



The need for enhanced public support for Inclusive Business Models

An Enterprise2020 collaborative project

Inclusive Business Models. Smart, Sustainable and Inclusive Growth at the Base of the Pyramid

GDF SUEZ

ims
Entreprendre pour la Cité

BUSINESS
IN THE
COMMUNITY

BoP
INNOVATION
CENTER

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PARA EL
DESARROLLO

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FOREWORD

CSR Europe's High Level Panel at the 2012 European Development Days¹, focusing for the first time on inclusive business models, was an important milestone in the debate on the role of business in development. We appreciate the efforts done by the European Commission over the last years to legitimate and further stress the role of businesses in development. This recognition cannot go without a greater support to businesses towards innovation for shared value creation. Only under this condition can Europe, and the European Union, preserve a leading role in the international arena.


The conclusions of the High Level Panel, which are further summarised in this report, support the strong believe that time has come for the European Union to create an environment in which businesses are stimulated and enabled to develop innovative solutions for the base of the pyramid while integrating them throughout the value chain of the processes. More than ever, progress is needed on supporting mechanisms to inclusive business models, might they be technical or financial.

This could be achieved, for example, via the creation of a European Platform on Businesses in Development, aiming at (1) sharing knowledge related to existing initiatives, funding mechanisms, market data and research results; (2) capacity building, using existing tools and methodologies as well as learning from best practices; (3) supporting and facilitating the incubation of new initiatives; (4) serve as a pan-European policy dialogue forum.

We hope our conclusions will be of added value for the European institutions, the national development agencies and relevant stakeholders and look forward to collaborating with the European Commission in the implementation of such a broader platform.

Viscount Etienne DAVIGNON

Minister of State
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CSR Europe's High Level Panel speakers :

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¹ CSR Europe organized a High Level Panel at the 2012 European Development Days on October 17th focusing on European donor support to inclusive business models. The session was kindly moderated by Christina Gradl, Founder and Managing Director at Endeava: <http://eudevdays.eu/en/event/hlp/inclusive-business-models>

EXECUTIVE SUMMARY

In the framework of its Enterprise 2020 initiative, CSR Europe coordinated a collaborative project on “Inclusive Business Models. Smart, Sustainable and Inclusive Growth at the Base of the Pyramid”, in co-leadership with GDF SUEZ, IMS Entreprendre pour la Cité and Business in the Community (BITC), and in partnership with BoP Innovation Center and Global CAD.





The project aimed to provide companies with the knowledge and tools to evolve towards optimised inclusive business models for increased shared value creation at local level by working on three levels, each building on each other:

- Incubation of business innovation projects
- Knowledge and best practice sharing
- Advocacy towards the European Commission

CSR Europe is committed to helping its member companies Maximise competitive advantage and economic growth opportunities in developing market.

The collaborative project’s focus areas (2011-2012)

1. **Knowledge and best practice sharing:** Taking stock and critically reviewing how business and stakeholders implement and successfully maintain business models alleviating poverty in BoP markets. Key tools and methodologies have been summarised in the **Toolkit**. It is aimed at helping practitioners find their way through the diversity of resources and tools developed by expert organisations on inclusive business models. 
2. **Business development and incubation:** Foster collaboration and incubation between companies and stakeholders willing to implement BoP projects at 'ground' level. It resulted in the identification of partnership opportunities, e.g. in the healthcare and energy/housing sector on innovative products or services.
3. **Advocacy:** In line with the Agenda for Change and based on a mapping of EU donor support programmes to inclusive business models, the objective was to define policy recommendations towards the future European policy on business and development. This report gathers key lessons learned and recommendations in this area. 

Wider European context

Since 2007, CSR Europe, together with GDF SUEZ and other partner organisations, has been working on the BoP (Base of the Pyramid) agenda, both to raise awareness and work with the EU on this issue. In the first deliverable, published in 2010, Louis Michel, former Commissioner for Development and Humanitarian Aid, stated that “Growth in developing countries will only come from growth in economic activity from the street-level up. Increasing cooperation between local businesses and CSR businesses in Europe can contribute to that [...]. Businesses have a role to play that goes beyond traditional practice. Their traditional economic role becomes a role as a key actor of development: facilitating the transfer of knowledge, expertise, bringing investment while taking care of the social and environmental impacts of doing business [...]. One solution is to find out how donors can support that”².

The willingness of the European Commission to further the work of the private sector in development has been acknowledged in the following policy documents:

1. The EU Communication on CSR: Mentions the European Commission’s willingness to identify ways to promote responsible business conduct in future policy initiatives for inclusive/sustainable growth in developing countries [...] (e.g. “foster inclusive business models that target the poor as consumers, producers and distributors to help maximise development impact”)³.

2. The EU Agenda for Change: “the European Union is not simply the 28th European donor. While the Commission implements 20% of the collective EU aid effort, it also acts as coordinator, convener and policy-maker. The EU is an economic and trading partner, and its political dialogue, security policy and many other policies - from trade, agriculture and fisheries to environment, climate, energy and migration - have a strong impact on developing countries”⁴. The Agenda for Change also notes that private domestic and foreign investment are critical success factors for fostering and sustaining private sector growth. It therefore calls for new ways of engaging with the private sector with a view to leveraging private sector resources for delivering public goods.

Under its Enterprise 2020 flagship initiative launched in October 2010, CSR Europe has continued the dialogue with DG Development and Cooperation EuroAid on inclusive business models. Selected to, and successfully organising a High Level Panel at the European Development Days in October 2012 was instrumental in stimulating the dialogue with the European Commission on inclusive business models. At this occasion, Philippe Loop, Head of Unit at DG Development and Cooperation – EuroAid (DG

²CSR Europe Laboratory 2008-2013 on “Responsible Business at the Base of the Pyramid”: http://www.csreurope.org/pages/en/sustainable_business_at_the_base_of_the_pyramid.html

³<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>

⁴Increasing the impact of EU Development Policy: an Agenda for Change. Brussels, 13.10.2011: http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf

DevCo), mentions the role of the European Commission as “conveyor”: “Public authorities have a role to play at a local, regional, national and international level. Rather, their role is to provide an appropriate framework for these business models to flourish”

Main outcomes of the study

This study demonstrates that if European donors seem to be ready to support businesses in development, most of the donor programmes primarily focus on funds, loans and grants in the framework of larger public-private partnerships (PPPs)⁵. There is not yet sufficient attention given to incentivising companies to change their business models in order to make them more inclusive and shape the necessary local conditions to achieve this change. Three main observations can be drawn:

- 1) European donors have several Public-Private Partnerships (PPP) programmes in developing countries. However, only few of them are focused specifically on Inclusive Business Models.
- 2) Overall PPP budget of European donors dedicated to business initiatives in BoP markets (in average €25 million/year) is 6 times less than US budget (€150 million/year).
- 3) European donor programmes have little or no specific budget-line defined for BoP projects (only Japan has).

To secure a more competitive Europe and move towards increased sustainable business models which are capable of reaching shared value creation and long-term economic growth, the European donor community, and above all the European Commission, should urgently take action to look beyond solely public-private partnership development programmes and implement specific support frameworks to inclusive business models. Currently, the European Commission is working on its 2014-2020 financial framework. In this regard, it is our belief that the European Commission should further take into account following key recommendations:

1. Consider a budget line to support Inclusive Business Models
2. Explore the possibilities of a new EC Communication 2014 on the private sector in development
3. Create a pan-European platform linking national and EU agencies, but also private sector initiatives for broader knowledge sharing.

This report presents a summary and key outcomes of (1) the mapping of existing EU donor support programs to inclusive business models; (2) related initiatives of the the European Commission; (3) Policy recommendations.

⁵ Christina Gradl; Anna Peters: Mapping policy measures to support inclusive business. Berlin, February 2013; p. 15

1. INTRODUCTION

An increasing number of companies consider emerging markets as opportunities for growth. However, developing products and services able to respond to the primary needs of people living on less than 2.50 US-Dollar a day (e.g. access to energy, water, food, education, healthcare, etc.), requires a rethink of existing business models and a move away from business as usual. Businesses can be a driving force in fighting poverty and exclusion through the development of products or services targeting people in need, the poor – or the base of the pyramid (BoP). Companies are increasingly seen as a legitimate player in the development field. Business should be involved by adopting an inclusive approach, integrating the BoP into the entire value chain, not only as end consumers, but also as employees, producers and distributors, thus generating job opportunities and contributing to a smart, sustainable and inclusive development.

Such inclusive business models can only be achieved with greater investment in innovation and capacity building. Some companies have started to look into market-based solutions that are at the same time commercially viable and also able to deliver impact. However, only very few are really scalable. Beyond traditional public-private partnerships, sound policies and donor aid, and above all the European Commission, should be in place to support the availability of products and services to the poor through inclusive innovation.

In order to understand what role the European Commission should play in fostering private sector involvement in development, CSR Europe has mapped out and analysed how far existing programmes of the European donor community (including technical and financial support) does specifically target supporting mechanisms for inclusive business models.

Definitions

In this report, we understand inclusive business models as business strategies (applicable to multinationals mainly) that include *the poor* on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain. They build bridges between business and the poor for mutual benefit⁶. We understand inclusive business models policy measures to be those initiatives taken by public donors and governments to create the enabling environment and support mechanisms for companies to “do business with the poor”.

⁶ UNDP 2008, Creating Value for All

They are distinguished from traditional public-private partnership programmes, which refer to “arrangements between the public and private sectors whereby part of the services or works that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/or public services” . In those schemes, public aid is primarily given to NGOs or public organisations that in return make use of it to engage the private sector in their activity. These programmes do usually not support business innovation directly.

Approach and methodology

In order to understand how far the European donor community supports inclusive business models at the base of the pyramid, the study has examined the European Commission programmes on the one hand and a sample of European development agencies and on the other hand, namely Germany (GIZ), the United-Kingdom (DFID), the Netherlands (Agency NL), Sweden (SIDA), Denmark (DANIDA) and France (Agence Française de Développement). The examples are balanced with programmes from the USA (USAID) and Japan (JICA), for comparison.

2. EUROPEAN DONOR SUPPORT PROGRAMMES FOR INCLUSIVE BUSINESS MODELS

2.1 Mapping of European donor support programmes to inclusive business models

Desktop research and phone interviews with EU officials as well as development agency representatives have mapped the major programmes that the five main development agencies in Europe (Germany, UK, Sweden, the Netherlands, Denmark and France) and the European Commission have done in terms of fostering inclusive business models, in comparison with traditional public-private partnership programmes. The table in annex provides a general overview of the examples collected.

It is evident from this overview that some disparities across European donor agencies exist. Indeed, the UK (Business Innovation Facility), Germany (DeveloPPP), Sweden (Innovations Against Poverty) and in some ways also Denmark (Business Partnerships) seem to have specific programmes in place, often within larger PPP programmes, fostering business innovation. In comparison, France (Proparco) and the Netherlands (Private Sector Investment Programme) still focus very much on investment programmes and public-private partnership facilities, although some awareness raising activities have started to be developed. The table below provides an aggregated summary of this observation.

Country	PPP Approach	Inclusive business model approach	Example
UK	<p>Business Innovation Facility (BIF) Approach: Partnering with companies through technical support. Purpose: Development of Inclusive business models in developing countries.</p>	<p>The BIF programme aims to support companies on inclusive business models.</p>	<p>Unilever: <ul style="list-style-type: none"> Product development (Food fortification through a supplement added to a daily staple) </p>
		<p>Food Retail Industry Challenge Fund (FRICH) <ul style="list-style-type: none"> Approach: Challenge fund which offers grants on competitive basis. Purpose: Support European food sector on innovative ways to bring more African foods to Europe. </p>	<p>Mark and Spencer Tea <ul style="list-style-type: none"> Inclusive supply chain (Development of teabag packaging line in Kenya) </p>
		<p>The African Enterprise</p>	<p>Guinness</p>

		<p>Challenge Found (AECF)*</p> <ul style="list-style-type: none"> • Approach: Challenge fund which offers grants on competitive basis. • Purpose: Support to private sector companies to support new and innovative business models in Africa. 	<ul style="list-style-type: none"> • Inclusive supply chains strategy (for locally sourcing raw sorghum)
Germany	DeveloPPP programme	Some of DeveloPPP projects supports initiatives on inclusive business models	<p>BASF</p> <ul style="list-style-type: none"> • Product development (Food fortification by adding vitamin A to daily staples)
Sweden	Sida's Public Private Partnerships (PPP)	Some of the PPP projects support inclusive business models	<p>ADIDAS , H&M, GAP, IKEA, GAP, Levis, Mark and Spencer</p> <ul style="list-style-type: none"> • Improving supply chains. (Produce better environment and incomes for small cotton farmers)
		<p>Innovations Against Poverty (IAP)</p> <ul style="list-style-type: none"> • Approach: Challenge fund which offers grants on competitive basis. • Purpose: Support smaller and larger companies, to help support the development of inclusive business models to the BoP market 	N/A
Denmark	<p>Danida Business Partnerships</p> <p>Approach: Grants and technical support</p> <p>Purpose: Create inclusive growth and employment in partner countries</p>	None	None
The Netherlands	<p>Public-Private Partnership Facility</p> <ul style="list-style-type: none"> • Sustainable Entrepreneurship and Food • Security (FDOV) and Sustainable Water Fund <p>Approach: Grants and technical support</p>	None	None

	Purpose: Finance projects leading for sustainable economic growth and self-reliance.		
France	Proparco	Financial Products to meet the needs of private investors; Awareness raising activities with businesses, but no supporting programme as such yet.	None

**A multi donor fund, also supported by Sida and Danida*

2.2 Key observations and outcomes of the mapping

European development agencies have several programmes dedicated to the private sector in development. However, few of these programmes are focused on fostering inclusive business models targeting the BoP and fewer, if any, are labelled as such.

Programmes supporting private sector in development have different approaches, mainly via public-private partnerships (PPPs). Whereas donor agencies support the programmes financially, usually by matching the grant with the contribution of the partnering company, they mainly focus on delivering public goods rather than changing the business models as such. Nevertheless, some of these programmes do have an inclusive business models angle, although this is often not explicitly stated. For example, the German DeveloPPP has partnered with BASF on a project aimed at combating malnutrition through staple foods fortified with vitamins. accompanying the company in the development of a new approach, a new product answering a specific social need. Another example is the Business Innovation Facility programme of DFID (UK), which provides advice and support for businesses that want to engage poor people as part of the value chain or as end users of goods and services. Through this programme, DFID has collaborated with companies such as Mitsubishi and Unilever on food fortification projects in Bangladesh.

Generally, donors' financial support can be in the form financial products or through challenge funds. The use of challenge funds is an approach supported for instance by the UK, Sweden and Denmark. The funds are open for either pro-profit companies only or organisations and institutions as well. One example of this is the African Enterprise Challenge Fund, a multi donor fund, open for-profit private companies to apply for grants. The budget allocated to programmes supporting base of the pyramid varies among the donor agencies, stretching from annual budgets of €20 million to €60 million. It should be said that for many programmes the budgets are not available, which makes further analysis difficult. Budget allocated to projects supporting inclusive business models are not available.

More detailed information and examples can be found in annex of this document.

2.3 Japan / US comparison

Although European donor agencies have initiatives and programmes on supporting companies targeting the base of the pyramid, other, non European donor agencies are strongly competing with these approaches. For example, the Japan International Cooperation Agency (JICA) has an initiative specifically on supporting companies to target the base of the pyramid. Through the BoP Business promotion programme (annual budget of €10 million), JICA conducts feasibility studies for companies specifically on projects targeting the base of the pyramid.

USAID's 'Global Development Alliance' is based on a market-based approach, looking for solutions advancing broader development objectives. These initiatives are co-designed, co-funded, and co-managed by all partners involved, so that the risks, responsibilities, and rewards of partnership are shared. They work best and have the greatest development impact when private sector business interests intersect with USAID's strategic development objectives.

It is evident from the mapping that all the five European donor agencies have programmes that target the base of the pyramid by collaborating in oneway or another with companies. The public private partnerships approach of the programmes varies, covering direct investments and challenge funds. The challenge funds aim to more explicitly support inclusive business models, but the programmes also targets entrepreneurial initiatives and SMEs and thus do not focus exclusively on larger companies. Only a few projects within these programmes directly support inclusive business models. Finally, set in a global context, the European donor agency programmes targeting the base of the pyramid remain relative small in scale and are not as explicit in its approach as other, non-European donor agencies.

3. THE EUROPEAN AGENDA FOR DEVELOPMENT AND COOPERATION

Whereas partnerships for development are pursued by European member states and donors, both the public and private sector are still lacking the right tools for shaping inclusive business initiatives. This reality is linked to the fact that so far, European donor agencies, including the European Commission, have shown scepticism towards involving the private sector in development. However, ahead of the new multi-annual financial framework 2014-2020, the European Commission seems to have recognised the need to involve the private sector in new ways.

3.1 Current status of EU policy instruments and partnership opportunities

Overall, the EU remains quite conservative in its approach, with the majority of its budget used to fund projects through grants to NGOs or competitive tendering for procurement contracts, or channeled through traditional budget support to governments in developing countries. At a European level, DG DevCo is responsible for drafting and defining the EU development policies and delivering aid through initiatives and programmes across the world.

The **European Development Fund (EDF)** is the main tool for delivering EU assistance for development cooperation under the Cotonou agreement with African, Caribbean and Pacific (ACP)⁷ nations. It is not a regular instrument as it is funded by the EU Member States. Each EDF is concluded for a multi-annual period along the rest of the multi-annual budget. The 10th EDF covering the period 2008-2013 has a budget of €22.7 billion, of which 97% is spent in ACP countries. It is distributed through various means⁸:

- **Grants:** direct financial contributions awarded to submitted proposals to non-profit bodies and NGOs. Private companies could be associated as a subcontractor.
- **Tender contracts:** Procurement of services, goods or works, leading to a public contract with private parties usually organised in a consortia.
- **The Investment Facility:** Risk capital and loans to the private sector, managed by the European Investment Bank – EIB (takes up only a small portion of the EDF).

As detailed in a report commissioned by BBO B.V – a Dutch consultancy advising civil society organisations on the use of lobbying and advocacy as strategic instruments to influence policy makers and politicians – other programmes associated with the EDF are⁹:

⁷ http://europa.eu/legislation_summaries/development/overseas_countries_territories/r12102_en.htm

⁸ Agenschap NL: Partnerships for development. Mapping the EU agenda for development cooperation. Den Haag, February 2013. P.9

⁹ Agenschap NL: Partnerships for development. Mapping the EU agenda for development cooperation. Den Haag, February 2013. P.9-13

- **MDG contracts:** Launched in 2008, at the start of the EDF, to support international efforts to achieve the MDGs. MDG contracts were signed with eight African countries and are characterised by their longer term as well as their more predictable forms of budget support to governments. Although these leave no room for private sector involvement through EU financing, they nevertheless offer partnership opportunities on a bilateral basis within beneficiary countries.
- **The Investment Facility – IF:** Since 2003, the EIB has managed the European Investment Bank’s Investment Facility as part of the EDF. It is a €3 billion fund aimed at fostering private sector investment in ACP countries. In 2011, 20 out of the 26 projects signed were in the private sector. In 2011, 30% of the signed contracts were in the infrastructure and transport sector, 10% in the energy and 17% in water and sewage. The main beneficiaries of IF projects are ACP countries and their private actors. For example, the EIB signed a €5 million contract with Philips Lighting in Lesotho to construct a plant to manufacture low-energy light bulbs for the southern African market.
- The **Development Cooperation Instrument (DCI)**¹⁰: This financing instrument is aimed at improving the community’s previous cooperation framework by merging the different geographic and thematic instruments into a single instrument.
 - **Geographic programmes** encompass cooperation with partner countries and regions determined on a geographical basis, namely Latin America, Asia, Central Asia, the Middle East and South Africa. Community assistance to these countries is aimed at supporting actions within the following areas of cooperation:
 - supporting the implementation of policies aimed at poverty eradication and at the achievement of the MDGs;
 - addressing the essential needs of the population, in particular primary education and health;
 - promoting social cohesion and employment;
 - promoting governance, democracy, human rights and support for institutional reforms;
 - assisting partner countries and regions in the areas of trade and regional integration;
 - promoting sustainable development through environmental protection and sustainable management of natural resources;
 - supporting sustainable integrated water resource management and fostering greater use of sustainable energy technologies;
 - assistance in post-crisis situations and fragile States.

¹⁰ http://europa.eu/legislation_summaries/development/general_development_framework/14173_en.htm

- **Thematic programmes** complement geographic programmes, in a wider scope of application. They cover a specific area of activity of interest to a group of partner countries not determined by geography, or cooperation activities focusing on various regions or groups of partner countries, or an international operation that is not geographically specific.

They cover five areas which are:

- investing in people (€ 502 million for 2011-2013)
- environment and sustainable management of resources (€470 million for 2007-2010)
- non-state actors and local authorities development (€702 million for 2007-2010)
- food security (€749 million for 2011-2013)
- migration and asylum (€384 million for 2007-2013)

In most cases, private companies cannot submit proposals for grant financing, but can only be associated to sub-contractors as the non-profit rule applies. However, a good example of a CDI geographic programme that could be considered as related to inclusive business model initiatives is SWITCH-Asia. This European programme aims at promoting sustainable consumption and production across the Asian region. Embedded in the framework of a wider EU-Asian cooperation. It implies to assisting SMEs in adopting sustainable consumption and production (SCP) practices also by mobilising the private sector, retailers, producer and consumer organisations as well as relevant public sector and authorities. It received a €152 million budget under the financial framework 2007-2013¹¹.

The 2011 legislative proposal suggests that the Development Cooperation Instrument (DCI) will receive €23 billion to focus on poverty eradication and to maintain our pledge on the Millennium Development Goals (MDGs). This adds to the proposed €30 billion to be financed by the European Development Fund outside the EU budget¹².

¹¹ http://ec.europa.eu/europeaid/where/asia/regional-cooperation/environment/switch_en.htm

¹² http://ec.europa.eu/europeaid/how/finance/miff/eu-budget_en.htm

3.2 The European Investment Bank

The European Investment Bank (EIB) is active both inside and outside of the European Union. If the majority of EIB lending is attributed to promoters in the different EU Member States, the EIB is also supporting EU development and cooperation policies in partner countries. The current external mandate includes Enlargement countries (the European Free Trade Association), Neighbourhood countries (The Mediterranean Neighbourhood, EU Eastern Neighbours, Central Asia), Development and cooperation countries (Africa - Caribbean and Pacific (ACP), South Africa, Asia and Latin America).

Funding mechanisms in Development and Cooperation Countries

The EIB provides medium to long-term funding through a complete range of financial instruments, from senior secured loans to flexible risk-bearing financial. In certain cases, these can also be blended with grant funding such as interest rate subsidies or technical assistance. Main beneficiaries include: small and medium-sized enterprises, private enterprises and commercially run public sector entities established in an eligible country by local or foreign investors as well as cross-border infrastructure projects with regional benefits. Examples of supporting mechanism per region include:

- **ACP countries:** the EIB is for example ACP countries since 1963, under the ACP-EU Partnership Agreement. Since 2003, the EIB also operates in these regions. Financing under these agreements is provided from the European Development Fund (EDF) and EIB own resources. Within these frameworks, the EIB is entrusted with the management of the Investment Facility, a revolving fund which meets the financing needs of investment projects in the regions with a broad range of flexible risk-bearing instruments.
- **Asia and Latin America:** EIB lending in Asia and Latin America started in 1993 and is governed by mandates from the EU. Under the current mandate covering the period 2007-2013, the EIB was authorised to lend up to EUR 3.9 billion for financing operations supporting the EU cooperation strategies in these regions and complementing other EU development and cooperation programmes and instruments in these regions. The EUR 3.9 billion regional ceiling is broken down into indicative sub-ceilings of EUR 2.9 billion for Latin America and EUR 1.0 billion for Asia. There are no amounts allocated per country. The EIB gives priority to the following types of projects in these countries: 1) climate change mitigation and adaptation (e.g. renewable energy, energy efficiency, urban transport and other projects that reduce CO₂ emissions); 2) development of social and economic infrastructure, including water and sanitation; 3) local private sector development, in particular support to SMEs. In addition, to be eligible for Bank financing, projects are required to have good potential to contribute to the economic development of the beneficiary country.

3.3 The EU multi-annual financial framework 2014-2020

The European Commission adopted budget proposals for its external instruments from 2014-2020. They will allow the Union to fulfil its responsibility on the global stage: fighting poverty and promoting democracy, peace, stability and prosperity. The range of instruments will support developing countries as well as countries in the European neighbourhood and those that are preparing accession into the EU. The budget proposals will support the Commission's new approach - the "Agenda for Change"- to focus EU aid in fewer sectors supporting democracy, human rights and good governance and creating inclusive and sustainable growth.

Under the new principle of "differentiation", countries that can generate enough resources to ensure their own development will no longer receive bilateral grant aid and will instead benefit from new forms of partnership; they will continue to receive funds through thematic and regional programmes. This will be complemented by different innovative cooperation modalities such as the blending of grants and loans.

One of the major innovations and a key external policy tool is the new Partnership Instrument. It will aim to advance and promote EU interests and to address major global challenges. It will also allow the EU to pursue agendas beyond development cooperation with industrialised countries, emerging economies, and countries where the EU has significant interests.

Today's package covers the full range of external support under the EU budget and includes: A Joint Communication to the European Parliament and the Council: "Global Europe" and the legislative proposals for nine geographic and thematic instruments accompanied by a common implementing regulation. The total amount proposed for these nine instruments is **€96,249.4 million** over the period 2014-2020 (current prices).

Pre-accession instrument (IPA):	€14,110 million
European Neighbourhood Instrument (ENI):	€18,182 million
Development Cooperation Instrument DCI):	€23,295 million
Partnership Instrument (PI):	€1,131 million
Instrument for Stability (IFS):	€2,829 million
European Instrument for Democracy & Human Rights (EIDHR):	€1,578 million
Instrument for Nuclear Safety Cooperation:	€631 million
Instrument for Greenland:	€219 million
European Development Fund (EDF, outside EU Budget):	€34,276 million

4. RECOMMENDATIONS TO THE EUROPEAN COMMISSION

How can the European Union play the role of coordinator for inclusive business model developments, by bringing up these issues that have so far remained unaddressed?



CSR Europe's High Level Panel at the 2012 European Development Days October 17th 2012

From continuous dialogue with DG DevCo through the project's workshops, the High Level Panel organised by CSR Europe during the European Development Days on October 17th 2012 as well as regular bilateral meetings, the following policy recommendations have been drawn:

1. Support, through financial and technical incentives, cross-sectoral initiatives and pilot inclusive business model projects

The European Commission's new financial framework 2014-2020 should include a specific budget line on inclusive business models, dedicated to investing in pilots and innovative business solutions. For example, based on the SWITCH-Asia Programme, promoting sustainable growth and contributing the economic prosperity and poverty reduction, a similar model could be imagined for other regions, a sort of "SWITCH-Africa" or "SWITCH-South America".

Indeed, considering the wealth of projects and initiatives, supported by national development agencies, the European Commission and the EIB, the EU can today ambition a more proactive role in fostering innovation and encouraging businesses to leapfrog towards "business as unusual" so as to create increased social and economic value.

2. Support the creation and development of a European platform on business and development, for innovation and exchange

The European Union, as a neutral player, has to give itself the means and resources to think about developing a more structured platform, - referencing and creating synergies on (1) key players from governmental (EU and Member States), NGO and businesses; (2) existing and initiatives – matching offer and demand of products and services; (3) EU and national project grants. As such, the content of this platform should be larger than the planned new platform for blending funds in external cooperation.

3. Encourage the simplification of the application processes to donor programmes.

Often, companies don't know about donor programmes or the application process is too complex. The European Commission could encourage donors to communicate their offers better. Through business channels, brokers could be used as intermediaries as they usually speak the language of "both worlds".




These recommendations should be taken into account in the preparation of the European Commission's 2014-2017 Financial Framework.





ACRONYMS


ACP	African, Caribbean and Pacific countries
BFI	Business Innovation Facility
DANIDA	Danish International Development Agency
DCI	Development Co-operation Initiative
DEG	Deutsche Investitions und Entwicklungsgesellschaft
DG	Directorat General
DFID	Department for International Development
EDF	European Development Fund
EIB	European Investment Bank
ENPI	European Neighbourhood Instrument
EIB	European Investment Bank
FDOV	Facility for Sustainable Entrepreneurship and Food Security
FDW	Sustainable Water Fund
GDA	Global Development Alliance
GIZ	Gesellschaft für Internationale Zusammenarbeit
IFC	International Finance Cooperation
ORIO	The Facility for Infrastructure Development
MDG	Millennium Development Goals
PPP	Public Private Partnership
PSI	Private Sector Investment
SIDA	Swedish International Development Agency
USAid	US Agency for International Development




ANNEX



Annex 1: Mapping of programmes supporting Inclusive Business Models





National Agency		Funding Initiatives		Example of project		
Country	Organisation	Project/Initiative	Description	Company/organisation	Project's country	BoP Business Concept
Germany 	Federal Ministry for Economic Cooperation and Development (BMZ): *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) * Deutsche Investitions- und Entwicklungsgesellschaft (DEG) *sequa  	DevelopPPP (This program is financed by the BMZ and executed by GIZ, DEG and sequa) (Depends on the topic)	*Participate financially *Coach and support companies in planning and implementing projects *Make available their contacts to governments, industry associations and companies, *Provide specific expertise on countries, economic sectors and local conditions.	BASF	Global	SAFO "Strategic Alliance for the Fortification of Oil and Other Staple Foods". Combat hunger through staple foods fortified with vitamin A
				SAP	Burkina Faso, Côte Ivoire, Ghana, and Mozamb	Help farmers become more competitive and overcome poverty SAP's role: install software to make the cashew value chain more transparent and more efficient. (37,3€ millions in total - BMZ 3,4€ millions)
				BAYER HEALTHCARE PHARMAC.	Bosnia and Herzegovina	Raise awareness of sexual rights and increase the use of modern family planning methods
				OTTO GROUP	Sub-Saharan Africa	Ensuring permanent availability of high-quality African cotton securing small farmers' incomes and improving productivity and health protection

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Initiative	Description	Company/organisation	Project's country	BoP Business Concept
	 			GERDAU	Brazil, Chile, Uruguay, Peru	Integrating informal scrap metal collectors into the steel value chain.
				ENVITEC BOIGAS AG	India	Energy supply for rural communities through abioogas plant which works with animal/agricultural waste from local farmers.
				SOLAR WORLD AG & TRITEC INTERNATIONAL AG	Madagascar	Installing solar generation systems in houses and schools
France	Agence Française de Développement (AFD) 	PROPARCO	*Wide range of financial products to meet the specific needs of private investors in developing countries	NUTRISET	Brazil	-Increase local production. -Give the most vulnerable populations easier access to Nutriset's products. -Strengthen agribusiness in the countries concerned.
United Kingdom	Department for International Development (DFID) 	Business Innovation Facility Food Retail Industry Challenge	* To support innovation in core business models *Fund ideas that connect African farmers with global retailers in innovative business partnerships.	MITSUBISHI CORPORATION UNILEVER CAFEDIRECT	Bangladesh Bangladesh São Tomé and Príncipe	Food fortification through a supplement, Furikako, for low-income people Food fortification for children through a supplement added to a daily staple like cereal Help local cocoa producers to improve quality standards

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Initiative	Description	Company/organisation	Project's country	BoP Business Concept
		Fund (FRICH)	* Aim to get more African products onto UK supermarkets shelves.	MARK AND SPENCER TEA	Kenya	Support small tea corporative Kenya to blend and create their own tea bags
		The African Enterprise Challenge Found	* Fund program to support new and innovative business models in Africa.	MARK AND SPENCER FLOWERS	Ethiopia	Development of industry standards (quality, work conditions)
				VODAFONE SAFARICOM	Kenya	Leverage access to financial mechanisms
				GAP INC & TIMBERLAND & PGC SWITCHER	India	Improving working conditions Garment sector
				GUINNESS	Nigeria	Development of inclusive supply chains strategy for locally sourcing raw sorghum used to produce Guinness
				SAINSBURY'S	Congo - Malawi	Develop a better supply chain ensure the quality and traceability of the product
Netherlands 	NL Agency -Ministry of Economic Affairs, Agriculture and Innovation (Agentschap NL, SNV)	Public-Private Partnership Facility. Sustainable Entrepreneurship and Food Security (FDOV)	* FDOV aims to finance projects in the area of Entrepreneurship and Food Security.	N/A	N/A	N/A

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Project/Initiative	Description	Company/organisation	Project's country	BoP Business Concept
		Public-Private Partnership Facility. Sustainable Water Fund (FDW)	* FDW aims to finance projects in the area of safety water and watter supply	N/A	N/A	N/A
		Private Sector Investment Programme (PSI)	* Subsidy programme that supports innovative investment projects. * For Dutch (Dutch + Foreign) + Local companies	NUON	Sub-Sharan Africa	Solar energy supply
		The Infrastructure for Development (ORIO)	* ORIO contributes to the development of public infrastructure in developing countries	N/A	N/A	N/A
Sweden 	Swedish International Development Cooperation Agency (SIDA) 	Innovations Against Poverty, IAP	*It functions as risk-sharing mechanism. *Companies are invited to apply for grants twice a year. *Focused on Inclusive Business Models at the Base of the Pyramid	D.LIGHT	Nigeria	Access to affordable solar lightning - Pay as you use system
		Sida's Public Private Partnerships (PPP)	*Private and public actors identify a possible solution to a development problem and join forces in order to address it	TRETA PARK	Zambia	Milk supply o 1500 children and support 200 small farmers
				SCANIA CV	Iraq	Vocational training of mechanics
				ADIDAS - H&M - GAP - Ikea	Brazil - India - Pakistan - Africa	Improve the cotton supply chain to bring long-term benefits for farmers

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Initiative	Description	Company/organisation	Project's country	BoP Business Concept
		Drivers of Change	* Support to organisations that are working close to private sector, promoting CSR, social entrepreneurship, improvements in business conduct and inclusion of people living in poverty in core operations and value chains.	Organisation: Social Entrepreneurs hip Forum	Global	Support to social entrepreneurs for developing their business models
Denmark 	Minister of Foreign Affairs of Denmark (DANIDA) 	Danida Business Partnerships	*Provides funding* To transfer knowledge and technology from Danish to local partners* To include improvement of working and living conditions of the poor* Supports initiatives that focus on the BoP.	GRUNDFOS - SAFARICOM	Kenya	Water supply through a innovative mobile paying system
		Danida Business Finance	*Increases access to long-term financing for investments in important infrastructure or in industrial projects	PRICEWATERHOUSECOOPERS	Kenya	Working for Peace and Security for Development
		Danida Business Contracts	* Contracts with companies in relation to the implementation of the development cooperation	ORGUT CONSULTING AB	Uganda	Basic drinking water supply and sanitation
				COWI A/S	Niger	Basic drinking water supply and basic sanitation
				RAMBOLL	Mali	Basic drinking water supply
				NIRAS A/S	Mali	Basic drinking water supply

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Initiative	Description	Company/organisation	Project's country	BoP Business Concept
USA  	U.S. Agency for International Development (USAid)	Global Development Alliance * Focused on USAid priorities: food security, climate change, global health, along with economic growth, education, technology, and water. * Tackle important business challenges and development problems - in a replicable, sustainable and scalable manner. * Assist in scaling up successful partnership models		COCA-COLA	Africa and Asia	Access to a safe water , promoting sanitation and hygiene (2007)
				INTEL	Vietnam, Guatemala, Indonesia	ICT : Accessibility, connectivity, education and content
				HP & CISCO	Africa, Asia, Middle-East	Teaching students the necessary computer networking skills
				MICROSOFT	16 countries	Improving education and access to health services
				STARBUCKS	Rwanda	Helping the farmers to produce higher quality coffee
				CARGILL	Brazil	Implement biodigester tanks to enable rural producers to use effluents as organic fertilizer
				DOW CHEMICAL	Kenya	Empowers small groups of farmers to combat the devastating effects of deforestation, drought, disease and famine.
				EXXONMOBIL & SC JOHNSON	5 African countries	Reduce malaria deaths Africa through the sale of insecticide treated nets (ITN)
Japan  	JICA: Japan International Corporation Agency	BoP Business Cooperation * Support to specific BoP initiatives * JICA conducts preparatory survey for BoP initiatives		MANDOM CORPORATION	Indonesia	Public sanitary practices with bactericidal gel
				OJI PAPER CO. LTD	Laos	Biological cokessing agri-forest materials
				DAIWA HOUSE INDUSTRY CO. LTD.	India	Houses production using Japanese industrial technology
				NEC CORPORATION	India	Smart village

National Agency		Funding Initiatives		Exemple of project		
Country	Organisation	Initiative	Description	Company/organisation	Project's country	BoP Business Concept
				UNICHARM CORPORATION	India	Sanitary products for women in rural
				NISSHIN FOODS HOLDINGS CO. LTD	Bangladesh	Locally developed nutrient enriched food for maternal and small child
				TOPPAN PRINTING CO. LTD	Zambia	Sustainable packages through local development and production
				TORAY INDUSTRIES INC.	Indonesia	Portable water supply using solar powered impact water desalination system
				SHARP CORPORATION	India	Human development as a leader in rural through remote e-education systems

Annex 2: About the leaders and partners of the project

The project leaders



CSR Europe is the leading European business network for corporate social responsibility with around 70 multinational corporations and 37 national partner organisations as members. The organization was founded in 1995 by senior European business leaders in response to an appeal by the European Commission President Jacques Delors. It has since grown to become an inspiring network of business people working at the very forefront of CSR across Europe and globally.



GDF SUEZ is convinced that business has a role to play alongside public institutions and governments in meeting development challenges. Launched in early 2011, the initiative "GDF SUEZ Rassembleurs d'Energies" embodies the commitment of the GDF SUEZ Group for access to energy for poor people by supporting projects with high social impact. GDF SUEZ develops its businesses (power, natural gas, energy services) around a model based on responsible growth to take up today's major energy and environmental challenges: meeting energy needs, ensuring the security of supply, fighting against climate change and maximizing the use of resources. With a revenue of €82 billion in 2012, the Group employs 138,200 employees throughout the world.



Created in 1986, **IMS-Entreprendre pour la Cité** is a business membership organization gathering over 230 companies committed to create shared value. IMS is a place to share learning & expertise about social innovation in business practices, from corporate citizenship, employment and diversity in the workplace to new business models to tackle poverty. IMS engages and supports companies in the design and implementation of "Base of Pyramid" strategies in developed and developing countries.



Business in the Community stands for responsible business. It is a unique business movement committed to transforming business and transforming communities. BITC inspires, engages support and challenges business to take action on priority issues, working together to create greater impact, building resilient communities, diverse workplaces and a more sustainable future. BITC works with business to deliver responsible sustainable and inclusive business strategies wherever they operate, activating their resources, transforming their business and positively impacting and transforming communities.

The project partners



The BoP Innovation Center (BoPInc) accelerates the number and impact of inclusive innovations in low-income markets. Inclusive innovations serve the demand of the poor and create shared value for all stakeholders involved. BoPInc incubates innovations, shares learning and improves the enabling environment. Together with leading companies and civil society organizations, we explore the potential of low-income markets and creates new business propositions.



The Centre of Partnerships for Development (CAD) promotes innovative governance systems, management and business models, to enhance inclusive and sustainable development frameworks responding to global challenges. CAD works with international organizations, government agencies, private companies and civil society organizations promoting inclusive business, cross sector partnerships, green economic models and climate change mitigation systems.

The panellists of the High Level Panel of the 2012 European Development Days



The Global Alliance for Improved Nutrition (GAIN) is an alliance driven by the vision of a world without malnutrition. Created in 2002 at a Special Session of the UN General Assembly on Children, GAIN supports public-private partnerships to increase access to the missing nutrients in diets necessary for people, communities and economies to be stronger and healthier. In less than a decade, GAIN has been able to scale its operations by working in partnership with governments and international agencies, and through projects involving more than 600 companies and civil society organisations in more than 30 countries, reaching an estimated 667 million people with nutritionally enhanced food products.



The German Development Agency GIZ (Gesellschaft für International Zusammenarbeit) offers customised solutions to complex challenges. We are an experienced service provider and assist the German Government in achieving its objectives in the field of international cooperation. We offer demand-driven, tailor-made and effective services for sustainable development.



Ashoka is the largest network of social entrepreneurs worldwide, with nearly 3,000 Ashoka Fellows in 70 countries putting their system changing ideas into practice on a global scale. Founded by Bill Drayton in 1980, Ashoka has provided start-up financing professional support services, and connections to a global network across the business and social sectors.



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