is not enough, there is the need to involve thoroughly the firm and not just the CSR office. Also we noticed that MNCs have short term expectations, they are technology driven and not consumer driven”. Concerning small firms, problems arise in terms of financial constraints and lack of human resources to engage with Inclusive Business (this point was also confirmed by Mr. Markus Dietrich from the Philippine Lab, Mr. Sateen Sheth from the WDI and Mr. Edgard Barki and Daniel Ortega from the Brazilian and Colombian Lab).

Other problems emerged were: difficulties to develop a strategy to create a BOP ecosystem (Mr. Edgard Barki); to shape a common understanding of what Inclusive Business is, as said by Mr. Felipe Perez considering the Cost Rican context and Mr. Markus Dietrich referring to the Philippine context, where Inclusive Business “is still a nascent concept”; to interest firms by means of a pragmatic vision and practical results (Mrs Myrtillle Danse, Dutch Lab and Mr. Tokutaro Hiramoto, Japanese Lab), to rely on the right network and resources to be successful (Mr. Sateen Sheth, WDI) and, finally, to have the necessary number of people working in this field within the Lab as well as be able to do comparative analysis of different BOP initiatives in China (Mrs. Peng Rui Mei). Moreover, Prof. Stuart Hart (Head of the global BOP Lab network) reckoned that “firms that tend to adopt the same tools from existing markets are more likely to fail in BOP markets”. This point was also mentioned by the Indian Lab (Emergent) and the Brazilian Lab. Mr. Markus Dietrich (Philippines Lab) added that “in the Philippines there is little tradition of consultancies: they are on demand and on very specific sectors. Selected firms are shifting towards a BOP approach but the development is still nascent”. Additionally, Mr. Pierre Coetzer said that “it is difficult to connect the formal and the informal sector, the theory and the practice”. Mr. Mike Debelak, from the Swedish Lab, said that their main constraints are “funding as well as making people aware about the business imperative, namely the fact that our projects are intended to leverage local forces to establish business initiatives ensuring Sustainable Development. It is not about charities.”. Finally, Mr. Felipe Perez suggested that it is difficult to promote the BOP approach being at the same time a faculty member, meaning that teaching can sometimes hinder the activity of consulting firms about BOP initiatives.
Question: what are the most fruitful approaches you’ve implemented to overcome these hurdles and develop inclusive businesses?

On this point it is possible to organize the answers around three main pillars: pragmatic solutions, conceptual solutions and participative solutions. A pragmatic solution was suggested by ENDEVA, referring to lowering the costs of educational/training tools for firms. Seemingly, Mrs Myrtille Danse suggested to “establish a track record of project in order to build a story of achievements and result more attractive to the private sector”. Other pragmatic solutions were: to help companies with a customized assistance (Mrs. Sara Ballan), to develop concept-notes and videos to explain better what is the BOP theory and why it worth considering it or to invite key stakeholders to workshops and conferences (Mr. Jacob Ravn, from Access2Innovation), to identify a pool of eight to ten people across different functions of the firm “to be the engine for the spread of BOP knowledge within the company” (Prof. Stuar Hart), to organize learning journeys to “introduce managers to the poor’s market, de-mystifying the preconceptions had by western managers” (Mr. Pierre Coetzer and Mr. Jacob Ravn) and “to hold official big events with local partners and international organizations” (Mr. Tokutaro Hiramoto, Japanese Lab). Cultural solutions were those suggested by Mr. Myrtille Danse: realizing the importance of preparatory work to collect data and test business cases from/on the field, and adopt a regional perspective clustering different needs of a certain area where BOP solutions may be implemented. Additionally, a cultural solution was suggested by the Colombian Lab producing videos about the BOP to make firms familiarizing with principles and actions of the BOP paradigm. Seemingly, the Costa Rican Lab said that, in order to make people more familiar with BOP business models, they collect and study relevant BOP cases for publishing a book and disseminating the knowledge. Finally, participative solutions, namely pointing at addressing problems with the involvement of other actors, were suggested by the Finnish, the Spanish, the Indian Lab, the WDI, the Swedish Lab and by Prof. Stuart Hart. In order, Mrs Teija Lehtonen (Finnish Lab) suggested to co-create business solutions with people from the low-income country thus resulting more attractive for firms and more user-driven. Mr. Fernando Casado (Spanish Lab), built on that, affirming that co-partnering with people from the BOP sector is crucial to “increase and customize the level of innovation within BOP products and services”. Mr. Fernando Casado additionally mentioned that the Spanish Lab, together with the Catalan Technological Centre and rural communities from Mexico, patented a device to oxygenate shrimps’ water in order to diffuse shrimp livestock among poor people. The Indian Lab added that they are used at discussing with relevant stakeholder of a certain sector (e.g the housing sector) challenges and potentialities of BOP solutions. Mr. Sateen Sheth, from the WDI, argued that to overcome
barriers that may affect the implementation of BOP ventures is good to “focus on untraditional partnerships, like cross-sectoral partnerships that put together development organizations, research institutes and social businesses themselves”. Mr. Mike Debelak, from the Swedish Lab said that “an effective approach is to act slowly, putting together different partners and acting as a platform for collaboration. This is the case of our program called Inclusive Business Agenda, which involves different actors to develop innovation and research on Inclusive Business across Sweden”. Finally, Prof. Stuart Hart suggested the need of a “network of experts on BOP issues… (that)… can help strengthening the applicability of BOP strategies in subsistence markets, ensuring the correct implementation of the business proposition”.

Question: what could be other promising approaches that you have not yet tested yourself?

Both the Finnish and the Dutch Lab suggested to use more the Global Network as a crowd sourcing, not only as a crowd funding resource. For example, Mrs. Myrtille Danse suggested to pool together “different actors from different countries and establish a consortium to carry out a given project”. Similarly, Mrs. Teija Lehtonen affirmed that it is particularly interesting the idea “of merging different companies from different countries, sizes and traditions, resulting in a eco-system for co-creation”. Mr. Fernando Casado mentioned the idea of creating a fund to support new BOP-oriented start-up. Mrs. Myrtille Dance highlighted the importance of doing more research on informal innovation, typical of low-income markets, whereas Mr. Pierre Coetzer (from the South African Lab) argued that they would need additional research on integrating the formal and informal sectors of the economy: “Take the Value Chain Theory, it pertains to the formal economy but in developing countries it simply doesn’t work”. Additionally, Mr. Felipe Perez from the Costa Rican lab argued that it is important to gain visibility to get exposure and sympathy from the private sector. Mr Sateen Sheth, from the WDI, said that there are still few companies tapping the BOP tier with successful approaches hence it is important to provide “assistance and capacity building (…) promoting enterprise development (…) like mentorship to early stage ventures or grant funding/grant seeking and documenting firms’ performances so to catalyze the MNCs’ involvement”. Mrs Chiriopyria Dasgupta, from the Indian Lab, suggested the importance of technology devices not yet used or adopted for future projects incubated within the Emergent Institute. Finally, Mr. Tokutaro Hiramoto affirmed that creating “a CEO network focused on BOP business” might help, as well as sharing “recommendations coming from different CEOs”.

87
**Question:** based on your experiences what are the most likely scenarios of Inclusive Business development in the next five years?

The German, Finnish, Swedish and Danish Labs, all recognized that the interest on Inclusive Business models is growing. Mrs. Christina Gradl said that “now there are more companies, researchers and academics engaged with the Inclusive Business topic”. Mrs. Myrtille Danse (Dutch Lab) particularly noticed a progressive involvement of media and consumers in BOP-related issues. Mr Mike Debelak (Swedish Lab) affirmed that “The Inclusive Business approach will continue to grow but not in a structured way. Currently the BOP theory is implemented within a Blue Ocean opposed to a Red Ocean, the latter being the bloody domain for mainstream, competitive, business. This is the same difference between the Circus (where the BOP is tested and implemented) and the Theatre (where profit strategies are business as usual). Now, the BOP theory has evolved since its first description, yet, to scale up towards upper income tiers there are mandatory improvements to happen: decreasing corruption or enduring stability are two examples”. In the Long Term, Mrs. Sara Ballan (Danish Lab) said that Inclusive Business initiatives will reach African countries, specifically addressing the middle-income consumers. Another future perspective was offered by Mr. Fernando Casado (Spanish Lab) who said that “there will be a possible increase of firm financed research. This is good because it will be very pragmatic but the economic bottom line will be dominant over local empowerment”. Mrs Chirioopyra Dasgupta added that in her opinion in the next years there will be the diffusion of Impact Investment Funds able to find dedicate resources to Inclusive Businesses. Additionally Mr. Felipe Perez, from the Costa Rican Lab, affirmed that “the more BOP issues will become popular among students and young generations, the more such a revolutionary approach might scale up influencing the top of the pyramid in developing countries”. Moreover, according to Mr. Edgard Barki (Brazilian Lab) the upcoming years will see a deeper understanding of the idea of social business and a stronger acceptance of SMEs and MNCs acting in favour of development, sharing the same values. Mr. Sateen Sheth, from the WDI, said that from his studies there is proof of a tremendous potential positively impacting BOP stakeholders but “the domain is in its early stage and it is still not scaled”. Mrs. Peng Rui Mei, from the Chinese Lab, affirmed that: “I believe in the next five nears more and more research institutions, companies and other related entities will get involved in the Inclusive Business development. For those institutions and non-profit entities they see the social benefits of Inclusive Business development. And they are willing to help the poor and those “weak groups” of the society to have better life. For companies they gradually understand the business benefits of inclusive business – it can bring profits and growth for companies. Inclusive business would not only be CSR any more”. Finally, Mr. Pierre
Coetzer said that Government in developing countries will have a more interesting role for implementing inclusive innovation, for example by giving tax brakes to test BOP business models.

QUESTIONS ON THE PARTNERSHIPS WITH INSTITUTIONS/REPRESENTATIVES OF BOP/NON-BOP SEGMENTS

**Question**: Do you partner up with institutions from the BOP segments (e.g including representatives of the BOP segment within the Lab’s governance)?

All the Labs confirmed their engagement with institutions from the low-income market, being the latter NGOs, local communities, entrepreneurs, academia, chambers of commerce. More precisely: the German lab said that they partner up with people from the BOP country, as for their solar project in Madagascar for which they hired people from the field. The Finnish lab, similarly, worked together with thirty organizations for their project in Kenya about renewable energies, “*and we did the same for a health care project in India working with NOKIA and Indian NGOs*” confirmed Mrs. Teija Lehtonen. Mrs Sara Ballan (Danish BOP Lab) added that: “*yes, we did. It’s a key value proposition to partner with local sister organizations, gaining data as a partner and identifying challenges locally*”. Moreover, the Spanish Lab confirmed their engagement with institutions from the BOP tier as for the case of the capacity building workshops that the Spanish BOP Lab organizes to train local people on development-related issues. Mrs. Myrtille Danse, added that working with the field is crucial for a matter of credibility but, beyond that, there is the need to partner up with locals “*not just for cultural reasons but because local information must be converted into an economic point of view*”. On this point, Prof. Stuart Hart said: “*In addition to the ethical reasons, this is important in order to give value to their knowledge, bringing their competencies within the BOP business model. There are many innovations at local level which are not scaled nor adopted. They should be considered and valued as part of a mutual exchange of skills and technologies between BOP entrepreneurs and people living in BOP markets. It is crucial to be open to new options and new innovations*”. Non-European Labs seemingly highlighted the importance of be grounded in the context of BOP business implementation: the Indian lab affirmed to work with 230 local agencies with whom the Lab relies as guide/catalyst for building solid BOP businesses. The Brazilian Lab, confirming its engagement with stakeholders from the BOP sector, reckoned the importance of a good coordination and a consistent trust among BOP stakeholders, firms and BOP Labs working together for delivering fruitful outcomes. Mr. Markus Dietrich (Philippine Lab) said that they work together with the academia, business clubs, chamber of
commerce, NGOs and microfinance local institutions. The Colombian Lab said, referring to their agro-industry projects that: “we visit the areas of our projects together with local communities, hence we increase the local awareness of our territories (...) Local people also help us with what we call ‘problem diagnosis’ and we finally work with them persuading about the need to abandon illegal cultivations (coca or marijuana) for a better life quality and long term returns stemming from rubber and sacha inchi cultivations”. The Costa Rican Lab confirmed its engagement with representatives of the BOP tier mentioning NGOs and Foundations (“Give a Trust, Avina, Centre for Knowledge Experience and Foundation for Better Life”) with which they collaborated on specific BOP projects. Mr Mike Debelak, from Inclusive Business Sweden, said that they are working with local counterparts in Vietnam. However, “the proportion between representatives of low-income or advanced communities is biased in favour of experts coming from advanced economies”. He added that: “there is also a geographical reason for that: if we were based in the Global South we would have included more people from the BOP sector. Our Lab is trying to be more inclusive by working with migrants on a project called Inclusive Entrepreneurs. We target, for instance, people from Ethiopia or Burma that we train on Inclusive Business strategies, linking them with their home countries where to develop their own business initiative”. Mrs. Peng Rui Mei, from the Chinese Lab, said: “We are a research-based Lab, hence we partner with low-income communities to obtain data for our researches, for instance interviewing farmers”. Finally, Mr. Pierre Coetzer, mentioned that the South African Lab is involved in partnerships with people from the BOP tier, however, such alignments of different actors “are not really effective because they have different agendas and impacts are too weak. We work with NGOs but it is difficult, they show a lack of understanding of business models (...) the business narrative is still disconnected between policy institutions, NGOs and business”.

Concerning the permanent involvement of representatives of the BOP communities within the Lab’s governance structure, all the Labs said that they work together with people from the BOP tier to implement a specific project but they do not necessarily include them within their governance structure. On this point, Mr. Sateen Sheth from the WDI, said that they indirectly hear the voices of people from the BOP “while working either with development organizations or enterprises that are working with the BOP. And when we work with those organizations a key part of our research is making sure that we are actually directly talking with the BOP. For example whenever we do impact assessment studies we do qualitative interviews and we make sure that we talk to all BOP stakeholders”. Finally, Mrs. Peng Rui Mei added: “We have connections with certain companies engaged in the BoP business, but their representatives are not within our lab’s governance”.

90
**Question:** Do you see a clash between small and high scale development policies in BOP countries? More precisely do you think that small scale BOP projects could coexist with growth national strategies not necessarily leading to a sustainable development?

All the Labs recognized that this is “the” strategic problem of BOP business implementation. As said by Mrs. Teija Lehtonen, from the Finnish BOP Lab: “This is the problem, but we have to make the choice. Better to work from the inside than criticize big firms publicly. The question is: criticizing or collaborating with bad guys to change them?”. On this point Mr. Fernando Casado affirmed that: “There is the need to separate micro policies from macro policies. But still you can do very good things at the micro level”. Mr. Jacob Ravn, from Access2Innovation, about the possible clashes between good micro business and mainstream large scale profit operations said that the crucial variable is the regulatory framework, which could harmonize pro-development outcomes stemming from both types of businesses. Professor Hart, added that “[BOP] are small initiatives but those that survive offer a model that can be followed and adopted in order to boost the change. Small-scale, private projects can coexist with national plans of development. To the extent to which BOP initiatives will prove themselves successful they will spread, transforming the social context and producing a better way of living”. Mr. Edgard Barki, from the Brazilian Lab affirmed that: “This is a crucial question. I think it’s important to rethink capitalism, looking towards an economy not based on growth”. Mr. Sateen Sheth, from the WDI, affirmed that the two dimensions are not necessarily clashing but they are just two threads of development policies which do not interact per se. The Colombian Lab pragmatically reckoned that: “this is true, yet, only demonstrating the effectiveness of BOP initiatives is possible to convince national actors to invert the model of growth. In this way politics can change”. Seemingly, the Costa Rican Lab in the person of Mr. Felipe Perez said that “the BOP model offers a great opportunity to show that it is possible to be ethical and successful. It represents a new conception for which it is crucial to change the mindset”. Mrs. Peng Rui Mei, from the Chinese Lab, said that “as long as BOP initiatives work for the poor they can coexist with any other different development projects”. Building on that, Mr. Mike Debelak (Swedish Lab) said that “macro and micro projects can coexist, because they target different types of markets and consumers. As you know, the broad category of BOP people is not at all homogeneous hence different scales may address different needs and objects. Obviously, to spread at all levels the BOP approach there is the need to re-shape the business mentality, dealing with systemic changes and acting on networks on the long term”. Markus Dietrich affirmed: “In the Philippines, the government is taking active steps towards
aligning its “inclusive growth” agenda with private sector BOP initiatives. We see it also as our role as BoP lab to support these efforts by enabling the dialogue”. Lastly, Mr. Tokutaro Hiramoto said: “sometimes BOP projects have been very influenced by a change of market environment or national policy. But we should not interfere with national policy, it is a political problem. Alternatively we should suggest various sustainable options through the creation of practical examples”.

3.3.2 Evidence from the UNDP Inclusive Markets Database

The role of the institutions within the ninety-six BOP case studies of the UNDP Growing Inclusive market database was investigated looking for mechanisms, logics and crossed-interests leading to the establishment of a coalition of institutional actors supporting and advocating for the recognition of the BOP approach as the way to go for boosting sustainability at global level, responding to ISEW’s trends.

What emerged from the analysis was that each case study enjoyed from a vivid network of institutional partners that supported the BOP initiatives in different ways. In the case of international institutions, as the US Agency for International Development, International Finance Corporation, European Bank for Reconstruction and Development, South East Asian Development Facility Fund, UK Department of International Development, the Global Compact, Ashoka Foundation and Central Banks, these entities offered capacity building, training and monitoring to BOP business propositions. In the case of local partners, such as local farmers, NGOs, universities, cooperatives, their collaboration contributed to foster local acceptance, greater social impacts and innovative solutions for local business constraints.

However, for ninety-three cases out of ninety-six, the institutional landscape although present, did not create a critical mass of supporters advocating for the adoption of the BOP model at a global level, so to enhance sustainable development policies on a broader scale. On the contrary, they limited their influence to the correct implementation of the specific business case, without extrapolating from such good practices a model of policy intervention suitable for other markets. The only three cases in which the institutional landscape proved to be fundamental for the adoption of a BOP business model as a policy responding to sustainability needs at international level, were the previously illustrated case-studies of Amanco, Cemex and Moladi. Here, a group of institutional actors ranging from farmers, local NGOs, business competitors, experts of Ashoka, construction companies to international development agencies agreed on the adoption and replication of the
same model of institutional interaction in another country where sustainability needs could be addressed with inclusive business solutions.

3.3.3 Comments

The second set of questions targeted all the BOP Labs involved in the process of designing, implementing and disseminating BOP initiatives. The questionnaire was divided in three parts to describe a detailed picture of the functioning of each Lab. Goal of such investigation was to shed light on the existence of a supporting institutional landscape surrounding BOP initiatives worldwide. It was of particular interest to specify at what level the institutional partnerships, established between the Lab and its stakeholders, were positioned and what were their characteristics.

Regarding the point of the creation of institutional partnerships involving actors from the BOP tier, all the Labs confirmed their engagement with different types of counterparts: NGOs, academia, chambers of commerce, entrepreneurs, local communities. Some BOP Labs affirmed to work with a large number of BOP stakeholders (as for the Finnish and the Indian Lab) whereas others are partnering with few local counterparts (as for the German and the Spanish Lab). However, regardless the number of institutions involved, what emerged is that all the Labs recognize the importance of coupling ideas and solutions shaped within the Lab with insights and competencies coming from the field, namely from the BOP segment where the business model is going to be applied.

Additionally, what emerged is that the inclusion of representatives of the BOP tier within the Lab’s governance structure is not a common practice. In other words, BOP Labs do not necessarily hire representatives of the BOP tier, yet, the connections established between a BOP Lab and people living in poverty are based on the needs of a specific project requiring the collaboration and the acceptance of BOP people.

The investigation of the second variable led to the acknowledgment that there is a an institutional supporting landscape enabling the implementation of BOP businesses. However, the latter is subject to two conditions: on the one hand, Labs confirmed that the many institutional partnerships established with people from the BOP tier are project-based, thus limited to the operational activities of a given BOP business. In other words, such institutional connections are not conceived to last further the project’s implementation phase. Consequently, the institutional landscape is not replicable since it is specifically linked to a certain BOP initiative and cannot be
part of a policy framework applicable worldwide to respond to ISEW’s trends. On the other hand, as emerged in the last question from the words of Mrs. Teija Lehtonen, the BOP epistemic community is expected to dialogue with new actors, particularly from the mainstream private sector, as a result of the contamination of BOP initiatives and mainstream business models operating at a macro level. Consequently, getting closer to mainstream actors, the epistemic community of BOP Labs will reduce its inclusiveness with regard to BOP institutions from low-income tiers.

Concluding, what emerged from the second set of interviews was a trade-off between the replication and the embeddedness of the institutional landscape required to support the adoption of Inclusive Business solutions within a global policy framework responding to ISEW’s trends.

Indeed, where there is embeddedness, namely stable relationships involving BOP people and non-BOP experts, this is limited to a specific project, thus not systematized, hence nor replicable, at a global level. On the contrary, where the replication of BOP initiatives is ensured by a global community of BOP Labs advocating for the adoption of BOP business models at a global level, the composition of such a community overlooks the importance of the permanent engagement of BOP institutions (e.g. BOP trade unions, BOP consumers association, groups of BOP entrepreneurs, etc.) which are, for example, not necessarily included within the BOP Labs’ governance structure (both European and non-European Labs). Therefore, where the presence of an institutional supporting landscape for BOP initiatives suggests the adoption of Inclusive Business solutions as global pro-sustainability policies, this does not automatically imply that such an institutional community is intrinsically inclusive.

Ultimately, the evidence emerged from the UNDP database is aligned with the above findings, particularly referring at the relationships between representatives of international institutions and members of BOP institutions. More precisely, the case studies collected in the UNDP database showed that the international and the BOP institutions worked together for the exclusive purpose of implementing a specific BOP initiative. However, international experts did not build long-term alliances with BOP representatives, thus creating a community of BOP-engaged institutions. Only in three cases the institutional partners replicated their synergies in another BOP context partnering up with local actors.

Hence the rigidity of the institutional landscape hinders the development of collaborative interactions that, at institutional level, may adopt the BOP approach as a policy response to global un-sustainable conditions.
Chapter four
Discussion and Perspectives

The evidence presented in the previous chapter showed a complex panorama for the adoption of BOP solutions as international policies addressing sustainability needs, particularly those emerged from ISEW’s trends.

Concerning the geographical replication of BOP ventures in other BOP or non-BOP contexts, it is possible to conclude that there are four sets of barriers that flaw the adoption of such business models as an international pro-poor policy: (i) cultural barriers, (ii) economic barriers (ii), (iii) regulatory barriers and (iv) policy barriers.

Cultural barriers refers to a lack of trust that in other BOP or non-BOP countries, different from the one of the initial implementation of a BOP venture, may hinder the successful diffusion of BOP goods or services. In order to successfully migrate towards other markets, indeed, it is important to align the business not simply to the purchasing power of the new customers but also to their expectations, tastes and level of confidence. Marketing to the poor require a deep knowledge of sociological and psychological factors that characterize a needy community. Seemingly, when the profit-driven purpose is coupled by developmental aims, as for the BOP approach, this is even more important. On this point, Chakravarti (2006:371) argues that “Poverty and development contexts provide many opportunities for examining alternative consumption cultures that may be difficult to grasp from a perspective rooted in normal psychology”. Therefore it is crucial to consider the socio-cultural environment of the poor, particularly looking at the heterogeneous social systems that generate numerous constraints. The latter, rooted in membership groups, for instance, lead to deprivation and self-defeating behaviors through peer group effects. Hence, time needs to be spent to build solid relationships of mutual trust between the brand and its potential consumers.

Secondly, cultural barriers arise when the success of a BOP business is strongly dependant on cultural features rooted in a specific geographical area. In this case it may be that applying the same model in another country, whose economic profile is comparable to the first one, is no guarantee of positive outcomes since the sense of belonging to a certain territory, a sort of ancestral identity, is a powerful variable influencing the success of a BOP initiative, as it was for the Kandelous case-study mentioned in the previous chapter.
Economic and structural barriers are the most commonly mentioned by the interviewees and the most commonly identified within the UNDP case studies. These comprise a lack of:

- skilled human capital that are not easily available in other BOP countries but are crucial to export the BOP business model;
- infrastructures able to ensure the correct implementation of the business (e.g., roads, energy grids, banks, security devices) that are often not developed in low-income countries;
- investments to increase the capital intensity for reducing the business costs and scaling the business in other countries, eventually increasing the productivity. Equally, investments are required to increase production volumes, so to fulfil the needs of more clients;
- consumer base, which especially for non-BOP countries may be too little to justify the replication of the business model, the latter ending up in diffusing niche products for few consumers;
- low cost inputs, that sometimes are not common both in other BOP countries and, surely, in non-BOP countries.

Regulatory barriers refer to the possibility of a BOP entrepreneur to enjoy the same regulatory environment that initially favoured the development of BOP ventures. This means that to replicate such a kind of business in other BOP markets it is fundamental that the latter had a loose regulation, or anyway a regulation whose compliance would not excessively affect the business implementation. More precisely, a BOP business implies a great deal of creativity for adapting the business model to the constraints encountered in a certain BOP market. Hence, it is crucial not to be additionally hampered by excessive norms, or by a strict red tape on how to develop the business, otherwise this would run counter the innovative development of other BOP ventures.

Policy barriers indicate that governments from different countries are called to enforce policies enabling the fruitful diffusion of BOP ventures, inter alia promoting the adoption of clean technologies or innovative ways to deliver certain services in rural areas, keeping the input prices low and avoiding corruption and vested interests. Ultimately, governments must be stable to reassure BOP investors that their business is protected from political turmoil, particularly in low-income countries where democratic institutions are not mature.
In addition to that, the empirical part of this study wanted to shed light on the role of the institutional landscape boosting the adoption of BOP ventures as policy instruments to respond to ISEW trends. Regarding that, from the interviews with firms and BOP Labs and from the investigation of the UNDP Growing Inclusive Market database, it emerged that institutions are certainly crucial to strengthen the successful implementation of BOP ventures. They provide technical and financial assistance, as well as building a network of interested actors that crucially influence the BOP business deployment. Moreover, evidence showed how such institutions may be local, hence rooted in the specific context where the business takes place, or international, namely encompassing one or more coalitions of actors engaged in the BOP venture without coming from the market tier in which the business will be implemented. In both cases institutions emerge as a positive force that, aligned with firms, guarantee the filtering of BOP products or services among the poor while addressing developmental needs.

Looking strategically at the role of the institutional landscape surrounding the inclusive business, two characteristics of the involvement of institutional actors need to be noticed: first, institutions supporting the BOP initiative limit their action to a specific business, without perceiving themselves as protagonists of a generalizable approach for ensuring sustainability returns while making profits. In other words, regardless the type of institution involved, the interviewees confirmed the tendency to create synergies and act as catalysts only for the specific BOP venture they are working for. Beyond that, institutional actors loose their connections, burning off their positive synergies which, on the contrary, may be of a strategic importance in another BOP or non-BOP context, particularly for the adoption of the BOP approach at a global scale.

Second, institutional landscapes are not necessarily inclusive of institutions coming directly from a BOP tier. As emerged from the interviews, BOP Labs do not permanently collaborate with key representatives of the BOP tier (e.g. hiring them as permanent consultants). On the contrary, they work with them (to fruitfully implement the business) but they do not establish a professional relationship lasting beyond the project. In so doing, the epistemic community of institutional actors advocating for BOP solutions shows a membership biased in favour of BOP experts not necessarily representing the BOP contexts, hence, the institutional landscape results not inclusive nor representative of BOP people.

Gardetti (2007), noticed a similar situation in the case of Repsol YPF (the largest energy company in Argentina) that failed in directly involving fringe stakeholders within its think tank devoted to sustainable business. The author concludes affirming that excluding the poor from the BOP-related organization (being it a Lab or a firm’s think tank) hinders the generation of divergent knowledge and thinking, thus impoverishing the process of project and business development. Agreeing on
that, Majumder (2012:20) recalls Escobar’s thesis of a westernization of the cultural meanings and practices of development. According to the Latin American author, indeed, recent definitions and practices of development belong to a European subjectivity, knowledge and power (Escobar, 1988:438). Majumder builds on that highlighting that outside theorists and experts, not coming from impoverished communities but focusing on human development, may not consider the specific developmental needs of the poor, reinforcing a non-inclusive system of power. On this point, it is worth recalling the words of Mrs. Teija Lehtonen, from the Finnish Lab, who affirmed that in the foreseeable future new actors coming from the mainstream private sector (e.g. big multinationals, banks, financial institutions, foundations) will be progressively more engaged at institutional level in BOP-oriented activities. In her words: “…there is a new generation of young professionals interested in the BOP. They are people in their thirties so still junior manager but young forces with whom Labs may work with”. Whether these newcomers will additionally penalize poor people’s instances is debatable. Reporting once more Mrs. Teija Lehtonen’s opinion, however, “better to work from the inside than criticize big firms publicly”. Such a pragmatic stance, yet, is no guarantee that an equitable balance between BOP institutions and big actors from the private sector will be reached, therefore, to prevent unfair power there has to be more attention to include all the voices involved in BOP businesses, on permanent basis.

Back to the question of if and how a supporting institutional landscape will foster the adoption of the BOP approach as a policy for addressing ISEW’s trends worldwide, the project-related approach and the poor inclusiveness of the institutions investigated in this study suggest that this possibility is de facto hindered, as well as the diffusion of BOP business models on a global scale. The few cases in which a BOP business model effectively replicated its positive outcomes in other countries do not reverse what highlighted above. Indeed, two out of three migrated from a Latin American country to another Latin American country. About that, it is crucial to admit that exporting a BOP business model into a culturally and economically similar region is much easier than exporting it within radically different countries. Such a consideration, apparently obvious, sheds light on a regional conditionality that has limited the successful exportation of BOP models exclusively towards akin BOP markets.

In sum, what this study found out is that an institutional landscape which is not inclusive cannot effectively promote BOP as a pro-sustainability policy framework at a global level. Moreover, BOP ventures do suffer from a long list of barriers that hinder their replication in other BOP or non-BOP countries. Consequently, in other low-income tiers, firms have to force their business “back” to mainstream priorities focusing on cost competitiveness, or to rely on supporting
regulations and policies. This reduces the geographical/spatial flexibility of the theory, leading to a de-facto relativization of its policy reach.

As such, presenting the BOP theory as a revolutionary approach exportable to every market and society is questionable (as it is conceiving it as a proper pro-development policy) or at least not yet supported by enough evidence.

4.1 STRIKING THE BALANCE BETWEEN THE NOVELTIES AND PIPE DREAMS

At this point it is important to understand the process whereby eminent representatives of the academia and the profit sector presented the BOP theory as the next-generation business strategy to improve Human Development worldwide.

Inclusive Business, of which the Bottom of the Pyramid Theory (and its evolution focused on Innovation, called Great Convergence Theory) represents the most famous theoretical approach, was developed during years in which the pressure for a more sustainable kind of development generated a reorientation of the classic approaches to development issues. On the one hand, environmentally-friendly solutions and socially responsible behaviors were perceived as a common goal to reach in order to foster a sustainable kind of development at a global level. On the other hand, among the actors entitled to enforce development policies at international level, private companies emerged as the new powerful actors to ensure successful policy outcomes.

The publication of the early articles on the BOP Theory by Prahalad and Hart, corresponded to philanthropists’ effort to stimulate a change of mentality about capitalism and profit activities. An important contribution was the one of Bishop and Green, authors of the book “Philanthrocapitalism”, in which the authors coined such a term to indicate a phenomenon whereby relevant givers from the profit sector may contribute to social changes more effectively than any other global actor (Matthew and Green, 2008). As reckoned by Schwittay (2011:72), in the early 2000’s Bill Gates’ calls for a “Creative Capitalism” at Davos Economic Forum were accompanied by different initiatives originated within big corporations willing to engage with development problems. An example is the Hewlett-Packard’s e-Inclusion initiative against the digital divide in the Global South (ibid, 2011). Prahalad and Hart, capturing the disruptive potential of the early efforts to merge profits with development outcomes, piled up evidence to launch a theory which aimed at innovating the business scenarios of the next fifty years. They collected successful case-studies, stimulated the academic community about their new business theory and created a network of think-tanks (the BOP Labs) devoted to generate knowledge and to consult firms about how to
make profits in low-income communities. Doing so they created an intellectual community advocating for a third way between government-held interventions and non-profit initiatives. The two academics saw in “the four billion poor the engine of the next round of global trade and prosperity” (Prahalad and Hart, 2006:1), arguing that “given bold and responsible leadership from the private sector and civil society organizations, [...] the elimination of poverty and deprivation is possible by 2020. We can build a humane and just society” (ibid: 112).

Arguably such expectations were very optimistic given that, when the BOP Theory was launched, there were few successful ventures demonstrating that such kind of inclusive business was as disrupting as effective. Particularly this bold enthusiasm for the involvement of companies in development issues motivated Karnani’s harsh critique to the BOP model. Besides the main conceptual flaws identified by the author and already explained, the way in which Karnani named the BOP theory is enlightening: “the mirage [...] at best a harmless illusion and potentially a dangerous delusion” (Karnani, 2006:2).

In line with that, this study has confirmed that the BOP Theory is indeed sustained by a powerful discourse about its innovativeness and its global reach. More precisely, building on Varman et al.’s (2012) conceptualization of “neoliberal governamentality” (Foucault, 1970) as the discoursive view harmonizing social, environmental and business returns in BOP strategies, it can be argued that behind the Bottom of the Pyramid Theory there is a form of “ethical neoliberal governamentality” focused on sustainable outcomes and profit solutions to massive development needs. As a matter of fact, the contamination of mainstream business models with ethically-oriented features is a key theoretical improvement reflecting a moral sensitivity which has spread among companies, universities, think-tanks and politics. On this point, different BOP Labs confirmed that “doing well by doing good” is becoming an attractive concept for actors once fiercely avoiding any contamination between business and social issues. Moreover, this conceptual shift is happening both in developed and developing countries, meaning that, at least in theory, there is a rising awareness about the need and the possibilities to couple societal benefits and profit returns.

London and Hart concluded that “[the BOP business approach] is a strategy that can potentially unite the world [...] in a common cause, fostering peace and shared prosperity” (2011:81). The two fathers of the BOP Theory noticed the potentialities of Inclusive business and promptly concluded that such kind of ventures were the ideal solutions to sustainability and development needs, a low hanging fruit ready to be picked by enlightened entrepreneurs. This study demonstrates that this is an optimistic provision typical of a discourse that overestimates the market potentialities of green-ethic business (see also McFalls, 2007), particularly concerning its replication. Hence, as confirmed by the empirical analysis, squaring the circle between social,
economic and environmental needs is a complex process that cannot be enforced in isolation from context-dependent features of the BOP markets where the business is implemented. Additionally, such a multilateral goal is unlikely to be globally scalable both at the top of the income pyramid or in other BOP countries, as emerged from the interviewees.

Consequently, to avoid unrealistic expectations from Inclusive Businesses it is better to recognize and accept the tie between Inclusive Businesses and Sustainability needs, but also their reciprocal constraints.

4.2 BEYOND THE HYPE

Said that, is it sensible to conclude that BOP businesses are simply anecdotic cases in which social, environmental and economic outcomes occasionally aligned generating positive returns in terms of sustainable development?

Before answering to the questions three aspects need to be highlighted: first of all, it is important to remind that BOP ventures have a long record of successful cases proving their effectiveness, there were implemented. Among them, the UNDP database, as well as the investigation of the two case-studies and the collection of the BOP Labs’ experiences, confirmed that it is possible to obtain societal, environmental and economic returns. With regard to that, the Appendix at the end of this study helps at envisioning the kind of outcomes provided by BOP ventures globally. Rising employment rates, gender equality, social inclusion, professional training are just some of the improvements brought about by Inclusive Business strategies in terms of development of disadvantaged communities in different countries. Hence, the BOP approach is no doubt a promising way of doing business with and for the poor, whose short term impacts fostered sustainable human development at the base of the income pyramid.

Secondly, the BOP theory, its version more focused on scaling innovative technologies (the Great Convergence Theory) and the Inclusive Business domain as such are recent threads of research that began to be implemented in a relatively recent time. Indeed, the very early examples of what was lately defined “BOP initiatives” were mentioned in Prahalad’s book dating back on average to the early years two-thousands. If this time was enough to see a dramatic theoretical evolution of the theory, from its early proposition to its advancement towards the 2.0 Protocol and the Great Convergence Theory, time has not passed to evaluate the effectiveness of BOP ventures. More precisely, most of the initiatives disseminated worldwide are still in their business enforcement phase, thus they have not reached the point at which the business model is
consolidated and ready to be scaled in other BOP or non-BOP contexts. As a matter of fact, in order to scale a business it is equally important to have already tested it, in its most profitable shape, as to have saved money and resources for exporting it in other markets. Of course, for that to happen there needs time. On top of that the economic crisis experienced by western economies did not helped the process of learning, since institutional funds for monitoring and understanding the processes of business implementation decreased.

Thirdly, more consistent data are needed in order to understand if the BOP Theory can really respond to ISEW’s records in terms of informing pro-development policies at a global level. This, indeed, is a crucial point since few platforms exist on which BOP experiences are officially classified and collected as examples for studying their features and synergies. At international level, the official database collecting BOP business is the UNDP Growing Inclusive Market database. Other experiences are gathered by BOP Labs, Universities or online networks/communities but their scientific relevance is sometimes debatable, since there is no effort to harmonize data according to a common set of performance indicators. Even some cases within the UNDP database lacked of a common frame for presenting the business proposition and its environmental, social and economic outcomes. More precisely, some of them organized the information according to a clear template, others were more descriptive, diluting the presentation of environmental/economic/social outcomes within extensive background data on the country’s profile or local constraints. In other words, what is important is to develop a shared frame for presenting BOP ventures in a way that could highlight their inclusiveness, as well as listing benchmarks for defining the extent of such inclusiveness. This process of data organization will lead to more homogenous evidence, helping to understand the BOP businesses’ potential in terms of pro-development policy tools. To enable better information systems is also recommended by Casado Caneque et al. (2013) as a way to broaden opportunities for the BOP communities. More specifically, the authors argue that “The success of a joint agenda among key players to provide solutions for the BOP will require a robust and coherent data system” (ibid:102). Further, they suggest that Governments have a key role in this sense, since they can define quantifiable and traceable indicators, create available public data system and enhance the standardization of such data at national, regional and international level. Specifically referring to the methods to enrich the knowledge on BOP initiatives, Màrquez et al. (2010:318) highlighted the need of developing a “Learning Loop” by investing in “unconventional market research methods, sometimes very innovative and highly participatory in nature”.

Finally, from a pragmatic standpoint, such an effort for a more reliable, complete and harmonized knowledge may also have important consequences for BOP companies waiting for a financial support from banks or foundations. Indeed, to be able to quantify the sustainability returns
of BOP ventures through a scientific, shared and detailed method is no doubts a plus that shows how a company is able to conceive its business in terms of value creation.

4.2.1 Two promising pathways

After considering such aspects, two cases from the UNDP Growing Inclusive Market initiative are now presented as possible pathways for strengthening the relevance of Inclusive Businesses as pro-development policy instruments. The cases that will soon be described refers to two firms, Denmor Garments and Adapt, and belongs to the UNDP database. Both examples open a room for replicating BOP ventures at international level thanks to the mediation of two alternative institutional landscape: *migrants networks and sector-based associations*.

The first case-study, located in Guyana, refers to a company producing high-quality garments for export. The owner, a man from Guyana, established a business that now counts 1150 employees. Responding to the question about his future perspectives he said to be willing to launch his own brand, which he would market to the Caribbean diaspora to the US and the Caribbean. This perspective, for now just an intention, may represent an innovative institutional network for the expansion of BOP products/services, whose potential may equate the one of an integrated institutional landscape.

Looking at the literature, the migrant entrepreneurship (or transnational entrepreneurship) has been investigated as a way to alleviate poverty and increase employment opportunities for marginalized communities. Defined by Drori et al. (2009:1002) as: “*social actors who enact networks, ideas, information, and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of action to promote their entrepreneurial activities*”, its impacts have been connected with the changing patterns of modern global diasporas and complex international business activities. On top of that, according to the authors, the diffusion of ICTs and social networks provided both material and social support to migrant entrepreneurship, turning to be a distinctive feature of globalized economies (ibid, 2009). According to Riddle et al. (2010:401) migrant entrepreneurship finds its logical framework within the concept of circular migration, namely the one that ensures the existence of business operations both in migrants’ country of origin and residence. At European level, Levent and Nijkant (2005) developed a comparative study on the determinants of migrant entrepreneurship, concluding that structural factors influence the

---

integration of migrants within the hosting market. These are: (i) the immigration policy of the hosting country, (ii) the existence of a co-ethnic community in the country and its economic incorporation, (iii) the operation of social networks, (iv) the possibility to acquire capital among the community and, finally, (v) the potential market of the host society. These factors, detected at European level, are seemingly relevant in non-European countries, where different host societies experienced the same wave of migrant entrepreneurship.

A particularly relevant concept, which is useful to bridge the topic of migrants’ industrial activities with the BOP Theory is that of “migrant networks”, namely social structures that increase earning opportunities in a labour-hosting region (Light et al., 1990). Networks are key to improve the efficiency of job searches and supply, thus increasing the aggregate supply of job opportunities of a destination country. As a consequence, networks postpone or even avoid the job saturation of a receiving market, while encouraging non-immigrant entrepreneurs to shift capital into the immigrant activities.

Looking at networks as tools for enhancing migrants’ economic activities, it is possible to consider them as drivers for exporting BOP initiatives from a BOP country to another BOP country, concurring to a “pull effect” that may help the replication of BOP businesses in different BOP markets. Consistently with that, transnational entrepreneurship has been studied by economic geographers as a way to increase business opportunities, transferring knowledge, as well as a driver for innovating international production networks. For example Saxenian (2002) argued that US educated immigrant engineers created new economic activities for peripherical economies around the world, once they moved their businesses out of the US. While this example is particularly focused on the Silicon Valley, none may exclude that new examples of innovative business such as the BOP ones may stem from migrants’ diaspora thanks to the effect of strong migrant networks. In this sense it is possible to argue that the BOP approach may take advantage of ethnic economies to migrate in other BOP tiers channeling material and intangible resources through migrant networks. Building on that, Chen and Tang (2009:1082) highlighted the role of “Glocalized Networks”, those standing in between the micro and macro dimension of migrant entrepreneurship. Such networks enjoy from both local and global connections, for instance bridging state policies and market conditions (macro dimensions) with migrants’ socio-demographic characteristics or ability to use new technologies (micro dimensions). Given their multidimensional nature, Glocalized Networks may represent the best channel to replicate BOP business since they encompass micro elements strongly related to the country where the BOP business has already been implemented (e.g knowledge about distribution channels, solutions to overcome inputs shortages, ability to engage
key actors) and elements resulting from the trans-national experience (e.g network connections, peers engagement, financial support).

Back to the literature, Masurel et al. (2002) in a study dedicated to examining the performance conditions of ethnic entrepreneurs conclude noticing that many ethnic entrepreneurs want to expand their market domain targeting clients beyond ethnic affinity. This intention is particularly true for young generation of migrants, looking for new opportunities to address non-immigrants customers with non-traditional businesses. Looking for disruptive strategies, the authors suggest that the ICT sector may be a candidate for such a goal. This study suggests that the BOP approach may well serve this goal too, offering the chance to innovate the migrants’ classic businesses, exporting sustainable and innovative profit initiatives from one BOP tier to another.

To further exemplify such a scenario, it is possible to consider a BOP-tailored product/service from Colombia exported in another BOP economic segment, for instance in India, responding to the same basic needs addressed in the first country of implementation. The driver for this replication of the BOP business model would be migrants networks, helped by favourable circumstances that characterize transnational entrepreneurs such as: easier access to credit (i), higher social acceptability in the receiving country (ii), low-cost workforce recruited on ethnic bases (ii) (Sahin et al., 2007). Hence, to replicate BOP initiatives, migrants’ networks can be effective tools to export the business proposition in other BOP countries through migrants’ diaspora. The latter, relocating people involved in (or simply familiar with) BOP initiatives may export the BOP business niche abroad, concurring to the diffusion of such business model as well as of sustainable development.

Going back to the barriers recalled at the beginning of the chapter, a migration of BOP ventures through migrants network would particularly overcome the following economic limitations:

- **skilled human forces**: in this case, as argued by Sahin et al. (2007), migrants networks may provide skilled human forces recruited on ethnical basis, namely actors to engage in the replication of the BOP business that is rooted in their home country.

- **investments**: as for all the transnational entrepreneurial activities, migrants venture have access to funds from their own migrant group, therefore, they enjoy from the support of other country fellows in terms of privileged access to credit. The latter, according to Rath (2000, in Sahin et al. 2007) often means to recur to informal networks, since migrants are less bankable candidates than native entrepreneurs.
• consumer base: considering the replication of a BOP venture from one low-income market to another, the consumer base will be similar to the original, enough to justify the replication of the model. In terms of needs to be addressed, they will be similar, whereas the volume of the market and the regulatory context may be different.

Notably, the aspirations of the Guyanan man, supported by the literature about migrant entrepreneurship, respond only partially to the question of whether BOP business models may be seen as international policies for sustainability needs. Indeed, migrants moving towards advanced economies will not be able to adapt the BOP business within a market whose higher input costs and different needs do not require BOP business goods. In this sense, hence, transnational entrepreneurship can only help the replication of Inclusive Business along BOP-BOP directions, where underserved needs are similar, namely without scaling the pyramid to its top tier. This caveat needs to be considered while considering the diffusion of BOP ventures through migrant networks.

Finally, a last point needs to be addressed: the role of BOP Labs within such a scenario of replication of BOP businesses through migrant networks. In this case, the analysis of Riddler et. al (2010) offers a interesting insight. The authors investigated the role of incubators for transnational entrepreneurs, particularly considering the case of IntEnt, a Dutch incubator which helps overcoming the institutional voids that, in low-income countries, might hinder the entrepreneurial potential of migrants living in the Netherlands. It is here argued that BOP Labs could play the same role but focused exclusively on the replication of Inclusive Businesses. More precisely, they could provide network, knowledge, training and connections to diaspora entrepreneurs willing to migrate abroad to replicate a BOP initiative. They may represent an intermediary actor adding managerial and business knowledge to the resources traditionally channeled by migrant networks within circular migrations. As emerged from the last interview to BOP Labs, the newly born Swedish Lab, is adopting exactly this strategy, partnering with migrants to link them to their native economies and to boost their potential as Inclusive Business entrepreneurs. Notably, to such an end the BOP Labs community could keep a geographical representation so that each Lab might work for assisting its country-based migrant community and enhance future transnational entrepreneurs.

In sum, what the Denmor Garment example indicates is that migrant dynamics may help the diffusion of BOP initiatives within BOP tiers where the migrant community represents a catalyst for the implementation of the BOP business within and beyond the expatriated community. The extend to which this driver may lead to a segmentation of BOP businesses addressing exclusively low-income sectors is hard to say at this stage but it represents a possibility whose effects might concur
to isolate the base of the pyramid from its top, the latter being a space where migrant BOP entrepreneurs can hardly replicate the inclusive business experienced in their home country.

Adapt is the second case, emerged from the UNDP Growing Inclusive markets database, suggesting a way through which BOP initiatives may become a model of policy response to sustainability needs at a global level. The case-study refers to an Egyptian architecture consultancy firm, called Adapt, developing urban planning strategies. Adapt is particularly focused in affordable housing to be built respecting sustainability criteria of Middle East and North Africa environmental spaces. In 2004 the company was financed by Ashoka, a social venture capital supporting inclusive business all over the world. Subsequently, in 2009 the Egyptian company’s business model has been replicated at a national level with the help of the Ashoka Arab World Housing For All (HFA) initiative. The goal was to reach eighteen million housing units by 2011.

This kind of sector-based institutional support, in this case provided by the HFA, is particularly meaningful in terms of enhancing the diffusion of the BOP business at a global level, in this case looking at Arabic communities outside Egypt. Such a sectorial driver, here internal to the housing industry, may be crucial to replicate a successful BOP business in other low-income tiers relying on international associates working in the building sector.

Back to the research question of this study, the diffusion of BOP models to the point of becoming global policies addressing sustainability needs may be facilitated by a vector such as associations gathering all the stakeholders involved in a certain industry at a global level. The example of the Ashoka Arab World Housing For All (HFA) initiative is just one of such arenas that may ease the replication of BOP initiatives worldwide until becoming endorsed pro-development policy tools. Other examples of global sector-based associations that could serve such goal are: the International Energy Agency (IEA), the World Information Technology and Services Alliance (WITSA) or the World Council of Credit Unions (WCCU). What this type of organizations have in common is the specific goal of advocating for the advancement and implementation of the best policies implying their key-sector at a global level.

To exemplify the functioning of such kind of sector-based organizations, Slow Food International can be seen as a model aligned with this sectoral approach. The association’s mission is to protect the heritage of biodiversity, culture and knowledge related to food at a global level. Founded in 1989, it counts 100.000 members in 153 countries, more than 2000 communities supporting the association and 10.000 small producers. This organization, hence, represents a kind of institutional

---


40 For more information, Slow Food International’s website: http://www.slowfood.com/
landscape that can inspire the BOP community for boosting its goal of diffusing BOP ventures worldwide. Within such an institutional context, hence, the BOP approach may find a place where to be supported within a certain sector over different countries.

Having a look at the literature on such policy arenas representing the interests of a sector-based membership, Zoboli (2010) highlighted the emergence of what he called “Issue-based communities” particularly within the Climate Change policy domain, stating that such a sector of policy involvement was generating “global communities for specific global governance issues” (ibid:1). In his article, the author states that typical conditions for the emergence of such communities are: (i) an increasing share of actors involved in the issue, (ii) strict interconnections between representative layers, (iii) a deep consensus inside and across the layers about what/how to act and, finally, (iv) an increasing capacity of influencing State-related actors. Such a kind of institutional landscape recalls the one of the many actors supporting the BOP principles listed in the BOP Protocol 2.0. However, binding such a community to specific industry sectors may represent a catalyst for effective policy action. More precisely, instead of relying on a global community (institutional landscape) supporting the adoption of the BOP approach regardless the sector of its implementation, a fragmentation into specific industry domains may boost the effective migration of BOP ventures towards different countries with similar developmental needs.

In terms of efficiency, the more the sector-based community would be actively interconnected and able to advocate for the issue before any relevant arena, the more will be the chances to see Inclusive Business becoming a real policy model for global objectives of governance. From a Collective Action standpoint, segmenting the scope of policy interaction at a global level results in facilitating the cooperation, thus ensuring positive outcomes from the interactions of different actors of the same sector. On this point Agrawal and Goyal (2001) state that smaller communities are more effective in terms of collective action than big ones, since monitoring the interaction costs is cheaper in small groups than big communities. Back to our case, ensuring the replication of BOP policies on a sectorial base would be less expensive and more effective than doing the same within a global community representing every possible business domain where the BOP approach can be applied.

Notably, sector-based groups advocating for the BOP approach as a proper global policy tool might arise within a pre-existent sectorial association (thus representing a sub-group specifically supporting the BOP approach), or they could interest the organization thoroughly. Clearly, such a constellation of BOP business advocates should refer to a coordination level ensuring that the BOP principles would be effectively enforced by the different sectorial groups. BOP Labs might evolve in this direction, namely instead of being centers for developing cross-
sectorial BOP initiatives with different type of companies, they may focus their knowledge on a single sector for which representing a qualified think tank of applied research tools (e.g indicators, participative methods for engaging BOP communities or scenario projections). In so doing, BOP Labs would lose their country-specific perspective to be characterized for assisting exclusively a specific sector, possibly involving experts from the BOP so to result, finally, inclusive. On the latter point, problems may arise in case big actors within certain sectors behave as hegemonic rulers due to their size or economic power. It may be, for example, that big players from the housing sector of advanced economies dominate the agenda of their BOP supporting community, marginalizing smaller actors from low-income tiers. These, as for any organization, are risks that needs to consider and address, for example by defining an internally equitable distribution of power.

The evolution towards this scenario is overall still tentative, yet, three examples focused in Africa may offer interesting examples on how BOP Labs may experiment this new institutional role: the Kenyan Financial Sector Deepening initiative, Lighting Africa and the Competitive Africa Cotton Industry Initiative (UNDP, 2013:66). The first example refers to an initiative aiming at increasing access to financial services, especially for low-income people living in Kenya. By engaging different actors such as government institutions, financial institutions, informal providers of financial services, and education and research institutions, it resulted in increasing formal and semiformal inclusion in the financial market from 26% in 2006 to 40% in 2009. The second case refers to a sector-based example of diffusing Inclusive Business in the lighting sector in Ghana and Kenya. The coalition improves market conditions for lighting products. By April 2009, more than 2500 company members registered on the website, 2.5 million Africans had been provided with lighting products and 19 million people have been reached through consumer education campaigns. Finally, the Competitive Africa Cotton Industry Initiative works in six African country to build sustainable cotton value chains. Some of its 2.4 million sub-Saharan members saw a 45% rise in net income due to cotton production. Even though these three BOP-oriented sector-based associations work with a strict African perspective, however, the remarkable results obtained in their geographical domains suggest that the sectorial approach is a promising pathway for expanding their activities beyond the African continent, so to represent an international, sector-based, BOP-oriented institutional landscape (ibid:2013).
4.2.2 Credits and seeds of replication

Among the many merits of the definition and launch of the BOP Theory probably the biggest one is to have portrayed the private sector, and particularly MNCs (as for the first version of the theory) as actors to engage in development policies. The size of big corporations, the type of goods produced and their internal management organization were depicted by Prahalad and Hart as the places for the happening of a business revolution addressing large tiers of the global population so far condemned to subsistence and poverty. In this sense the theoretical and political contribution of the theory was outstanding, pushing the barriers between business and human development towards a possible convergence. Considering that, the BOP theory and the Inclusive Business domain in general, represent a new paradigm in development assistance and business management: they reversed the equation that poor people are not marketable subjects as well as demonstrated that private companies may succeed wherein years of philanthropic help failed. In so doing, the theory prompted the scientific community to advance the knowledge about the interactions between development assistance and business strategies, creating new alignments among opposite actors: NGOs, MNCs, low-income communities, academics.

If there is one single credit to recognize to such an approach, hence, is to have taken the risk to apply what many actors (politicians, managers, volunteers) were just wishing: to try to build synergies between different subjects instead of limiting their efficiency within rigid borders. As for many examples reported in this study, indeed, the result have been greater than any expectations.

Back to the research question, the two case-studies here reported from the UNDP market database (Denmore Garments and Adapt) shed light on two possible drivers for the migration of BOP ventures towards different markets: migrant networks and sector-based organizations. Although both firms did not experimented such drivers but only considered them as future strategies, their role can be framed within what Jenkins and Ishikawa (2012:21) indicated as ways to scale Inclusive Business. The authors, indeed, studying specifically inclusive business models in smallholder-dominated cash crops, enumerated a series of mechanisms conducive to successfully scale BOP rural initiatives. Among them, they founded: (i) enabling policy and regulatory environments, (ii) new business models, (iii) Inclusive Business certifications, (iv) Inclusive financial mechanisms, (v) spinoffs of export-oriented agriculture to the local economy, (vi) new technologies and (vii) sustainable intensifications. Moreover, the author suggested to create effective partnerships through project alliances and platforms. Notably, migrant networks and sector based organizations may be seen as two examples of such platforms conducive to replicate BOP
initiatives, the first relying on expatriated communities, and the second on specific sectorial knowledge attracting experts and practitioners.

Consequently, it is relevant to adopt a twofold perspective: looking at the implementation of BOP businesses nowadays, data shows that there are many barriers to fruitfully replicate BOP businesses and to conceive them as policy tools responding to ISEW data at a global level. More precisely, evidence indicates that few BOP initiatives migrated towards culturally similar areas, thus suggesting that the business model is not flexible enough to be exported in contexts that share the low-income level as the only characteristic in common with the initial implementation setting.

Consequence of that is to criticize the global scope of the BOP theory, presented as the disruptive approach to eradicate poverty through profits. In this sense, hence, there would be no room for advocating in favour of a recognition of the BOP Theory as the policy model to respond to ISEW’s records. However, instead of linear pathways to scale based on capital accumulation, focusing on innovative drivers of BOP diffusion may lead to a progressive adoption of the BOP approach as a policy framework at a global level. Promising dynamics are those enhanced by migration networks (geographical driver) and sector-based communities (institutional driver) that ultimately call for a re-alignment of BOP Labs’ role in the shape of either business incubator for transnational entrepreneurship or advocates of the BOP Theory within sector-based organizations. Particularly for the migrant driver, the fact that one of the most recent BOP Labs is working in this direction confirms that such an hypothesis is all but just theoretical.

Before concluding that the BOP approach is a hype, namely a trendy approach promoting what stands only on paper or as an intention, it is important to gather more evidence and consider such alternative ways of diffusing Inclusive Businesses.

As a last consideration, the difficulties in replicating BOP businesses in other BOP on non-BOP countries so to become a model of sustainable development policies suggest that the scientific approach whereby a certain knowledge must be replicated to be generalizable thus becoming a model (in this case a policy model) has strong limitations where there is to deal with development issues. Aspiring to a global acceptance, a global institutional representativeness and a global geographical scope may not be the most viable horizon for a theory, as the BOP, that overarches economic, sociological and environmental domains. The obstacles to replicate Inclusive Business indicate that instead of claiming a global effectiveness, pro-development policies may rely on a range of principles relative to the sector and the country of their implementation, thus avoiding any all-purpose aspiration.
The BOP theory, and its non universalistic mechanisms, offer an opportunity to re-think the process whereby successful development initiatives become cornerstones of policy plans and global action. The adoption of a more fragmented view on development issues, particularly for those implying the involvement of new actors and innovative products as for BOP ventures, may take time to be accepted, especially because this would impact on governance dynamics at a global level. Yet, such a scenario would rejuvenate many assumptions about policy design and international development assistance. There is to see if such a challenge will find a community of pathfinders as brave as those that embraced the concept of Sustainable Development and made it filtering across economic, political and societal levels.
CONCLUSIONS

The aim of this study was to test whether the adoption, at a global level, of Inclusive Business initiatives, particularly those inspired by the Bottom of the Pyramid Theory, was conducive to shape a new thread of global policies addressing sustainability needs highlighted by weak sustainability indicators such as the ISEW indicator.

The conceptual framework that led to such a research question showed how two processes, happening in parallel, converged: on the one side, the diffusion of the concept of Sustainable Development filtered at institutional level, helped by the diffusion of analytical tools as Strong or Weak Sustainability indicators. The latter proved to be valuable instruments to understand whether a country, or a region, would (or not) need of improving the quality of their development looking at more sustainable performances. On the other hand, pro-development policies begun to be progressively implemented by actors coming from the profit sector, namely companies actively participating in development assistance efforts. More precisely, from the early 1980s the political arena of development aid policies encompassed profit-driven actors whose approach towards ensuring human development worldwide was starkly different from the one previously championed by public/institutional entities. The result of this slow process of mixing public and profit-driven actors was to demonstrate that it was possible to make profit while simultaneously ensuring social and environmental advancements, particularly in low-income communities where the need of Sustainable Development policies was more urgent.

Among the many pro-development initiatives flagged by profit-driven actors, the effort of this studies was to specifically analyse the “policy potential” of BOP ventures, a type of Inclusive Business launched by the professors Prahalad and Hart. This investigation, hence, questioned whether this particular type of pro-poor businesses could become the model for policies addressing sustainable development needs at a global level. To verify that, two variables were tested: the geographical replication of BOP ventures in other countries and the presence of a supporting institutional landscape able to endorse the adoption of such business models at a global level to target developmental needs.
The empirical analysis required to test the above research question was conducted analyzing three data sources: the UNDP Growing Inclusive Markets database (to test the geographical replication and the institutional landscape); two firms doing Inclusive Business in Brazil and in the Dominican Republic (to test the geographical replication) and nineteen experts of Inclusive Business from the BOP Learning Lab Network, namely the institutional network supporting the adoption of the BOP approach for making profit in low-income communities (to test the supporting institutional landscape).

The result of the investigation highlighted that, in terms of geographical replication, BOP ventures found many barriers to migrate towards other low-income communities or high-income communities. In other words, practitioners and experts reckoned that the replication of BOP ventures is conceivable in theory but this does not represent an automatic step of the business development, given a list of cultural, policy, regulatory and economic barriers. Looking at the case history collected in the UNDP database, the few BOP businesses that migrated towards other countries did so addressing a neighbor country, thus suggesting that similar socio-cultural features are a condition for the successful diffusion of BOP ventures towards different areas.

Looking at the presence of a supporting institutional landscape, what emerged from the analysis is that the epistemic community does work with institutions representing the low-income communities but this partnership is strictly limited to the enforcement of the specific business case. In other words, experts, practitioners, academics and consultants gravitating around the implementation of BOP ventures are not including among their fellows representatives of the poor communities on long term basis. Yet, they tend to keep the role of people from low-income communities as local counterparts. Such evidence concurs to decrease the inclusiveness of the institutional community that advocates for BOP businesses as global pro-poor policies. Additionally, when it happens that the partnership between the BOP community and BOP people is enforced, such an alliance of different actors lasts until the business is enforced. Consequently, it is not possible to give rise to a policy model of BOP ventures whose adoption is specifically motivated by global sustainability needs. In other words, institutions supporting Inclusive Business ventures are not currently envisioning a way to harmonize the many successful BOP initiatives so to generate an abstract model of intervention, the latter being independent from the business implementation phase. As a consequence, it is not possible to track the presence of an inclusive community willing to extrapolate, from the single business venture, a model of policy intervention applicable at a global level.

What said led to the conclusion that, having analyzed the geographical replication and the institutional landscape of BOP ventures, the answer to the research question is negative: BOP
ventures cannot be considered as shared policies for responding to sustainability imbalances portrayed by Weak Sustainability indicators, as the ISEW, yet.

Additionally, four specific conclusions can be drawn from the research question’s response:

1) the ISEW indicator, as its further analytic evolutions, are still lacking of a resulting policy framework able to enforce policies that could improve the sustainability performances of a given ecosystem. This consideration sheds light on the policy relevance of the many indicators that are able to describe, analytically, the sustainable or unsustainable conditions of a given country or ecosystem but are deficient of a practical policy framework within which to implement the best policies for ensuring Sustainable Development.

This gap between the need of sustainability indicators and the their objectification into pragmatic policies addressing Sustainable Development needs is confirmed by Hezri (2004), who investigated the national sustainability indicator development in Malaysia. The author reckoned that sustainability indicators have rarely been integrated into policy-making processes, since “embedding sustainability indicators into the fabric of decision-making is a complex task” (ibid:358). To do so, Hezri defined an action sequence illustrative of how an indicator should become part of a policy: the first step is the reception&cognition phase, followed by the reference&effort phase, the adoption&implementation and the impact&institutionalization phase. These are, according to the author, the passages through which indicators “can have stronger purchase in policy debates and ultimately a more functional penetration into policy systems and processes” (ibid:368).

More on this, Fuente-Nievas and Pereira (2010) developed a study for the UNDP on the disconnections between indicators of sustainability and human development policies. They seemingly concluded that the policy trade-offs of integrating sustainability indicators to inform human development policies is not fully understood. They argued that: “Depending on the choice of an existing indicator of sustainability, one could almost conclude anything about the correlation between sustainability and human development. Truth is we do not know how to systematically assess the relationship” (ibid:47).

2) secondly, it is possible to conclude that the BOP Theory, and the Inclusive Business approach in general, cannot be defined as conducive to a policy model for shaping policies to address economic, social and environmental imbalances. This is due to a series of structural limits which flaws the replication of the BOP approach in different contexts, as well as their entering into the international
policy-making process. By answering “no” to the research question, this study highlights the need of understanding whether the many successful examples of an improved sustainable development condition in low-income communities, obtained by BOP ventures, may ever be translated into sound policies. In view of that, as recalled by McDonald (2010), working incrementally toward the goal of scaling up successful social ventures to new settings requires “a context-based approach that is supported by evaluation at each stage along the way”. By no means “scale-up should uncritically replicate the intervention” (ibid:14). For this to happen, more research on impact assessment and ex-post evaluation of the many BOP initiatives is needed to ultimately distil the essence of fruitful inclusive businesses.

3) building on the above points, as a third remark is due in order to remind the options left open by the two UNDP Growing Inclusive Markets’ cases (Adap t and Denmor Garments) in which the entrepreneurs hoped to replicate their business thanks to migrants’ networks and cross-sectoral organizations. These opportunities for BOP businesses to extend their reach at international level, overcoming the barriers that hindered their modeling as pro-poor policies, show a promising path for the future diffusion of BOP ventures. In the previous chapter, the remarkable potential of the two drivers was depicted as a consequence of their easier market penetration thanks to migrants’ communities (for migrant networks) and lower costs of cooperation (for sector-based associations). Additionally, the role of the BOP network’s community was discussed in terms of its positioning as an intermediate actor for boosting Inclusive Business diffusion through migrant networks or sector-based associations. On this point there is to see what logic would be chosen, if the one of organizing the network on a geographical basis to assist migrant entrepreneurs, or on a sectorial basis to increase the specificity of Inclusive Business strategies.

Clearly, much of what suggested needs further investigation: for instance it is not clear how to avoid hegemonic behaviors from big industrial actors. For example, big players from the housing sector of advanced economies might dominate the agenda of sector-based associations, marginalizing smaller actors from low-income tiers. This is a risk that needs to be addressed: the definition of an internal distribution of power to counterbalance the excessive influence of few, dominant, members may be one option. Regarding the migrant networks as the second way envisioned to expand Inclusive Businesses in other countries, additional research is needed, especially to understand how a receiving country can selectively attracts migrant entrepreneurs willing to establish Inclusive Businesses without distorting the internal market (Newland and Tanaka, 2010:23).
4) A fourth conclusion stemming from this study is that pro-development policies found undoubtedly a new operating model engaging actors like multinationals and small/medium enterprises, once excluded from the category of pro-development agents. On this point, the launch of the Bottom of the Pyramid Theory finally unveiled that companies can positively concur to the enhancement of prosperity in low-income communities independently from its intrinsic private nature. Indeed, being it a public or a profit-driven actor, if the intervention in poor communities respects the principles of innovativeness, co-sharing of the business proposition with beneficiaries and the alignment with local needs, there will be positive outcomes comparable with those stemming from public institutions. This acknowledgment concurs to shed light on the many forms of fruitful contributions that actors from the profit sector may offer to policies enabling human development outcomes, determining a de-facto new profile of international assistance, less adverse to the profit-driven sector.

Overall, the characteristics of the process of Inclusive Business diffusion are still not completely clarified, regardless their importance in terms of market potential and for the community of experts and practitioners applying and disseminating Inclusive Business strategies. To further clarify this point, orienting the research towards the analysis of the two drivers (migrant networks and cross-sectoral associations) would rejuvenate many assumptions about the functioning and the potentialities of BOP initiatives. Clearly, there is to see if such a conceptual challenge will find a BOP community, namely entrepreneurs, academics, experts, practitioners, researchers, politicians and intermediary actors, brave enough to embrace the practical social and economic consequences that such a process will bring about at national and international level.
References


Casado-Caneque et al. (2013), *Understanding the BOP: from an access to opportunity perspectives*, CAD-CINI publications. Available at: http://issuu.com/globalcad/docs/understandingbop


Easterly W. (2006), *The white man’s burden: why the West’s efforts to aid the rest have done so much ill and so little good*. New York: Penguin Press.


McGillivray M. et al. (2006), “Controversies over the impact of development aid: it works, it doesn’t, it can but that depends…”, Journal of International Development, 18, 1031-1050.


Shiva V. (2012), *Fare pace con la terra*, Milano, Feltrinelli.


UNCTAD (2012), *The Least Developed Country Report 2012*


UNDP (undated), *Business Call to Action*, UNDP.


World Fair Trade Organization (2009), *A charter of Fair Trade Principles*, WFTO.


Additional readings not cited in the text


Electronic Resources

www.ilo.org
www.economist.com
www.un-documents.net
www.footprintnetwork.org
www.worldbank.org
www.rfkcentre.org
www.gov.uk
http://business.un.org
www.wbcsd.org
www.growinginclusivemarkets.org
www.slowfood.com
www.ecoservices.com

(BOP Labs’ websites)

http://www.globalcad.org
http://www.endeva.org
http://www.altoglobalimpact.org
http://www.boplearninglab.dk
http://www.bopinc.org
http://www.inclusivebusiness.se/about/
http://eaesp.fgvsp.br/en/TeachingandKnowledge/studycenters/gvcev
http://kbmarca.com/asei/
http://www.eafit.edu.co/social/acerca-nosotros/Paginas/about-us.aspx
http://www.reciprocity.co.za/home.html
http://www.incae.edu/
http://www.emergentinstitute.net/our-story/
http://www.bopglobalnetwork.org/
http://wdi.umich.edu/
http://www.sem.tsinghua.edu.cn/portalweb/appmanager/portal/sem
http://www.nri.co.jp
APPENDIX A: Information extracted from the UNDP Growing Inclusive Business Database


The UNDP Growing Inclusive Markets database is part of a broader initiative flagged by the UNDP aiming at advancing the knowledge about Inclusive business models. The case study collection highlights portraits of successful businesses that obtained positive social and profit impacts. The actors of such inclusive ventures are primarily from the private sector, from social entrepreneurs to local small and medium-sized enterprises, large domestic companies and multinational corporations. The UNDP initiative aims at representing a web-based storehouse of empirical data and information on low income markets, aiming at providing empirical knowledge to every actor interested in such type of business models. The case studies bank counts almost 120 inclusive business models from over 40 countries, reviewed and assessed by international experts.

For this study, the UNDP Growing Inclusive Markets database has been accessed in order to check the presence and the functioning of two variables: the geographical replication and the supporting institutional environment. In this appendix, the case studies of the UNDP database are reported after selection and processing of information in order to illustrate their features.

The UNDP database, accessed from the 18th of May 2013 onwards, was browsed selecting one hundred and ten case studies, resulting from adopting the following filters:

- Document type: case-studies
- Countries: all
- Business Sector: all
- Theme: all
- Organizations: Cooperative, Developing Country MNC, Foreign MNC, Foreign Company/MNC, Large Domestic Company (all but Government Initiative, International NGO and Non-profit (excluded International NGO)
- Role of the Poor: all
- Millennium Development Goal: all
- Language: all (English and Spanish)
- Constraints: all
The filters were intentionally loose so to collect the biggest number of case studies for drawing relevant conclusions. After the first round of case selection, a second scrutiny led to reduce the number of case studies to ninety-six, given that some initiatives were classified in both languages (English and Spanish) or they were a repetition of documents already classified. Concerning the type of data investigated, the records consisted in a publication of ten to thirty pages (depending on the author) offering a rich description of the BOP business. They did not follow a common lay out, nor pattern, to present the information hence to detect the variables a customized approach was required, depending on the way in which the author presented the strengths and weaknesses of the BOP venture.

In the following appendix every case-study will be presented organizing the relevant information around three pillars: social, environmental and economic impacts. The three categories have been chosen to quickly highlight the reasons whereby the given business pertains to the Inclusive Business domain, and to specify to what extent the positive outcomes of the business venture contributed to enhance sustainable development in the low-income community. Since every business initiative had its unique profile, an effort to harmonize the different aspects of the relevant business ventures was made so to make the description more consistent and clear. The information contained in the following tables are, therefore, personal elaborations of the UNDP data collected in the Growing Inclusive Markets database.
<table>
<thead>
<tr>
<th>Location</th>
<th>Industry</th>
<th>Social Impacts</th>
<th>Environmental Impacts</th>
<th>Economic Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edipack – Albania</td>
<td>Waste management</td>
<td>Inclusion of individual paper collectors in the supply chain. Engagement of 120 small suppliers, earning an average monthly income of 120 Euros. Employment and training of 75 mostly low-skilled people.</td>
<td>Organization of waste collection, recycling paper and raising awareness initiatives. The recycled paper production process is done using 100% recycled water and other inputs (starch and chemicals) that comply with European Union standards.</td>
<td>Annual turnover of about 2 million USD. Production of up to 350 tons of packaging materials per month.</td>
</tr>
<tr>
<td>Armenia – Tufenkian</td>
<td>Hotel and cultural heritage</td>
<td>Development of entrepreneurial skills within the local populations (e.g. horse riding expeditions and hiking tours). Civic engagement of local people in defending their labour rights. The company hired 174 workers and currently employs about 40% of the population of Tsapatagh and Dzoraget villages.</td>
<td>Low environmental impacts thanks to the solar collectors providing approximately 20% of the Energy used by the hotel. Installation of water-filtering stations.</td>
<td>Every month, Tufenkian Hotels pay over 16,000 USD to their employees as salaries, thereby contributing to the local economies. The average salary paid to employees is in the range of $120-$150 a month, while local teachers receive</td>
</tr>
<tr>
<td>Region</td>
<td>Social Impacts</td>
<td>Economic Impacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gadim Guda – Azerbaijan</td>
<td><strong>Artisanal crafts</strong>&lt;br&gt;Women empowerment through the engagement of 80 people, covering different roles within the factory, from the lowest positions to the senior management.</td>
<td><strong>Economic Impacts</strong>&lt;br&gt;By late 2007 the firm created 60 new jobs. By 2008 the factory was producing 400 pieces a year, generating annual turnover of US$120,000. Gadim Guba boost sales to US$23,810,853. In addition, the programme generated an increase of 2,152,628 person days of employment (both direct and indirect).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HBPS – Bangladesh</td>
<td><strong>Social Business for Women</strong>&lt;br&gt;Telemedicine is now on the agenda of the government, thanks to the success of the pilot. Reduced transportation costs for patients living in...</td>
<td><strong>Social Business for Women</strong>&lt;br&gt;HBPS has created employment opportunities for about 3,500 rural poor women artisans. In addition to this, 70 supervisors are also working in these centers. HBPS is generating a profit margin of 42% and it enjoys a huge market potential as the world market for baby toys is as large as about US$4 billion a year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Sector</td>
<td>Social Impacts</td>
<td>Environmental Impacts</td>
<td>Economic Impacts</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>MTS – Bealarus</td>
<td>Affordable Health</td>
<td>Employment of 10 registered full-time workers and five part-time workers, recruited among the most vulnerable and socially excluded categories like returned migrants, women, single mothers, ex-addicts and ethnic minorities. Among the part time workers there are many representatives of the Roma ethnic minority.</td>
<td>Lower travel related carbon emissions since telemedicine reduced the need to travel from rural areas to large cities. For instance, in the pilot alone, the release of 3,240 kg of CO2 into the atmosphere was prevented (estimated, from December 2008 to October 2009) as 270 patients who used telemedicine services did not have to travel to the central hospital.</td>
<td>As the financial projections show, there is already potential for economic return in 2010, projecting revenues of $11,834.</td>
</tr>
<tr>
<td>Industrijski Otpad Ltd – Bosnia Erzegovina</td>
<td>Waste management</td>
<td>Employment of 10 registered full-time workers and five part-time workers, recruited among the most vulnerable and socially excluded categories like returned migrants, women, single mothers, ex-addicts and ethnic minorities. Among the part time workers there are many representatives of the Roma ethnic minority.</td>
<td>Reduction of the adverse affects on the environment and human health from open waste.</td>
<td>Boosting the local economy and provided jobs and income to those living on the socio-economic margins</td>
</tr>
<tr>
<td>Natura – Brazil</td>
<td>Cosmetics</td>
<td>Strong commitment to communities’ sustainable development. Rising the awareness and social involvement of local institutions.</td>
<td>Creation of a community development fund from a percentage of the revenue generated from the raw material produced by each</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Industry</td>
<td>Social Impacts</td>
<td>Economic Impacts</td>
<td>Environmental Impacts</td>
</tr>
<tr>
<td>---------</td>
<td>----------</td>
<td>----------------</td>
<td>------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Sadia – Brazil</td>
<td>Food processing</td>
<td>technical training on biodigesters, the carbon sequestration process, energy production and fertilizers production. Sadia’s technicians would be in charge of communicating about the Program and its benefits to the producers.</td>
<td>In 2005, more than 200 million items were sold to 50 million consumers in over 5,000 Brazilian cities through direct sales. By the end of 2005, it had 4,128 employees in Brazil and the other countries in which it operates.</td>
<td>With biodigesters, methane emission is avoided. Gases captured from the biodigester operation can also be used as energy, thus reducing operating costs for producers. Also, the byproduct from the fermentation process can be used as crop fertilizer or as food for fish breeding.</td>
</tr>
<tr>
<td>VCP – Brazil</td>
<td>Eucalyptus plantation</td>
<td>workers had all rights guaranteed and some extra facilities in the fields such as proper working uniforms, transport to and from work, training, health care, hot food and toilet facilities in the fields. Additionally VCP established university partnerships to monitor the impacts of eucalyptus introduction in the region. Finally they chose local</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
businesses for the purchase of local inputs, and hired local people for activities ranging from management to operations.

**Environmental Impacts**: to avoid dependence on eucalyptus production and the disruption of the traditional culture the Program established that 50 percent of the property should be kept with the original crop. In the other 50 percent, the legal minimum of 20 percent of the total area must be set aside for preservation, as well as the permanent protection of the surroundings of water bodies.

**Economic Impacts**: By the end of 2006, about 131 settled families had signed agreements with VCP to join Poupança Florestal, usually with five to ten ha each, and a total planted area of approximately 874ha. The company relied on about 900 local contractors.

**Social Impacts**: sourcing shea butter from producer groups. Industrial mentoring activities helping the set up a soap factory to utilize *jatropha curcas*. Empowerment of women working in the cooperatives selling the same butter bought by L’Occitane. Social development funds set up by the cooperatives under the Fair Trade scheme. In 2011, 2% of the sales price went into this fund, which is used to finance community development initiatives.

**Environmental Impacts**: studies are ongoing to test the use of improved stoves in shea butter production and ways to use shea residues as a combustible material. Creation of 20 shea parks to protect shea trees and trained their members in grafting techniques. Option of sea transportation for getting the shea butter to Europe rather than air transport.

**Economic Impacts**: L’Occitane estimates that the
<table>
<thead>
<tr>
<th><strong>Shengchang Bioenergy S&amp;T Co – China</strong></th>
<th><strong>Waste management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts</strong>: extra income for local farmers through selling agricultural waste to the company. Reduction of fuel expenses if farmers switch from their traditional burners to biofuel burners. Additional households benefits derive from improved indoor air quality and reduction of health hazards previously due to cooking smoke. <strong>Environmental Impacts</strong>: studies show that if the company produces 30,000 tons of BPF in 2009, it means that 24,000 tons of coal will be saved. In addition, this pollution reduction will also reduce acid rain. Moreover, energy consumption from fuel transportation is reduced since coal mines are usually situated very far away from the market while BPF factories are usually set up very close to the AW source. <strong>Economic Impacts</strong>: reduction of fuel expense by CNY 600 per year. Today, the company has developed an annual production capacity of 25,000 tons of palletized BF, and employs 180 people, including more than 30 professionals. Its revenue CNY 8.5 million (US$1.25 million), with a CNY 1.8 million (~US$260K) profit in 2008.</td>
<td></td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: reduction of fuel expense by CNY 600 per year. Today, the company has developed an annual production capacity of 25,000 tons of palletized BF, and employs 180 people, including more than 30 professionals. Its revenue CNY 8.5 million (US$1.25 million), with a CNY 1.8 million (~US$260K) profit in 2008.</td>
<td></td>
</tr>
<tr>
<td><strong>Social Impacts</strong>: rising income for local farmers, the latter receiving US$85/m for the production of 120 m3 of lumber generated every five years. <strong>Environmental Impacts</strong>: the amount of pollutant overall price it pays to source shea butter from Burkina Faso is between 20 to 30% more expensive than buying from Western industries. The cooperatives generally buy the butter from the women producers at around 75% of the sales price.</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>Industry</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Yuli Tun Village</td>
<td>China Hydropower</td>
</tr>
<tr>
<td>THTF – China</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Industry</th>
<th>Economic Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huatai Paper Co</td>
<td>China Agriculture</td>
<td>discharge of Huatai decreased due to the relatively low pollutant discharge from wood-pulp compared to straw-pulp papermaking. Consequently there is now extra available treatment capacity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Economic Impacts:</strong> in 2000 Huatai raised funds of US$130 million through an initial public offering (IPO) on the Shanghai Stock Exchange. In 2006, the sales of Huatai totaled US$470 million, with profits of about US$58 million, 640 percent and 410 percent more than those in 1999, respectively.</td>
</tr>
<tr>
<td>Yuli Tun Village</td>
<td>China Hydropower</td>
<td>rising urban migration of local people looking for jobs in the cities after got to know the lifestyles of urban communities. Very low costs of energy compared to the extension of grid lines.</td>
</tr>
<tr>
<td>THTF – China</td>
<td></td>
<td><strong>Economic Impacts:</strong> <strong>Environmental Impacts:</strong> improvements in the indoor air quality and reduction of the fossil fuel consumption, contributing to environmental protection. The small micro-hydro power does not affect the geological balance of the territory and there were little negative impact on local biodiversity and balance of the nature.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>Industry</th>
<th>Social Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>THTF – China</td>
<td></td>
<td>distance training course with “digital agriculture experts” without being connected on to the internet. Three main topics: <em>Planting and Animal Husbandry Guidance Software,</em></td>
</tr>
</tbody>
</table>
| **ICT** | *Long Distance Education, Skill Development Software.*  
**Environmental Impacts:** no information available  
**Economic Impacts:** THTF sold about 1,011 CF computers by October 2006, at an average price of 3,101 RMB (about US$388). |
|---|---|
| **AEIOUTU, Colombia**  
**Primary education** | **Social Impacts:** high quality educational standards for poor pupils sharing the same educational system than rich pupils. Higher literacy rates in the three areas where the project was implemented.  
**Environmental Impacts:** no information about that.  
**Economic Impacts:** Free alphabetization programs for poor pupils living in deprived areas of Bogotà, Santa Marta and Barranquilla. |
| **CEMEX/Patrimonio Hoy – Mexico**  
**Concrete production/social housing** | **Social Impacts:** Affordable and high quality houses for poor people living in low-income tiers.  
**Environmental Impacts:** no information available.  
**Economic Impacts:** after the first three years of work, Patrimonio Hoy counted 36000 clients and more than US$ 10 million in credit. It relies on 49 cells in 23 cities across 19 States in Mexico. The customer base grew at 1500 to 1600 per month. |
| **National Chocolate Company – Colombia**  
**Agriculture** | **Social Impacts:** in the absence of intermediaries, farmers gain more and are able to save money for education and housing needs.  
**Environmental Impacts:** part of the higher premium prize is reinvested in sustainable farming techniques.  
**Economic Impacts:** Interventions within the program interested 1000 acres, rising the income of 15000 chocolate farmers. |
### Public Company of Medellin – Colombia

**energy sector**


**Environmental Impacts**: No information available.

**Economic Impacts**: the program resulted in connecting to the energy grid 43,123 in a legal way, within the Aburrà Valley Municipality. Among them, 74% was previously disconnected.

### Indupalma – Colombia

**Agriculture**

**Social Impacts**: engagement of more than 30 cooperatives, improving the conditions of 1300 families in the Magdalena Medio region. Such area was affected by armed groups particularly violent against the local population and farmers. Indupalma ensured that the property of the land was respected, which resulted in strengthening the confidence in the palm oil business.

**Environmental Impacts**: Indupalma invests in the protection of the local wild species and biodiversity

**Economic Impacts**: Indupalma is a palm oil industry with 385 direct employee and 60 million dollar of sales on 2008.

### Juan Valdez Coffee – Colombia

**Agriculture**

**Social Impacts**: the NFC promotes the development of producer communities, which are part of the Coffee Shops’ value chain. Moreover, the NFC follows the standards of the International Fair Trade Association. The earnings for individual sales are invested in improving the Colombian coffee regions through the construction of roads, schools, health centers, housing and the development of many social investment programmes.

**Environmental Impacts**: The Coffee Shops support
the commercialization of *organic coffees* that contain no chemical traces and *origin coffees* that come from a specific production region.

### Economic Impacts

The sales for 2006, including those in the United States, amounted to US$10.6 million, an 88 percent increase from 2005. The accumulated income since the Coffee Shops opened reached US$20 million.

### Social Impacts

**Pavco-Colpozos – Colombia**

*irrigation systems*

**Enviaseo, SA, ESP – Colombia**

*Waste collection*

**Environmental Impacts:** From the environmental point of view, water irrigation systems reduce the water consumption (95% less water to irrigate the fields) and help rationalizing the use of fertilizers, leading to a lower environmental impact.

**Economic Impacts:** The first project carried out by COPLOZOS led to a 45% increase of productivity for the beneficiaries, that went from 19 tons of agricultural production without irrigation to 30 tons after the technical improvements.

**Social Impacts:** access to technological solutions and improved productivity resulting in higher income for farmers. Knowledge transfer and assistance in developing the business proposition on behalf of Pavco-Colpozos.

**Environmental Impacts:** the program obtained that people collecting waste were seen as crucial people ensuring the environmental balance within the community and avoided their stigmatization. Additionally the program offered educational courses, nutritional trainee and social integration program to the families of people collecting the waste.

**Environmental Impacts:** the city environmental impact decreased due to the lower volumes of waste
<p>| <strong>Eco-farm Mavrović – Croatia</strong> | <strong>Economic Impacts:</strong> income for the companies collecting the materials and then selling them to other firms processing or integrating the discards into their production chain. | <strong>Social Impacts:</strong> health improvements since employees are less exposed to harmful chemicals. Moreover, Eco Farm Mavrović developed pro-poor policies, providing local farmers and its employees with knowledge transfer and capacity building opportunities in all phases of organic food production. In 2009, Eco Centre Mavrović started a new project to involve addicts in organic food production. <strong>Environmental Impacts:</strong> Eco Farm Mavrović uses advanced agricultural practices such as crop rotation, compost usage, weed chopping, crop substitution, soil conservation and integrated pest management. Eco Farm Mavrović uses around 30% less fossil energy and also produces less waste. <strong>Economic Impacts:</strong> In general, expenses are lower and the income is greater due to a price premium (on average around 30%). Moreover, organic farmers are less vulnerable to natural and economic risks than conventional farmers because their systems are more diversified. |
| Eco-farm Mavrović – Croatia Agriculture |  |  |
| <strong>Celtel – Congo</strong> | <strong>Social Impacts:</strong> Communications in a country with no access to the sea are crucial and influence development, boosting growth and empowering the poor. The latter enjoy of higher investments and growth; cash injections; livelihoods; social capital; jobs and training. <strong>Environmental Impacts:</strong> no information available. |  |</p>
<table>
<thead>
<tr>
<th>Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Impacts</strong>: Celtel has gained more than two million customers in DRC’s 25 provinces. Celtel earns more per customer in the Congo than it does in more developed markets, in part because of the low penetration of landlines (10,000 for a population of 54.8 million in 2002) and mobile phones (10,000 users) when Celtel entered the market.</td>
</tr>
<tr>
<td><strong>Social Impacts</strong>: Using PUR sachets is helping reduce diseases due to pathogenic bacteria, viruses and parasites, especially with regards to children. This results in higher productivity among workers and better school attendance among children.</td>
</tr>
<tr>
<td><strong>Environmental Impacts</strong>: no information available.</td>
</tr>
</tbody>
</table>
| **P&G – PUR, Vietnam**  
**Water provision** |
| **Economic Impacts**: By the end of 2006, P&G had sold 57 million sachets, at cost, to humanitarian organizations, in contrast to the mere three million sachets sold during the commercial phase. |
| **Social Impacts**: urban upgrading of informal housing helped residents apply for formal property registration, in certain informal areas designated by the government. Community empowerment, for instance delivering customized public spaces (theatres built in one of the poorest informal areas in Cairo). |
| **Environmental Impacts**: less use of pollutant construction materials like cement and more use of locally available resources in a sustainable way.  
Efficient energy conservation thanks to the use of local raw materials. |
| **ADAPT – Egypt**  
**Sustainable housing** |
<p>| <strong>Economic Impacts</strong>: In Egypt, the company has built over 10,000 affordable housing units. In Egypt over 100,000 people have been trained and aided. ADAPT reported a gross revenue result of US$20 million in |</p>
<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>Social Impacts</th>
<th>Environmental Impacts</th>
<th>Economic Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>GiroNil – Egypt</td>
<td>Access to credit</td>
<td>simplification of access to financial services for the entire Egyptian population, particularly rural areas.</td>
<td>no information available.</td>
<td>Today all 38 banks in the Egyptian market are connected to the model.</td>
</tr>
<tr>
<td>KehirZaman – Egypt</td>
<td>Retailing sector</td>
<td>modernization of retail trade, employment opportunities, environmental protection and business social responsibility. Adoption of a gradual expansion strategy to prevent the reaction of small local shops. The company is contributing to the government’s strategy of modernizing the food retail sector.</td>
<td>transformation of 50% of its shipping vehicles into using natural gas. Adoption of modern environmental standards in waste management, water treatment, and sound level water and energy consumption.</td>
<td>In 2009, the total 58 stores of Metro and Kheir Zaman had a volume of sales exceeding US$250 million. Metro and Kheir Zaman provide employment for a total of 5,500 employees.</td>
</tr>
<tr>
<td>Orascom – Egypt</td>
<td>Housing and construction</td>
<td>a private foreign language school was built and it operates with 120 students. Orascom subsidizes the fees, which reach LE 4,000 (US$740) a year per student. Eventually the number of schools will reach 24.</td>
<td>no information available.</td>
<td>considering the number of units constructed and sold, a total of 12,000 units have been constructed so far with 5,000 purchased.</td>
</tr>
<tr>
<td>Description</td>
<td>Social Impacts</td>
<td>Environmental Impacts</td>
<td>Economic Impacts</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>---------------</td>
<td>-----------------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td>SEKEM – Egypt Agriculture</td>
<td>reinforcement of professional education and promotion of eight hundred and fifty employees’ skills and individual capabilities.</td>
<td>promotion of pesticide-free farming techniques in Egypt, development of biodiversity and elimination of waste.</td>
<td>The overall financial performance of Sekem’s companies has been very strong, with revenues growing from US$10 million in 2000 to $19 million in 2005.</td>
<td></td>
</tr>
<tr>
<td>SIWA – Egypt Ecoturism</td>
<td>community empowerment through the help in bringing the first bank to Siwa, craft stores, a restaurant, as well as a cinema and library. During Ramadan it established a space where it served meals for the local community. The Siwa Poverty Reduction &amp; Enterprise Development Fund was also established thanks to the funds of the Canadian International Development Agency (CIDA).</td>
<td>EQI worked with the Friends of Siwa Association and the local authorities to raise awareness of the importance of protecting the non-renewable groundwater resources of the Oasis.</td>
<td>Currently, 75 Siwans are employed in EQI’s Siwa enterprises and an additional 300 to 320 Siwans are supported by income-generating opportunities such as the supply of raw materials, production of furniture and handicrafts, organic agriculture and traditional Siwan building trades.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>entering the financial net via the rural banking program, Fiji communities are now not only saving but also borrowing to make small investments.</td>
<td></td>
</tr>
</tbody>
</table>
| **Fiji ANZ – Fiji Islands** | **Bank services** | **Environmental Impacts**: no information available  
**Economic Impacts**: Since its launch in October 2004 until March 2008, the program has a total deposit base of US$5 million and a total lending portfolio of US$0.65 million. This was possible thanks to a customer base of 62,257 people who were previously unbanked rural Fijians. |
|---|---|---|
| **TINEX – Macedonia** | **Social Inclusion** | **Social Impacts**: thanks to Tinex media campaign the government of Macedonia was pressed to provide them with proper residential apartments. The company collaborated with the State House offering all foster children a job within its stores.  
**Environmental Impacts**: no information available  
**Economic Impacts**: Since 2004 Tinex offered 40 foster children employment. In 2011 Tinex is the leader in the retail market in FYR Macedonia with 40 medium to large supermarkets and over 1000 employees in 9 cities. |
| **Begeli – Georgia** | **Agriculture** | **Social Impacts**: Begeli was able to change the lives of over 400 farmers by giving them income-generating opportunities and by guaranteeing sales.  
**Environmental Impacts**: farmers have turned to organic farming and consumer preferences for organic products have increased. This improved the quality and output of land.  
**Economic Impacts**: Begeli employs four people and had a turnover of around $33,500 in 2008. |
| **Esoko – Ghana** | **e-agriculture** | **Social Impacts**: for the farmers benefits included increased trade through access to markets, increased business, information empowerment and improved ability to negotiate and reduced risk.  
**Environmental Impacts**: indirect benefits such as the |
<table>
<thead>
<tr>
<th>Integrated Tamale Fruit Company – Ghana Agriculture</th>
<th>Barclays micro banking – Ghana Financial Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Impacts:</strong> Currently, the Esoko platform has registered over 14,000 contacts, 847,000 prices, 517 trade groups, and 480 markets.</td>
<td><strong>Social Impacts:</strong> working within existing informal institutions the micro banking systems provided credit to the Susu collectors for on-lending to the market women. This allows the petty traders to access funds to invest in their businesses, diversifying and increasing their sources of income.</td>
</tr>
<tr>
<td><strong>Social Impacts:</strong> sustainable income-generating venture through organic mango production. The firm is also supporting a Children To School Project (CTSP) whose objective is to improve the infrastructure of primary schools in the district.</td>
<td><strong>Environmental Impacts:</strong> no information available</td>
</tr>
<tr>
<td><strong>Environmental Impacts:</strong> The ITFC enterprise reinforces government re-forestation programs and the organic production of the mangoes ensures that the natural environment is protected for future generations.</td>
<td><strong>Economic Impacts:</strong> safeguard of small farmers against extreme vulnerability, representing an essential path out of poverty and hunger. A study on other microfinance programmes in Ghana has indicated that Freedom from Hunger’s clients had reduced use of transportation in search of markets.</td>
</tr>
<tr>
<td><strong>Economic Impacts:</strong> Compared to an estimated average annual income of between US$250 and $300, an outgrower will be earning about US$1,200 by the tenth year of operation, with the amount increasing to about US$2,000 by the fifteenth year and beyond.</td>
<td><strong>Environmental Impacts:</strong> no information available</td>
</tr>
<tr>
<td><strong>Social Impacts:</strong> working within existing informal institutions the micro banking systems provided credit to the Susu collectors for on-lending to the market women. This allows the petty traders to access funds to invest in their businesses, diversifying and increasing their sources of income.</td>
<td><strong>Economic Impacts:</strong> safeguard of small farmers against extreme vulnerability, representing an essential path out of poverty and hunger. A study on other microfinance programmes in Ghana has indicated that Freedom from Hunger’s clients had reduced use of transportation in search of markets.</td>
</tr>
</tbody>
</table>
increased their incomes by $36 compared to $18 for non-clients.

Toyola Stoves – Ghana, Energy

Social Impacts: Toyola employs poor or even extremely poor people, who normally would not enter the job market. Moreover the firm pays them US$4 a day - a salary which is double the minimum wage of about US$ 2 a day. Finally, avoiding the use of charcoal the level of pollution and therefore the level of exposure of household members to harmful pollutants decreases.

Environmental Impacts: Toyola cooking stove reduces emissions of carbon dioxide into the atmosphere, which has adverse effects on global warming. Moreover, the Toyola stoves save about 40% to 50% on the amount of charcoal used, reducing the rate of deforestation and desertification in Ghana.

Economic Impacts: Toyola estimates start making profits after year five. Already in year six, the company should be making profits of about US$33,000.

Cashew production – Guinea Agriculture

Social Impacts: improved incomes and livelihoods of smallholder farmers (benefiting from the retain of approximately 70% of the value of exported cashew). Strengthening of farmers’ associations. Training of 1,600 farmers in cashew harvest, post-harvest, handling and conditioning techniques.

Environmental Impacts: rehabilitation of 1,600 acres of old cashew plantations. Supporting the planting of cashews on 12,000 acres of new plantations.

Economic Impacts: according to economic projections, if the entire Guinean cashew crop of 2006 were exported, its value would have been US$2.5 million. The equivalent quantity exported as
| **Guyana Dermont – Guyana**  
**Textile** | **processed kernels would reach over US$4 million. At least 40 percent of this increase in value would be paid in labour and wages, positively impacting on farmers’ livelihood.** |
| **Social Impacts**: over US$250,000 are spent annually on employees’ training. Denmor’s emphasis on human rights and high labour standards improves the productivity of the workforce and reinforces the firm’s position in the eyes of international clients who are increasing their attention on management practices. Particularly important is the women empowerment boosted by the firm’s policy of favouring female employment.  
**Environmental Impacts**: no information available  
**Economic Impacts**: Since its establishment, in July 1997, Denmor has grown from 250 to over 1000 employees; 98 percent of whom are women from impoverished rural communities. |
| **New Tirupur Area Development Corporation Limited – India, Water Supply** | **Social Impacts**: significant fall in water borne diseases; average health expenditure per family fallen by 60% below median income families.  
**Environmental Impacts**: ground water contamination reversed, establishment of water bodies, wasteland recovery of up to 200,000 hectares.  
**Economic Impacts**: Prior to NTADCL there were 43,000 household connections. After the arrival of the firm, the Tirupur municipality installed 8,000 new connections and has the capacity to add 17,000 more. In terms of employment, the firm contributed to additional 200,000 jobs between firm and satellite activities. |
### Narayana Hrudayalaya – India

**Health Assistance**

**Social Impacts:** Low costs for health assistance ensured positive social impacts for poor people. Most services were paid on the base of what they could afford while the rest of their care was taken care of by NH through its charity unit and donations from wealthy patients. The hospital has subsidized poor patients with approximately US$2.5 million, whose beneficiaries were close to half of all the patients that came to NH for treatment.

**Environmental Impacts:** No information available.

**Economic Impacts:** Between 2001 and 2006, monthly inpatients have multiplied by four, while monthly outpatients have multiplied by more than ten. NH turned in an impressive financial performance: in the financial year that ended in March 2005, the hospital turned in 20 percent profits before provisioning for interest, depreciation and taxes.

---

### A little word – India

**M-banking**

**Social Impacts:** Local employment and reduction of migration on a small level. Access to funds carries the social benefit of control over one’s own money. Finally, over 16,000 women are employed as CSPs in the ZMF delivery platform, which brought these women a certain level of social recognition and status in their villages.

**Environmental Impacts:** By switching to mobile-phone enrolment, driving to villages has been eliminated. The rural households save themselves the cost of trips, savings on transport fuel.

**Economic Impacts:** Currently present in 22 states, with 22 bank agreements ZMF has over four million enrolments. Between 2010 and 2011, revenue is expected to rise to Rs. 3,600 million with approximately 40 million customers.
<table>
<thead>
<tr>
<th>Vaatsalya Hospitals – India Health Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts:</strong> Every Vaatsalya hospital has specialist doctors who are full-time employees and are paid a fixed salary and incentive. The long-term relationships that doctors develop with the patients are important for Vaatsalya to get the confidence of the local community: they achieved this by creating an environment of trust and care within the hospitals.</td>
</tr>
<tr>
<td><strong>Environmental Impacts:</strong> no information available.</td>
</tr>
<tr>
<td><strong>Economic Impacts:</strong> at a steady state, with a capacity utilization of 80%, Vaatsalya hospitals earn annual revenues of INR 25 million (US$549,000). In its past four and a half years of operation, Vaatsalya has setup nine hospitals across nine districts in the state of Karnataka, managed 450 beds and has and treated close to 175,000 patients. Future projections aim at setup 50 more hospitals across several Indian states, reaching out to more than a million patients a year. This would indirectly benefit 4-5 million of the Indian population living in semi-urban and rural areas.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lafarge – Indonesia Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts:</strong> Lafarge launched a programme to rebuild 500 homes, four schools, and seven mosques in Lamkruet, a village close to the factory. Working with the Ministry for Labour’s training institution, vocational training modules were carried out to help people developing practical new skills.</td>
</tr>
<tr>
<td><strong>Environmental Impacts:</strong> no information available.</td>
</tr>
<tr>
<td><strong>Economic Impacts:</strong> after four to five weeks of free training workers were quickly hired by local companies, NGOs or public agencies. Trained workers were paid up to Rp 40,000 per day (about US$3, considered above average in the area).</td>
</tr>
<tr>
<td>Company</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>PPTK – Indonesia</td>
</tr>
<tr>
<td>Biofuel/Biomass</td>
</tr>
<tr>
<td>Rajawali’s Express – Indonesia</td>
</tr>
<tr>
<td>Transportations</td>
</tr>
</tbody>
</table>
### Toarco – Indonesia

**Agriculture**

**Social Impacts:** at the Padamaran Plantation, Toarco employs 53 (including three female) permanent staff members and 900 temporary workers during harvest seasons. For permanent staff, Toarco provides loans for school, marriage, birth, emergency and natural disasters. They are free of interest and must be paid back within 10 months. Toarco also gives grants for employees marriage and child birth. Long time employees receive commendation from Toarco. For temporary workers who pick cherries exceeding the target amount, a bonus is paid in addition to the basic daily wage. For adding value, the Padamaran plantation got certifications from two large organizations: the Good Inside in 2007 and the Rainforest Alliance in 2009. With the certifications, Toarco can sell coffee at premium prices.

**Environmental Impacts:** they reached a way of planting coffees with 40 species of indigenous trees for shading and retaining water. Preservation of the environment and biodiversity creates social and economic value for the company.

**Economic Impacts:** Gross sales in FY2009 were 50,328 million yen (629 million USD). Key Coffee ranks second in the regular coffee business in Japan with 16 percent of sales share. Though it does not export roasted coffee from Japan, it developed a new brand of canned coffee for growing Asian consumers in 2008.

### Kandelous – Iran

**Agriculture/tourism/Consumer Products**

**Social Impacts:** the production in the village has also created more than 200 direct and several indirect jobs. Preserving the cultural heritage of the region, the company contributed to raise the
awareness of locals in respecting more their traditions and customs. Now, several cultural festivals take place in the region where people show up with local clothing and sing local songs. The company published 22 books and 15 CDs based on local folklore literature and music. A high fraction of the company’s employees (close to 60%) are female workers who work at the farms, processing unit, restaurant, shops and hotel.

| Environmental Impacts | plantation of 250 new species of plant life, introducing natural products to the urban consumers. Kandelous Group has additionally planted in a large area of uncultivated lands and therefore has contributed to expanding the green coverage of local spaces. |
| Economic Impacts | The annual sale of the company in the recent years has been around US$12 to 15 million. As an indirect effect, the vast wholesale and distribution network of the company has generated further demand for more than 2,400 local drug stores and specialized herbal medical stores. By promoting the image of the village other businesses such as fish planting and hotel services have been attracted. |
| Social Impacts | raising the awareness of the need to change from unsafe constructions to new design and architecture that look different from buildings done in the past but are safer. |
| Environmental Impacts | use of locally available adobe. Adobe is cheap or free in rural areas and also has the advantage of being processed by sun-drying only with no extra energy requirement. This is more environmentally friendly since there is no need of polluting cement factories, no expensive machines |

**Saraman –Iran**

**Housing and Construction**
on site and no fuel consuming equipment.

**Economic Impacts**: Job creation within the company was the most direct and visible economic result of Saraman. Currently, the company has 12 permanent employees in its office and more than 65 workers in different fabrication and implementation sites. The second year revenue, with about 100% increase from the year before, was about 3.2 million Euros (US$3.9 million).

---

**Ecotact – Kenya**  
**Sanitation**

**Social Impacts**: diffusion of a new standard of hygiene in targeted communities, reducing urban pollution from human waste. Generation of employment opportunities and increased accessibility of sanitation services among urban poor.

**Environmental Impacts**: reducing the amount of raw sewage that pollutes the Nairobi River, Ecotact decreased exposure to waterborne diseases. Further, Ecotact has improved the urban landscape for low-income communities through environmentally responsible projects in sanitation and housing.

**Economic Impacts**: employment for 260 people and opportunities for micro-business (kiosk establishment and shoe shine vendors) were business-related improvements stemming from the activities of Ecotact. Additionally, all Ikotoilets have a small shop owned by traders.

---

**KACE – Kenya, Agriculture/ICT**

**Social Impacts**: women empowerment due to female employment in agricultural based activities. Creation of indirect satellite business activities such as markets for small-scale farmers.

**Environmental Impacts**: poor farmers, when obtain fair prices and make a reasonable living out of rural activities, become interested in sustainability and
thus actively participate in protecting the environment.

**Economic Impacts**: KACE reaches 1 million farmers a day through radio, SMS or direct contact. In addition to this, an estimated 250,000 small-scale traders in agricultural commodities access their services on a daily basis.

---

**K-REP Bank – Kenya**

**Microfinance**

Social Impacts: Clients are introduced to the banking system and their productive activity is integrated into the formal financial system. K-REP Bank involves clients in making major decisions, builds capacity in community based financial structures and delivers financial services to low-income groups. Rural community banks were established in remote rural villages. The loans are mostly used for small and micro-business activity, household development, education and healthcare.

**Environmental Impacts**: no information available.

**Economic Impacts**: K-REP Bank has directly or indirectly provided credit for 1.5% of Kenya’s 900,000 micro-enterprises. K-REP Bank currently serves 69,000 active borrowers and 23,000 savers with its asset base of over US$50 million. These are people usually considered not bankable.

---

**MPESA – Kenya**

**ICT and Financial Services**

**Social Impacts**: women have equal opportunity for accessing money transfer as well as men. Enhancement of entrepreneurial activity in the low-end of the market through the incorporation into micro-finance institutions.

**Environmental Impacts**: no information available.

**Economic Impacts**: In October 2005, MPESA trials were successfully launched in Kenya, featuring eight Safaricom dealer shops and 450 Faulu Kenya clients
CBT – Kyrgyzstan Eco-Tourism

Social Impacts: during the 2008 tourist season, CBT groups generated 412 direct jobs with an average salary about 40 USD per month. Locals enjoyed indirect benefits from tourism such as improved infrastructure, environmental awareness, and cultural preservation.

Environmental Impacts: an Ecological Code was developed as a set of guidelines for CBT members and the community in general. It encompassed ecological and cultural conservation principles. This was included as an integral part of any cooperation agreements that the firm signs with other partners, so that serving as a guarantee of the environmental sustainability of the CBT model.

Economic Impacts: The total number of tourists using CBT services in 2008 was 9,260, a 13 fold increase from 2000 (718 tourists). The total turnover increased from 7,983 USD in 2000 to 250,554 USD in 2008. These numbers indicate the growing popularity of CBT in Kyrgyzstan.

Fair Trade Cotton – Mali Agriculture

Social Impacts: increased income by poor cotton farmers and protection from vulnerability to price fluctuations and depressed prices. Additionally, women are encouraged to be involved in the management of producers’ cooperatives.

Environmental Impacts: The fair trade certification standards aim at raising crops profitably without harming the environment. Producers are required to demonstrate diligence in selecting appropriate non-harmful chemicals or biological pesticides. Such criteria certify the presence of organic productions whose characteristics are superior to those of
| Tiviski Dairy – Mauritania Dairy Industry | **Social Impacts**: health improvements of the urban population of Mauritania. Lower risks of transmitting diseases such as salmonella and tuberculosis. **Environmental Impacts**: allowing pastoralists to maintain a nomadic lifestyle contributes to better desert ecosystem management. **Economic Impacts**: poor and nomadic people can earn a living from previously non-productive livestock. The firm contributed to rise capital investments in the industry. |
|---|
| Amanco – Mexico Agriculture | **Social Impacts**: awareness and more internal organization and coordination of small farmers. **Environmental Impacts**: different percentages of water savings, depending on the irrigation system used, with a maximum of 60 percent. The new irrigation systems helped to halt land erosion. **Economic Impacts**: productivity for Amanco customers had increased up to 22 percent, related labour costs had dropped 33 percent and water efficiencies that allowed extending the irrigated land by 50 percent with the same supply were achieved. Amanco irrigation systems allowed for continuous production for eight to ten months per year. |
### Construmex – Mexico
**Remote Housing Investments**

<table>
<thead>
<tr>
<th>Better design and planning. Better housing results in higher self-esteem and national pride for migrants and their relatives.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Impacts</strong>: no information available</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: By the end of 2006, more than 67,000 migrants had contacted Construmex, and over 18,000 orders had been placed for the delivery of construction materials. From 2002 to 2006, Construmex generated US$12.2 million from construction materials’ sales.</td>
</tr>
</tbody>
</table>

### PETSTAR – Mexico
**Waste**

<table>
<thead>
<tr>
<th>Social Impacts: creation of Centers of Community Education and after-school childcare facilities for scavengers’ children. The objective is to target children under 6-8 years old, since older children prefer earning a living by working as scavengers rather than attending school.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Impacts</strong>: as any recycling business, PETSTAR directly contributes to the protection of the environment. In addition, PETSTAR is preparing an environmental and social impact assessment of the project that will focus on the potentially negative impacts in its area of influence, identifying any relevant prevention and mitigation measures. Together with ECOCE and in partnership with schools, PETSTAR will also engage in a program for children through which each kilogram of PET recycled by the children at school will be rewarded with an “eco-point”.</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: From a commercial point of view, PETSTAR has already secured sales contracts with DANONE and PEPSI.</td>
</tr>
</tbody>
</table>

<p>| Social Impacts: increase in the number of local businesses, with positive impacts on almost 300 |</p>
<table>
<thead>
<tr>
<th>Rural Finance Corporation – Moldova Microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts</strong>: connection of more than 65,000 households and increased number of people to electricity grids and water by more than 20 percent.</td>
</tr>
<tr>
<td><strong>Environmental Impacts</strong>: electronic transfer of money among villages thus reducing the fuel consumption and CO2 emission related to long distances travelled by car.</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: RFC’s own capital increased from 62,000 USD ten years ago to about 7 million USD in 2008, while its loan assets increased during the same period from 340,000 USD to almost 38 million USD. Its net profits increased from 60,000 USD in 1998 to 1.9 million USD in 2008. After almost 12 years of operation, RFC is the Moldovan microfinance market leader on loans disbursed with 25% of the market share and accounts for almost 29% of the industry profits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LYDEC – Morocco Energy, Water and Sanitation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts</strong>: connection of more than 65,000 households and increased number of people to electricity grids and water by more than 20 percent. Since 2004, LYDEC provides light to Casablanca’s streets lighting benefiting tens of thousands of poor households. Creation of job opportunities for around 600 people providing street network setup.</td>
</tr>
<tr>
<td><strong>Environmental Impacts</strong>: LYDEC’s specific project regarding water losses saved an annual volume of over 24 million cubic meters of water between 1998 and 2002.</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: legal access to electricity to more than 30,000 households in 120 shanty towns in Casablanca. Since 1997, LYDEC has succeeded in increasing the percentage of people utilizing electricity and water services by 20 percent.</td>
</tr>
</tbody>
</table>
| Temasol – Morocco Solar Power | **Social Impacts**: 24,800 rural households totaling 170,000 individuals were given access to solar electricity. This improved access to information through TV and radio sets, better access to education for children (particularly for girls), productivity improvement, improvement of communication through cell phones, etc.  
| **Environmental Impacts**: decreased reliance on the use of fossil fuels, candles, coal, oil lamps, and car batteries for lighting, heating, cooking, etc. Recycling of used batteries collected from customers by a professional supplier.  
| **Economic Impacts**: The percentage of people connected either to the national grid or to other sources of energy rocketed from 22% in 1996 to 93% in 2007 and to 95.4% in 2008. Overall, 106,200 customers were connected between 2002 and 2008. |
| VidaGás – Mozambique Health and Energy | **Social Impacts**: increased availability and reliability of stocks of medicine, impacting the immunization programme and benefiting maternal and child health. The goals of the project align with the Ministry of Health’s objectives.  
| **Environmental Impacts**: production of less environmental pollution. There is less carbon dioxide, carbon monoxide, nitrous oxide, hydrocarbons and particulates since LPG vehicles emit about 20 percent less CO2 when compared to petrol).  
| **Economic Impacts**: VidaGás has worked with 88 health clinics in northern Mozambique, serving 1.5 million people with a recent expansion to 163 additional clinics in the neighboring province of Nampula (bringing the total population served to upwards of 4.5 million). |
### Olam – Nigeria

**Agriculture and consumer products:**

**Social Impacts:** investments on local farmers through training to enhance farmers’ knowledge of managing their farms; development of out growers schemes; supply of inputs to farmers at the right time when these inputs are needed; provision of access to critical inputs and provided extension and transparent product pricing.

**Environmental Impacts:** promotion of sustainable forestry management practices in West Africa. Knowledge diffusion about the correct mix of fertilizer and pesticide that should be used for conserving the natural resource base.

**Economic Impacts:** In 2008 alone, Olam International made a total net profit of about US$167.7 million. Its rapid growth is also attested to by the rapid expansion from one country to 60 countries, and from one single product to 17 products.

### Pot-in-Pot – Nigeria

**Agriculture and consumer products:**

**Social Impacts:** beneficiaries of pot-in-pot stoves, particularly women, used it to prepare local food stuffs, soft drinks and water for domestic uses. Income creation targeting the skilful but largely unemployed labour market of pot makers in Jigawa.

**Environmental Impacts:** avoidance of deforestation since the wood used is plant residue already dry. Concerning clay, they use the abundant amount of it available without exploiting local soil or damaging the environment.

**Economic Impacts:** production of between 15 and 20 pots a day. The pots sold for between US$2 (N300) for the smaller pot-in-pot and US$4 (N600) for the bigger version. As of 2005, the inventor had delivered over 90,000 pots and production has continued to increase.
**Tetra Pack – Nigeria**

**Food and Beverage**

**Social Impacts**: increase in school attendance, improved levels of micronutrient and vitamin deficiency, energy, growth, and cognitive skills among children. Increases in female enrolments, full school-day attendance, and timely return from vacation breaks, and parental enforcement on school attendance; whilst absenteeism reduced.

**Environmental Impacts**: in Nigeria research activity has commenced to identify possible partners that will help in the recycling efforts.

**Economic Impacts**: whilst selling FfD cartons at cost, there were no direct economic benefits for Tetra Pak. However, the inherent brand value gained from the distribution of packages served as a possible proxy.

**CoCo Technologies – Philippines**

**Agriculture**

**Social Impacts**: community involvement in every step of the business process. Income generation for families involved in fiber processing. Capacity-building of individuals, families and local enterprises ensuring a robust and dynamic supply chain. By 2006, more than 8,000 families were involved in the Philippine coconut fibre industry.

**Environmental Impacts**: soil controlling effects from installing coconets on the hillsides and mountains once interested by soil erosion. Notably, the most important thing is that land and soil have been rejuvenated and will be in better condition than before the disaster.

**Economic Impacts**: in 2006 CocoTech became a medium-sized enterprise of 25 employees with revenues exceeding $300,000 and more than 6,000 families involved in the manufacture of CocoTech products.
<table>
<thead>
<tr>
<th><strong>Danone Poland – Poland</strong>&lt;br&gt;Nutrition</th>
<th><strong>Social Impacts</strong>: The initiative had a significant impact, both in Polish society (raising awareness of the scope of the problem) and for Danone as a company as it strove to provide practical and sustainable solutions to real social issues.&lt;br&gt;&lt;br&gt;<strong>Environmental Impacts</strong>: no information available&lt;br&gt;&lt;br&gt;<strong>Economic Impacts</strong>: The launch of Milk Start in Poland was in the middle of September 2006 after market tests in the summer. By the end of 2006, Milk Start reached sales of almost 1.7 million sachets. According to company’s sources, about seven percent of the target group bought the product, which represents almost 33,000 households with children under the age of 15.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PEC Luban – Poland</strong>&lt;br&gt;Energy</td>
<td><strong>Social Impacts</strong>: the direct employment impact of harvesting straw with tractors and machinery is estimated to be 350 jobs per TWh, particularly involving unskilled man force. The company participated in different initiatives on environmental education for students, academics and professionals from the heating industry. Managers from PEC Luban, together with representatives of “Polish Heating” Chamber of Commerce, organized several conferences on bioenergy, with a total participation of 500 people.&lt;br&gt;&lt;br&gt;<strong>Environmental Impacts</strong>: lower volumes of coal used in the heating system by about 2,500 tons per year.&lt;br&gt;&lt;br&gt;<strong>Economic Impacts</strong>: It is estimated that about 40 percent of inhabitants have their own heating system, so PEC Luban is serving 60 percent of the city.</td>
</tr>
<tr>
<td><strong>DTC Tyczyn</strong>&lt;br&gt;Education</td>
<td><strong>Social Impacts</strong>: School children now benefit from the instillation of internet-connected, multimedia computer facilities at school. DTC Tyczyn itself employs</td>
</tr>
<tr>
<td>Project</td>
<td>Country</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>DTC Tyczyn - Poland ICT</td>
<td>Poland</td>
</tr>
<tr>
<td>Forus Bank – Russia Financial Services</td>
<td>Russia</td>
</tr>
<tr>
<td>Adina for Life – South Africa Food and Beverage</td>
<td>South Africa</td>
</tr>
</tbody>
</table>
| **Chaka Group & Money Express – Senegal** | **Social Impacts**: poor people in the West African region have been able to benefit from the revenues of their immigrant family members overseas. Additionally, the Foundation Money Express was launched finance education and health projects.  
**Environmental Impacts**: no information available  
**Economic Impacts**: In 2006, Money Express handled 191,584 transactions equalling 25 billion CFA (US$50 million) within the African continent and nine billion CFA (US$18 million) with parties outside of Africa (i.e. Europe, the United States, etc). |
<p>| <strong>VEV – Senegal</strong> | <strong>Social Impacts</strong>: wind-powered water pumps contributed to rise the income from growing gardens or improve health and time saved from decreased water transportation. This was particularly true for women that are responsible for water provision within villages. Access to water additionally generated increased level of hygiene and decreased illness according to villagers. |</p>
<table>
<thead>
<tr>
<th><strong>Environmental Impacts</strong></th>
<th>the pumps displace the use of diesel generators and eliminate carbon dioxide emissions (CO2) and other pollutants (including noise pollution) that are associated with this energy source.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Impacts</strong></td>
<td>VEV has created jobs for ten people and pays a total of US$2,000 per month in salaries. This means an estimated US$200 salary a month for each employee, which is an average salary of a qualified technician in the sub-region</td>
</tr>
<tr>
<td><strong>Social Impacts</strong></td>
<td>raising the knowledge about the use of computers and the internet effectively. Additionally, Telecottage developed innovative ways to help children afford the fees, allowing many to become regular members.</td>
</tr>
<tr>
<td><strong>Environmental Impacts</strong></td>
<td>the initiative allows disadvantaged children to pay for the use of its services in exchange for reusable or recyclable materials (paper, iron, bottles, etc.). The immediate environmental impact is not considerable, however, it instils among children a sense of environmental responsibility.</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong></td>
<td>Telecottage has 15,000 customers per year, an annual revenue of €15,000 and two full-time employees. The firm, hence, is a social enterprise with a sustainable business model.</td>
</tr>
<tr>
<td><strong>Social Impacts</strong></td>
<td>increased access to a sustainable supply of purified, clean water in contexts where it was never been available. This improved health, hygiene and sanitation. Additionally, time was saved for rural women who no longer spent hours fetching water from the nearest river or stream. Professional training was given to those people involved in the management of the water devices (e.g. plumbing,</td>
</tr>
</tbody>
</table>
Notably, fifty percent of those trained in building, management and construction are women.

**Environmental Impacts**: no information available.

**Economic Impacts**: by 2006, Amanz’ abantu had a staff of 30, and relationships with 400 contractors. Amanz’ abantu serves as a consultant to particular water and sanitation projects most of their time, while serving as a contractor represents the smaller part of their work.

**Social Impacts**: the activities of Aspen Pharmacare contributes to guarantee human right, particularly health assistance and treatments to needy people. More precisely, the voluntary license agreements contain, as a rule, zero to five percent royalty charges, backward technology transfers and assistance with respect to both the manufacture and the distribution of the pharmaceutical. At the same time, the voluntary license eliminates the grey markets in drugs that inevitably occur when purchasers of brand name pharmaceuticals in developing countries resell the product in low-income markets.

**Environmental Impacts**: no information available.

**Economic Impacts**: Growing at an average rate of 40 percent per year, the company quickly established itself as a leading South African drug company. In August 2005, the Aspen Group announced annual revenues of 2.9 billion rands (US$467 million) and net profits of 494 million rands (US$75 million). Currently, Aspen Pharmacare is in the position to supply South Africa’s national anti-retroviral treatment programme, covering approximately 60 percent of its needs.
<table>
<thead>
<tr>
<th>Organisation</th>
<th>Social Impacts</th>
<th>Economic Impacts</th>
<th>Environmental Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edu-Loan – South Africa Financial Services</td>
<td>Education and professional training for people learning to become qualified teachers, policemen, nurses or correctional services officers. EduLoan are particularly targeting poor people that need to upgrade their skills to earn more money and escape the poverty trap, consequently, access to credit for such clients is a possibility to improve their livelihood and a driver to social mobility.</td>
<td>Since its inception in 1996, Edu-Loan has financed close to 400,000 students with loans totalling more than US$140 million. The loan portfolio has grown beyond expectation. In 2002, Edu-Loan aimed to grant about US$20.5 million (ZAR 170 million) in loans by 2006; it nearly reached the target by 2003. Edu-Loan intends to reach 100,000 loans granted by 2010.</td>
<td>No information available.</td>
</tr>
<tr>
<td>RMB &amp; Nedbank – South Africa Financial Services:</td>
<td>Improvements in access to water, sanitation and energy; reduction of informal structures; increases in social mobility due to home ownership; wealth creation since households can constitute their own patrimony progressively owning their home.</td>
<td>No information available</td>
<td>No information available</td>
</tr>
<tr>
<td>Moladi – South Africa Housing and construction</td>
<td>Ensuring poor people with a sense of self-worth, dignity and hope for a better future resulting from secure credit access and financial services tailored on their needs.</td>
<td>Moladi uses low-energy materials such as sand, gravel and cement. The plastic formwork is also recycled after its initial use into consumables (reinforced spacers, drip line</td>
<td>No information available</td>
</tr>
</tbody>
</table>
Economic Impacts: The construction of each unit mobilizes 40 labourers for two hours on the building site allocated to filling the mould. Overall, the single most crucial and lasting economic impact of low-cost housing is to provide asset ownership for the poor.

Social Impacts: increased incomes for hundreds of people, ultimately increasing the opportunities for people to send their children to schools, and higher education.

Environmental Impacts: Mondi estimations argue that for every ton of paper recycled, 17 trees are saved and can be put to other uses. This has climate-related benefits as trees are carbon lockers. Additionally, preventing the arrival of paper to landfills, the methane released by such disposal is avoided.

Economic Impacts: in 2009, Mondi paid a total of R 45 million in fees to the 42 owner-driver businesses, for a total volume of recovered paper of 160,000 tons. The company’s total annual turnover is R 45 million (US$6 million in December 2009). The direct number of jobs created is ca. 250. The total volume of paper recovered is 160,000 tons.

Social Impacts: approximately 80% of revenues are invested back in each community thanks to salaries of the community contractors and workers, monthly expenses, vehicle consumables purchased from within the municipality and a number of social projects. All these activities result in the empowerment of local community contractors.

Environmental Impacts: removing the waste to a
local public municipal landfill has a significant positive impact on the neighborhood environment. Considering the waste as a source of recycled materials in also aligned with the National Department of Environmental Affairs’ National Waste Management Strategy.

**Economic Impacts:** The economic results include a turnover of over R80 million (US$10.67 million), and full time employment for 32 employees at the Bryanston Head Office and different depots. At community-level the economic results include the monthly drawings of approximately R7,000 (US$933), as well as capital accumulation based on the performance of their enterprise.

<table>
<thead>
<tr>
<th>Practical Action – Sudan Artisanal Goods</th>
</tr>
</thead>
</table>

**Social Impacts:** social inclusion of blacksmiths within their communities. Some of the current generation of blacksmiths is among the first who are able to afford to send their children to secondary schools and universities.

**Environmental Impacts:** recycling and reusing of salvaged steel (car parts, steel barrels, and other metals). The metal is transformed into tools used for improving agricultural production and yields, or maintaining cultural tools (i.e. traditional knives). Such activities are positively linked with food security, avoided deforestation and negative environmental impacts of burning charcoal and transporting truckloads of metal and charcoal to El-Fashir.

**Economic Impacts:** For these members, a minimum average annual income is estimated to be between 1,000 and 1,500 SDG, or between US$450 and US$675.
| Tojiksodirotnobk (TSB) – Tajikistan Microcredit | **Social Impacts:** more than 150 small family farms have received loans covering a total of 4,200 hectares of land allocated for cotton production. Out of 8,400 employees, 70 percent are female. With the loans farmers are now able to more efficiently invest in purchasing seeds, fertilizers, pesticides and pay their workers on time. This contributed to increased yields and better livelihoods for field workers.  

**Environmental Impacts:** no information available  

**Economic Impacts:** between March 2007 and December 2009, 206 loans were granted. The total value of loans disbursed by TSB is estimated at more than US$ 4.2 million. As a result, TSB has developed and accumulated a nation-wide cotton loan portfolio of over US$ 10 million. |
| AtoZ – Tanzania Health | **Social Impacts:** decrease of the incidence of severe malaria by 45 percent, premature births by 42 percent and all-cause child mortality by 17 to 63 percent. In August 2004, the American Journal of Tropical Medicine and Hygiene suggested that pyrethroid-treated nets (like A to Z’s nets) are as effective for malaria control as house spraying with DDT.  

**Environmental Impacts:** no information available  

**Economic Impacts:** Production of the LLINs has already created over 3,200 new direct jobs, of which 90 percent are filled by women earning 20 to 30 percent more than employees of traditional ITN makers. The increased income offers opportunities for better housing, better quality education for children, improved access to healthcare and higher standards of living. |
<table>
<thead>
<tr>
<th>Location</th>
<th>Social Impacts</th>
<th>Environmental Impacts</th>
<th>Economic Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt. Plaisir Estate – Trinidad</td>
<td>rising employment and community empowerment were the main impacts occurred</td>
<td>from March to August the hotel burns no bright lights in the night time, since it</td>
<td>in 2006 the hotel employed 20 people from the village on a fulltime basis (17</td>
</tr>
<tr>
<td>and Tobago Ecotourism</td>
<td>within a community usually devoted to agriculture. Moreover, being the hotel not</td>
<td>would disturb the turtles when they beach for nesting. The hotel adopts ecological</td>
<td>females and three males). The opportunities created through tourism have also</td>
</tr>
<tr>
<td></td>
<td>only a workplace for the people involved in the receptive activities, but also</td>
<td>practices such as collecting biodegradable kitchen waste for composting. This compost</td>
<td>encouraged people from neighboring villages to come to Grande Riviere in search</td>
</tr>
<tr>
<td></td>
<td>a market for local craftsmen, people from the community managed to display their</td>
<td>is then used on the hotel farm, which grows much of the fruits, vegetables and</td>
<td>of employment.</td>
</tr>
<tr>
<td></td>
<td>work obtaining visibility .</td>
<td>livestock for the guests.</td>
<td></td>
</tr>
<tr>
<td>Hey Textile manufactures –</td>
<td>The company hired 400 workers in Çerkeş and 350 in Hacibektaş. This had a large</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey Textiles</td>
<td>impact on local communities. Hey Textile’s investments in Anatolia have</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>particularly improved the socio-economic prospects of local women since</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>approximately two thirds of the workers in the Hacibektaş plant, and half of</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>the workers in the Çerkes facility, are women. The Hacibektaş factory employs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>roughly 200 women and the Çerkeş facility about 300 women.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Environmental Impacts:</strong> no information available</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Economic Impacts:</strong> Hey Textile has an annual profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
of US$ 500 million dollars, employs approximately 4,000 workers and sells clothes around the world. In the clothing industry, the company is currently in the top 20 in terms of employment, and in the top 50 in terms of export volume in Turkey.

<table>
<thead>
<tr>
<th>Training and Production Facility n. 1 – Turkmenistan Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts</strong>: employment for 167 hearing-impaired people, providing livelihoods for them and their families. Since 2006, the PTF’s vocational training also provided 55 hearing-impaired people with new skills and increased self-esteem, which allowed 40 of the disabled graduates to seek employment or become self-employed in mainstream society. A support team of 2 local experts was established by the PTF that provided post-training vocational counseling for those 40 disabled people.</td>
</tr>
<tr>
<td><strong>Environmental Impacts</strong>: no information available</td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: besides approximately 150 workers, it employs a Director and Deputy Director, 3 accountants, an economist, a chief engineer and 5 maintenance technicians. It also employs five expert trainers/supervisors for sewing and the use of the sewing machinery. The production capacity expanded through its partnership with the UNDP and EU. After the investments, the average revenue has increased up to 120,000 Manats (US$ 42,000) per quarter.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APWO – Uganda Water</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Impacts</strong>: easy access to clean water, which allowed many Ugandans to spend their time in ways other than collecting and purifying water. Particularly, improvements occurred for female children that can now concentrate on their schooling, while their mothers have been released from spending several</td>
</tr>
</tbody>
</table>

182
hours a day fetching water. Furthermore, decreased incidence of infectious diseases resulted from improved access to clean water. This meant lower medical costs and increased productivity.

**Environmental Impacts**: no information available

**Economic Impacts**: The APWO currently serves over 490,000 people in Uganda with water or sewerage services daily in 5710 small towns. There are 18,944 connections with annual turnover of two billion Uganda shillings (US$1.2 million) per annum. The operators also provide employment for 800 people.

---

**Social Impacts**: transaction transparency by reducing the threat of real and perceived fraud; created an audit trail for transactions; enabled fast access to customer accounts and funds; encouraged customer savings and hence promoted availability of more funds for loan disbursement; increased the reach of financial institutions beyond traditional customer reach.

**Environmental Impacts**: Branchless banking services positively impact on the environment by saving the costs associated with a cash economy (money transportations, paper-based administrative procedures, etc.).

**Economic Impacts**: In total, about 140,000 cards have been processed. Twenty six ATMs have been deployed at different location in the country and 175 POS terminals have been deployed at SACCO locations and leading retail outlets in the country.

---

**Social Impacts**: rural employment is expected to help the rural poor move away from subsistence farming to dependable employment. This increases income and boosts local quality of life. Indirectly this will also
<table>
<thead>
<tr>
<th>Marap – Uzbekistan</th>
<th>reduce the rural to urban migration currently taking place in Uzbekistan.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Impacts</strong>: Environmentally, the planting of 150,000 fruit and nut trees on roughly 750 ha of barren hillsides of the Amankutan Valley rehabilitates environmentally degraded land. This reforestation also reduces soil erosion and helps the regional micro-climate. Additionally, since the cultivation is organic there will be positive impact on the long-term health of the soils, local biodiversity and food safety.</td>
<td></td>
</tr>
<tr>
<td><strong>Economic Impacts</strong>: 150 rural farmers, supporting up to 1,000 family members, now manage farm plots and organically cultivate fruit plants. These farmers earn on average US$ 2,000 per year from the sale of fruits and nuts.</td>
<td></td>
</tr>
<tr>
<td><strong>Social Impacts</strong>: boosting rural economies many artisans are able to work from their homes or in small workshops instead of seeking work in Vietnam’s factory industries. Additionally: greater equality in the gender relations, improved health and education status of the family due to increased income, greater involvement in the community life. Especially for groups using paints, MVH provides advice and assists in implementing work safety measures (wear protection masks etc.).</td>
<td></td>
</tr>
</tbody>
</table>

| Mai – Vietnam | Social Impacts: boosting rural economies many artisans are able to work from their homes or in small workshops instead of seeking work in Vietnam’s factory industries. Additionally: greater equality in the gender relations, improved health and education status of the family due to increased income, greater involvement in the community life. Especially for groups using paints, MVH provides advice and assists in implementing work safety measures (wear protection masks etc.). |
| Artisanal Goods | **Environmental Impacts**: 30% of all Mai products are environmentally friendly, made from recycled materials. Moreover the firm developed 'Safe and Healthy Environment Programme' with the producers, focusing on improving working conditions and environmental protection. |
| **Economic Impacts**: Mai is a profitable socially driven business, employing 25 direct staff and partnering |
with 1,101 artisans who are paid fair wages. The business generated an annual turnover of US$1.75 million from commercial activities in 2008. Global profit represents 10% of the annual turnover. Today the firm has set up a national network of 21 local groups counting 1,101 producers, of which 70% are women. Sales evolution is on a remarkable increasing trend: +18% year-to-year in 2007-2006 and +11% in 2007-2008. Sales to Europe in particular grew strongly from 2006 to 2008. In 2008 Mai turnover was US$1,750,580, coming from commercial activities.

Social Impacts: income generation for 1,000 farmers, representing total household size about 4,500-5,500 people. All of the farmers they work with live below the international poverty line of US$1 day; most are ethnic minority people; and many live in remote mountainous regions. Additional social benefits derived from firm’s contribution to balance the gender relations in rural communities. As tea picking is traditionally a female activity, women receive fair payment for their crops and can improve their household conditions, especially education.

Environmental Impacts: products are produced from eco-friendly farming and meet European agricultural standards for food safety and chemical use.

Economic Impacts: Today, the company employs around 20 staff. In 2009, the business has reached the breakeven point and MDI is today the largest Fairtrade Company in Vietnam in terms of number of farmer partners and volume of production. At the end of 2009 the firm counted more than 1000 farmers.

Social Impacts: To date, TTFC employs more than
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Product</th>
<th>Social Impacts</th>
<th>Environmental Impacts</th>
<th>Economic Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truong Thanh Furniture Corporation (TTFC)</td>
<td>Vietnam</td>
<td>Wood Products</td>
<td>1,400 employees with the monthly average income of VND2.5 million or US$128. In addition, it creates jobs in growing forest for more than 5,000 poor farmers with additional income of VND 60,000 or US$3 per day. Such social results have moved more than 6,000 people out of poverty. Consequently, conditions such as healthcare, childcare, housing and education have improved.</td>
<td>TTFC contributed to growing thousands of hectares of forest, avoiding slash and burn techniques that were severely threatening the forest coverage.</td>
<td>Truong Thanh is a large wood processing group in Vietnam with seven subsidiary companies, more than 1,400 employees and a total equity of VND660 billion (US$34 million). The company has experienced high growth during the last 15 years. Its growth and success has considerably contributed to create 6,500 jobs and income for farmers and processing workers.</td>
</tr>
<tr>
<td>Restrepo – Colombia</td>
<td>Colombia</td>
<td>Food</td>
<td>There are 118 farmers involved in Restrepo’s exporting activities, working on 30 hectares each. The Restrepo’s initiative improved local livelihoods in terms of ensuring a fair income for local small farmers, thereby contributing to improved health and education status of local families and greater involvement in the community life.</td>
<td>no information available</td>
<td>from 2000 to 2008, Restrepo’s worked with 160 farmers organized in 15 associations. During these years, 1600 tons of red pepper have been bought, determining a turnover of US$ 686 million.</td>
</tr>
</tbody>
</table>
APPENDIX B: List of questions submitted to the interviewees

VARIABLE 1:
“GEOGRAPHICAL REPLICATION”

PROBE: the geographical elasticity of BOP initiatives

TARGETED ACTORS: six representatives of Agroils/BIND and five representatives of Fezta Pronto

Profile of the interviewee:

- Name
- Position
- Years of working for the company

Questions on the social impacts

1. Why does the receiving context of your business need your solutions?

2. What are the specificities of your potential customers?

3. What are the structural constrains that you face while developing your business approach? (e.g. political instabilities, corruption, lack of collaboration from institutions…).

4. Do you have competitors rooted in the local market? If so, could you briefly explain how your company is different from them?

Questions on the Environmental Impacts

5. What are the main environmental concerns of your business sector? Do you think your business and your attitude may affect or enhance the environmental concerns related to your sector?
6. Do you think that the scale of your business may affect the balance between social and environmental returns relatively to your business?

7. How do you cope with the concurrence of mainstream (not sustainable) products similar to yours?

8. What do you think it may be the role of clean technologies/innovations within BOP markets?

Questions on the scalability of BOP initiatives towards other BOP vs. non-BOP market segments

9. Are there possibilities to build partnerships with local entrepreneurs to co-create business solutions to meet BOP-related needs?

10. What could be the first priority to make your business scaling up the market in similar BOP contexts? (e.g financial subsidies, institutional support, a more permeable market, more marketing&information)

11. Do you think that your product might scale up the market towards non-BOP customers? If so, how could the BOP-oriented features be applied to non-BOP needs?

12. Do you think that your product in non-BOP markets may potentially diffuse as a mainstream model or it would be a niche product?
VARIABLE 2:
“INSTITUTIONAL SUPPORTING LANDSCAPE”

PROBE: the presence of an engaged institutional environment supporting the correct implementation of BOP initiatives

TARGETED ACTORS: fourteen BOP Labs

Profile of the interviewee:

- Name
- Position
- Years of working for the Lab

Questions about the business partners engaged by the Lab in BOP initiatives:

1. How many business companies have you partnered up with?

2. Are they primarily from a specific industrial sector or from different sector?

Questions on the practical implementation of BOP ventures and future scenarios:

3. What hurdles have you faced in entering into and implementing collaborations with companies for developing Inclusive Businesses?

4. What are the most fruitful approaches you’ve implemented to overcome these hurdles?

5. What could be other promising approaches that you have not tested yourself?

6. Based on your experience what are the most likely scenarios of Inclusive Business development in the next five years?

Questions on the partnerships with Institutions/representatives of BOP/non-BOP segments:
7. Do you partner up with institutions from the BOP segments (e.g. including representatives of the BOP segment within the Lab’s governance)?

8. Do you see a clash between small and high scale development policies in BOP countries? More precisely do you think that small scale BOP projects could coexist with growth national strategies not necessarily leading to a sustainable development?