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INCLUSIVE BUSINESS FINANCE FIELD GUIDE 2012

A Handbook on Mobilizing Finance and Investment for MSMEs in Africa

UNDP African Facility for Inclusive Markets

The United Nations Development Programme

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This report was authored by Michael Sudarkasa.

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Abbreviations and Acronyms

ACP	Africa – Caribbean – Pacific
ADA	Austrian Development Agency
AFD	Agence France de Developpement
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AFIM	African Facility for Inclusive Markets
AIDA	Accelerated Industrial Development of Africa
ATM	Automated Teller Machine
BAA	Business Action for Africa
BCtA	Business Call to Action
BEE	Black Economic Empowerment
BMZ	German Federal Ministry for Economic Cooperation and Development
BS	Bertelsmann Stiftung
CDC	Commonwealth Development Corporation
CDFI	Community Development Finance Institutions
CGAP	Consultative Group to Assist the Poor
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
FAO	UN Food and Agricultural Organization
FDI	Foreign Direct Investment
FFR	Facility for Remittances
FOCAC	Forum on China Africa Cooperation
FSP	Financial Services Provider
GAIN	Global Alliance for Improved Nutrition
GDP	Gross Domestic Product
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Rating System
GIM	Growing Inclusive Markets
GIZ	German International Cooperation Agency
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IRIS	Impact Reporting and Investments Standards
JIICA	Japanese International Cooperation Agency
LDCs	least developed countries
LLCs	land locked countries
MDGs	Millennium Development Goals
MSMEs	Micro, Small and Medium Enterprises
MFI	Microfinance Institution
MIS	Management Information System
MIX	Microfinance Information eXchange
MNC	Multinational Corporation
MNOs	Mobile Network Operators
NGO	non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPIC	US Overseas Private Investment Corporation
PE/VC	Private Equity/Venture Capital
PIDG	Private Infrastructure Development Group
PRSP	Poverty Reduction Strategy Process/Paper
PPP	Public-private partnership
ROSCA	Rotational Savings and Credit Associations
SACCO	Savings and Credit Cooperative Organization
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SAI	Sustainable Agricultural Initiative
SHG	Self-Help Group
SIDA	Swedish International Development Agency
SME	Small and medium-sized enterprise
TSP	Technical Service Provider
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNGC	United Nations Global Compact
UNIDO	United Nations Industrial Development Organisation
UNSGSA	United Nations Special Advocate for Inclusive Finance for Development
USAID	United States Agency for International Development
VSLA	Village Savings and Loan Association
WEF	World Economic Forum

Executive Summary

As part of the UNDP AFIM commitment to the facilitation of access to finance for low income communities and efforts to assist those who support these communities, this Field Guide on mobilizing inclusive business finance has been developed to serve as a practical, easy-to-use resource to help development practitioners and micro, small and medium sized enterprises (MSME), to:

a. differentiate between the various market segments in the realm of inclusive business finance and understand the various institutions that provide finance in each segment;
b. identify and secure funding from financial institutions that fund MSME projects and low income commercial actors as well as to facilitate private – public cooperation structures to engage and involve private sector companies in public sector development agenda related programmes; and
c. identify and work with key technical assistance providers and policy makers that provide knowledge development (training and educational programmes) for private sector development practitioners and MSMEs, and promulgate inclusive finance enabling legislation, respectively.

This guide also provides case studies of companies and inclusive business financiers and discusses recently developed development partner programmes that are engaged with and promote inclusive business finance. This guide also highlights selected companies that are value chain lead companies and through this role serve as market makers and financiers for micro, small and medium sized enterprises (MSMEs) who act as suppliers and distributors within their value chains. This is a trend and phenomenon being promoted by the UN Global Compact, Business Call to Action, and Business Action for Africa, and one which AFIM also supports and is helping to promote.

Thus, readers of this guide will gain insight about the growing cadre of financial institutions and programmes emerging to help fund MSMEs and the innovative business practices many companies are adopting as core business and corporate social investment initiatives to help stakeholders within their communities and business value chains to obtain finance.

Equally importantly, readers of this guide will learn about the significant number of inclusive business finance information and practitioner networks (offline as well as digital), platforms, institutional associations, and knowledge institutions that can provide a wealth of information and serve as referral sources and good practice models for those seeking to identify and attract inclusive business finance capital to their community/country.

Structurally, the guide is organized as follows:

Chapter I, Introduction, provides background on the recent trends that have been emerging in the global development community, and within the global corporate community, that have set the tone for increasing opportunities today for public-private partnership in the world of economic development.

In the current global development context there is a growing focus on the mobilization of non-traditional resource flows such as remittances, carbon taxes and even domestic resources within donor recipient countries (i.e. domestic taxes) to support the funding of development programmes and projects. This trend is partly a reaction to the protracted global financial crisis which has impeded the ability of traditional donor nations in Europe and North America to rally support from their taxpayers to support and underwrite the previously made development contribution pledge commitments. However, it is also indicative of the growing interest of donor recipient nations to take greater ownership roles in their economic and social development programmes.

In addition to the above mentioned new sources of development funding, African donor recipients have also been increasingly pursuing south-south partnerships. Although from a decidedly modest base, much greater effort is also being made by African governments and the development partners that they work with to engage with local and international businesses to work with them to get them to align their core business activities and corporate social investment activities with the development agendas in the countries where they are active. The intent is to identify areas of mutual benefit through programmes that leverage and support the aims of the corporations, the donors and the government.

What is needed is both database information about who is doing what, and an understanding of the segmented inclusive and business finance marketplace, along with insight on how to access and attract this capital, and to align the aims and objectives of inclusive finance providers – whether they be financial institutions or corporations – with low income community focused development programme aims and objectives.

The increase in the development of this skill among development practitioners will yield a commensurate increase in the effectiveness of mobilized aid resources and significantly improve economic growth sustainability and inclusiveness in developing countries. Supporting this knowledge development and sharing exercise is the aim of this publication.

Chapter II, Understanding Inclusive Business Finance, provides a comprehensive overview of inclusive business finance, incorporating rural, agricultural, value chain finance, impact investment along with customer, distributor and supplier finance– all of which are focused on the promotion of financial inclusion and the provision of capital to entrepreneurs and micro-, small and medium sized enterprises.

"Financial inclusion encompasses improving the range, quality and availability of financial services to the underserved and the financially excluded".[1]

In the context of "financial inclusion" for enterprise and business purposes, "inclusive finance" can be considered within the context of "inclusive business models" that offer sustainable business solutions that expand access to goods, services, and livelihood opportunities for low-income communities.

Inclusive business models involve doing business with low-income populations anywhere within a company's value chain, incorporating them in the supply, production, distribution and/or marketing of goods and services. This engagement generates new jobs, incomes, technical skills and local capacity. Likewise, poorer consumers can benefit from products and services that meet their needs in affordable and appropriate ways.

By focusing on commercial viability, these models have demonstrated inherent capacity to be scaled up to engage thousands, and increasingly millions, of poor people. The important emphasis is on establishing a relationship through the company's 'core business' rather than on providing philanthropic support.

1 Stein, Peer, "Towards Universal Access: Addressing the Global Challenge of Financial Inclusion" - Paper presented at the Korea-World Bank High Level Conference on Post-Crisis Growth and Development, co-organized by the Presidential Committee for the G-20 Summit and the World Bank with the support of the Korea Institute for International Economic Policy (KIEP), June 3-4, 2010, Busan, Korea

The concept of "financial inclusion" as a way to look at a financial system has become increasingly widespread after first being articulated in 2005 at the end of the UN's International Year of Microcredit. An inclusive financial system is one that services all clients – not just the relatively well-off. This means reaching out to poor and low-income clients and providing them with affordable financial products and services tailored to their needs.

Inclusive finance proponents have successfully shown that companies can capture growth opportunities for themselves, and support economic development within low income communities, by providing intermediation for MSMEs within their value chain. In particular, the "missing middle" represents a major gap in the financing pool that exists today and presents significant opportunity for finance providers willing to support enterprises that are too large for micro-credit and considered too small for commercial credit from banks. Companies can work alongside target customers to develop products to fit client needs. Savvy businesses benefit from incorporating MSMEs and their local market knowledge into their value chains. They are thus able to utilize local know-how, increase revenues, improve learning, share knowledge and best practices, and enhance their reputation.

At the November- December 2011 OECD Fourth High Level Forum on Aid Effectiveness convened in Busan, Korea, the UNCDF, with support from the World Bank-hosted Consultative Group to Assist the Poor (CGAP), convened a "mini-debate" to highlight the launch of a new financial inclusion tool called FIRE – the Financial Inclusion Roadmap Exercise, which is intended to provide a diagnostic and action framework for accelerating financial inclusion.

During the discussion and debate, one of the points and observations that were made about the term "inclusive finance" or "inclusive business finance", was that when coined in 2005, the term "inclusive finance" initially was most often associated with "micro-finance". However, today a much widergroup of financial stakeholders are involved in helping to improve access to finance and in developing more inclusive financial markets. Thus, from a definition standpoint there is not one universally used definition or description of "inclusive finance/ inclusive business finance". However, to help readers of this guide better understand how the topic is meant to be treated, inclusive business finance is meant to encompass the following forms of capital flows:

2 See www.uncsd2012.org/rio20/

Defining Inclusive Business Finance:
Inclusive business finance refers to funding and other forms of capital that supports the creation, growth, and sustainability of entrepreneurs and small holders, micro, small and medium sized enterprises, who were previously excluded from the financial markets. The instruments used in inclusive business finance include, but are not necessarily limited to: debt, equity, quasi-equity, grants, insurance, guarantees, development finance and various shared risk instruments and mechanisms. The definition of inclusive business finance also goes beyond exclusively referring to the funding activities of regulated and non-regulated, formal and informal, financial services providers, but also includes the provision of a variety financial resources (guarantees, loans, equity, leasing) by corporations to small holders and MSME's as distributers and suppliers within their value chains.

Chapter III, Selected Case Studies of Inclusive Business Finance Models, provides some examples of inclusive business finance innovations and partnerships that have been designed to deliver finance to micro, small and medium sized enterprises in Africa. These include the Simon Levelt Coffee Roaster initiative in Uganda; the JuhudiKilimo Organization's microfinance for agricultural value chain initiative in Kenya; Vodafone's mobile money transfer initiative in Kenya, Tanzania and South Africa; WIZZIT's mobile lending platform in South Africa; Root Capital's focus on financing institutions in the missing middle; and MAP Internationals low income focused financial products being offered in Uganda.

Chapter IV – Five Steps to Mapping and Accessing the Local Inclusive Business Finance Landscape, presents a step-by-step guide to help development practitioners and MSMEs to map and access their local financial market to identify providers and corporate partners to access inclusive finance.

Step 1 – Mapping the Local Financial Market Sector
Step 2 – Mapping the Development Partner Sector
Step 3 – Mapping the Inclusive Business Sector
Step 4 – Engaging the Inclusive Finance Sector
Step 5 – Forging Sustainable Partnerships with the Private Sector

Chapter V, Developing Bankable Projects and Programmes, presents an overview of key components of successful and bankable projects and provides insight on the questions that need to be answered in the project proposals and in the development of the project results framework. Key aspects of this exercise include ensuring that the project is well presented in a comprehensive manner showing developing impact, financial sustainability and sound management and project implementation planning is a critical component of getting the initiative funded. While development practitioners may choose to outsource the development of project plans to consultants or other technical assistance providers, it is important for them to have a firm understanding of the components that comprise a bankable project.

Thus, components of a well presented project are likely to include the following subject matter and detailed responses to the following descriptive questions posed.

- Name of Potential Borrower and/or Name of the Project
- Location
- Name of Sponsoring Company and Brief Description of Project
- Market
- Technical Aspects
- Raw Materials and Procurement
- Infrastructure, Transportation
- Environmental Aspects
- Organization and Management
- Government role, taxation, regulation, insurance, special incentives
- Project Investment Cost Financing Plan
- Financial and Economic Evaluation
- Risks and Safeguards
- Appendixes

In the cases where the project is more of a systemic one than one involving an enterprise, a different set of planning and presentation tools are required. The project results framework is one of the key tools developed to guide the project development process.

The Results Framework is a snap shot of a project at a particular point in its development. The initial preliminary Results Framework is revised and refined as more in-depth information is gathered during project design and implementation. The Results Framework helps planners:

- Set project objectives
- Define indicators of success
- Identify key activity groups
- Define critical assumptions underlying the project
- Identify means for verifying project results
- Define resources needed for implementation

Chapter V, Harnessing UN Inclusive Business Finance Technical Assistance, presents three important local inclusive business finance related technical resources from the UN system, the UN Capital Development Fund, the International Fund for Agricultural Development, and the International Labour Organization. Three other UN institutions, the UN Department of Economic and Social Affairs (co-producers with UNCDF of the "Blue Book on Building Inclusive Financial Sectors"), the UNDP (through support of various micro-finance programmes), and UNICEF (as part of its focus on Innovation for Development and support of mobile money innovations involving cell phones and money transfer and banking) are leading advocates of inclusive finance and work closely with the first three institutions. Similarly, the FAO, WFP, ITC and UNIDO all incorporate access to inclusive finance initiatives in the work that they do to support value chain development, food security, inclusive trade development and LDC industrialization programmes, respectively.

Chapter VI, Conclusion, lastly, provides a recap of the important developments that make it imperative that development practitioners equip themselves with the information and tools required today to mobilize inclusive business finance toward the accelerated empowerment of low income commercial enterprises.

For development practitioners tasked with establishing programmes to support low income communities and who are seeking to partner with the growing list of prospective stakeholders who have skills, financial resources and purchasing power (i.e. represent markets), it is important to be able to map one's domestic financial environment and identify finance providers and prospective corporate partners who have shared interests to pursue with development partners and government.

While recognizing that there are a number of institutional and technical resources available that seek to promote financial inclusion, the desired aim of this publication is to provide development practitioners and MSMEs with a easy to understand starting point, a beginners how-to-guide, and a desk reference for more seasoned professionals – all with the aim of helping them to be more efficient and successful in their efforts to mobilize inclusive business finance.

Chapter 1

Introduction

In the current global development context there is a growing focus on the mobilization of non-traditional resource flows such as remittances, carbon taxes and even domestic resources within donor recipient countries (i.e. domestic taxes) to support the funding of development programmes and projects. This trend is partly a reaction to the protracted global financial crisis which has impeded the ability of traditional donor nations in Europe and North America to rally support from their taxpayers to support and underwrite the previously made development contribution pledge commitments. However, it is also indicative of the growing interest of donor recipient nations to take greater ownership roles in their economic and social development programmes.

In addition to the above mentioned new sources of development funding, African donor recipients have also been increasingly pursuing south-south partnerships. Although from a decidedly modest base, much greater effort is also being made by African governments and the development partners that they work with to engage with local and international businesses to work with them to get them to align their core business activities and corporate social investment activities with the development agendas in the countries where they are active. The intent is to identify areas of mutual benefit through programmes that leverage and support the aims of the corporations, the donors and the government.

Development partners working with African governments seek to engage with the multinational private sector active in Africa and to identify opportunities to also help develop the local private sector. Through these efforts the collective aim is to catalyse job creation, technology transfer, and support the establishment of market opportunities for smaller domestic firms and low income commercial actors- through value chain access opportunities provided by the larger multinational companies who participate in the projects.

These emerging public-private partnerships and collaborations are also helping the micro, small and medium sized enterprises (MSME) who become part of larger value chains to mobilize financial and technical resources. Public and development partner support for value chain creation and expansion is helping to reduce the risk for both financiers and lead firms to work with new, often smaller, suppliers and distributors through the provision of risk-mitigating technical assistance and shared risk financial instruments.

For development practitioners who are focused on helping achieve the attainment of the MillenniumDevelopment Goals and implementing programmes that support low income economic actors, understanding these new trends and knowing how to identify and harness the many new resources that are emerging to support MSMEs is very important.

As increasing population growth, correlating expansion of the middle classes, and increasing natural resource exports have led to growing domestic markets and economic expansion within the developing regions of the world, achieving "inclusive" growth has become the development challenge of note. Global development stakeholders have found that accelerating economic growth alone has not proven to be enough of a stimulus to address the many socio-economic challenges that persist in these regions in areas such as healthcare, education, infrastructure development, and food security.

In sub-Saharan Africa, in particular, where the majority of the lesser developed countries of the world exist, increasing access to inclusive finance for MSMEs is being recognized as a critical component of the effort to break the existing cycle of poverty. Incorporating the poor into the economic mainstream is recognized as the only sustainable way to advance development in the world's poorest countries.

Thus, during the last five years, there has been a proliferation of initiatives aimed at increasing the penetration of financial resources within low income communities, particularly in support of micro-entrepreneurship and value chain development. Initiated and supported by both multilateral and bilateral development partners, these efforts have also sought to promote financial literacy and to broaden the range of products available to include insurance, various debt products as well as equity investment instruments.

The financial success of traditional commercial banking institutions such as Equity Bank of Kenya in serving low income markets has also been a catalyst for their peers and competitors to begin to focus more on service provision to this previously ignored market. Research by FinMark Trust and other development partner institutions has also shown the direct correlation that exists between improved access to finance and national economic growth and development.

Initiatives such as the UNDP programmes on Growing Inclusive Business (launched in 2003) and Growing Inclusive Markets (launched in 2006), and the IFC's Inclusive Business initiative (launched in 2005) along with corporate engagement and social responsibility efforts such as the United Nations Global Compact, (launched in 2000), and more recently launched initiatives including Business Call to Action (launched in 2008) and Business Action for Africa (launched in 2005), have encouraged thousands of corporations worldwide to move beyond philanthropic activity in developing countries where they are active, to design programmes thatinvolve expanding their core business activity to include low income actors as suppliers, distributors and employees. Again the efforts of these corporations to redesign and expand their supplier and distribution relationships have been particularly catalytic in helping mobilize finance for smaller players within their respective value chains.

Since 2004, important research in this area has been conducted by institutions such as the UNDP, who prepared the seminal publication "Unleashing Entrepreneurship: Making Business Work for the Poor", and in 2008 published the "Growing Inclusive Markets Global Report" which compiled 250 inclusive business and the International Finance Corporation, who in 2010 produced the publication "Scaling Up Inclusive Business: Advancing the Knowledge and Action Agenda" in partnership with Harvard University's John F. Kennedy School of Government. More recently, in 2011, global consulting firm, Monitor, added to the existing body of knowledge with an important Africa focused publication entitled "Promise and Progress: Market Based Solutions to Poverty in Africa". While this short list is in no way meant to be exhaustive, these references highlight a few of the thought leaders on the subject of inclusive business and inclusive economic growth.

Thus, along with the UN institutions, among the multilateral development partner institutions, the World Bank's International Finance Corporation, has been a leader in the effort to further public-private linkages and to foster access to finance among MSMEs. Among bilateral development partners, although there is a rapidly growing community of institutions supporting private sector engagement focused projects and programmes, the German Federal Ministry for Economic Cooperation and Development (BMZ) has been recognized as a pioneer in these efforts with nearly 15 years of experience. Other bilateral institutions that have been active for a decade or more in this area include the United States' Agency for International Development (USAID) and African Development Foundation (USADF), the United Kingdom's Department for International Development (DFID), and the Danish International Development Agency (DANIDA)

Within the United Nations System, the UNDP (inclusive business market development and access to finance), the Food and Agricultural Organization (value chain finance), IFAD (rural and agricultural finance), World Food programme and ILO (micro-insurance) have been strong proponents and advocates of the benefits of increased access to finance.

Today, for both economic development practitioners and MSMEs themselves, being able to map the financial landscape, identify potential financial partners (including finance enabling partners from the private sector) is increasingly important. Understanding how to facilitate mutually beneficial partnerships between government and the private sector and how to develop compelling programmes with results-frameworks that attract capital is also of growing import to development practitioners seeking to leverage their resources in a catalytic manner to maximize expected outcomes.

What is needed is both database information about who is doing what, and an understanding of the segmented inclusive and business finance marketplace, along with insight on how to access and attract this capital, and to align the aims and objectives of inclusive finance providers – whether they be financial institutions or corporations – with low income commercial actor focused development programme aims and objectives.

The increase in the development of this skill among development practitioners will yield a commensurate increase in the effectiveness of mobilized aid resources and significantly improve economic growth sustainability and inclusiveness in developing countries. Supporting this knowledge development and sharing exercise is the aim of this publication.

Chapter 2

Understanding Inclusive Business Finance

Financial Inclusion

"Financial inclusion encompasses improving the range, quality and availability of financial services to the underserved and the financially excluded".[5]

In the context of "financial inclusion" for enterprise and business purposes, "inclusive finance" must be considered within the context of "inclusive business models" that offer sustainable business solutions that expand access to goods, services, and livelihood opportunities for low-income communities.

Inclusive business models involve doing business with low-income populations anywhere within a company's value chain, incorporating them in the supply, production, distribution and/or marketing of goods and services. This engagement generates new jobs, incomes, technical skills and local capacity. Likewise, poorer consumers can benefit from products and services that meet their needs in affordable and appropriate ways.

By focusing on commercial viability, these models have demonstrated an inherent capacity to be scaled up to engage thousands, and increasingly millions, of poor people. The important emphasis is on establishing a relationship through the company's 'core business' rather than on providing philanthropic support.

The value of access to finance within the context of the achievement of the MDGs has also been shown to help: a) reduce vulnerability to shocks and to mitigate against the risk of falling into poverty; b) lead to higher income per capita, facilitating the meeting of many of the MDGs, and c) reduce inequalities and broaden opportunities, which contribute, in particular, to gender equality.[6]

The concept of "financial inclusion" as a way to look at a financial system has become increasingly widespread after first being articulated in 2005 at the end of the UN's International Year of Microcredit. An inclusive financial system is one that services all clients – not just the relatively well-off. This means reaching out to low-income

5 Stein, Peer, "Towards Universal Access: Addressing the Global Challenge of Financial Inclusion" - Paper presented at the Korea-World Bank High Level Conference on Post-Crisis Growth and Development, co-organized by the Presidential Committee for the G-20 Summit and the World Bank with the support of the Korea Institute for International Economic Policy (KIEP), June 3-4, 2010, Busan, Korea

6 Claessen and Fiejen (2006)

Figure 1: Benefits of Financial Inclusion to Households and Firms

Benefits of Financial Inclusion to Households and Firms		
	Facilitate Economic Transactions	In the absence of payment services, entrepreneurs and individuals travel long distances and wait in lines to make transactions. This can be time consuming, costly and risky.
	Manage Day-to-Day Resources	Low-income families have small and unpredictable incomes, often seasonal. Credit and savings can help these families take advantage of immediate (business) opportunities and smooth consumption.
	Improve Quality of Life	Families use financial services to gain education, health care and other necessities that improve their quality of life.
	Protect Against Vulnerability	Low income families face many vulnerabilities, from illness, to theft, to unemployment. Savings, credit, insurance, remittances provide sustainable and low cost coping strategies.
	Make Productivity – Enhancing Investments	Enterprise owners can use credit or savings to make investments in productive assets, such as a sewing machine, refrigerators, or farm implements.
	Leveraging Assets	Low-income families own assets, both social and physical and moveable and immovable. The right financial infrastructure can help with recognition of these assets by the formal sector.
	Build Economic Citizenship	Financial services foster independence, giving people greater ability to be active participants in their communities and countries.

Source: Adapted from Accion International, Center for Financial Inclusion, "Mexico's Prospects for Full Financial Inclusion: A White Paper from the Financial Inclusion 2020 Project", September 2009

clients and providing them with affordable financial products and services tailored to their needs.

An inclusive financial system is also one that recognizes both the market potential and the development opportunities of learning to provide banking and financial services to poorer communities. This generally involves fostering:

a. *Sound institutions* – ensured by self-regulation and standard setting, performance monitoring and sound prudential regulation;

b. *Financial and institutional sustainability* – ensuring the ability of financial service providers, including microfinance institutions (MFIs) and commercial banks, to continue to provide access for poorer customers to financial services over time;

c. *Multiple providers of financial services* – to bring down costs and provide a variety of alternatives to clients, including sound private, non-profit and public providers; and

d. *A broad range of financial services* – including credit, savings, insurance, remittances, pensions and mortgages.

In many countries, low-income people don't have access even to basic savings accounts. As a result they have no access to even more advanced financial services that could provide security, predictability and the seeds of economic growth for their households. An inclusive financial sector will support the full participation of lower income households in the financial system.

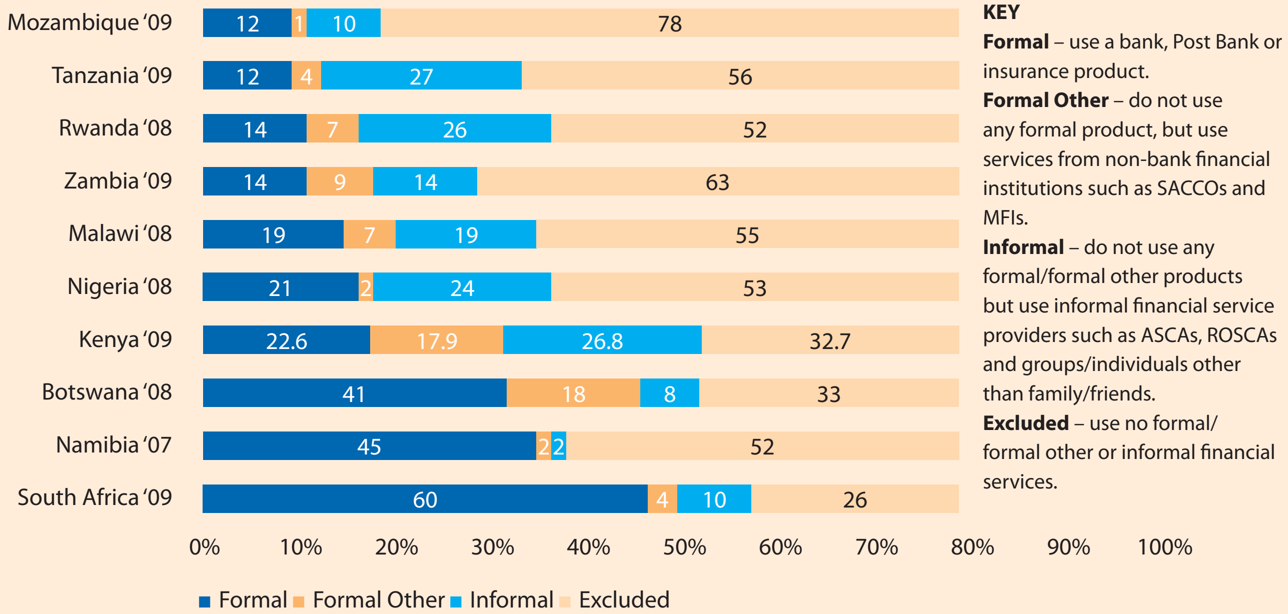
There is now a significant body of research that shows that having access to financial services is a critical tool required for both economic growth and human development. Global experience also shows clearly that low income persons can be reliable clients and that institutions which service their needs effectively enjoy profitable business from this segment of the market.

Figure 1 illustrates selected benefits of financial inclusion in furthering economic development.

In Africa, however, the levels of access to finance are particularly low and thus, increasingly, access to finance initiatives are being developed to address this impediment to economic growth and development. Figure 2 illustrates the relatively poor levels of access to finance that exist on the continent.

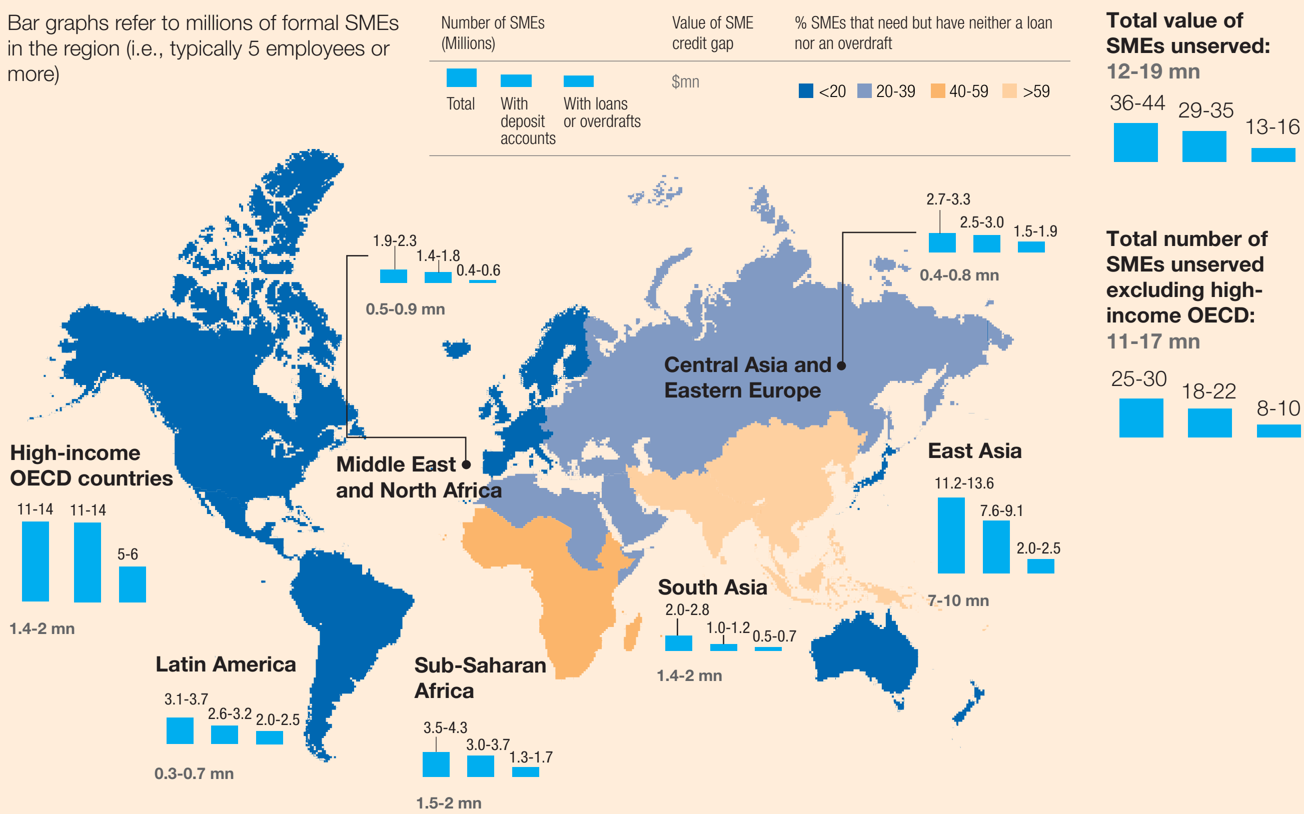
MSMEs in developing nations (especially in Africa, and to a slightly lesser degree in Asia) face a multitude of barriers and challenges that impede their ability to access finance.

Figure 2: Status of Financial Inclusion in Selected African Nations



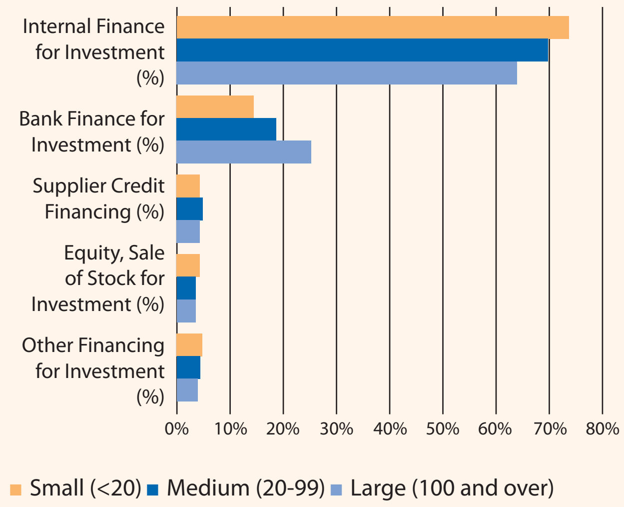
Source: FinScope Zambia (2009) and FinAccess (2009)

Figure 3: Profile of Geographic Location of Global SMEs with Poor Access to Finance



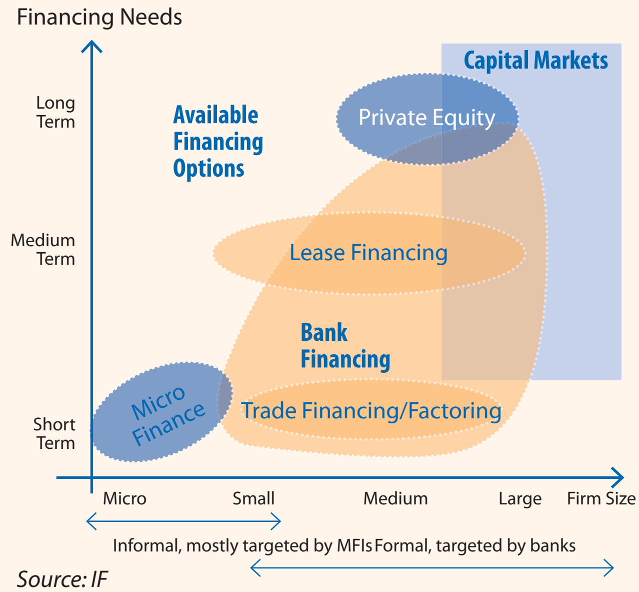
Source: IFC and McKinsey Database (2010) (Note: Data for calculation from World Bank enterprise surveys, IFC MSME database, literature searches and McKinsey proprietary research)

Figure 4: MSME Finance Need



Source: World Bank Enterprise Surveys (2006-2009)

Figure 5: MSME Finance Spectrum



Source: IF

According to an October 2010 report released by the IFC and global consulting firm, McKinsey & Co., entitled "Two Trillion and Counting", the total unmet need for credit for all MSMEs in emerging markets is between $2.1 trillion to $2.5 trillion. Figure 3 illustrates the global inequity that exists in terms of access to capital for micro, small and medium sized enterprises.

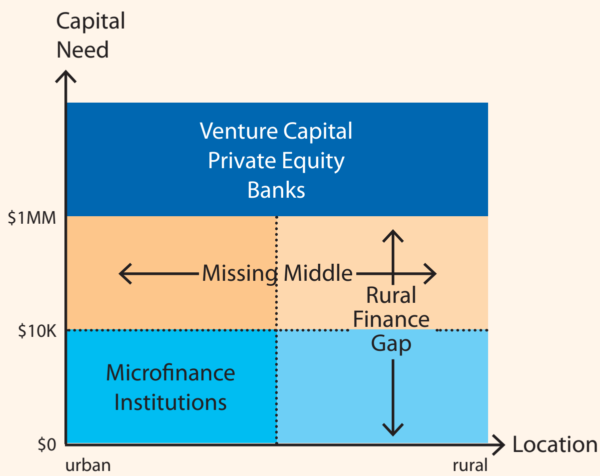
Of the estimated 365 to 445 million MSMEs in the developing world, roughly 70 per cent do not make use of external financing, although they need it. The types of finance required by MSMEs are varied, as is indicated in the illustration of Figure 4.

In developing countries, formal MSMEs represent approximately 45 percent of employment and roughly 33 percent of GDP, which is a wealth of untapped opportunity for growth in the private sector. The strengthening of the private sector through the provision of increased funding for MSMEs promises shared value on multiple levels.

Figure 5 illustrates the spectrum of needs and the gaps that exist within the MSME finance sector.

Inclusive finance proponents have successfully shown that companies can capture growth opportunities for themselves, and support economic development within low income communities, by providing intermediation for MSMEs within their value chain.

Figure 6: The Missing Middle in Terms of MSME Finance



Source: Brian Milder, 2008 'Closing the Gap'

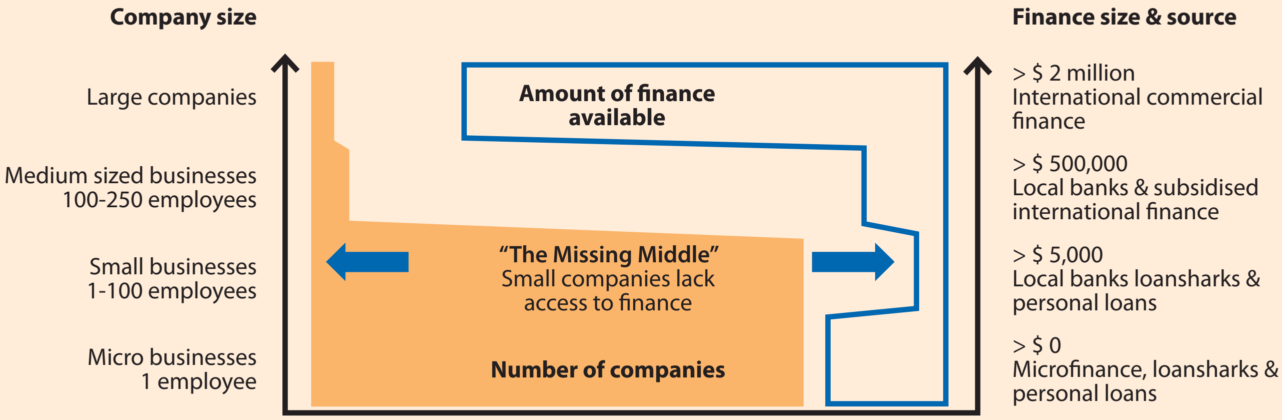
In particular, the "missing middle" represents a major gap in the financing pool that exists today and presents significant opportunity for finance providers willing to support enterprises that are too large for micro-credit and considered too small for commercial credit from banks.

Figure 6 illustrates this missing middle in the realm of MSME finance provision.

Companies can work alongside target customers to develop products to fit client needs. Savvy businesses

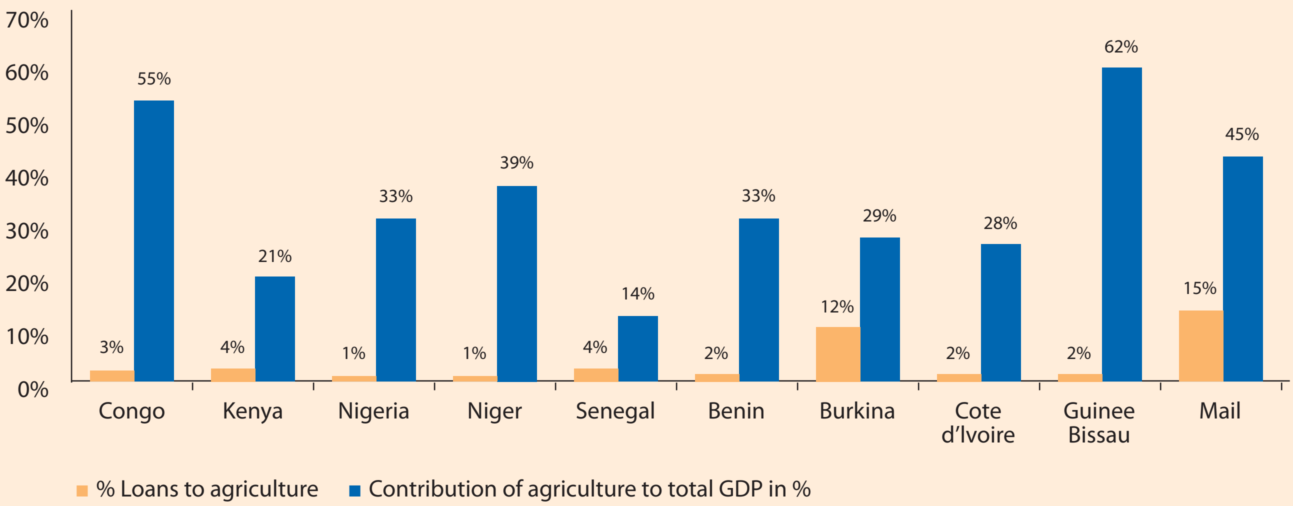
Figure 7: The Deal Size of the Missing Middle

Finance is available for large and micro businesses, but is limited for the small in developing countries



Source: Thierry Sanders, NCDO

Figure 8: Contribution of Agriculture to Total GDP and Outstanding Loans to Agriculture as % of Total Loans



Source: CIA – World-Fact Book, Central Bank of Congo, Central Bank of Nigeria, Central Bank of Kenya, Central Bank of South Africa; BCEAO – Annual Report 2008 benefit from incorporating MSMEs and their local market knowledge into their value chains. They are thus able to utilize local know-how, increase revenues, improve learning, share knowledge and best practices, and enhance their reputation.

Another illustration of the "missing middle" in terms of the typical deal size of transactions is provided in Figure 7.

In the African agricultural sector, in particular, there is significant demand and opportunity for value chain finance. Given the important contribution of agriculture to the GDP of Africa (up to 30% of GDP in most countries), it remains counter intuitive that the sector only attracts 2-3% of bank finance. In fact, agriculture has long been the economic base of most countries in Sub-Saharan Africa. However, ensuring financial access for agricultural production and to rural areas in general has always been difficult.

Figure 8 illustrates this lack of access to finance in selected African countries.

The perceived challenges in agricultural finance include: (1) high transaction costs for both borrowers and lender; (2) high risks faced by both borrowers and lenders; (3) lack of reliable financial information about rural households (compounding transactions costs and risk); and (4) financial products that are ill-suited to the financial flows of the borrowers or lenders.

Today, as the African urban markets have been targeted for much of the past decade by microfinance institutions, there is renewed interest by the microfinance community to better serve rural areas and address the agricultural finance gap. Governments and donor institutions have also become more focused on stimulating credit and investment flows to this sector to meet growing local and international food security demands as well.

Inclusive Business Finance

At the November- December 2011 OECD Fourth High Level Forum on Aid Effectiveness convened in Busan, Korea, the UNCDF, with support from the World Bank-hosted Consultative Group to Assist the Poor (CGAP), convened a "mini-debate" to highlight the launch of a new financial inclusion tool called FIRE – the Financial Inclusion Roadmap Exercise, which is intended to provide a diagnostic and action framework for accelerating financial inclusion.

During the discussion and debate, one of the points and observations that were made about the term "inclusive finance "or "inclusive business finance", was that when coined in 2005, the term "inclusive finance" initially was most often associated with "micro-finance". However, today a much wider group of financial stakeholders are involved in helping to improve access to finance and in developing more inclusive financial markets. Thus, from a definition standpoint there is not one universally used definition or description of "inclusive finance/ inclusive business finance". However, to help readers of this guide better understand how the topic is meant to be treated, inclusive business finance is meant to encompass the following forms of capital flows:

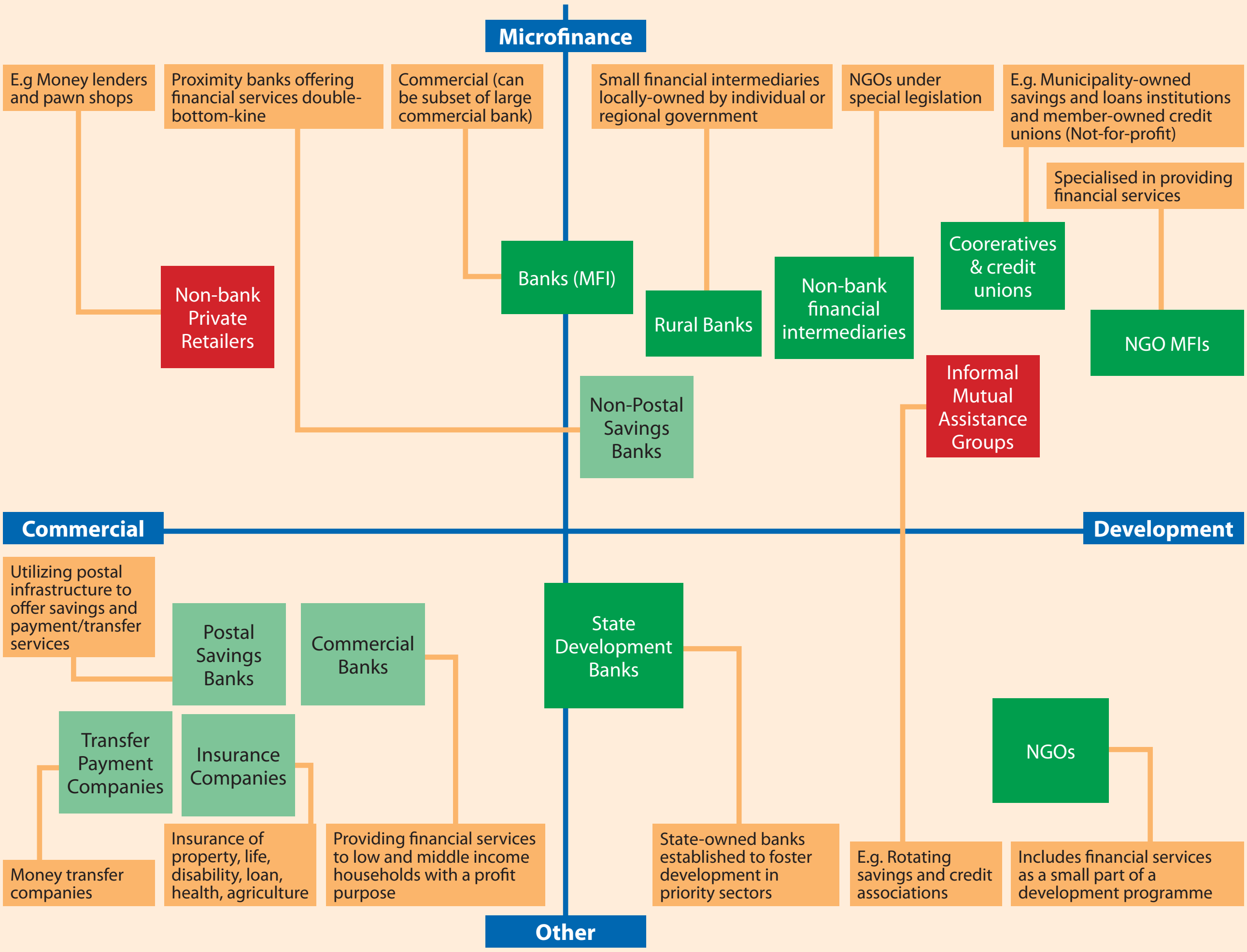
Defining Inclusive Business Finance:
Inclusive business finance refers to funding and other forms of capital that supports the creation, growth, and sustainability of entrepreneurs and small holders, micro, small and medium sized enterprises, who were previously excluded from the financial markets. The instruments used in inclusive business finance include, but are not necessarily limited to: debt, equity, quasi-equity, grants, insurance, guarantees, development finance and various shared risk instruments and mechanisms. The definition of inclusive business finance also goes beyond exclusively referring to the funding activities of regulated and non-regulated, formal and informal, financial services providers, but also includes the provision of a variety financial resources (guarantees, loans, equity, leasing) by corporations to small holders and MSME's as distributers and suppliers within their value chains.

Rural and Agricultural Finance

Thus, for the purpose of the discussions in this guide, inclusive business finance includes both "rural finance" and "agricultural finance". "Rural finance" comprises the full range of financial services – loans, savings, insurance, and payment and money transfer services – needed, offered, or used in rural areas by households and enterprises. "Agricultural finance" refers to financial services ranging

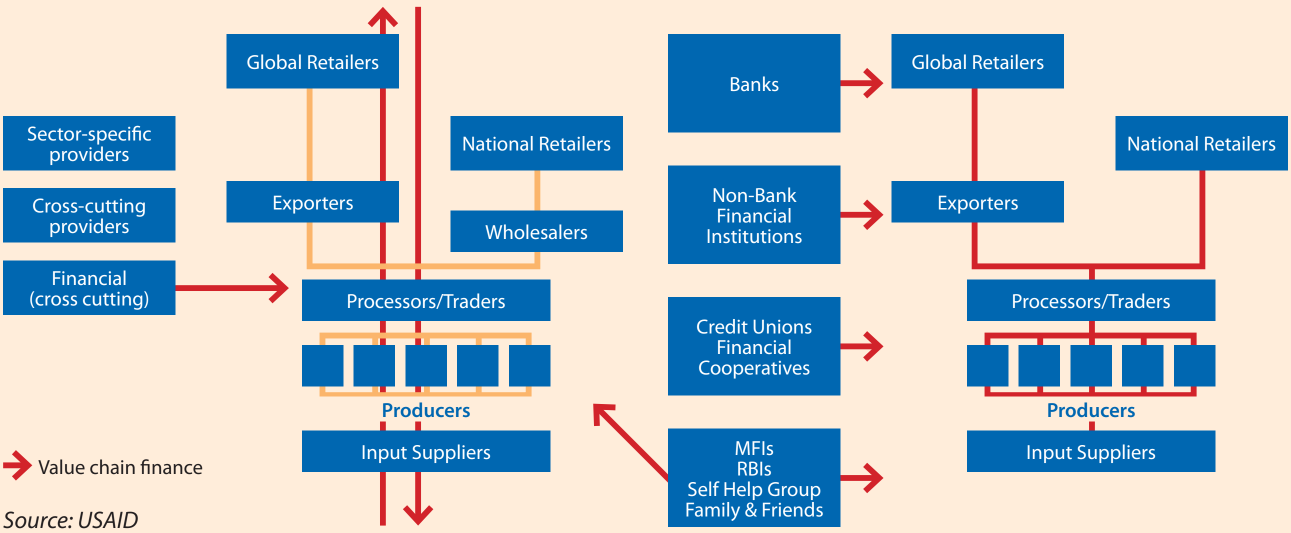
7 See www.uncsd2012.org/rio20/

Figure 9: Spectrum of Inclusive Business Finance Providers



Source: Model based on information provided in the UN publication "Building Inclusive Financial Sectors for Development" (2006) Poverty and Business – The Case of Microfinance, Copenhagen University

Figures 10: Sectoral Value Chain Finance and Key Types of Non-Lead Firm Value Chain Finance Providers



Source: USAID

from short-, medium- and long-term loans, to leasing, to crop and livestock insurance, and covers the entire agricultural value chain – input supply, production and distribution, wholesaling, processing and marketing. Rural and agricultural financial services are provided by formal and informal financial institutions as well as through financial arrangements within the agricultural value chain.

Figure 9 illustrates selected players involved with the provision of inclusive business finance today. In observing the wide range of actors providing an array of enterprise finance for micro, small and medium sized enterprises (i.e. MSMEs), it is clear to see that inclusive business finance has expanded considerably beyond just the provision of "micro-finance". Indeed, inclusive business finance has become more closely aligned with all aspects of "value chain" development – a process in and of itself that has been recognized as a leading tool for the achievement of inclusive growth and development

Value Chain Finance

"Value chain finance" is also a term of art that is becoming increasingly used as value chain business models have become an important development tool for the global donor community. This subset of inclusive finance can best be defined as: "the flow of financing within a subsector, among value chain actors, for the purpose of getting product to market". Value chain finance, by this definition, requires a relationship and exchange among value chain actors. This is in contrast to financing to a single value chain actor, where access to financial services provided to one actor is made independently of their relationship to other value chain actors.

Simply put, value chain finance is financing provided to or by a value chain actor in order to increase value-chain growth and competitiveness. Whether provided by a bank, a buyer or an input supplier, value chain financing allows firms to operate, to transact with others and to upgrade. Value chain finance is neither a separate subset of finance, with unique or distinct products, nor is it a complex new field.

Value chain financing arrangements often include the following:

a. Buyers provide screening services, guarantees or collection services for banks interested in lending to affiliated producers;
b. Financial products that align disbursements and repayments with production cycles to manage credit risks with unsecured collateral (e.g., contract farming) or secured collateral (e.g., warehouse receipts);
c. Financial institutions can provide partial guarantees: for example, USAID's Development Credit Authority (DCA) mitigates lenders' risks with partial guarantees;
d. Insurance companies can help to manage production risk for producers and lenders; and
e. Commodity exchanges can link future buyers and sellers to reduce producers' price and marketing risks.

Figures 10 and 11 illustrate the value chain finance ecosystem and key financiers within the value chain. Value chain finance is particularly valuable as a source of funding for micro, small and medium sized companies (MSMEs). Companies can capture growth opportunities for themselves and for low income commercial actors by providing intermediation for MSMEs within their value chain.

Impact Investing

In addition to inclusive finance as defined above, for several years, momentum has been building among select private investors to focus on a new type of asset called "impact investment".

Impact Investments involve the development of an investment strategy whereby an investor proactively seeks to place capital in businesses that can generate financial returns as well as achieve an intentional social and/or environmental goal. Impact investment capital may come in a range of forms including equity, debt, working capital lines of credit, and loan guarantees.

Recent examples include many investments in microfinance, community development finance, and clean technology. Impact investing has its roots in the venture capital community, where funds like Acumen Fund, Grassroots Business Fund, Small Enterprise Assistance Fund, and Bridges Ventures have pioneered the practice.

Emerging "impact investors" have been motivated by the view that their invested capital can be utilized to generate positive social and/or environmental change, and until recently they have mostly been operating independently from mainstream financial markets. The rapid growth of the impact investment sector can partly be viewed as a response to growing criticisms of traditional forms of philanthropy and international development, which have been characterized as unsustainable and driven by the goals and/ or whims – of donors.

Figure 11: Defining Impact Investing

Investments intended to create positive impact beyond financial return

Provide capital
- Transactions currently tend to be private debt or equity investments
- We expect more publicity traded investment opportunities will emerge as the market matures

Expect financial returns
- The investment should be expected to return at least nominal principal
  - Donations are excluded
  - Market-rate or market-beating returns are within scope

Business designed with intent ...
- The business *fund manager or company) into which the investment is made should be designed with intent to make a positive impact
- This differentiates impact investments from investments that have unintentonal positive social or environmental consequences

... to generate positive social and/or environmental impact
- Positive social and/or environmental impact should be part of the stated business strategy and should be measured as part of the success of the investment

Source: The Rockefeller Foundation, J.P. Morgan

Table 1: Social and Environmental Aims of Impact Investing

Increase incomes and assets for the poor (from IRIS's social impact objectives)	Improve basic welfare for people in need (from IRIS's social impact objectives)	Mitigate climate change (from IRIS's environmental impact objectives)
Employment penetration Access to energy Access to financial services Access to education Income/ productivity growth Agricultural productivity Capacity-building Community development	Conflict resolution Disease specific prevention and mitigation Access to clean water Affordable housing Food security Generate funds to charitable giving Health improvement Equality and empowerment	Biodiversity conservation Energy and efficiency Natural resources conservation Pollution prevention and waste management Sustainable energy Sustainable land use Water resources management

Source: IRIS. As defined atwww.iris.giin.org

Table 2: Target Impact Investment Sectors and Selected Impact Strategies – Process and Products

Business Sectors		**Means of Impact**	
Basic Needs • Agriculture • Water • Housing	**Basic Services** • Education • Health • Energy • Financial Services	**Process** • Job Creation • Energy Efficiency • Facilitating asset accumulation • Utilizing BoP+ Suppliers	**Products for BoP+** • Agriculture • Water • Housing • Education • Health • Energy • Financial Services

Sources: IRIS, J.P. Morgan and The Rockefeller Foundation, J.P. Morgan

Table 3: Impact Investment Transaction Types and Investment Sizes

Types of Enterprise	What they need Finance for	Range of Investment Typically needed (US$)	Current Finance Options
Large-scale commercial farming	Start-up operations, maintenance, infrastructure	LARGE (>2 million)	Private equity/ venture capital (PE/VC), commercial bans
Contract Farming	Start-up, working capital	MEDIUM (e.g. 25, 000 to 2 million)	PE/VC
Cooperatives	Pre-harvest finance, inputs	MEDIUM (e.g. 25, 000 to 2 million)	Rural banks
Small holder farmers	Pre-harvest finance, inputs	LOW (e.g. 25, 000)	Microfinance

Source: Dalberg

Figure 11 illustrates the components of "Impact Investing".

In a 2009 report entitled "Investing for Social and Environmental Impact" by the global consultancy firm the Monitor Group, it was noted that the number of funds engaged in impact investing has grown quickly in the last five years. It was also estimated that the impact investing industry could grow from its present US$50 billion or so in assets to US$500 billion in assets within the next decade.

Similarly, in a November 2010 publication by the Rockefeller Foundation and JP Morgan investment bank entitled "Impact Investments: An Emerging Asset Class", it was suggested that the potential for invested capital is estimated at between $400 billion and $1 trillion over the next 10 years, realising profits of between $183 billion and $667 billion. Based upon these and other assessments, many long-time players in the global asset management industry, believe that impact investing will be a very powerful driver within that industry in the years to come.

Part of the reason that impact investing is such an innovative concept is that it defies the traditionally binary nature of capital allocation. By convention, capital has traditionally been allocated either to investments designed to optimize risk-adjusted financial return (with no deliberate consideration of social outcomes), or to donations designed to optimize social impact (with no expectation of financial return). Recognizing that charitable donations will never reach the scale needed to address the world's problems, and that business principles and practices can unleash creativity and scale in delivering basic services and addressing environmental challenges, impact investment introduces a new type of capital that merges the motivations of traditional investments and donations.

Impact investing has thus emerged from the entrepreneurial initiatives of professionals integrating the investment discipline traditionally housed in financial services firms with the social-welfare focus traditionally housed in foundations and development agencies. While these individuals often began impact investing part-time within broader and more traditional professional practices, they are increasingly organizing into distinct structures that enable the provision of dedicated attention to and cultivation of impact investing.

Table 1 discusses the social and environmental components sought by impact investors in their investment projects.

Although the term "impact investing" is new as are many of the sources of investment funding in this field, the practice of investing in businesses that provide solutions to social challenges has been around for quite some time. The Commonwealth Development Corporation in the UK, established in 1948, has long invested in a commercially sustainable manner in the poorer countries of the developing world and sought to attract other investors to these markets by demonstrating success. Similarly, the International Finance Corporation was created in 1956 to foster private sector investment in emerging nations.

Private capital has also been deployed, with a focus on generating non-financial impact, for decades. The parent organization of Sarona Asset Management, for example, has been making socially and environmentally driven investments since 1953. Prudential Insurance in the United States also has a long tradition of making investments that support and improve communities, having established a formal social investments program in 1976 and invested more than $1billion since then. While these institutions may not have been identified historically as "impact investors", their intent was consistent with the definition.

Tables 2 and 3 illustrate the core business sectors, process and products focused upon by impact investors.

The stakeholders and participants within the impact investment field are quite diverse and range from individuals to institutions across numerous sectors. Some of the key investors currently making impact investments include:

a. **Development Finance Institutions (DFIs)** were initially capitalized by governments to complement donor aid, and many now sustain their operations from earned income and raise funds from the global capital markets. DFIs currently active in the arena of impact investing include the multilateral International Finance Corporation ("IFC"), regional banks such as the European Bank for Reconstruction and Development ("EBRD") and investment organizations such as the US Overseas Private Investment Corporation ("OPIC") and the Commonwealth Development Corporation ("CDC") in the UK;
b. **Private foundations** such as Omidyar Network and the Rockefeller Foundation in the US and the Esmée Fairbairn Foundation in the UK consider impact investing as a means to deploy their endowment assets toward their social mission. A larger number of foundations make program-related investments (PRIs) from the grant making (rather than endowment) side of operations;
c. **Large-scale financial institutions** such as J.P. Morgan, Citigroup, Prudential and South Africa's Standard Bank are positioning themselves to grow impact investing businesses beyond their minimal regulatory obligations;
d. **Private wealth managers** such as Capricorn Investment Group and New Island Capital in the US are integrating impact investments into their traditional asset management portfolios;
e. **Commercial banks** such as Triodos Bank in Europe and Charity Bank in the UK tap into retail customer interest in impact investment and lend to charities;
f. **Retirement fund managers** such as PGGM in Holland and TIAA-CREF in the US are responding to demand for impact investments rather than simply socially responsible investments that "do no harm;"
g. **Boutique investment funds** such as ResponsAbility in Switzerland and Root Capital in the US are raising capital from a growing class of high-net worth individuals, family offices and private foundations seeking fund managers who can offer high-impact, low-risk investment options;
h. **Companies** such as General Mills and Starbucks are diversifying their supply chains and expanding their fair trade operations through impact investment. French food company Danone is teaming with Grameen to address malnutrition. Others are using impact investments to identify the potential for serving new markets, or as in the case of Coca Cola, creating greater access within previously hard to reach markets; and
i. **Community development finance institutions ("CDFIs")** in the U.S. such as the rural-focused Southern Bancorp and New York-based Carver Federal Savings Bank.

While some of these investors are more recent entrants to the market, others have been making impact investments for some time, including DFIs, which have been operating for over sixty years. Historically, many of these investors operated independently or partnered within one geographical region. More recently, disparate sectoral or regional initiatives are coming together to build a cross-sectoral, global impact investing marketplace. These impact investors provide capital, expecting financial returns, to businesses (both on-lending or investing fund managers and individual companies) designed with the intent to generate positive social and/or environmental impact.

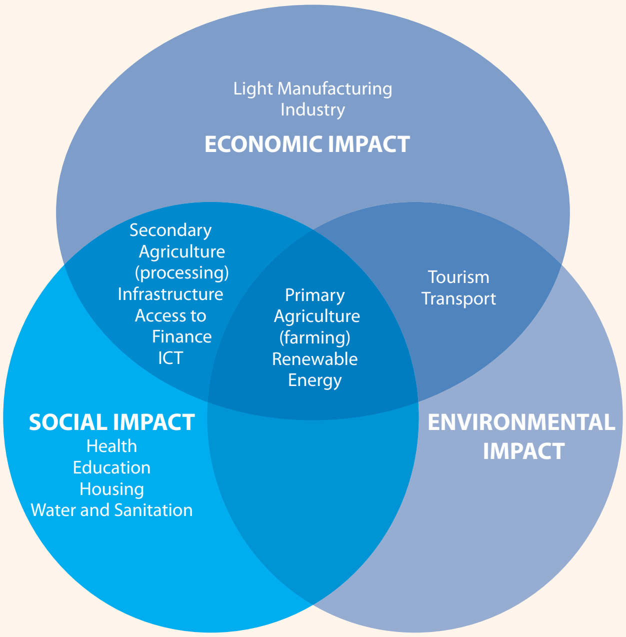
Toward better understanding of this nascent but fast growing industry, in October 2007, the Rockefeller Foundation hosted an international meeting of approximately fifteen impact investors to discuss the similar investment approaches and challenges shared by the group. A broader meeting in June 2008 brought forty impact investors together to discuss how they could work together to accelerate the development of the impact investment industry. The investors at this meeting found that their common challenges included deal sourcing, impact measurement, and the lack of a common language to describe their investment activities and performance targets. They also highlighted the need for an organized network to advance their shared interest in using for-profit investments to fund social solutions.

In September 2009, J.P. Morgan, Rockefeller Foundation, and the US Agency for International Development launched the Global Impact Investing Network ("the GIIN") to accelerate the development of an effective impact investing industry. The GIIN was tasked to develop the critical infrastructure, activities, education, and research that would increase the scale and effectiveness of impact investing. The GIIN's work is rooted in the needs identified by early impact investors and currently consists of four main efforts to mobilize and coordinate hundreds of investors and other industry participants.

a. **Investors' Council:** The GIIN Investors' Council is a membership group comprised of leading impact investors representing a diverse range of institutions from around the world. The Investors' Council provides leadership in the industry, facilitates shared learning and collaboration, serves as a platform for disseminating the latest research and best practice, and supports the creation and adoption of industry infrastructure, including impact metrics;
b. **IRIS:** Impact Reporting and Investment Standards ("IRIS") is a language and framework for measuring the social performance of impact investments. IRIS addresses a major barrier to the growth of the impact investing industry – the lack of comparability and credibility regarding how funds define, track, and report on the social performance of their investments. IRIS provides a standardized approach with the aim to lower transaction costs and improve investors' ability to understand the impact of the investments they make;
c. **Outreach:** The GIIN Outreach initiative elevates the profile of impact investing by highlighting exemplary impact investments, industry progress, and best practices. Working with partners, the GIIN also supports and disseminates research, informs conference and event programming, and promotes mainstream media coverage of impact investing;
d. **ImpactBase:** ImpactBase is a global database of impact investment funds, searchable via an online platform. ImpactBase is an online search tool, created to bring order to a fragmented and inefficient marketplace of impact investing funds. On ImpactBase, fund managers can create profiles for their funds visible to a global set of mission-aligned investors. Investors and advisors can search these fund profiles to find investments that may fit with their impact investment objectives. ImpactBase became fully functional early in 2011.

Around the same time that the GIIN was launched, the development of a rating system for impact investments called the Global Impact Investing Rating System ("GIIRS") was also initiated. Related industry services such as impact investment stock exchanges, online trading platforms, and advisory firms are also in early development stages. Most of this growth is possible because increased interest in the market, and developments in the broader

Figure 12: Impact investing in Africa



Source: Dalberg

economy, have led more professionals to pursue careers in impact investing, including experienced investors and entrepreneurs who are starting businesses that play an important role in the impact investment ecosystem.

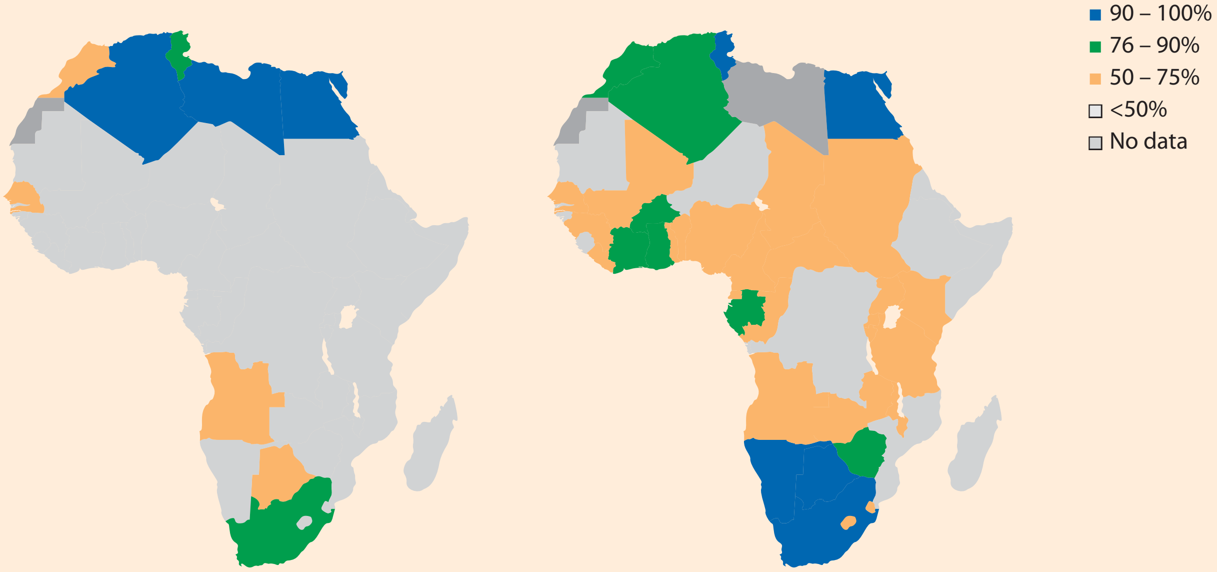
In Africa, impact investing is a fast growing market segment. A 2011 report entitled "Impact Investing in West Africa" by the emerging markets consultancy Dalberg revealed that the market segment is already valued at roughly $3.2 billion.

A key focus of those involved in impacting investment in the West Africa region is investing in agriculture. Given the import of agriculture continentally, the sector has been noted as a major investment opportunity across sub-Saharan Africa. Figure 12 illustrates where impact investors are increasingly focusing their attention on the African continent and Table 4 depicts the types of transactions that are being pursued.

Another related, but distinct sector that has been identified as a target focus area for impact investing in Africa is the water and sanitation sector. There is significant need for intervention as illustrated in Figure 13.

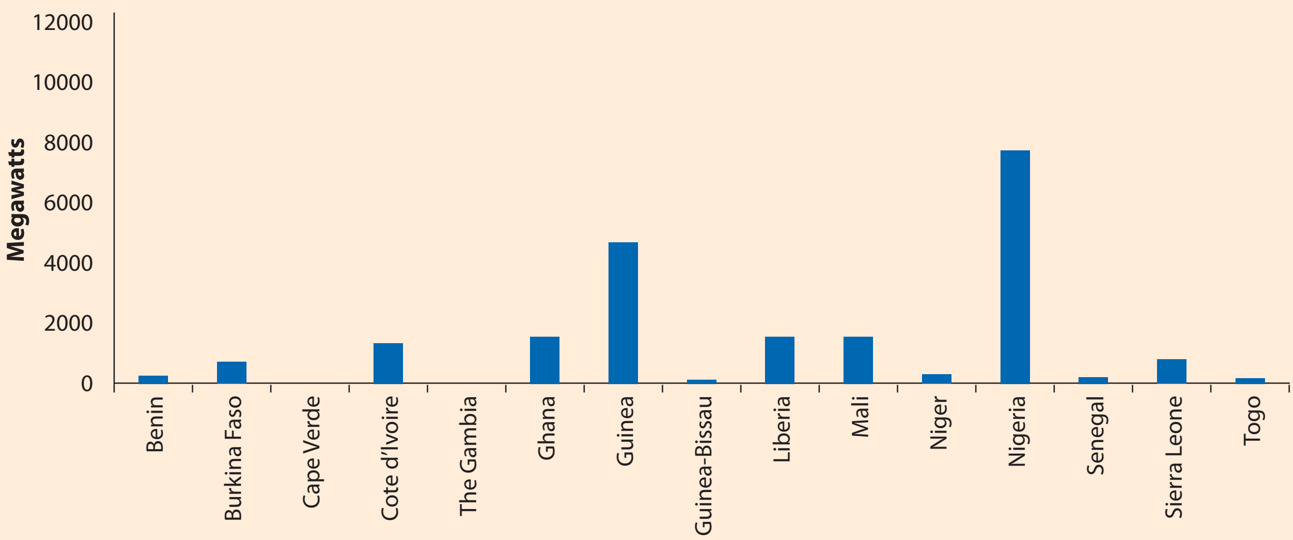
An additional area that has been identified in West Africa and which has continental implications is the renewable energy sector: including solar, wind and, in particular for West Africa, hydro powered electricity. Figure 14 illustrates the relatively poor access to energy existent in West Africa

Figure 13: Sanitation and Drinking Water Access – Key Target Sectors



Source: WHO and UNICEF (2010) Progress on Sanitation and Drinking Water – 2010 Update; Dalberg analysis

Figure 14: Access to Energy Key to Achievement of the MDGs



Source: ECOWAS (2006) 'White Paper for a Regional Policy geared towards increasing access to energy services for rural and per-urban populations in order to achieve the Millennium Development Goals'; Dalberg analysis as an example of where impact investment intervention can help achieve the MDGs.

What has further emerged from the Dalberg study is that in addition to the significant opportunities that exist in West Africa, and more broadly elsewhere in Africa, the same types of "impact industry" structuring that began in the US and was spearheaded by JP Morgan, the Rockefeller Foundation and USAID needs to happen on the continent of Africa – to create a more supportive impact investment eco-system to catalyse the growth of the sector in the coming years.

Thus, for development practitioners working with MSMEs, and for MSMEs themselves, it is relevant to note that contemporary discussions about "Inclusive Business Finance" must incorporate the activity emerging within the "Impact Investing" financial services market segment.

Innovative Finance

Since 2002, the term "Innovative Finance" has been used to describe a range of non-traditional mechanisms to raise funds for development aid through projects such as micro-contributions, taxes, public-private partnerships, carbon credit levies, debt mechanisms, and market-based financial transactions[9]. However, in this publication "innovative finance" refers to the various non-traditional ways in which inclusive finance institutions have structured funding for enterprises and low income commercial actors.

These innovative structures include, but are not necessarily limited to:

a. the development of "mobile money" using less expensive cell phone technology to facilitate money transfer and lending;
b. the development of "mobile banking" through the development of internet connected mobile branches, trucks that regularly visit rural communities to bring banking services closer to rural communities;
c. the use of retail and/or post office outlets as funding disbursement (teller) points to allow for deeper penetration of banking services into poor communities at less cost to banks than traditional bricks and mortar branch establishment;
d. the development of challenge funds to provide catalytic support in targeted communities; and
e. the use of shared risk facilities (to reduce risk/perceptions of risk and increase return on investment) supported by African central banks to encourage increased lending to the agriculture sector and other job creating sectors traditionally considered risky or less lucrative, and the development of insurance and business finance products targeted specifically at women owned enterprises.

Biodiversity Friendly Finance

MSMEs in developing countries are very often situated in environmentally relatively unspoiled and thus environmentally sensitive regions. Advocates of economic development in rural areas and agricultural communities are increasingly working to identify and support environmentally friendly and environmentally sustainable ways to promote economic development and growth, but in ways that are environmentally sensitive.

Thus, biodiversity finance or environmentally sustainable finance is funding that seeks to achieve the twin goals of furthering the development and growth of MSMEs while also promoting environmentally sustainable economic growth.

An example of this comes from the UNDP's Environmental Finance Service which has developed an instrument for the provision of finance to innovative and environmentally guided MSMEs. The UNDP facility has been designed with the initial recognition that in many developing countries, biodiversity friendly MSMEs often find themselves in the "missing middle" gap as they are ineligible for funding from micro-financiers as they need more capital than typically is available from micro-finance institutions but are also ineligible for funding from commercial because their funding requirements are below desired funding levels of commercial banks and/or they have inadequate collateral to support the funding requests. These companies are effectively left out of the financial system.

Furthermore, given the relatively small size of their operations and the relative lack of exposure of their promoters the UNDP funding has also been designed to address the MSMEs constraints of: a) limited awareness of green market business opportunities, b) limited technical skills to transform productive and service practices to access green market demand, c) inadequate business

9 In 2002, global leaders gathered for the "International Conference on Financing for Development" in Monterrey, Mexico to "explore [the mobilization of] innovative sources of finance [to support the achievement of the Millennium Development Goals], provided that those sources do not unduly burden developing countries. The types of funding methods (remittances, climate change levies, related green bonds) developed to support developing nations toward the achievement of the MDGs through means other than donor funding has become known as "Innovative Finance".

management skills to produce the quality of product required by national and international green markets, d) limited ability to afford the costs of having their products or services certified for safety and quality, e) difficulty developing market chains particularly to export markets, and f) inadequate access to useful market information and analysis.

Thus, UNDP's facility:

- Partners with, and strengthens the ability of national financial institutions to provide their credit to Biodiversity friendly MSMEs through the provision of grants to development financial institutions to augment these institution's lending financing capacity and to encourage them to provide credit and technical assistance to other financial intermediaries who can then provide finance to MSMEs through their regular credit transaction processes. Thus, the credit and the financial expertise, systems and regulations come from the participating financial institutions therefore mitigating a need for new systems and institutions. UNDP does not provide credit directly to SMMEs.
- Helps reduce risk to financial institutions through the provision of: partial credit risk guarantees, training to credit officers in green investing, and strengthening the project preparation and presentation abilities of the enterprises applying for loans.
- Outreach activity with target MSMEs to strengthen and empowering them so that they connect with, apply for, and secure loans from, the domestic financial sector.

A case study of this environment sustainability focused funding is found in the UNDP's Central American Markets for Biodiversity (CAMBio) project which has been developed through UNDP's partnership with the Global Environmental Fund. The project´s main objective is to remove financial barriers associated with business growth in the region by working through a local development financial institution's network of financial partners and by connecting them to suitable environmentally sustainable MSME investments.

In addition to the bulk funding provided via UNDP, the project also operates a technical assistance programme to support the improvement of technical and business capacities to MSMEs that incorporate conservation and sustainable use of biodiversity techniques and philosophies into their businesses, products and services. Technical assistance is also provided to financial institutions and other institutions that promote lending for the development and financing of bio-diversity friendly MSMEs. The financial institutions are trained in green markets and assessing the risks within green investments. The project also has national coordinators in each country who help to identify potential investments and help facilitate the loan transactions to reduce the transaction costs and risks to the participating financial institutions. Lastly, the project also provides financial institutions with access to a partial guarantee when they provide finance to MSMEs that meet the eligibility criteria for biodiversity benefits as defined by the project.

An application of this type of inclusive financing at work can be found in the US$105, 000.00 loan provided by BancoHondureno del Café – BANHCAFE to support technology innovation in the organic coffee industry in Honduras. BANHCAFE received initial support from the UNDP supported its CAMBio project and then lent the funds to an organic coffee producing cooperative. The loan financed the installation of a solar coffee bean dryer at a time when coffee-solar technology was new and perceived as risky by the local financial community. The lender also received a partial guarantee worth roughly 40 percent of the value of the loan. Through this facility the deployment of solar-coffee technology was enabled and this had a positive environmental impact in the region.

While nascent, this type of inclusive business finance and related models are rapidly spreading across the development world, and as such development practitioners must incorporate an understanding of how they work and what they are meant to achieve, into their understanding of this subject matter.

Inclusive Enterprise Finance

Lastly, the definition of inclusive business finance also includes the types of finance that corporations provide to consumers, distributors and suppliers that allow low income individuals and enterprises to do business with larger indigenous companies and transnational corporations. Companies that provide these types of inclusive enterprise finance have determined that it is in their business interests to pursue the incorporation of inclusive business models into their core business. This helps to enhance growth, support their social responsibility mission, mitigate risk, and support the enforcement of regulations.

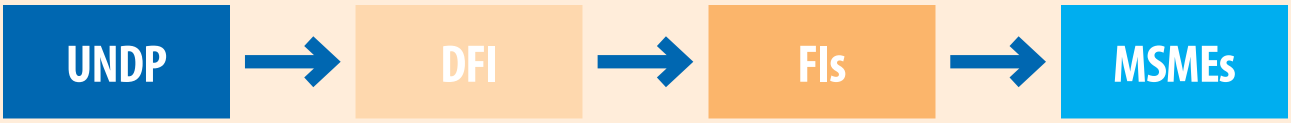
In the above mentioned 2010 IFC publication entitled "Scaling Up Inclusive Business", fourteen global case studies were presented of companies that were successfully developing – and "scaling up" or expanding

Table 4: Cases By Region, Industry Sector, and Group(s) Engaged

Company	Region (Country)	Industry sector	Group(s) Engaged
Anhanguera	Latin America (Brazil)	Education	Consumers
Apollo Reach	South Asia (India)	Healthcare	Consumers
Cemar	Latin America (Brazil)	Electricity	Consumers
Coca-Cola Sabco	Sub-Saharan Africa (Multiple)	Agribusiness (Beverages)	Distributors, Retailers, Consumers
Dialog	South Asia (Sri Lanka)	Telecommunications	Retailers, Consumers
ECOM	Latin America (Central America)	Agribusiness (Coffee)	Suppliers
FINO	South Asia (India)	Financial Services	Consumers
Idea Cellular	South Asia (India)	Telecommunications	Retailers, Consumers
Jain	South Asia (India)	Agribusiness (Fruit and Vegetables)	Suppliers
Manila Water	East Asia (Philippines)	Water	Consumers
MiTienda	Latin America (Mexico)	Wholesale Distribution	Retailers
Tribanco	Latin American (Brazil)	Financial Services	Retailers, Consumers
Uniminuto	Latin America (Columbia)	Education	Consumers
Zain	Sub-Saharan Africa (Madagascar)	Telecommunications	Retailers, Consumers

Sources: IFC

Figure 15: Project Flow of Funds and Services



Source: UNDP

Table 5: Drivers for Companies to Develop Inclusive Business Models

Case	Growth	Social Responsibility or Mission	Risk Mitigation	Regulation
Anhanguera	✓			
Apollo Reach	✓			
Cemar	✓			✓
Coca-Cola Sabco	✓			
Dialog	✓			
ECOM	✓		✓	
FINO	✓	✓		
Idea Cellular	✓	✓		
Jain	✓		✓	
Manila Water	✓	✓	✓	✓
MiTienda	✓	✓		
Tribanco	✓			
Uniminuto	✓	✓		
Zain	✓	✓		✓

Sources: IFC

their inclusive business models to achieve significant impact in low income communities where they were operating. Most of the companies studied were locally founded corporations as opposed to multinational enterprises.

Table 4 illustrates the companies profiled, their countries/regions, sectors and the low income groups they engaged. While the entire publication provides a very informative tutorial on how to avoid pitfalls in successfully developing and expanding inclusive business initiatives at the firm level, germane to the focus of this guide on inclusive business finance are: a) the interesting reasons why the profiles companies decided to incorporate or establish themselves using inclusive business models, and b) the catalytic role that the finance they provided within their value chains played in helping low income actors to expand economically.

For many of these companies, low income markets offered a growth frontier within a potential market spanning much larger value chains within which these communities operated. Other companies were established specifically to serve low income markets more exclusively. Regardless of their sectors of focus, all of the companies were motivated by a belief that there was an untapped market opportunity to be explored: an unmet need combined with a willingness and an ability to pay by previously un-served or underserved communities.

In some cases, the ability to pay was a direct result of the inclusive business model's ability to reduce the poverty penalty its customers used to pay – a phenomenon in which the poor pay more for basic goods and services than the rich because they are largely underserved by formal markets. In other cases, the government boosted low-income customers' ability to pay through targeted subsidies – for household electricity access (Cemar), health insurance (Apollo Reach), and micro-irrigation systems (Jain).

For some of the companies profiled in the IFC study, revenue growth came from increased numbers of customers or transactions per customer, or increased market share. For those building the capacity of low-income suppliers, it came from increased access to premiums for higher-quality, certified products. And for two companies – the utilities – it came from converting illegal connections into bill-paying accounts by finding ways to reach the poor as formal customers. Other business results, like risk mitigation and social license to operate, featured less prominently. Table 5 illustrates the key drivers of the companies profiled in choosing to launch inclusive business initiatives.

Table 6: The Role of Access to Finance in Nine Cases

Access to finance allowed:	Consumers	To do business with:	Anhanguera
	Consumers		Apollo Reach
	Suppliers		ECOM
	Consumers		FINO
	Distributors		Idea Cellular
	Suppliers and other Farmers		Jain
	Consumers		Manila Water
	Retailers		Tribanco
	Retailers, Consumers		Uniminuto
	Consumers		Zain

Sources: IFC

The models profiled offered opportunities for producers and entrepreneurs to start and grow businesses as agricultural suppliers, beverage distributors, and retailers of products and services ranging from groceries to airtime, often creating new jobs in the process. They also offered affordable access to better quality goods and services, from healthcare to education to water and electricity. Thus, the most common development outcome of the inclusive business models studied was expanded economic opportunity and access to goods and services for the poor.

All of the companies' profiles used inclusive business finance to further their inclusive business initiatives. Provision of consumer financing allowed individuals and households to pay for purchases on schedules that more closely matched their cash flows – both big-ticket items like a household water hook-up (Manila Water), a hospital visit (Apollo Reach), or an education (Anhanguera and Uniminuto) and small but frequent, basic purchases like groceries (Tribanco).

Supplier, distributor, and retailer financing allowed individuals and enterprises to make purchases that were part of the normal business cycle, ranging from agricultural inputs (ECOM, Jain) to cellular phones (Idea, Zain) to inventory (MiTienda) and even building renovations (Tribanco). Financing was structured in a range of ways, from extended payment terms to harvest credits to longer-term loans, and it was provided by the companies themselves and often this encouraged the provision of finance by external partners such as microfinance institutions and banks. Table 6 illustrates the benefits achieved.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Chapter 3

Selected Case Studies of Inclusive Business Finance Models

As access to inclusive business finance has been identified as an important catalyst in promoting and building inclusive business markets[10] and supporting business linkage development in support of low income commercial enterprises, it is useful to observe examples of inclusive business finance models and to understand the aims of the promoters in establishing such facilities.

The following section presents seven short case studies of various models of inclusive business finance interventions, for reflection and as examples of what is being done in the continental marketplace at present.

10 P. 40, Growing Inclusive Markets Strategy Matrix, Creating Value for All: Strategies for Doing Business with the Poor, Growing Inclusive Markets, UNDP, July 2008

Case Study 1:

Simon Levelt Coffee Roaster, Uganda – Overcoming Obstacles in a Ugandan Investment with Donor Support (Donor: Private Sector Collaboration)

After collaborating in the coffee business for a few years, the Dutch company Simon Levelt BV and its exporting partner in Uganda, Kawacom Ltd., decided to initiate jointly a supply chain project in order to offer high-quality organic arabica coffee from the East African country. The partners set their sights on 6,000 local coffee planters to be transformed into organic farmers through training and certification. They also decided to build a central wet processing plant in Mount Elgon, eastern Uganda. Thanks to these investments, small-holders have been able to increase their income, and the processing plant currently employs nearly 100 people, including women in management positions.

The Dutch Foreign Ministry's Private Sector Investment (PSI) program supported the investment in Uganda by covering 60 percent of the costs and by providing the necessary advice and enthusiasm to see the project through difficult times. The ministry's contact person visited the plant on a regular basis and provided sound, professional advice. The necessary investment and training would have been too great of a risk for a medium-sized company like Simon Levelt without the support of public funding and advice. Their efforts helped ensure that the project's goals were met.[11]

Case Study 2:

Juhudi Kilimo Organization, Kenya – Solidarity Groups and Scaled Up Microfinance for Agricultural Value Chains (Microfinance)

Juhudi Kilimo Micro-finance company in Kenya was initially established to provide finance for the production and marketing of agricultural produce. However, in order to expand the market for the small holder farmers and to increase microfinance clientele, the company began financing restaurant operators, milk packers and transport operators to help expand their businesses so that the farmers could have expanded markets. Juhudi also provides loans to individual farmers through solidarity groups and the loan amounts range between Kshs. 40, 000 to Kshs. 300, 000 (US$450 – $3, 500) at an interest rate of 18 percent. Repayment periods are also segmented and – 12 months, 18 months, and 24 months and the financed assets are insured throughout the loan period. The loans are secured by the assets that are financed. Though loans are given to individual farmers, Juhudi, in collaboration with local leaders, formed solidarity groups that serve as credit guarantee structures.

The Solidarity Groups regularly hold meetings that serve as forums to mobilize savings and collect repayments. They also provide Juhudi with an opportunity to conduct technical and management sessions for the farmers/borrowers. Juhudi's client base in 2011 was roughly 10, 000 and its financial partners include: Grassroots Business Fund, The Acumen Fund, The Grameen Foundation, Kiva Micro-Funds and extension services support and technical assistance has been provided by the Kenyan government, Swiss Contact and TechnoServe.[12]

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11 Source: Interview with Paula Koelemij, Simon Levelt, March 9, 2011 "Partners in Development" - UNGC, BS, UNDP

12 Source: AFIM, Roles and Responsibilities for the Private Sector in Africa's Agro-food Industry, November 2011

Case Study 3:

Vodafone, Kenya, Tanzania, South Africa – Pioneering Mobile Money Transfer and Micro-Mobile Telephony Business Development (Mobile Money Transfer)

In 2005, Vodafone won a grant from the UK's DFID to develop a new application that specifically targeted the unbanked in Africa. Vodafone chose to pilot the project in Kenya, where 70 percent of households did not have bank accounts, but many had access to mobile phones. The goal was to provide a mobile application which offered a valuable service for an underserved market group of low –income consumers that lacked access to financial services. After two years in development, Vodafone, in partnership with Safaricom, the national network operator, launched a money transfer service that was able to operate on a basic mobile handset using SMS technology. Originally designed as a service to help loan borrowers pay off microfinance loans, M-PESA was quickly adapted to serve as a more general money transfer service. In 2009, the service was rolled out to Tanzania, South Africa, Fiji and Afghanistan. In 2010, there were 18.5 million registered users of the Vodafone Money Transfer system.

Beyond facilitating remittances and providing financial access to millions, the M-PESA initiative also spawned job creation and economic growth for mobile air time sales outlets. In Kenya alone, where there are over 18, 000 outlets servicing customers for cash-in and out transactions, more than 30, 000 new jobs were created by the demand for M-PESA. 60 percent of the outlets interviewed also claimed that M-PESA was their primary revenue earner and 13 percent in the lowest income businesses stated that their monthly revenue increased through their offering of MPESA.[13]

Case Study 4:

WIZZIT, South Africa – Providing Credit Facilities to the Unbanked and Under-Banked (Mobile Lending)

Founded in 2004, WIZZIT Bank's is a mobile banking business in South Africa whose unbanked and under-banked customers have been using mobile phones for making and receiving payments, along with a debit card facility which can be used at ATMs and stores. WIZZIT does not require users to have a bank account and is compatible with early generation cell phones popular in low-income communities. The facility even works with customers who use pay-as-you-go cell phones – another distinction. WIZZIT has also unveiled a new loan product that will allow thousands of micro and small businesses and individual customers to access the capital they need to grow. This will be done through local mobile banking representatives called WIZZKids – typically unemployed university graduates from low-income communities – to promote the product and help unbanked customers open accounts. The WIZZIT College of entrepreneurship also provides clients with access to the latest in business and management training. In 2011, WIZZIT signed a compact with Business Call to Action and pledged to provide loans to 10, 000 customers by 2015 as part of the company's commitment to supporting the achievement of the Millennium Development Goals.

As a non-traditional bank, WIZZIT is structured as a division of the South African Bank of Athens to comply with national banking regulations. WIZZIT has also received institutional investment from the International Finance Corporation, Oiko Credit, a social investment fund and provider of capital to microfinance providers, and Africap, a microfinance investment company, whose shareholders are principally international development finance institutions.[14]

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13 Source: Business Call to Action: www.businesscalltoaction.org

14 Sources: Business Call to Action: www.businesscalltoaction.

Case Study 5:

Root Capital, Africa – Strategic Non-Profit: Corporation Collaboration to Finance the Missing Middle (Missing Middle Agribusiness Finance)

William Foote started Root Capital in 1999 as a not-for-profit enterprise with the goal of bridging the "missing middle" between microcredit and commercial lending by providing capital to small grassroots businesses, such as farmer cooperatives and artisans associations, living in isolated rural communities. Today, the organization has funded more than $256 million in harvest loans and long-term credit for productive infrastructure through loans to more than 320 small and growing business and over 400, 000 farm households in 30 countries in Latin America (14 countries) and Africa (16 countries). Furthermore, Root Capital has been able to achieve a 99 percent repayment rate and 100 percent rate to investors.

Root Capital utilizes innovative financing structures that involve the use of future sales contracts from blue chip buyers such as Marks & Spencer, Starbucks, Whole Foods and Green Mountain Coffee Roasters as a form of collateral for loans made to producers of the products that have been pre-bought. When the products are shipped, the buyer pays Root Capital directly for interest and principal payments. Root Capital's Financial Advisory Services program also designs, tests and packages financial training materials for potential and existing borrowers to equip rural financial managers with the skills and capacity to build and run their businesses.[15]

Case Study 6:

MAP International, Uganda – Providing Access to Finance for the BOP through Public-Private Partnership (Debit and Credit Access)

MAP International received its initial funding from the US Overseas Private Investment Corporation and developed a unique mobile banking platform. The company developed a biometric identify card that doubles as a debit or credit card. While affording the underserved in and those in rural areas to access a host of financial products and services, the cards also help cut back on fraud, corruption and crime. The MAP identity card technology has been deployed in the Ugandan Post Bank's 25 branches across the country. Once connected to the mobile banking network, customers manage their money through access points such as ATMs and electronic Point of Sale (POS) devices. Access points also include the internet and mobile phones.

Current products include: banking services, mobile top-up, bill payment, merchant processing/ retail, salary/pension/ welfare payment transfer, microfinance and money transfer.

As of January 2010, MAP International had reached roughly 105, 000 Ugandans with mobile banking technology. 26 ATMs had been introduced in 25 cities and towns and 200 POS devices in Central and Southern Uganda were in use. The target is to expand the network to reach up t0 15, 000 merchants to extend the company's reach into rural areas with partnerships with more than 800 SACCOs, rural savings and Credit Cooperatives.[16]

15 Source: Ashoka – www.ashoka.org and Root Capital – www.rootcapital.org
16 Sources: Business Call to Action - www.businesscalltoaction.org

Case Study 7:

Nigeria Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL) (Shared Risk Facility to Encourage Agricultural Lending)

Developed as a programme of the Central Bank of Nigerian, NIRSAL is a dynamic, holistic approach that tackles both the agricultural value chain and the agricultural financing value chain. Six pilot crop value chains (tomatoes, cotton, maize, soya beans, rice, cassava) have been identified based on existing crop production levels and potentials in six high-potential breadbasket areas. NIRSAL seeks to promote investment into these agricultural value by offering them strong incentives and technical assistance. USD 500 million of CBN money is being allocated to support this initiative through five key pillars of support:

1. Risk-sharing Facility (USD 300 million). This component addresses banks' perception of high-risk in the sector by sharing losses on agricultural loans.
2. Insurance Facility (USD 30 million). This facility expands insurance products for agricultural lending from the current coverage to new products, such as weather index insurance, new variants of pest and disease insurance etc.
3. Technical Assistance Facility (USD 60 million). This TA support equips banks to lend sustainably to the agriculture sector, helps producers to borrow and use loans more effectively and to increase output of better quality agricultural products.
4. Holistic Bank Rating Mechanism (USD 10 million). This mechanism rates banks based on two factors, the effectiveness of their agricultural lending and the social impact of their lending – and makes the ratings available for the public.
5. Bank Incentives Mechanism (USD 100 million). This mechanism offers winning banks in Pillar four additional incentives to build their long-term capabilities to lend to agriculture. It will be in terms of cash awards.

Picture: Concern Worldwide US

Chapter 4

Five Steps to Mapping and Accessing the Local Inclusive Finance Landscape

Step 1 – Mapping the Local Financial Market Sector[17]

The key initial aspect of mobilizing finance is the process undertaken to become aware of the range of available finance in a particular geographic area that is targeting a specific industrial sector and a particular economic market segment. It is also always valuable to recognize the fact that this finance may be available from both financial institutions and non-financial institutions, including corporations in the target sectors value chain.

Thus, in order to have a clear picture of the overall active "financial market", a development practitioner must examine the various levels of the sector. Based on significant research, the World Bank facilitated Consultative Group to Assist the Poor (CGAP) has come up with an analysis that segments the financial market into three distinct structural levels: the micro, meso and macro levels. This analytical and segmentation exercise helps one determine the level and type of resources that exist to support the financing of low income commercial actor related projects and programmes.

Micro Level: Demand Assessment

Goal: To identify the financial products and services important to the target group in a specific region or country.

Types of clients and demand

In general there are three types of clients of financial services in low income communities. While all three types can be found within a single household, each has its own specific needs:

1. Individuals and families who need savings and consumer and housing loans, as well as access to money transfer services and insurance.
2. On-farm production enterprises that need production and asset loans, as well as business services such as leasing.
3. Off-farm enterprises in rural or urban areas that need working capital and asset loans, as well as business services such as leasing.

17 Developed by CGAP, this three-level framework is used by analysts to understand how to best support pro-poor financial-sector development. This analytical tool is also used by IFAD.

18 See FinScope website - www.finscope.co.za/index.asp.

Other types of inclusive business finance seeking clients may include small formal businesses, cooperative and non-profit businesses, large commercial businesses, and larger commercial agricultural businesses.

Determining overall demand

Most analyses assess overall demand for inclusive financial services by estimating the number of economically active low-income people in a particular market and then multiplying this number by a minimum assumed credit need to arrive at a rough market estimate. This relatively crude method is minimally sufficient. Market surveys provide a more accurate estimate of demand. FinScope, for example, has conducted extensive surveys and profiled the demand for financial services in several African national finance markets.[18]

Issues to consider

It is easy to assume that 'poor people' are all the same. However, the needs of low income peoples not only differ greatly across geography, but can even differ greatly within a single household. Thus, it is important to keep the following issues in mind when assessing demand for financial services:

a. Target a market. During project design, the target market of the project should be clearly identified (e.g. potential regions, areas, farm and off-farm activities) to better inform the market research process.
b. Make no assumptions about client demand. Keep an open mind as to the kinds of financial services that households demand, particularly for loans. In the past, projects assumed that rural households only wanted credit, but it is now recognized that poor people, like everyone else, value a wide variety of financial services. Demand may even vary among household members, suggest appetites for diverse economic activities, and across income levels, as well as reflect an interest in various formal and informal financial services.

In scoping the market, the following issues should be addressed, areas of interest probed, and information resources researched. While development practitioners themselves may undertake these exercises, there may often be locally or regionally based development consultants with expertise in financial inclusion projects in the target geographic region who may be engaged to undertake the desired studies. In such instances, the focus areas below can serve as inputs and terms of reference for the consultancy terms of reference.

Assessment of the micro level: demand

<table>
<tr><td>Issue</td><td colspan="2">• What is the demand for financial services? Credit, savings, money transfers, leasing, other products?
• What are the savings habits? The credit culture?
• How do urban and rural needs differ?
• What distinctions are viable between women and men in the demand for and use of financial products?
• What are the sources of income for rural households?
• What do agricultural households produce? How are they linked to a value chain? At what points in the agricultural production cycle would farming households want to use a financial product or service?
• What are the most significant risks or income cycles impacting the target group (e.g. floods, droughts, agricultural cycles of planting and harvesting)?
• What is the overall size of the market?
• What are the donors doing at this level?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Size of market
• Evidence of demand for financial services
• Penetration of existing services
• Current use of formal and informal services
• Profile of target group</td></tr>
<tr><td>Sources of Information</td><td>Key informants:
Clients, FSPs, network organizations, donor country offices, bureau of statistics, local advocacy groups</td><td>Suggested documents:
• Demand surveys (donors, FSPs, government)
• Rating reports often include a summary of demand
• Some specialized surveys (FinScope)
• Statistics on access to finance</td></tr>
</table>

Micro Level: Supply Assessment

Goal: To evaluate the strength of existing financial service providers and how well they meet (or could meet) demand vis-à-vis inclusive market development.

Issues to consider

As no one business model has the flexibility or capacity to meet the financial needs of every client. It is important to remain open to working with a wide range of formal and informal financial service providers (FSPs), looking for the most relevant model to meet the needs of a project and serve its target group. When assessing the supply side of the micro level, be sure to evaluate the following aspects of FSPs:

a. Portfolio diversification. Most financial institutions make a strategic choice not to concentrate their lending portfolio on poor farmers. This is entirely reasonable. Low-income clients may count as only a modest percentage of an FSP's business, as institutional sustainability requires a certain level of diversity of both clients and risk. Most sustainable, financial institutions serve clients across income levels.

b. Poverty outreach. When evaluating available products and services, consider how pro-poor they are. One way to do this is to determine minimum balances for basic deposit products and loan sizes for loan products. As an example, if the minimum amount required to open a savings account is US$25 at one FSP, while other FSPs require only US$10, then the first FSP may be targeting clients at a higher income level.

c. Potential for expansion. As banking transaction technology improves, larger, well established commercial service providers may consider expanding into peri-urban and larger rural towns. Some state banks also have the potential to provide services in rural areas.

Assessment of the micro level: demand

Financial Service Providers		
Issue	• What types of formal financial service providers cater to the low-income market? What is the role of informal FSPs (e.g. money lenders, rotational savings and credit associations [ROSCAs])? • What types of services do the various organizations offer (by provider type)? • How many service providers exist? • Where are they located? How much of the country is covered? • What are the different institutional models of FSPs? How are they funded? • What FSPs are connected to on-going donor or government initiatives in the financial sector? • What other delivery channels does the target group consider accessible and trustworthy (e.g. agricultural supply dealers, cell phone operators, shops with point-of-sale devices)? • Are there potential new entrants into the market? Or is there potential for existing institutions to expand? • How are the donors interacting with FSPs?	
Areas of Interest	• Types of institutions and their locations and legal status • Number of branches or outlets • Outreach to the poor • Use of mobile phones and automated teller machines (ATMs) • Role of state owned and postal banks • Sources of capital • Role of informal providers (e.g. money lenders, ROSCAs, supplier credit)	
Sources of Information	Key informants: Clients, retail institutions, FSP network, donor country offices, microfinance project offices, ministry of finance, ministry of cooperatives, national banking association(s)	Suggested documents: • Central Bank • Financial Sector Assessment Program Country Reports • World Bank access to finance reports • Microfinance studies (donors, networks, government) • FSP annual reports, websites • MIX Market/ Microfinance Institutions

Products and Services		
Issue	• What services are accessible and in what locations? • What gaps exist in the supply of financial services in rural areas (i.e. geographical, product, services)? • How appropriate (pro-poor) are the terms and conditions? • What is the volume of loans and savings? • What is the loans/ savings ratio? • What is breakdown by type of service provider? • What is the average loan size by type of provider?	
Areas of Interest	• List of products and services • Term sheets • Portfolio reports • Industry statistics • Examples of linkages between institutions	
Sources of Information	Key informants: FSPs, network organization, donor country offices, ministry of finance, ministry of cooperatives	Suggested documents: • MIX Market/ Microfinance Institutions • Network statistics
Outreach		
Issue	• What is the collective outreach for loans and savings? • To what extent are low income communities, particularly in rural areas, being served? • What types of service providers are reaching low-income households?	
Areas of Interest	• Trends in number and volume of clients, loans and active savings accounts?	
Sources of Information	Key Informants: Central Bank, all retail institutions (including postal, agriculture and state banks), networks	Suggested documents: • Central Bank reports and websites • National surveys on microfinance and banking association reports/ websites
Performance		
Issue	• How many institutions are sustainable? • Are the financial products sustainable (i.e. are interest rates set by the market, are they sufficient to cover costs, and are they subsidized? • What is the quality of the loan portfolio?)	
Areas of Interest	• Outreach • Depth of outreach • Portfolio quality • Financial sustainability • Efficiency	
Sources of Information	Key Informants: FSPs, network organization, donor country offices	Suggested documents: • MIX Market/ Microfinance Institutions • FSP financial statements

Key Types of Financial Service Providers[19]

Financial Service Provider	Ownership	Regulatory Status	Kinds of Financial Services Offered
Government finance programmes, development finance institutions, or agencies for rural micro or small and medium sized enterprises (MSMEs)	State-owned	Not regulated by banking authority	Wholesale or on-lending of funds to retail institutions and individuals
NFO FSPs	None	Usually not regulated by banking authority	Microfinance loans, rarely voluntary deposits and possibly micro-leasing, Business Development Services, sub-agents for money transfer services
FSPs not licensed as banks	Varies	Usually not regulated by banking authority	Microfinance loans and rarely voluntary deposits
Membership-owned financial institutions (e.g. credit unions, FSAs, SACCCs)	Members	Regulated in many countries by department of cooperatives and other regulatory authorities	Savings and loans to members (and in some cases loans to non-members)
Informal savings and credit groups (e.g. SHGs, VSLAs, ROSCAs and accumulating savings and credit	May be started or sponsored by an NGO, bank, or government programme, or be independent	Not regulated by banking authority	Savings and loans to members
Postal savings banks	State-owned	Usually not regulated by banking authority	Savings and money transfers
Rural banks	Private sector investors or shareholders	Licensed or supervised by banking authority	Savings, loans and sometimes money transfers
Microfinance banks	Private sector investors or shareholders	Licensed or supervised by banking authority	Savings, loans and sometimes money transfers
Commercial banks	Private sector investors or shareholders or State-owned	Licensed or supervised by banking authority	Savings, loans, money transfers and foreign exchange
Insurers	Varies	Licensed or supervised by insurance/ government authority	Insurance
Money transfer companies	Private sector investors or shareholders	Licensed or monitored by government authority, though this varies by country	Money transfers
Funds	Private sector investors or shareholders, or may be public-private partnership	Usually not regulated by banking authority	Loans and equity investment

19 (See also Figure 9)

Meso Level Assessment

Goal:
To identify and evaluate the main actors and activities in the infrastructure of the financial system.

The meso level of the financial system consists of financial-sector infrastructure and support services. It includes domestic rating agencies, credit information bureaux, audit firms, deposit insurance agencies, training and technical service providers (TSPs), professional certification institutes, and the networks, associations and apex organizations of FSPs.

These actors work to reduce transaction costs, improve sector information and market transparency, increase access to refinancing and enhance skills across the sector. They facilitate activities in the financial sector, but do not themselves provide retail financial services.

Issues to consider
Increasingly, governments and donors are recognizing that the vitality of the meso level has significant implications for efforts to develop inclusive financial sectors. When performing an assessment, keep in mind the following aspects of meso-level institutions.

a. Sustainability. Sustainable, commercially-driven bodies and institutions in the infrastructure are critical to the long-term provision of financial services. Assess the long-term viability of meso institutions.
b. Interconnectedness and reliance. Weaknesses at the meso level could be linked to more general micro-level problems. At the micro level, for example, clients could face high levels of indebtedness, and FSPs could face high risk of portfolio delinquency, which may be linked to the non-existence or limited use of credit information bureaux at the meso level. Credit information bureaux help FSPs determine reasonable levels of client debt and calculate the loan repayment capacity of potential clients.

Selected Examples of meso-level financial infrastructure
a. Institutional infrastructure: Networks, associations and apex organizations of retail financial service providers and other institutions engaged in advocacy and information dissemination.
b. Information infrastructure: Credit bureaux, auditors and rating agencies that promote transparency in institutional performance and transactions.
c. Technical support and training services: Technical service providers, research companies, consultants, technology firms and professional certification institutes.
d. Financial infrastructure and markets: Wholesale or second-tier mechanisms such as apex lending facilities, guarantee banks, credit guarantee funds and payment clearing systems, as well as investment funds, bond issues and securitization mechanisms.

Assessment of Meso Level

Financial Service Providers		
Issue	• What institutions and actors make up the infrastructure of the financial sector? • Are any donor initiatives supporting capacity –building at the meso level? • Payments and Clearing System: are FSPs linked to the formal banking infrastructure (i.e. payment, information, clearing systems for settling accounts among banks? • Local Capital Markets: What is the current state of bond issues, stock markets, and securitization?	
Areas of Interest	• Payment systems, ATM and short messaging service (SMS) technology, SWIFT, ACH, Interbank networks and credit card companies • Previous securitization deals, if any	
Sources of Information	Key informants: Ministry of Finance, Central bank, FSPs, network, bankers' associations	Suggested documents: • CGAP Technology Programme

<table>
<tr><th colspan="3">Information Infrastructure and Transparency</th></tr>
<tr><td>Issue</td><td colspan="2">• Are support services (e.g. auditing, rating, management information system (MIS) providers) available locally?
• Are FSPs publishing their accounts and participating in benchmarking initiatives?
• Have any FSPs been rated by a rating agency?
• Are there mechanisms to manage risk, such as credit bureaus? Do they operate in rural areas?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Existence and quality of local audit firms, MIS providers, rating agencies
• Reporting to MIX or other benchmarking efforts
• Existence of credit bureaus</td></tr>
<tr><td>Sources of Information</td><td colspan="2">Key informants:
MIX Market/ and Micro Banking Bulletin, Central Bank, network, donor country offices, rating agencies, International Finance Corporation (IFC) regional office</td></tr>
<tr><th colspan="3">Technical Support Services</th></tr>
<tr><td>Issue</td><td colspan="2">• What is needed and what is available in terms of specialized technical assistance and training in inclusive finance (including but not limited to rural, agricultural, value chain and microfinance)?
• Are there research companies offering local services in rural pro-poor finance market assessments, surveys, information gathering?
• Are there local technology firms offering software and MIS development services geared towards pro-poor FSPs?
• Is technology used for rural finance and microfinance (for example, mobile banking, smart cards, and biometry)? Is it available for most FSPs?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Existence and quality of inclusive finance consultants, training centres, and title/ collateral registry
• ATM and SMS technology</td></tr>
<tr><td>Sources of Information</td><td>Key Informants:
Ministry of Finance, Central bank, donor country offices, regional development bank, FSPs, network, bankers' association, local inclusive finance consultants, microfinance project offices, consumer protection agency</td><td>Suggested documents:
• Financial sector assessment programme country reports
• Regional development bank financial-sector studies
• Regional and bilateral donor reports
• Credit Bureau IFC Knowledge Guide</td></tr>
<tr><th colspan="3">Advocacy and Information Dissemination</th></tr>
<tr><td>Issue</td><td colspan="2">• Is there an active, effective microfinance association?
• Does it promote sound policies and practices?
• Does it effectively represent its members?
• Does it promote or enforce standards? Transparency?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Size/ membership of networks
• Participation of variety of FSPs (NGOs, credit unions, banks)
• Quality of materials/ services offered
• Credibility in sector</td></tr>
<tr><td>Sources of Information</td><td>Key Informants:
Network, donor country offices</td><td>Suggested documents:
• Network websites
• Small Enterprise Education and Promotion (SEEP) Network</td></tr>
</table>

Wholesale Finance		
Issue	• How do FSPs fund their growth? • Refinancing: • What role do local private sources play (e.g. commercial banks and private investors)? • Are international investors/ lenders (e.g. apex bodies, wholesale lending facilities, investment funds) refinancing local microfinance providers? • Are sources in local currency? How accessible are they? How appropriate are terms and conditions? • Are there apex refinancing facilities? Are they public or private? Are they efficient? Do they complement or duplicate local funding sources such as savings and commercial loans? Is there a sufficient number of strong retail FSPs to absorb this funding? What mechanisms are in place to protect this apex fund from political pressure and interference?	
Areas of Interest	• Number, size and quality of wholesale lending facilities (restrictive conditions such as interest ceilings) • Liquidity of the formal banking sector and deposit matching regulatory rates • Treasury bond rates • Role of the government stock market, local commercial banks and local investors in financing FSPs • Role of foreign investment and local funds	
Sources of Information	Key Informants: Ministry of Finance, donor country offices, regional development bank representatives, FSPs, network, microfinance project offices, local inclusive finance consultants	Suggested documents: • Council of microfinance Equity Funds • MIX Market/Funders • International microfinance investor websites • Local or regional studies • Regional/bilateral donor reports or studies • CGAP research on wholesale facilities

Macro Level Assessment

Goal: To identify all relevant contextual, policy and regulatory issues likely to affect the expansion of an inclusive finance sector.

The macro level of the financial system consists of the legislative and policy framework that is necessary to assess the reliability and sustainability of the financial system. Governments, and in particular central banks and ministries of finance, are clearly central to the macro level: they write financial laws, supervise financial institutions and enforce compliance. These actors shape the overall economic conditions that affect a country's financial system and impact private- and public-sector business development. An assessment of the macro level will review whether the policy framework is adequate to allow rural finance and microfinance to flourish.

While it would be impossible to measure every factor that impacts a region's financial profile, any assessment must consider these variables.

Issues to consider

a. Enabling policy environment. A number of factors are particularly important in preventing systemic risk in the financial system. These include development of a national microfinance or rural finance policy or strategy, deregulation of interest and exchange rates, liberalization of agricultural prices and foreign trade, establishment of a legal system that protects property and land-use rights and ensures due legal process, and support to autonomous financial institutions and regulatory authorities. Given the potential impact of changes in the regulatory structure, a cautious approach is strongly recommended (CGAP 2008).
b. Prudential regulation and supervision. Without properly regulated local financial institutions that mobilize deposits and attract private capital, there can be no sustainable rural development. The appropriate level of regulation and supervision depends on the type of financial institution, the capacity of supervisors and, most importantly, on the level of savings mobilized from the public.
c. Government partners. Defining the role of governments and central banks in the context of inclusive finance is essential, particularly when selecting the most appropriate government partner. Inclusive finance support activities operate best under the auspices of government counterparts specialized in financial-sector operations. The ministry of finance is a natural partner for inclusive finance projects.

Assessment of Macro Level: Country Context

Country History and Political Situation		
Issue	• What are the key recent historical events? • Who holds the balance of political and economic power? • What are the political, regional or ethnic divisions? • Are elections or other regime changes pending? Will the change be stable? • Is poverty a political issue? Is microfinance/ MSME finance politicized? Which political entity has influence on MSME finance/ microfinance?	
Areas of Interest	• Historical background • Current political situation • Roles and power balance of executive and legislative bodies • Key policymakers at central, regional and local levels	
Sources of Information	Key informants: Government officials, parliamentarians, donor agency local offices, consultants	Suggested documents: • Economist Intelligence Unit (EIU) country reports • International and local press • General economic research in French • World Bank country profiles
Macroeconomic Data		
Issue	• How stable are the economy and currency? • What is the level of real economic growth? Is growth concentrated in certain sectors? Within certain segments of the populace? • What is the national gini-coefficient? • What is the influence of donors in the national budget? Of remittances? • Is the budget balanced?	
Areas of Interest	• Growth rates • Inflation (consumer price index) • Exchange rate • Economic structure (by sector) • Trade and current account information • Fiscal issues (national budget) • Hard currency reserves	
Sources of Information	Key informants: Central bank, ministry of Finance, financial sector consultants, donor country offices	Suggested documents: • Central bank reports/ website • Ministry of Finance reports, website • World Bank country reports • IMF country reports
Physical Infrastructure		
Issue	• The physical infrastructure (or lack thereof) an obstacle to doing business efficiently, both for entrepreneurs and for FSPs?	
Areas of Interest	• Kilometres/ paved roads • Number of telephone lines or mobile phone users • Percentage of households connected to running water • Electricity shortages • Number of large marketplaces	
Sources of Information	Key informants: Public Works Ministry, donor country offices	Suggested documents: • Communications and transportation: CIA World Fact Book • Infrastructure

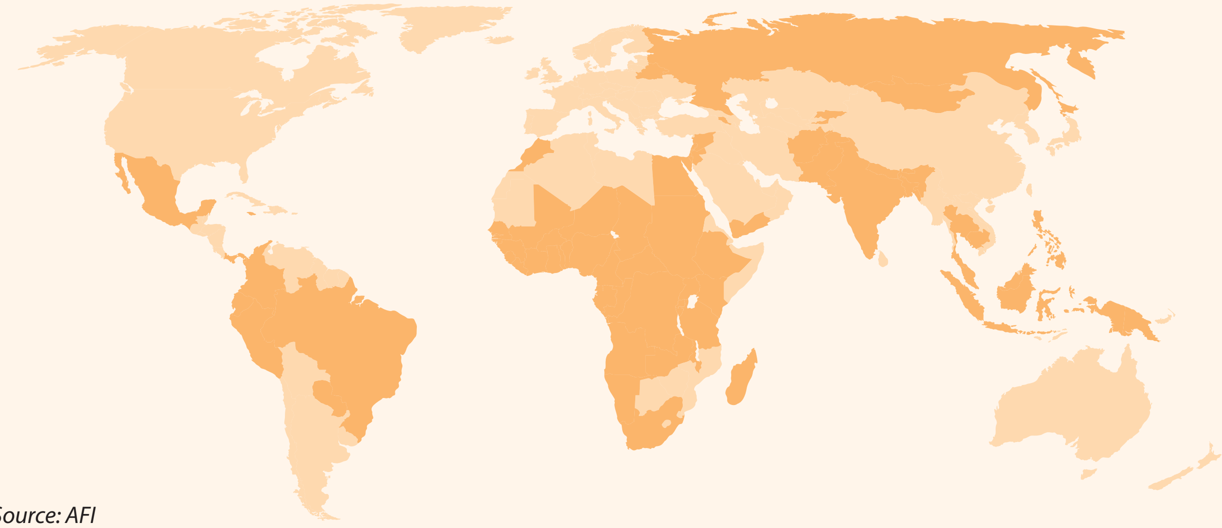
<table>
<tr><th colspan="3">Population</th></tr>
<tr><td>Issue</td><td colspan="2">• What is the national poverty line? What percent of the population is poor?
• What are the main constraints faced by women? What gender disaggregated data is available?
• How much of the population is economically active?
• How young is the population?
• What is the population density?
• Is life expectancy low? Improving?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Population
• Gender
• Age distribution
• Number of households
• Economic activity statistics
• Poverty line
• GNI per capita
• Mortality rates
• Urban versus rural population issues</td></tr>
<tr><td>Sources of Information</td><td>Key informants:
Donor country offices, International Labour Organization (ILO), United Nations agencies</td><td>Suggested documents:
• UNDP Human Development Reports
• National bureau of statistics
• National census reports
• Country poverty reduction strategy process (PRSP)
• International financial institution sector studies</td></tr>
<tr><th colspan="3">Trends in Banking and Finance</th></tr>
<tr><td>Issue</td><td colspan="2">• How stable is the financial sector?
• How many national banks are there? International banks?
• What is the breadth and depth of financial services (credit and savings)?
• How prevalent is the state in the banking sector?
• How does credit volume compare with that of savings?
• How large is the equity market?
• How large is microfinance lending compared with total domestic credit?</td></tr>
<tr><td>Areas of Interest</td><td colspan="2">• Economic and financial sector reforms
• 90 day treasury bill rate
• Cash outside banks or currency in circulation
• Savings in banks (or as percentage of GDP)
• Domestic credit to private sector (or as percentage of GDP)
• History and perception of microfinance/ inclusive finance
• Proportion of small accounts in formal banking sector (loans and savings)</td></tr>
<tr><td>Sources of Information</td><td>Key informants:
Central Bank, Ministry of Finance, Financial-sector consultants, donor country offices</td><td>Suggested documents:
• Central bank reports, website
• Ministry of finance reports, website
• World Bank Country-at-a-Glance
• Financial Sector Assessment Programme Country reports
• Regional development ban financial-sector studies
• Financial Deepening Challenge Fund
• Bilateral donor agency reports on microfinance</td></tr>
</table>

Assessment of Macro Level: Policy, Legal and Regulatory Framework

Policies		
Issue	• Does the country have a national strategy for its financial sector? • Who makes the decisions in microfinance/ inclusive finance? • Is access to finance part of the PRSP? • Is the banking sector being privatized or restructured? • Are there specific tax treatments for different types of FSPs? • Are any donor groups working with policymakers?	
Areas of Interest	• Financial-sector policies • National microfinance strategies, PRSPs and other sectoral policies that include references to microfinance • Financial sector reforms • Financial regimes for different types of FSPs • Policy and targeted lending • Level of decentralization for policymaking	
Sources of Information	Key informants: Ministry of Finance, UNDP, World Bank and regional banks	Suggested documents: • PRSP • Speeches by key policy makers • Regional development bank financial sector studies • National financial sector strategies • Financial Sector Assessment program country reports • Microfinance Regulation and Supervision Resource Centre
Laws and Regulations		
Issue	• How do banking laws treat microfinance? • Is there a usury law, interest rate caps or other impediments to microfinance? • Is there a specialized law or regulation for microfinance? MSME finance? • Does the legal and regulatory environment encourage market entry and competition in the pro-poor financial services sector? • What types of institutions can lend and mobilize deposits? • Do minimum capital and reserve requirements inhibit microfinance? • Are there restrictions on the interest rates and fees that can be charged by pro-poor financial service providers? • How effective is the judiciary system? • How does government cover branchless banking regulations? • What is the consumer protection regime? Are there procedures or self-regulation in place to protect consumers (info.publication requirements/ consumer organizations)? • Are any donor programmes working with the legal/ regulatory frameworks?	
Areas of Interest	• Banking law, microfinance law or regulation, and laws on savings and credit cooperatives • Legal feasibility of transformations (e.g. foreign NGO to local NGO, foreign NGO to local company, local NGO to company, and local NGO to licensed bank) • Usury/ interest rate laws • Minimum capital and reserve requirements and prudential regulations • Regulations on banking, ATMs, branchless banking, anti-money laundering/ combating the financing of terrorism • Civil code for contracts, land title, collateral • Consumer protection code and conduct and watchdog or consider protection organizations	

Sources of Information	Key informants: Central Bank, Ministry of Finance, parliamentarians, bankers' association, network, World Bank and regional development banks, international investment funds, consumer associations	Suggested documents: • Microfinance Regulation and Supervision Resource Centre • World Bank country reports • IMF country reports • Laws • Gazetted regulations • Central Bank regulations/rules • Civil code for collateral • Prudential regulations • CGAP policy diagnostics
Supervision Capacity		
Issue	• How well are banks and other FSPs supervised? • Are supervisors focusing on appropriate things? Do they have enough capacity to supervise all regulated FSPs?	
Areas of Interest	• Location and composition of supervision unit • Number of FSPs visited each year • Quality of FSPs reporting to supervision unit • Capacity of supervisors	
Sources of Information	Key informants: Central Bank, Ministry of Finance	Suggested documents: • Microfinance Regulation and Supervision Resource Centre • Central Bank regulations/ rules • CGAP policy diagnostics
Other Roles/ Interventions of Government		
Issue	• What different roles does the government play as a promoter of microfinance and a protector of clients? • Is the government directly intervening in financial service delivery? Are there government-subsidized credit programmes providing credit at the retail level? What are the trends? • Does the government play a role in consumer protection? • Is the government involved in funding apex bodies (see meso level)? • How does the government promote microfinance? • Is there an understanding of the role of land registries and improvements?	
Areas of Interest	• Extent of government's involvement in micro credit, savings and other financial services • Government ownership of institutions that serve poor people • Types of financial services provided by state banks • Promotion of transparency • Provision of market intelligence • Financial incentives for banks	
Sources of Information	Key informants: Central Bank, Ministry of Finance and other Ministries (e.g. agriculture, SME, trade/industry, social affairs, national apex bodies)	Suggested documents: • National financial-sector policies and strategies • Financial Sector Assessment program country reports • World Bank and regional development bank reports • CGAP research on apex bodies

Figure 16: Country Membership of the Alliance for Financial Inclusion



Source: AFI

An additional, recently established, resource institution that is emerging as a particularly important knowledge management and dissemination repository in the realm of financial inclusion at the national planning level is the Alliance for Financial Inclusion (AFI).

AFI is a knowledge-sharing network designed exclusively for financial inclusion policymakers from developing countries. AFI is becoming an important resource network particularly in undertaking meso level analysis.

AFI was founded in September 2008 and officially launched in September 2009 during the convening of its first annual Global Policy Forum. Administered by the German International Cooperation (GIZ) agency and funded by the Bill & Melinda Gates Foundation, AFI is headquartered in Thailand and its members are comprised of central banks and other financial regulatory institutions from more than 70 developing countries.

AFI's member institutions have pioneered some of the most innovative policy approaches to extending the financial system to the unbanked while balancing safety and stability. The goal of the AFI network is to unlock this knowledge and make it more accessible to others looking to achieve similar outcomes.

AFI members have also formed five working groups to be able to address policy challenges together and to maximize peer learning opportunities. The current working groups focus areas include: a. Consumer Empowerment and Market conduct; b. Financial Inclusion data, c. Financial Integrity, d. Mobile Financial Services, and e. the Pacific Islands.

Additionally, short and long term financial support is available to AFI members for the design and implementation of their chosen policy approaches. Knowledge exchange grants are in the highest demand. AFI members can seek support for a structured exposure visit to exchange with fellow policymakers first-hand about how various financial inclusion policy issues have been addressed. "Peer exchange platforms" also provide AFI members with a variety of channels to meet one another and share experiences including:

a. Policy champion program: outstanding policymakers share lessons learned on financial inclusion,
b. Online member zone: an internet platform designed for policymakers to connect and exchange,
c. Global Policy Forum: the entire AFI membership along with its strategic partners meets annually at a high profile event that addresses leadership and practical solutions.

Policy innovation and the development of evidence-based policies are key hallmarks of the AFI peer-led programme of intervention. Through the network, AFI members evaluate policy approaches that they have successfully implemented at national levels, or that they would like to pursue in their respective countries, for inclusion in network activities. Examples of such innovations include:

a. Agent banking: enabling non-bank agents to provide financial services,

b. Mobile financial services: increase access to financial services through mobile technologies,
c. Formalizing micro-savings: facilitate adoption of new providers and products to promote savings,
d. Financial identity: facilitate design and use of identification systems for poor clients,
e. Consumer protection: promote policies that provide adequate protection and education in financial services, and
f. Data and measurement: increase and improve financial inclusion data for evidence based policymaking.

Step 2 – Mapping the Development Partner Sector

Upon completion of an exercise to map the local financial sector at the micro, meso and macro levels, a development practitioner will have a good general overview of which financial institutions are providing what services and products and to which market segments. However, an additional resource for the provision of finance and technical assistance that is found outside of the financial sector includes the increasing number of development partner institutions that are targeting low income commercial actors for enterprise development support.

Selected Public-Private Partnership Support from Bilateral and Multilateral Development Partners

The key partners that are active in this sector are both multilateral institutions and bilateral institutions. The national government, particularly the Central Banks and Ministry of Foreign Affairs in the target country will have the most comprehensive list of who their respective development partners are and what sectors and segments of the economy have been targeted for development partner support.

However, an understanding of the activity of some of the key partners that are active in Africa can be very helpful. The May 2011 publication "Partners in Development: How Donors Can Better Engage the Private Sector for Development in LDCs[20]" offers useful insight into the types of support that may be available in a given country or region and profiles some of the key institutions that a development practitioner may approach to solicit support. The publication also points out that the Donor Committee for Enterprise Development (DCED)[21] has developed a catalogue of more than 40 public-private partnership programmes that are categorized by the type of support provided to companies as well as target regions and countries.

In general, the publication also notes that the key areas of support provided by donors to support companies include the following:

a. Funding – grants, loans and guarantees for companies and platforms that bring companies together with stakeholders such as government and civil society;
b. Advice and Brokerage – providing guidance on inclusive business models, value chain development and using convening power to help forge linkages between companies and academia, NGOs, political players and service providers;
c. Implementation Support – leveraging local offices, skilled local staff, technical experts and large networks, donors help provide hands on technical support that can be helpful to both local and international companies;
d. Policy Dialogue and Supporting the Development of Business Friendly Environments[22] – help with advocacy toward government to develop or revise legislation to attract investment and support MSME development.

While the focus of this publication is on increasing access to inclusive business finance, it is important for development practitioners to also be aware of where complimentary technical assistance exists (for development practitioners, financiers seeking to finance MSMEs, and MSMEs themselves). It is also important to be aware of those resources that exist to support the facilitation of public-private dialogue as the areas of technical assistance and policy and regulatory environment development and improvement, are equally critical in all efforts to mobilize and promote greater financial inclusion in support of MSMEs.

Thus, indicative of the types of support provided by donors to companies to support inclusive business initiatives are the following initiatives:

20 See www.unglobalcompact.org/AboutTheGC/tools_resources/partnerships.html
21 See www.enterprise-development.org/page/signposting-for-businesses
22 See www.publicprivatedialogue.org

ADA, Austria – Bilateral Donor	
Institution / Program	***Business Partnerships*** • Funding (grants) • Advisory & Brokerage • Implementation Support
Activity	ADA supports the private sector in implementing innovative and sustainable projects. To be eligible for funding, a project must meet the following conditions: • activity involves long-term investments in or importing goods from a developing country; • activity is based on a business model that is expected to generate turnover and profits; • activity contributes both to the local social, ecological or economic environment and the success of the private company. Such projects can be supported with a non-repayable grant. Funding amounts to up to 50 percent of direct project costs (not exceeding €200, 000), which must total at least €100, 000. The term of a business partnership is limited to three years.
Achievements / Impact / Budget	• From 2005 to 2010, 81 Business Partnership projects have been approved, which translates into a total volume of $59 million (€41 million), of which public contribution comprises nearly $20.7 million (€14.4 million). • Twelve (i.e., 15%) of these projects take place in LDCs. The project portfolio of the program is rather complex. • At first glance, each project seems unique, bearing the sole commonality of representing some form of cooperation with the private sector. There is no aggregated indicator for the program as a whole.
Institution / Program	***Private Infrastructure Development Group (PIDG)*** • Funding (debt, equity) • Advisory & Brokerage • Implementation Support
Activity	The Private Infrastructure Development Group is a coalition of donors mobilizing private sector investment in order to assist developing countries with urgent infrastructure needs. The PIDG works in partnership with other donors, local operators, and government bodies to deliver infrastructure and increase funds for development as a means of combating poverty in some of the poorest countries in the world.
Achievements / Impact / Budget	Investment overview of PIDG facilities and programs: • investments committed across more than40 developing countries totals $945.74 million (2002 – 2010). • $195.5 million of the total committed is in LDCs (DAC I) • to date, Nigeria has received the largest total investments ($135 million), followed by India ($105 million), Kenya ($76 million) and Uganda ($71 million) • $299.5 million has been invested in energy/ power, followed by telecoms ($229.1 million), and industry ($122.2 million)

AFD Group, France – Bilateral Donor	
Institution / Program	***Financing Productive Investments and Infrastructure (PROPARCO)*** • Funding (debt, equity, guarantees, grants)
Activity	AFD Group acts in support of the privatesector through a set of complementary tools ranging from grants to equity that include concessional and non-concessional loans or guarantee commitments.
Achievements / Impact / Budget	The amount of AFD Group's commitments allocated to private companies and financial institutions has doubled in four years, rising from $1.51 billion (€1.04 billion) in 2005 to $3.13 billion (€2.16 billion) in 2009. In 2009, the AFD Group granted $1.4 billion (€960 million) in loans to the private sector, $551 million (€380 million) in concessional loans, $290 million (€ 200 million) in equity, more than $145 million (€100 million) in guarantee commitments and $26 million (€18 million) in grants.

Institution / Program	***Public – Private Partnerships (PPP)*** • Funding (debt, equity, guarantees, grants) • Advisory & Brokerage • Policy Dialogue and Enabling Environment
Activity	In line with international standards, public private partnerships designate any contract involving a delegation of management between a public authority and a private operator. The AFD Group can be involved in PPPs in different ways: • as a lender and/or a counsellor of the public authority in setting up the PPP contract; • as a support organism in improving the regulatory environment in adapting to PPPs, or • as a lender to the private party in the funding arrangement.
Achievements / Impact / Budget	More than $1.04 billion (€720 million) were committed to financing private companies in the infrastructure sector (2005 -2009)
Institution / Program	***Initiative to Promote Growth in Africa – FISEA Fund*** • Funding (equity, guarantees)
Activity	Introduced in February of 2008, The Initiative to Promote Growth in Africa aims to strengthen local players and mitigate the obstacles private firms face in accessing financing. The goal is to provide support to 1, 900 private firms (primarily SMEs), in order to create 300, 000 jobs. Its tools include: • the Investment and Support Fund for Businesses in Africa (FISEA), a $360 million (€250 million) investment fund targeting the growth of African SMEs by providing them access to equity capital and helping them build capacities. • a guarantee instrument (ARIZ 2) dedicated to facilitating SMEs' and microfinance institutions' access to financing. • the doubling of AFD Group's activity in favour of the private sector thanks to a threefold capital increase of PROPARCO and the expansion of its activity in private equity.
Achievements / Impact / Budget	Operationalized in 2009, the initiative is planning to mobilize $11.5 billion (€8 billion) of financing. FISEA has an annual investment target of 50 million euros.
African Development Bank – Multilateral Donor	
Institution / Program	***Private Sector Department*** • Funding (debt, equity, guarantees, grants) • Advisory & Brokerage • Implementation Support
Activity	Established in 1988, the private sector window of the bank funds primarily private sector led, and public-private partnerships, in the infrastructure sector using debt, equity and quasi equity financing instruments.
Achievements / Impact / Budget	In 2010, the AfDB's Private Sector Department disbursed nearly $2 billion to African private sector led projects.
Institution / Program	***Financial Institution Lines of Credit*** • Funding (debt, equity)
Activity	Leveraging its access to the global capital markets, the AfDB is also a wholesale financier to smaller financial institutions across Africa
Institution / Program	***Trust Funds*** • Funding (grants, debt)
Activity	The AfDB administers a number of trust funds for various bilateral donors: • The African Fertilizer Financing Mechanism • The African Financial Markets Initiative • The African Financing Partnership • The African Legal Support Facility • The African Peer Review Mechanism

	• The African Water Facility • The African Women in Business Initiative • The Congo Basin Forest Fund • The Enhancing Private Sector Assistance for Africa Initiative • The Fragile States Facility • The Trade Finance Initiative • The African Guarantee Fund • South-South Cooperation Trust Fund • Programme for Infrastructure Development in Africa • Microfinance Multi-donor Trust Fund • The Health in Africa Fund • The Investment Climate Facility • The Joint Africa Institute • The Making Finance Work for Africa Partnership • The Migration and Development Initiative • The Multi-donor Water Partnership Program • The Multilateral Debt Relief Initiative • The Rural Water Supply & Sanitation Initiative • Seed Capital Assistance Facility • The Strategic Partnership with Africa • Global Environment Facility • Climate Investment Funds
Institution / Program	***Microfinance Capacity Building Fund*** • Funding (grants)
Activity	Launched in June 2011, toward the promotion of financial inclusion on the continent, the AfDB, in partnership with the Government of Spain and the Consultative Group to Assist the Poor (CGAP), launched the Microfinance Capacity Building Fund (MCBF). MCBF's purpose is to help strengthen capacity building efforts in the financial sector that benefit poor and low-income populations in Africa, particularly with an emphasis on women and rural areas.
BMZ, Germany – Bilateral Donor	
Institution / Program	***DeveloPPP.de*** • Funding (grants) • Advisory & Brokerage • Implementation Support • Policy Dialogue and Enabling Environment
Activity	The program promotes development partnerships with the private sector. There are currently more than 1, 200 development projects under way with European businesses in a variety of sectors and regions. Costs and risks are shared by the BMZ and company (39% public; 61% private, on average).
Achievements / Impact / Budget	In total, $719 million (€500 million) for period 1999-2009; 2010 budget has increased. Impact varies considerably from project to project. Most projects yield highly positive results, although many projects involve high-risk investments in challenging environments and may also fail to achieve in full the planned outcome and impact.
Institution / Program	***PPP-Facility for Africa*** (same as above)
Activity	Similar to develoPPP.de, but aimed at development partnerships with African companies.
Institution / Program	***Integrated Development Partnership in Bilateral Development Cooperation*** (same as above)
Activity	Same logic as in develoPPP.de, but is integrated within a specific bilateral program, and is managed and supervised by local program managers.

Institution / Program	***Public-Private Dialogues and Multi-Stakeholder Dialogues in Development Cooperation*** • Policy Dialogue and Enabling Environment
Activity	Drawing on its long track record with these approaches, the BMZ applies them in diverse development cooperation programs, including those in LDCs. Specific international initiatives, such as the Global Compact of the United Nations, are supported financially by funds-in-trust and politically through resolution in the UN General Assembly.

CIDA, Canada – Bilateral Donor	
Institution / Program	***Partners for Development Program*** Funding (grants)
Activity	This program is a competitive call for a proposal mechanism (challenge fund). The objective is to promote public-private development collaborations leading to sustained economic growth and poverty reduction.
Institution / Program	***Investment Cooperation Program (INC)*** Funding (grants)
Activity	This cost-sharing program is designed to examine the viability of an investment, demonstrate and adapt appropriate technologies, and undertake activities that enhance the economic, environmental, and social benefits of those investments.
Achievements / Impact / Budget	Formerly conducted within the framework of CIDA, INC has been deemed better aligned with Canada's trade commissioner service. An evaluation of INC can be found at: www.tradecommissioner.gc.ca/eng/funding/investment-cooperation-program/document.jsp?did=99321
Institution / Program	***Sustainable Economic Development (priority area in German development policy)*** (same as above)
Activity	The BMZ has identified sustainable economic development as a priority area in more than 35 of its partner countries. This includes economic policy, private sector development, financial sector development and vocational training.
Achievements / Impact / Budget	In 2009, Germany committed more than $1.12 billon (€780 million) for sustainable economic development activities. Over the past six years (2003 – 2009), this figure has totalled $6.03 billion (€4.2 billion). The impact of these programs are being evaluated, measured and documented.

DANIDA, Denmark – Bilateral Donor	
Institution / Program	***DANIDA Business Finance Programme*** • Funding (debt, grants)
Activity	A Danish mixed credit is an interest-free or low-interest loan, typically with 10 years' maturity, aimed at financing supplies of equipment and related services for development projects within a number of sectors, including water and sanitation, energy, infrastructure, health, environment, and education.
Achievements / Impact / Budget	$67.4 million (DKK 350 million) is allocated annually for interest subsidies and related financial costs.
Institution / Program	***DANIDA Business Partnerships*** • Funding (grants) • Advisory & Brokerage • Implementation Support
Activity	The IPD program supports partnerships that advance strategic corporate social responsibility (Strategic CSR Facility), and partnerships that advance socially responsible innovation (BOP Facility). It brokers linkages between companies and provides financial support (grants) and technical assistance.
Achievements / Impact / Budget	Formerly known as Innovative Partnerships for Development.

Institution / Program	***Business-to-Business (B2B) Programme*** • Advisory & Brokerage
Activity	The B2B program helps establish partnerships between Danish companies and companies in DANIDA's program countries as well as Egypt and South Africa. It brokers linkages between companies and provides financial support (grants) and technical assistance. A related B2B Environment program is under way in Indonesia.
Achievements / Impact / Budget	Formerly a stand-alone initiative, it is now part of the DANIDA Business Partnerships programme.

DFID, UK – Bilateral Donor	
Institution / Program	***Mixed Credit Programme*** • Funding (grants) • Advisory & Brokerage • Policy Dialogue & Enabling Environment
Activity	Provides support for initiatives aimed at increasing transparency in the private sector, such as the Extractive Industries Transparency Initiative (EITI), the Construction Sector Transparency Initiative, and the Medicines Transparency Alliance (MeTA).
Institution / Program	***Public-Private Partnerships (PPPs)*** (Same as above)
Activity	Provides support for a number of PPPs, including the GAVI Alliance and the International Finance Facility for Immunisation (IFFIm).
Institution / Program	***Challenge Funds*** • Funding (grants)
Activity	DFID provides challenge funds which offer grants to businesses on a competitive basis to help cover start-up costs. These funds are aimed at business activities that benefit the poor, but which are commercially viable and capable of expansion. Examples include the Food Retail Industry Challenge Fund and the multi-donor Africa Enterprise Challenge Fund.
Institution / Program	***Private Infrastructure Development Group (PIDG)*** • Funding (debt, equity, guarantees)
Activity	Provides support for international facilities, such as the Private Infrastructure Development Group that encourage businesses to invest in infrastructure in developing countries (see also description above under Austria).
Achievements / Impact / Budget	From 2000 to 2006, DFID spent $120 million on private sector infrastructure projects.
Institution / Program	***Promoting Responsible Business Standard*** • Funding (grants) • Advisory & Brokerage • Policy Dialogue & Enabling Environment
Activity	Provides support for schemes aimed at promoting responsible business standards. These schemes include the Ethical Trading Initiative (ETI), the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
Institution / Program	***Business Innovation Facility and the Business Innovation Practitioner Hub*** • Funding (grants) • Advisory & Brokerage • Implementation Support

Activity	These programs broker links among companies (B2B) and between companies and NGOs, provide financial support (grants), and facilitate knowledge sharing. The objective of these partnerships is to take advantage of market opportunities in developing countries and to maximize the transformational impact of business by including the poor as consumers, employees, and producers.
European Union – Multilateral Donor	
Institution / Program	***African Capitalization Fund*** • Funding (equity)
Activity	This fund-of- funds is being established to help strengthen the banking sector by making investments in African banks and helping them improve their corporate governance and risk management capacity.
Achievements / Impact / Budget	In 2010, the European Investment Bank, OPEC Fund for International Development AfDB pledged $200 million to set up this facility.
Institution / Program	***European Financing Partners*** • Funding (debt, equity, grants)
Activity	Multi-stakeholder facility that finances private sector investments in Africa, the Caribbean and the Pacific to promote sustainable development of the private sector in the ACP countries.
Achievements / Impact / Budget	Since commencement in 2003, 29 private sector enterprises within the ACP have been supported by Euro 392 million of investments in 15 countries in the sectors of: power, banking, communications, agribusiness, logistics and health.
Institution / Program	***ProInvest*** • Funding (grants)
Activity	Private sector partnership programme aimed at facilitating north-south and south-south partnerships through the support of regional intermediary institutions such as the Recs and regional apex bodies in Africa.
Achievements / Impact / Budget	Eur0 110 million project.
Ministry of Foreign Affairs, Finland – Bilateral Donor	
Institution / Program	***Finnfund and Special Risk Finance Instrument*** • Funding (debt, equity, grants, guarantees)
Activity	Finnfund is the Finnish development financing institution that leverages private investment in developing countries with the help of ODA-funded capital. The Special Risk Finance Instrument is under preparation for Finnfund as a means of expanding its ability to take on more risk.
Achievements / Impact / Budget	Finnfund's financing operations have produced thousands of jobs in developing countries, created profitable businesses and contributed to increased tax incomes.
Institution / Program	***Finnpartnership*** • Funding (grants) • Advisory & Brokerage
Activity	Finnpartnership is a business-to-business partnership program offering seed money and advisory services for Finnish companies' activities in starting and implementing business operations in developing countries.
Achievements / Impact / Budget	Hundreds of business partnerships have been created, generating new jobs. Advisory services and matchmaking have grown.
Institution / Program	***Concessional Credits*** • Funding (grants, debt, guarantees)
Activity	The concessional credit scheme is intended to support the export of Finnish technology to developing countries with substantial developmental impacts.

Achievements / Impact / Budget	Technology transfers have taken place, increasing productive capacities as well as select public services in the targeted countries.
Institution / Program	***Fund for Local Cooperation (FLC)*** • Funding (grants)
Activity	Embassy-administered resources from the Fund for Local Cooperation can be granted to private sector organizations and companies in developing countries for the purpose of building long-term partnerships with Finnish companies.
Achievements / Impact / Budget	Traditionally, the FLC has targeted local civil society organizations. Changes introduced in 2010 make local companies eligible to receive FLC resources.
Institution / Program	***Ministry for Foreign Affairs (MFA) Clusters*** • Policy Dialogue & Enabling Environment
Activity	Finland's MFA seeks to activate support in Finnish society for the objectives of the government's development policy program through policy clusters. The cluster approach involves various ministries and other state organizations, consultancy firms, NGOs, private sector organizations, companies as well as research institutes and universities. The clusters are conceived as centres of excellence focused on seven sectors/themes: forests, energy, water, information society, agriculture and rural development, environmental and climate change, and local development/governance.
Achievements / Impact / Budget	The cluster networks operate in ways unique to their theme. The most organized and advanced cluster is the water sector cluster, which involves the Finnish Water Forum (FWF). The FWF aims to establish linkages among Finnish water-sector actors from the private and public sectors as well as civil society in order to enhance national water expertise.

International Finance Corporation (World Bank) – Multilateral Donor	
Institution / Program	***Access to Finance (A2F)*** • Funding (grants, debt, equity, guarantees)
Activity	IFC's A2F business line works with financial institutions and regulators to increase financial inclusion to reach 2.5 billion unbanked individuals and more than 300 million MSMEs (with a credit gap of over $2 trillion). A2F products fall into one of three core product lines: • micro/retail – including microfinance, housing finance, retail payment institutions, insurance and responsible finance; • SMEs and business – including SME banking, trade finance, leasing, gender, and agri-finance; • financial infrastructure – including credit bureaus, collateral registries, payment systems and remittances.
Achievements / Impact / Budget	As of December 2009, IFC's financial institution clients in a diverse range of countries (e.g., Afghanistan, Bosnia and Herzegovina, China, Honduras, Madagascar, Malawi, Peru, and Tajikistan) receiving A2F advisory services held about $4.6 million MSME loans worth more than $47.7 billion. At the end of the 2010 fiscal year, A2F had an active portfolio of 238 projects in 68 countries, valued at almost $290 million. Project expenditures for the same year totalled about $50million, of which 50 percent were in IDA countries (defined as countries with a per capita income less than $1, 165 in 2009 and lacking the financial ability to borrow from the IBRD) and 14 percent in fragile and conflict-affected countries.
Institution / Program	***Investment Climate (IC)*** • Policy Dialogue & Enabling Environment
Activity	The IC business fosters competitive markets, growth, and job creation by helping governments design and implement reforms to their business environments. IC activities include working with governments on issues such as: access to land, alternative dispute resolution, business entry, business operation, business taxation, doing business reform, industry-specific BEE, insolvency, investment policy and promotion, public-private dialogue, economic zones, sub-national doing business projects, and trade logistics.

Achievements / Impact / Budget	The dialogue promotes public-private programs and projects leading to sustained economic growth and poverty reduction.
Institution / Program	***Sustainable Business Advisory (SBA)*** • Advisory & Brokerage
Activity	SBA supports the development of markets that work for all members of society and that promote sustainable business practices among firms in infrastructure, mining, manufacturing, agribusiness, and services sectors. SBA programmes support good corporate governance, build the capacity of small firms, women entrepreneurs, and promote management and investment decisions that are sustainable and inclusive – via projects in the areas of clean energy, environmental, social and trade standards, sustainable and inclusive investing, farmer & SME training, strategic community investment, resource efficiency, and corporate governance.
Achievements / Impact / Budget	Project expenditures in corporate advice (FY2010) totalled about $34 million, of which 56 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.
Institution / Program	***Public-Private Partnerships (PPP)*** • Funding (grants)
Activity	Public-Private Partnerships (PPP) producing successful public tenders in which private operators are selected.
Achievements / Impact / Budget	Project expenditures (FY2010) totalled about $26 million, of which 40 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.
Institution / Program	***Investment Services*** • Funding (debt, equity, guarantees)
Activity	IFC offers an array of financial products and services to its clients and continues to develop new financial tools that enable companies to manage risk and broaden their access to foreign and domestic capital markets. IFC's investment services include loans for IFC's account, syndicated loans, equity finance, quasi-equity finance, equity and debt funds, structured finance, risk management products, local currency financing, sub-national finance, and trade finance.
Achievements / Impact / Budget	In 2010, IFC invested in 255 projects in 58 countries served by IDA. These commitments totalled $4.9 billion for IFC's own account. Those countries accounted for nearly half of IFC's infrastructure and agribusiness investments.
Institution / Program	***G20 Challenge on Inclusive Business Foundation*** • Advisory & Brokerage
Activity	In 2011, the IFC established the G20 Challenge initiative which affords winning applicants the opportunity to have their inclusive business models showcased at the G20 Leaders Summit in Mexico in June 2012. Following the Summit the winners will meet in Germany and participate in a series of regional workshops that include meetings with prospective investors and technical assistance partners.
Achievements / Impact / Budget	The target participants in this programme are for profit companies in low or middle income countries.
JICA, Japan – Bilateral Donor	
Institution / Program	***Industrial Policy Dialogue*** • Policy Dialogue & Enabling Environment
Activity	As a follow-up to the TICAD IV and G8 Hokkaido Tokyo Summit, JICA started an industrial policy dialogue program to promote private-sector development in several African countries. Public-private partnership is the key component of the program.

Achievements / Impact / Budget	The dialogue promotes public-private programs and projects leading to sustained economic growth and poverty reduction.
Institution / Program	***Public-Private Partnership Program*** • Policy Dialogue & Enabling Environment • Implementation Support
Activity	JICA's promotion of public-private partnerships is focused on improving the business environment, building infrastructure, and improving public services in developing countries. Because of the growing awareness of corporate social responsibility, an increasing number of Japanese companies are implementing social contribution programs and establishing low income businesses in developing countries, which call for new partnerships between ODA projects and private sector activities.
Achievements / Impact / Budget	The dialogue promotes public-private programs and projects, leading to sustained economic growth and poverty reduction.
Institution / Program	***Preparatory Survey for BOP Business Promotion*** • Funding (grants)
Activity	The Preparatory Survey for Low Income Business Promotion program started in 2010, selecting 20 projects in developing countries including Bangladesh, Tanzania, Rwanda, Mozambique, and Senegal for its first round of focus. The program aims at resolving development issues faced by low income enterprises in developing countries through collaboration with companies and various private organizations working with low income business issues.
Institution / Program	***Public-Private Collaborations (PPC)*** • Funding (grants)
Activity	In 2009, the Ministry of Foreign Affairs of Japan (MOFA) began promoting public-private collaboration by assisting corporate social responsibility (CSR) and low income business projects implemented by Japanese companies in cooperation with NGOs, utilizing grant-based assistance for grassroots human security projects. The program encourages Japanese companies to contribute to economic and social development in developing countries, including LDCs, through CSR activity and low income business projects.
Ministry of Foreign Affairs, Netherlands – Bilateral Donor	
Institution / Program	***Challenge Funds*** • Funding (grants) • Advisory & Brokerage • Implementation Support
Activity	Challenge funds are grants that have resulted in a portfolio of 50 on-going PPP activities, across a variety of sectors and themes. Ministry roles vary from providing financing to being an active, strategic (and financial) partner in the PPP. An example is the Dutch Sustainable Trade Initiative, which brokers links between NGOs, companies, and governmental organizations, and promotes knowledge sharing and technical assistance.
Achievements / Impact / Budget	$67.4 million (DKK 350 million) is allocated annually for interest subsidies and related financial costs.
Institution / Program	***Private Sector Investment Program (PSI)*** • Funding (grants) • Advisory & Brokerage • Implementation Support • Policy Dialogue & Enabling Environment
Activity	PSI is a grant program for business-to-business initiatives that encourages Dutch and other foreign business enterprises to engage in innovative, sustainable investment in developing countries, partnering with local businesses, with the ultimate goal of strengthening the local private sector. There are two facilities: PSI Regular and PSI Plus, the latter of which offers more flexible conditions for fragile states (60% project budget).

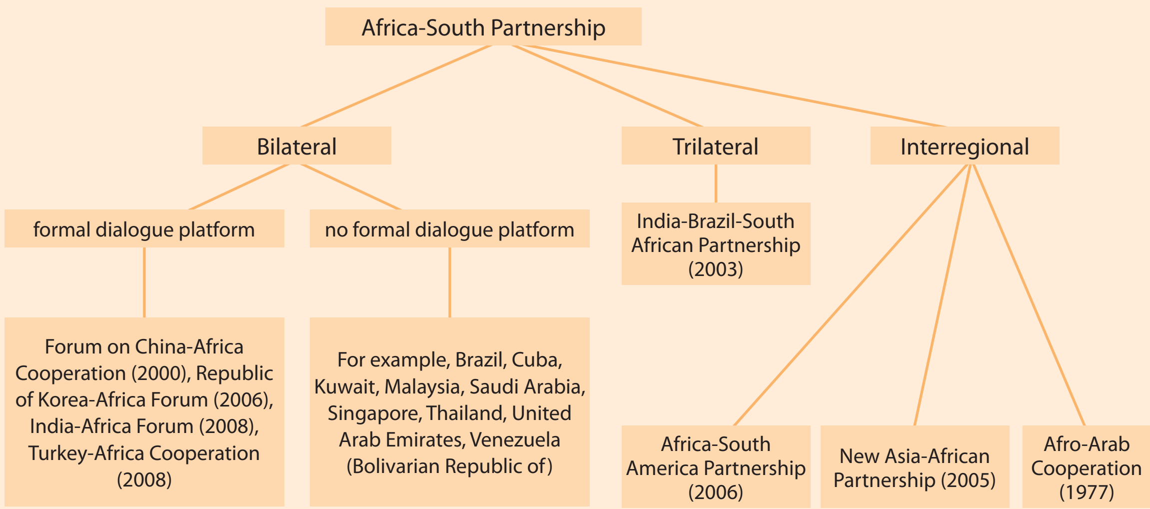
Achievements / Impact / Budget	For both facilities the maximum project budget is $2.2 million (€1.5 million) The average PSI project multiplier is $1.75 million (€1.22 million).
Institution / Program	***ORIO: Facility for Infrastructure Development*** • Funding (grants)
Activity	ORIO is a grant facility intended to contribute to the development, implementation, operation and maintenance of public infrastructure in developing countries.
Institution / Program	***International Public Cooperation (IPC)*** • Policy Dialogue & Enabling Environment
Activity	The G2G program is designed to facilitate cooperation between governmental institutions in emerging markets and their Dutch counterparts
Institution / Program	***Matchmaking Facility*** • Advisory & Brokerage
Activity	The matchmaking facility assists private businesses in emerging markets in establishing links with Dutch companies, with a view to forging a lasting business relationship.
SDC, Switzerland – Bilateral Donor	
Institution / Program	***Public-Private Development Partnerships*** • Funding (grants) • Advisory & Brokerage • Implementation Support • Policy Dialogue & Enabling Environment
Activity	Mainstreaming approach by SDC operational units aimed at fostering collaboration and partnerships with the private sector, featuring bilateral cooperation and a global reach. Focuses on: • private companies' core businesses (including business models); • improving the competitive environment through attention to corporate responsibility, social and ecological issues.
Achievements / Impact / Budget	Ten new partnerships 2009 – 2010, including SDC commitments of $17.9 million (CHF 16 million).
Institution / Program	***Public-Private Dialogue and Multi-Stakeholder Initiatives*** • Policy Dialogue & Enabling Environment
Activity	This approach encourages public-private dialogue and multi-stakeholder initiatives. Projects aim at establishing voluntary guidelines and standards in the realm of SDC's global programs, on issues including food security, climate change, water, migration and others.
Achievements / Impact / Budget	Examples include the WEF water initiative and WEF commodity sector initiative; improving food security and land governance through sustainable private-sector investment standards
Institution / Program	***Employment and Income Generation*** • Funding (grants)
Activity	Intensive collaboration with local private sectors, as well as local subsidiaries of international companies, in the domains of private sector development, financial-sector development and vocational skills development
Achievements / Impact / Budget	Annual investment of approx. $89 million (CHF 80 million) in stand-alone programs and partnerships.

SIDA, Sweden – Bilateral Donor	
Institution / Program	***Business for Development Program (B4D)*** • Funding (debt, grants, guarantees) • Advisory & Brokerage • Implementation Support • Policy dialogue & Enabling Environment
Activity	Assistance from the Business for Development Program is untied. The program utilizes various tools to engage with the private sector, including challenge funds such as Innovations against Poverty, public-private partnerships, innovative financing (SIDA is developing instruments which combine grants, loans, and guarantees with various types of private capital), clusters, a market transformation initiative, social entrepreneurship.
Achievements / Impact / Budget	In 2011, central B4D allocations total $32 million (€22 million), along with additional funds from country/ regional allocations.
Institution / Program	***Development Loans and Guarantees Program*** • Funding (debt, guarantees)
Activity	Development loans and guarantees provide new opportunities to expand and leverage available resources for economic development by linking grant aid with market finance. SIDA contributes a grant, after which the partner must arrange for a loan on market-based terms and conditions. The instrument provides untied assistance. The loans and guarantees program closely cooperates with several key partners; ADB, EBRD, GPOBA (WB), IFC, and USAID. Teaming up with partners is an efficient way to share risk, pipelines and know-how.
Achievements / Impact / Budget	All SIDA financing can be accessed through the loan facility. The program's share is small today but increasing. The government has provided SIDA with a guarantee frame of $1.6 billion.
Institution / Program	***Corporate Responsibility Programs*** • Funding (grants) • Policy Dialogue & Enabling Environment
Activity	Sweden's Ministry for Foreign Affairs supports (both politically and financially) programs aimed at promoting responsible business practices, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the EITI, the KimberlyProcess, STAR, and ISO Social Responsibility.
Institution / Program	***Dialogue*** • Policy Dialogue & Enabling Environment
Activity	The Business and Development Council is a high-level advisory group established by the government in 2010 to ensure that the experience and expertise of Swedish business can be tapped to contribute to global development. In 2011, local B&D councils are being set up in all countries with which Sweden engages in bilateral development cooperation.
Institution / Program	***Swedfund*** • Funding (debt, equity, guarantees)
Activity	Sweden's development finance institution, Swedfund, is fully owned by the Swedish government, and provides risk capital, expertise and financial support for investment in developing countries.

United Nations Development Programme – Multilateral Donor	
Institution / Program	***Inclusive Market Development*** • Funding (grants) • Advisory & Brokerage • Implementation Support • Policy Dialogue & Enabling Environment

Activity	Supports the promotion of inclusive market and value chain development primarily by facilitating, advocating for, and co-funding transformational partnerships with participation of national government, private sector, and donors.
Institution / Program	***African Facility for Inclusive Markets*** (Same as above)
Activity	Based on the UNDP's IMD approach, this program promotes IMD regionally through advocacy, facilitation, and co-funding of cross country value chain initiatives in Africa along with country-specific initiatives.
Institution / Program	***Growing Inclusive Markets (GIM)*** • Advisory & Brokerage • Policy Dialogue & Enabling Environment
Activity	GIM is a UNDP-led global research and advocacy partnership initiative aiming to understand, enable, and inspire the development of more inclusive business models.
Institution / Program	***Business Call to Action (BCtA)*** (same as above)
Activity	UNDP hosts the Secretariat for BCtA, a public- private initiative that challenges companies to adopt inclusive and competitive business models. Governments of the UK, Australia, Netherlands, and the U.S. along with Global Compact, IBLF, and ClintonGlobal Initiative support the effort.
Institution / Program	***Green Commodities Fund*** • Advisory & Brokerage • Implementation Support • Policy Dialogue & Enabling Environment
Activity	Supports establishment of public-private platforms at country level to support more environmentally sustainable and competitive production, and trade of key commodities.
USAID, United States – Bilateral Donor	
Institution / Program	***Global Development Alliance (GDA) Partnership Database*** • Funding (grants) • Advisory & Brokerage • Implementation Support • Policy Dialogue & Enabling Environment
Activity	USAID, through its Private Sector Alliances Division (PSA) provides a searchable online database to the public. At the end of 2009, USAID had more than 1, 000 alliances and 3, 000 distinct partners. Its funding has been matched by more than $12 billion from public and private resources.
Achievements / Impact / Budget	Started in 2001, by the end of 2009, a total of 179 partnerships in LDCs were under management, for a total value of $810 million (public and private resources). An additional 26 regional partnerships (African and Asian) also impacted one or more LDCs for a total value of $1 billion (public and private resources).
Institution / Program	***Development Innovation Ventures*** • Funding (grants)
Activity	DIV brings together diverse innovators from academia, the private sector, and NGOs to identify, develop and grow to scale promising approaches to pressing development problems around the world. The DIV aims to institutionalize further within USAID the process by which great ideas are conceptualized, developed, refined to meet real-world operational challenges, tested and ultimately scaled up to change the world in fundamental ways.
Achievements / Impact / Budget	Competitive bids were solicited as a test using $1 million in fiscal year 2010. Over 100 proposals were received, while the process of bid solicitation, review, and awards took less than 90 days. Eight awards were granted to innovative partners had no previous history of USAID support. Examples include a reliable self-test for pregnant women for preeclampsia (2nd highest cause of maternal mortality); and a hydrogen fuel cell portable powerpacket for bikes and off-grid applications.

Figure 17: The Structure of Africa's South-South Relationships



Source: UNCTAD

Table 7: Selected Features of Support Provided by Africa's Southern Development Partners

	Africa's share of aid budget (%)	Form of support	Conditions imposed	Mode of delivery	Debt relief	Monitoring mechanism
Traditional donors	35*	Mostly grants	Policy and non-policy conditions	Increasingly moving away from projects in favour of swaps and budget support	Yes	Peer review by other traditional donors as well as Mutual Review of Development Effectiveness Report
China	30-50	Grants and loans	Non-policy conditions	Project	Yes	Forum on China-Africa Cooperation
India	1.5 – 3.6	Grants and loans	Non-policy conditions	Project	Yes	India-Africa Forum
Brazil	27-30	Co-financing often through triangular co-operation	Non-policy conditions	Project	Yes	
Republic of Korea	15*	Grants and loans	Non-policy conditions	Project	Yes	
Turkey	6*	Grants		Project	No	Republic of Korea-Africa Forum
Arab Countries	11*	Grants and loans		Project	Yes	Turkey-Africa Cooperation Summit

**Share of Africa total aid to developing countries (three-year average over the period 2006-2008)*
Source: UNCTAD

Challenge Funds

In addition to the Donor Committee for Enterprise Development[23] (DCED)'s database of private sector programmes, the portal also includes a list of challenge funds that focus on Africa and other developing regions of the world.

A challenge fund is a financing mechanism to allocate funds. Instead of writing and funding projects written by the organization itself, the programme asks for proposals from organizations and institutions working in the targeted field. Challenge funds are always set up to meet specific objectives – such as extending financial services to poor people. Applications are assessed against transparent criteria, and successful bidders must match a certain percentage of the grant. A Selection Committee then awards grants to those projects that best meet the aims of the objectives of the Challenge Fund.

Beyond the traditional community of bilateral and multilateral donors that have been supporting African development for decades, a new cadre of institutions from the emerging southern hemisphere are also becoming increasingly active in Africa, particularly in the extractive industries, infrastructure and agribusiness sectors.

South-South Cooperation

Over the past decade, this ascension of the value of south-south engagement has, in large part, correlated to the economic growth and growth in political influence of several developing nations, particularly China and India, but also including Turkey, Korea, Brazil, Venezuela and middle eastern countries such as Kuwait and the United Arab Emirates. Figure 17 provides an illustration of Africa's emerging relationships with the "South".

Increasingly, for Africa, the south-south engagements have been ones that focuses equally on economic collaboration alongside political alignment.China, India, Brazil, South Korea, Turkey and several Arab countries, in aggregate, have been increasingly providing a greater share of development assistance to African states in the form of loans and grants for projects.

The relevance of this in the context of inclusive business finance, is that development practitioners that are in countries with strong bilateral relationships with one or more of the Southern development partners listed in Table 8, may find that there are additional funding pools available for the facilitation of low income enterprise linkages between companies from these Southern countries and those from their respective African states.

Step 3 – Mapping the Inclusive Business Sector

Over the past decade, a growing number of multinational and local developing country companies are starting to shift their corporate social responsibility focus away from philanthropy toward the inclusion of poorer, consumer and producer, stakeholder communities in their value chains. This shift is part of the recognition by the larger corporations of "shared values" with their customers/ suppliers and increasing understanding that the socio-economic advancement of these previously underserved communities can help the corporation to grow its market and reduce the cost of its inputs through local supply.

Today, the shared value practice has matured to the point that development advocates and forward thinking corporations have begun to develop models that can achieve development aims through the execution of core business activities by developing "inclusive business models". This is having the effect of mobilizing millions of dollars of private funding to support public sector policy agendas including job creation, poverty reduction and inclusive economic growth – and helping to accelerate economic development globally. Figure 18 illustrates this shift in corporate thinking.

For a development practitioner, assessing if there are on-going inclusive business projects in one's country or region, and identifying the key corporate drivers of these inclusive business initiatives, are two useful ways of determining if there are opportunities for the development of pro-poor, enterprise linkage, programmes that can be pursued with inclusive business project sponsors/ stakeholders.

Through an analysis of platforms developed to promote inclusive business including the UN Global Compact, Business Call to Action, and Business Action for Africa, in addition to engaging with local organized business bodies such as chambers of commerce, sector associations, and regional apex institutions, development practitioners can segment their markets to identify potential inclusive business partners with whom to work.

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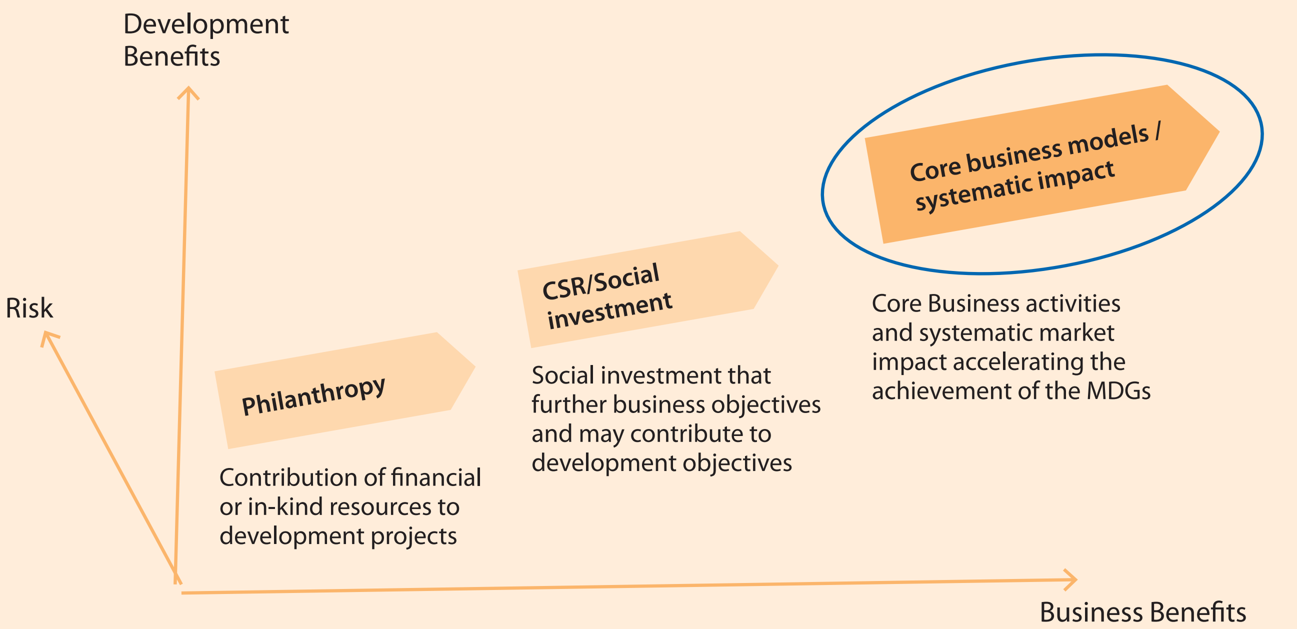
23 See http://www.enterprise-development.org/page/financial-support

Figure 18: CSR's Evolution from Philanthropy to Core Business



Source: UNDP

Table 8: Value Chain Development Intervention Activity

Program Area	Objective	Potential Intervention Ideas
Ag-Enterprise development/ Mkt. Links	Strengthen the Value Chain	• Organizing producer organizations • Identifying links with buyers • Improve competitiveness
Enabling Environment	Improved Information	• Market information systems • Credit Bureau development
	Expanded Collateral	• Legal and regulatory changes on use of receipts and crops as collateral • Contract laws and enforcement • Collateral registry development
	Sound Government Policy	• Consistent and fair import and export policies • Discourage monopolies and favouritism in licensing • Avoid politicized debt forgiveness programs
Institutional Capacity building	Strengthen actors able to deliver financial services to small rural enterprises and producers	• Encourage/ strengthen agribusiness agents, brokers and farmer organizations • Promote/ increase competition • Pilot efforts that link value chain actors and financial institutions

Source: USAID

The aim of the UN Global Compact has been to attract businesses that are willing to commit to aligning their operations and strategies around eight key principles of good corporate citizenry in the areas of human rights, labour, environment and anti-corruption. As a primary driver of globalization, the rationale is that these businesses can help ensure that markets, commerce, technology and finance can advance in ways that benefit economies and societies everywhere.

Over the past decade, the number of organizations that have adopted the principles of the "Global Compact" has risen to over 8700 corporate participants and other stakeholders representing more than 130 countries. The Global Compact has become the largest voluntary corporate responsibility initiative in the world. Many of the corporations involved with the Business Action for Africa initiative launched after the 2005 Gleneagles G8 Summit in 2005, and those active in the more recently launched UNDP hosted 2008 initiative, Business Call to Action, are also Global Compact members. A key focus shared by all three initiatives though, is the increasing relevance of pro-poor value chain development as a tool for corporations to use in their efforts to support the achievement of the MDGs.

In the African context, in large part because of the extensive involvement of African labour in the agricultural sector (up to 70 per cent of all workers), by far the dominant area of focus for inclusive business projects and value chain intervention has been related to the agriculture/ agribusiness/agri-food sector of the continent's economy.

In terms of inclusive business initiatives, the leading form that has arisen in Africa involves value chain project development at the national level, and increasingly, with a focus on regional value chain development.

In the January 2007 study entitled "Donor Approaches to Supporting Pro-Poor Value Chains"" undertaken by the Donor Committee for Enterprise Development, and more recently in the March 2010 study entitled "Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice" by the Institute of Development Studies (IDS) in the UK, it was observed that value chain initiatives have also become increasingly popular among the donor community as a comprehensive way to address enterprise/ private sector development, to increase employment, and to reduce poverty.

Thus, today a number of development finance institutions, foundations, and bilateral and multilateral donor organizations have begun to focus their attention on maximizing the utilization of value chain development to support development in emerging markets.

Components of a value chain development/ intervention programmes often include the following: (refer to table 8).

A value chain[24] is a series of activities, each of which adds value to a final product or service, beginning with the production of the raw material, continuing with the harvesting, storage, processing or elaborating of the final product, and ending with the marketing and sale to the consumer or end user. The interdependent linkages of the chain and the appropriately identified and secured market for the final product can provide the producers and processors with a reasonably assured market.

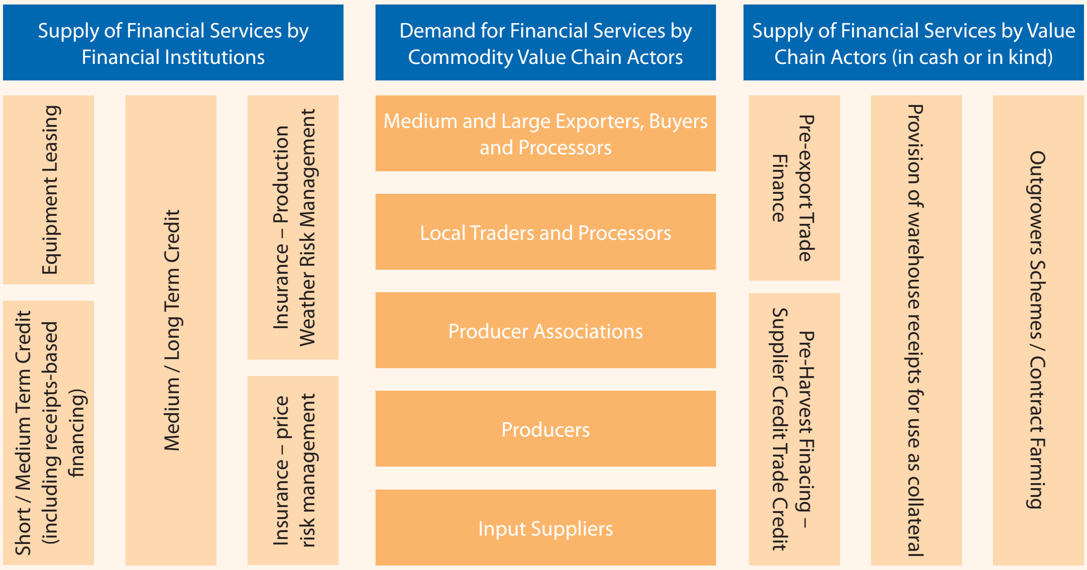
If such demand is reasonably understood and secured, the particular chain will exhibit reduced risk and reduced wastage, thereby permitting economies of scale and increased specialization, and ultimately providing all actors in the chain a higher return for their efforts.

The core focus of value chain development is about "upgrading" the stakeholders at each rung of the supply process:

a. **Product Upgrading:** moving into more sophisticated products with increased unit value, or with more complex content, or that match more exacting product standards;
b. **Process Upgrading:** achieving a better transformation of inputs into outputs through the reorganization of productive activities, and/or from improving standards in quality management, environmental impact and the social conditions of production;
c. **Functional Upgrading:** acquiring new functions that increase the skill content of activities and/or improve profitability (for example, moving from production only, to production and primary processing);
d. **Inter-sectoral (or inter-chain) Upgrading:** applying competences acquired in one function of a chain and using them in a different sector/chain;
e. **Other Forms of Upgrading:** matching strict logistics and lead times (time to market), consistently delivering supplies reliably and homogeneously (a major challenge in agro-food products), being able to supply large volumes (thus improving economies of scale) – these can involve a combination of the upgrading types listed above.

24 "Agribusiness for Africa's Prosperity", UNIDO, May 2011

Figure 19: Value Chain Finance: Demand and Supply



Source: UNDP

A key focus of contemporary value chain development programming involves utilizing innovative financing structures to reduce the risk of default by smaller participants in the chain. This is typically done through the utilization of non-collateral based financing structures and the provision of technical assistance as well as extension and other business development services related support to the recipient of the capital.

Through the various supplier contractual arrangements that are developed, it becomes easier to align supply specifications, provide training and technical assistance around contract fulfilment, and for financiers, it becomes easier to assess risk and to mitigate risk when desired by securing guarantees from larger actors within the supply chain.

Thus, the probability of repayment or achievement of the growth required to provide the desired investment rate of return becomes a factor of not just the dynamism or accuracy of the borrower or investee's business plan, but rather is tied to an analysis of the overall value chain and in particular the purchasing power of the lead firm or sales capacity of the lead driver within the chain. Thus, at each level the supplier in a value chain becomes part of a much larger supply eco-system or value chain that serves to reduce risk and expand opportunity.

Through the value chain development process, it also becomes much easier for stakeholders and project developers to crowd in capital from a range of financial institutions, while addressing the different thresholds for risk and return existent among varying financial stakeholders. Figure 19 illustrates the supply and demand factors and facility types related to value chain finance.

The pools of funding and finance structuring mechanisms deployed in relation to value chain finance also vary depending upon which actor is being funded and who is providing the capital.

Table 9: Types of Financial Service Providers and Financial Products

Types of Financial Service Providers
• Commercial Banks • Microfinance institutions (for profit or mission driven, non-profit MFIs) • Value chain actors • Informal finance mechanisms (credit unions, money lenders, friends and relatives, ROSCAs, ASCAs, SACCOs) • Private equity and venture capital firms and angel investors • Public funding (donors, international development financial institutions such as EIB, IFC and IFAD)
Types of Financial Products
• Savings accounts • Short-term credit for working capital (bank overdrafts, receipts-based financing such as factoring, warehouse receipts, market loans, in-kind loans and in-kind payments, trade credit) • Medium/ long-term credit for investment (equipment leasing, commercial loans, grants, loan guarantee programs, revolving funds, venture capital) • Insurance products against price and yield risk

Source: UNCTAD

Selected examples of recent value chain development projects active in Africa that involve all or some of these types of interventions include the following:

Table 10: Selected Value Chain Technical Assistance Programmes in Africa

Name		Key Donor	Type of TA	Geographic focus	Size in US$m
1	Better Trading Company	The Shell Foundation	Agri-investments company that does TA for portfolio companies	Southern & East Africa	na
2	PASS project, Tanzania	Denmark government	Agriculture for smallholder farmers	Tanzania	na
3	PASS project, Uganda	Denmark government	Agriculture for smallholder farmers,	Uganda	61.74
4	Technoserve	USAID	Develop entrepreneurs & build sectors, including agriculture	Africa, Latin America	na
5	AgriBiz	USAID	Agriculture four-year program	West Africa	na
6	East and West Africa Trade Hubs	USAID	Government focused on agriculture & food	East Africa/ West Africa	na
7	COMPETE	USAID	Agriculture four-year program	East & Central Africa	na
8	Land O Lakes International Development	USAID, USDA	Agriculture social program of a US based large commercial agri-business	Largely Africa	na
9	SNV	Netherlands government	Value chain analysis across sectors	Africa, Asia, Latin America & Balkans	na
10	Feed the Future	USAID initial donor	Global hunger and food program	Africa, Asia, Latin America	18500
11	GDS	Not applicable	Private value chain analysis company	Global	na
12	Common Fund for Commodities	Netherlands government	Inter-governmental finance institute that does research on commodities	Commodity dependent developing countries	283
13	Royal Tropical Institute	Netherlands government	Conducts research, training courses, consultancy & information services	Global	na
14	IITA	USAID	Research institute related to agriculture/food	Africa	53.2 pa
15	Anglo American Zimele	Anglo American	Corporate Social Investment of Anglo-American	South Africa	na
16	Partners in Food Solutions	General Mills	Links volunteer employees at General Mills, Cargill and DSM to SME mills & food processors in developing countries	Kenya, Malawi, Tanzania & Zambia	na
17	IFC SME Ventures Fund Manager Capacity Building	IFC	Provide capacity support to SME fund managers	Bangladesh, Bhutan, CAR, DRC, Nepal, Sierra Leone and Yemen	na

Source: Africa Venture Partners, 2011

Anglo American and General Mills mentioned in Table 10 are illustrative of a much larger group of corporations on the continent that are active in value chain development, particularly in the agribusiness sector.

Table 11: Corporate Agribusiness Value Chain Practitioners in Africa

	Corporation	Product and Activity	Country
1.	SAB Miller	Progress Through Partnership Initiative – Barley Cultivation	Uganda
		Sorghum Cultivation	Ghana and Tanzania
2.	Coca Cola	Micro-Distribution Centres Initiative – Beverage distribution	Ethiopia, Kenya, Tanzania and Uganda
		Sustainable Agriculture Initiative (SAI) – coffee, dairy, fruit, arable and vegetable crops	Multiple Countries
3.	Diageo	Maize and Sorghum Sourcing	Ghana and Nigeria
		Sorghum sourcing	Cameroon
		Barley cultivation	Uganda
		Barley and Sorghum cultivation	Kenya
		Production of Guinness in Nigeria	Export to UK
		Produce Smirnoff Ice in Nigeria	Export to rest of West Africa
		Produce Windhoek Lager Beer	Export/ Distribute Globally
		Produce Smirnoff in South Africa	Export to rest of Southern Africa
		Produce Tusker Beer in Kenya	Export to UK
		BAFICAA	East African Community
4.	Tetra Pak	Support dairy development project as UNDP partner	Tanzania
5.	Cadbury	Cocoa cultivation – out-grower schemes with smallholder farmers	Ghana
6.	L'Occitaine en Provence (cosmeticscompany)	Cultivate and process shea butter for cosmetics products as UNDP partner	Burkina Faso
7.	Yara International	Southern Agricultural Growth Corridor if Tanzania (SAGCOT) – multiple stakeholder and multi- agri-product development initiative	Tanzania
		Beira Agricultural Growth Corridor (BAGC) –seeds, honey, bananas, goats, mangoes	Mozambique
8.	SNV	BAGC	Mozambique
9.	AgDevCo	BAGC	Mozambique
10.	Prorustica	BAGC	Mozambique
11.	Mocfer	BAGC	Mozambique
12.	Sun Biofuels	BAGC	Mozambique
13.	V & M Trading	BAGC	Mozambique
14.	Euromoc	BAGC	Mozambique
15.	Sal &Caldeira	BAGC	Mozambique
16.	Illovo Sugar	BAGC	Mozambique
17.	Rio Tinto	BAGC	Mozambique
18,	Terra Afrique	BAGC	Mozambique
19.	Milling & Gold Bread	BAGC	Mozambique
20.	Grown Energy Zambeze	BAGC	Mozambique
21.	Frontiersmarkets	BAGC	Mozambique
22.	Sena Sugar	BAGC	Mozambique
23.	Vale	BAGC	Mozambique
24.	Riversdale	BAGC	Mozambique
25.	Hewlett	BAGC	Mozambique
26.	Unilever	SAGCOT	Tanzania
		Abidjan-Lagos Transit Corridor Development in support of ECOWAS	West Africa

	Corporation	Product and Activity	Country
		Sustainable Agriculture Initiative (SAI) – multi stakeholder initiative	Multiple countries
		Business Action for Improving Customs Administration in Africa (BAFICAA)	East African Community
		SAI	
27.	Dupont	SAGCOT	Tanzania
28.	General Mills	SAGCOT	Tanzania
		Partners in Food Solutions Initiative (PFS) – value chain technology transfer project	Kenya, Malawi, Tanzania, Zambia
		SAI	Multiple countries
29.	Sainsbury	Coffee cultivation	Democratic Republic of Congo
30.	Cargill	PFS	Kenya, Malawi, Tanzania, Zambia
		Soya Push in Africa	Mozambique
31.	InfraCo	SAGCOT – Farm infrastructure	Kenya, Mozambique, Uganda, and Zambia
		BAGC	
32.	British American Tobacco	BAFICAA	East African Community
33.	Nestle	SAI	Multiple countries
34.	Pepsico	SAI	Multiple countries
35.	Sara Lee	SAI	Multiple countries
36.	Danone	SAI	Multiple countries
37.	Heineken	SAI	Multiple countries
		Sorghum cultivation	COMESA
38.	Farm Frites	SAI	Multiple countries
39.	Fonterra	SAI	Multiple countries
40.	Agro Terra	SAI	Multiple countries
50.	Lamb Weston	SAI	Multiple countries
51.	Kraft Foods	SAI	Multiple countries
52.	Kelloggs	SAI	Multiple countries
53.	Novus	SAI	Multiple countries
54.	McDonalds	SAI	Multiple countries
55.	McCain	SAI	Multiple countries
56.	Tchibo	SAI	Multiple countries
57.	Agra Frost	SAI	Multiple countries
58.	Aviko	SAI	Multiple countries
59.	Pic n' Pay Holdings	Source various food stuffs, support Southern Africa Food Lab	Southern Africa
60.	Shoprite Holdings	Sourcing food stuffs for 130 stores in 16 African countries, employing 88, 000 people	Multiple countries
61.	Syngenta	SAGCOT	Tanzania
62.	Monsanto	SAGCOT	Tanzania
63.	Nakumatt Holdings	Sourcing food stuffs	East African Community
64.	SAPPI	Forests business development programme	Southern Africa
65.	Dantata Foods	Cow Peas Cultivation Initiative	Nigeria
66.	DSM	Partners in Food Solutions	Kenya, Malawi, Tanzania, Zambia

**Share of Africa total aid to developing countries (three-year average over the period 2006-2008)*
Source: UNCTAD

Step 4 – Engaging the Inclusive Finance Sector

Increasingly there are also a number of platforms and communities of practice emerging among institutional inclusive business finance practitioners. These resources are very useful for development practitioners seeking to identify prospective financial partners for pro-poor programmes, projects and/ or for those seeking to support emerging MSMEs.

A growing number of banks, funds, corporations and other private institutions that directly and indirectly provide inclusive finance are members of one or more of the associations, platforms or business networks mentioned below.

Inclusive Business and Finance Networks

Alliance for Financial Inclusion
399 Interchange Building, 24th floor
Sukhumvit Road, North Klongtoey, Wattana
Bangkok 10110, Thailand
Tel: +66 (0)2 401 9370
Fax: +66 (0)2 402 1122
E-mail: info@afi-global.org
URL: www.afi-global.org

Business Call to Action
Private Sector Division
United Nations Development Programme
One UN Plaza, DC 1 – 2300
New York, New York 10017, USA
Tel: [1] (212) 906-5695
E-mail: bcta.secretariat@undp.org
URL: www.businesscalltoaction.org

Making Finance Work for Africa
African Development Bank
BP 323 – 1002
15 Avenue du Ghana
Tunis, Tunisia
Tel: [216] 71 10 39 53
Fax: [216] 71 33 44 84
E-mail: secretariat@mfw4a.org
URL: www.mfw4a.org

Business Action for Africa
Amadeus House
27b Floral Street
Covent Garden
London, WC2E 9DP, United Kingdom
Tel: [44] 20 7812 7334
E-mail: info@businessactionforafrica.org
URL: wwusinessactionforafrica.org

Council for Microfinance Private Equity Funds
c/o Accion International Center for Financial Inclusion
1401 New York Avenue, NW, Suite 500
Washington, DC 20005 USA
Tel: [1] (202) 393-5113
Fax: [1] (202) 393-5115
E-mail: ddrake@cmef.com
URL: www.cmef.com

African Rural and Agricultural Credit Association
AFRACA Secretariat
ACK Garden House
PO Box 41378 GPO
Nairobi, Kenya
Tel: [254] (20) 271 7911/ 271 5991
Fax: [254] (20) 271 0082
E-mail: afraca@africaonline.co.ke
URL: www.afraca.org

Consultative Group to Assist the Poor (CGAP)
900 19th Street, N.W., Suite 300
Washington D.C. 20006, USA
Tel: [1] (202) 473-9594
Fax: [1] (202) 522-3744
E-mail: cgap@worldbank.org
URL: www.cgap.org

BiD Network
StichtingBiD Network
De Ruyterkade 107
1011 AB Amsterdam, The Netherlands
Tel: [31] (20) 7555 000
Fax: [31] (84) 8300 022
E-mail: info@bidnetwork.org
URL: www.bidnetwork.org

The Microfinance Gateway
c/o CGAP
1818 H Street, NW, MSN P3-300
Washington, DC 20433, USA
Tel: [1] (202) 473-2986
E-mail: webmaster@microfinancegateway.org
URL: www.microfinancegateway.org

New Faces New Voices Women Finance
3 Eglin Road
The Crescent Office Park, North Block, First Floor

Tel: [27] (11) 783 7499
Fax: [27] (11) 783 4951
E-mail: Nomsad@srmholdings.com

The Aspen Network of Development Entrepreneurs
The Aspen Institute
One Dupont Circle, NW, Suite 700
Washington, DC 20036-1133 USA
Tel: [1] (202) 736 5800
E-mail: ande.info@aspeninst.org
URL: www.aspeninstitute.org

Association of African Development Finance Institutions
Immeuble AIAFD-Boulevard Latrille rue J61
Cocody – Deux Plateux, 06 BP 321
Abidjan 06, Cote dÍvoire
Tel: [225] (22) 52 79 40/ (22) 52 33 89
Fax: [225] (22) 52 79 41/ (22) 52 25 84
E-mail: info@adfi-ci.org
URL: www.adfi-ci.org

Emerging Markets Private Equity Association
1077 30th Street NW, Suite 100, Washington, DC 20007, United States
Tel: [1] (202) 333-8171
Fax: [1] (202) 333-3162
E-mail: info@empea.net
URL: www.empea.net

Alliance for a Green Revolution in Africa
Eden Square, Block 1, 2nd Floor
Nairobi, Kenya
Tel: [254] (20) 375 0627
Fax: [254] (20) 375 0653
E-mail: info@agra-alliance.org
URL: www.agra-alliance.org

World Business Council for Sustainable Business
4, chemin de Conches
1231 Conches
Geneva, Switzerland
Tel: [41] (22) 839 3100
Fax: [41] (22) 839 3131
E-mail: info@wbcsd.org
URL: www.wbcsd.org

G20 SME Finance Network
c/o AshokaChangemakers
1700 North Moore Street, Suite 2000 (20th Floor)
Arlington, VA 22209, USA
Tel: [1] (703) 527-8300
Fax: [1] (703) 527-8383
Email: info@ashoka.org
URL: www.changemakers.com

NEPAD-OECD Africa Investment Initiative
2, rue André Pascal
75775 Paris Cedex 16, France
Tel.: [33] (1) 45 24 82 00
Fax: [33] (1) 45 24 85 00
E-mail: daf.contact@oecd.org
URL: www.oecd.org

UN Capital Development Fund
Two UN Plaza
New York, NY 10017 USA
Tel: [27] (11) 603 5125
E-mail: info@uncdf.org
URL: www.uncdf.org

Donor Committee for Enterprise Development
c/o DFID
1 Palace Street
London SW1E 5HE, UK
Tel: [44] (20) 7023 0000
Fax: [44] (20) 7023 0019
E-mail: admin@enterprise-development.org
URL: www.enterprise-development.org

International Business Leaders Forum
15-16 Cornwall Terrace
Regent's Park
London NW1 4QP
United Kingdom
Tel: [44] (20) 7467 3600
Fax: [44] (20) 7467 3610
E-mail: info@iblf.org
URL: www.iblf.org

Aid Flows – Global Data on Aid Funding-
www.aidflows.org
The World Bank
1818 H Street, NW
Washington, DC 20433 USA
Tel: [1] (202) 473-1000
Fax: [1] (202) 477-6391
E-mail: www.aidflows@worldbank.org
URL: www.worldbank.org

Int'l. Network of Alternative Financial Institutions
Sacré Cœur 2, N° 8609 D
45374 Dakar-Fann, SENEGAL
Tel: [221] 33-825-3222
Fax: [221] 33-825-3223

Cell: 221-77645 4487 / 221- 77 203 70 91
E-mail: info@inafi.org
Website: www.inafi.org

African Venture Capital Association
P.O. Box 24593-00100
6th Floor Timau Plaza, ArgwingsKodhek Road, Kilimani, Nairobi, Kenya
Tel: [254] (20) 386 41 77 / [254] (20) 253 6977
URL: avca@avca-africa.org

The Global Impact Investing Network
420 5th Avenue
New York, New York 10018
Tel : [1] (212) 852-8349
E-mail: info@globalimpactinvestingnetwork.org
URL: www.thegin.org

Rural Finance Network
c/o IFAD Africa, Shelter Afrique Building,
2nd Floor, Mamlaka Road, Off Nyerere Rd
Nairobi, Kenya
Tel: [254] (20) 271 3702/04
Fax: [254] (20) 271 3706
URL: www.ruralfinancenetwork.org

Association of European Development Finance Institutions
Rue de la Loi, 81A
B-1040, Brussels
Belgium
Tel: [32] (2) 230 2369
Fax: [32] (2) 230 0405
Email: edfi@edfi.eu
URL: www.edfi.eu

UN Global Compact
DC2-618
New York, New York 10017
Tel: [1] (212) 963 1490
Fax: [1] (212) 963 1207
URL: www.unglobalcompact.org

Common Fund for Commodities
P.O.Box 74656
Stadhouderskade 55
1072 AB Amsterdam
The Netherlands
Tel: +31-20-5754949
Fax: +31-20-6760231
URL: www.common-fund.org

Step 5 – Forging Sustainable Partnerships with the Private Sector

Over the past ten years, the companies that have become involved in inclusive business initiatives have amassed significant experience in how to work with development partners and the public sector in developing countries. Similarly, development partners and governments themselves have also developed increased understanding of how to design and implement mutually beneficial projects that significantly involve low income commercial actors and private companies.

As more and more of these case studies have been documented in publications such as the UNDP GIM Report and online portals such as that established by the Donor Committee for Enterprise Development and the private sector led platform, Business Fights Poverty, they have helped create a growing repository of knowledge on public-private partnership and collaboration. Within the United Nations these experiences have been captured and are disseminated through a designated portal that provides how to and resource information for global companies seeking to take up the challenge made in 2000 at the onset of the UN's Global Compact for corporations to do their part in supporting the achievement of the Millennium Development Goals.

One of the more recent primers found within the UN's repository which was developed as a companion document to the report "Catalysing Transformational Partnerships between the United Nations and Business" is the publication entitled the "Ten Step Guide for Creating Effective UN-Business Partnerships". The short guide puts forth useful analysis on the road map to partnerships between the private sector and UN institutions.

Beyond traditional finance scenarios that involve traditional financial service providers including micro-credit institutions (involving debt, equity, guaranty, and grants instruments and services such as insurance and leasing products), when exploring ways to engage businesses to play catalytic roles within public sector development projects and programmes, development practitioners must inevitably pursue a partnership establishment course of action.Getting companies to engage in low income enterprise-involved value chains, or use their resources to finance low income consumers, distributors and suppliers, first involves getting them to see shared value in the development initiative(s) proposed.

Figure 20: Strategic Partnership Life Cycle

Exploration	Design and Negotiation	Implementation
The Exploration phase starts when an idea to address an important issue is generated by the UN or by Business, and ends when a set of partners with complementing skill sets agree to collaborate. The idea originator searches for the most suitable partner(s), with each communicating their respective value propositions and needs upfront.	The Design and Negotiation phase involves the steps taken to structure the partnership, at the end of which a MOU or contract is signed to formalize the arrangement. Tangible governance structure, outlining roles, responsibilities and decision making rights should be cemented at this stage. A single monitoring and evaluation system that meets the needs of UN and Business and measures partnership impact is vital for sustainability.	Partners execute along a pre-defined roadmap during implementation, with on-going monitoring of metrics and milestones. The transformational potential of this phase, if properly designed, will be marked by clear project ownership, contingency planning, communication Between global and local focal points, and scalability. A process for regular partnership reassessment should serve as the basis for altering or terminating the partnership if results are not realized.

Source: UNDP

Thus, the steps and processes required to move a particular project to the point where the development practitioner's institution and a private company are sharing project/ programme implementation costs starts with the development of a sound relationship in which the parties have aligned interests and clearly defined roles, responsibilities and benefits. Again, this scenario is differentiated from a pure financial transaction for a value chain actor or low income enterprise.

Understanding the life cycle of an effective strategic partnership is an important component to developing an enduring and sustainable working relationship. Figure 20 illustrates this life cycle.

Phase 1 – Exploration

The first two steps toward forming a successful partnership with the private sector involve the identification of a suitable partner(s) and the undertaking of exercises to build support and buy-in for the initiative.

Step 1 – Identifying Suitable Partners

Establishing trust between business and the development practitioner's institution is one of the most crucial aspects of partnership development and sustainability. Planning and ensuring that prospective partners in the private sector understand what development institutions do, how they work, and what they bring to a particular project may take some time, but the investment up front is critical to success as the relationship unfolds.

Step 2 – Establishing Broad Based Buy-In for the Project

Also, it is important that adequate buy-in throughout both partnership institutions is obtained, and this process also may take some time to achieve – but will be critical to ensure sustainability of the initiative. Alignment, within the prospective partner institutions and in regard to the national and/or regional priorities in the target country/ region will also involve further stakeholder engagement, discussion, negotiation and approval seeking exercises. And all of this activity is really the preamble to the implementation of a partnership.

Phase 2 – Design and Negotiation

Step 3 – Governance Structure Development

Crafting a sound partnership plan and a structure for project implementation is another important pillar to building a successful relationship between a development institution and a private company. It is of particular importance to have a written agreement (contract or memorandum of understanding) that outlines the roles, responsibilities, milestones and governance structures that will guide the relationship. Creating an executive board is also a key component of this step. Such a board can be comprised of two representatives of each partner and also include an independent adviser and the appointment of a neutral Ombudsman to mediate and help resolve conflicts should they arise. At this stage, penalties/recourse for unmet agreements, should also be discussed and finalized in writing.

In this exercise it is important to recognize that private, public, and non-profit actors often speak different languages and bring different interests and perspectives to the table. While this helps create value in cross-sectoral partnerships, it makes their management more difficult. Dialogue is required to negotiate not only the details of cooperation, but also a shared purpose and a decision-making structure. Negotiation and team building skills are required by managers on the interface; facilitation and collaborative planning skills help them engage other stakeholders. Conflict resolution skills help manage bumps along the road. Each organisation should assess, and where appropriate enhance, its partnership building capabilities. It is often helpful to do this together with potential partners, helping to build a common framework and approach.

Step 4 – Develop an Impact Focused Monitoring and Evaluation Framework

Part of the glue that holds successful partnerships together is a joint framework for measuring success. Thus the monitoring and evaluation framework used to support the management of the project/ programmes should be one that incorporates the reporting needs of both parties and which tracks the partnerships impact using metrics that go beyond inputs and outputs. Outcomes and internal benefits to both partner's institutions should also be included. The framework should also track the contributions of each partner and serve as a basis for altering or terminating the partnerships if results are not realized.

Step 5 – Forecast Future Partnership Resource Needs and Project Conditions

Partnership planning should also include visioning for the future. The benefit of having done longer term analysis and what-if thinking is that the project partners will find themselves much better prepared to deal with contingencies should the project unfold in a different manner than anticipated.

Budgeting, in particular, should be done collectively with the development partner contributing benchmarks from past projects and the business partner contributing forecasting expertise. As part of the contingency and scenario planning, partners may want to agree to contribute to a "contingency fund" to further ensure project sustainability.

Step 6 – Sustainable Financial Planning and Impact Projection

Based upon the forecasts that are developed, milestones should be developed that trigger funding capital calls from the partners. Both partners should be transparent and clear about the levels and duration of their support for the project and regarding the availability of funding for further activity once the initial funding provided has been exhausted. Sustainability measures that can be undertaken to support the project can included the identification of multiple funders at project inception and engaging a dedicated consultant or fundraising coordinator to support the project and also to document and promote its early successes which will help future fundraising efforts.

Step 7 – Scaling Up Partnerships

Toward maximizing impact, partnerships should consider ways to add scale to their efforts. Developing a "Proving Template" is one way to undertake this exercise and involves demonstrating "proof of concept" and helps convince other prospective partners to join and involves marketing the existing successful projects of the partners and/or partnership. Another way to reach scale involves establishing "Spin Offs or Franchises" of the initiative by planning for replication or hand-off to other organizations such as NGOs, companies and government bodies. Lastly, "Internal ScaleUp" can be accomplished by incurring a one-time cost for set-up of projects that can be replicated in other countries/ regions with minimal customization required.

Phase 3 – Implementation

Step 8 – Initiate the Partnership with a Pilot

Understanding each partner's working styles is something that takes time. As such before undertaking a large and often complex project it is useful to initiate the project with a smaller pilot phase to build credibility and trust among partners. Setting quick-win milestones to demonstrate early successes can also help increase motivation, stakeholder participation, and help mobilize additional funds for the partnership's larger intended project.

Step 9 –Establish Regular Reassessment Mechanisms

Continual assessment of the project's progress is a fundamental aspect of successful implementation. Partnerships are long term commitments and thus partners should build in ways to regularly assess the relevance, impact and the suitability of the progress to the partners. An annual review should be a given, but six month, and even quarterly reviews, may be considered if that will help ensure that the project is on tract and the mission remains the same. Reviewing the MOU or contract to ensure that it is still relevant is also important at these intervals.

Step 10 – Knowledge Management Process Development

Documenting, managing and preserving partnership knowledge is an important part of institutionalizing the relationship within both partner organizations and, among other things, helps ensure that personal change or position change does not derail the partnership. Contacts, best practices, and expertise can be managed by establishing a knowledge management database, staggering the terms of board members, and duplicating connections to ensure that relationships are spread across more than one individual.

Chapter 5

Developing Bankable Projects and Programmes

Presenting the Project

For project promoters and development practitioners who work with enterprises that are seeking funding, presenting the project in a comprehensive manner showing developing impact, financial sustainability and sound management and project implementation planning is a critical component of getting the initiative funded.

Again, while development practitioners may choose to outsource the development of project plans to consultants or other technical assistance providers, it is important for them to have a firm understanding of the components that comprise a bankable project.

Thus, components of a well presented project are likely to include the following subject matter and detailed responses to the following descriptive questions posed.

Name of Potential Borrower and/or Name of the Project

Location

1. Give the exact location of the project.

Name of Sponsoring Company and Brief Description of Project

2. Describe the proposed or existing company/ project, the capital structure, land ownership details, nature of major activities, sponsors, history, management, financial results for past five years, bank references etc.
3. Project description and rationale.
4. Review of the Sector. Describe how the project fits within the country's development objectives.

Market

5. Describe the market for the product or service, give production and sales data including imports and exports. Provide forecasts and justification.
6. Describe marketing channels, sales arrangements, and commercial arrangements.
7. Competition, both domestic and foreign, past and current market trends and developments.
8. Tariff and non-tariff barriers.
9. Price structures, price controls, subsidies, rebates, import regulations, government involvement etc.

Technical Aspects

10. Detailed description of technical, construction or other aspects of putting together the project.
11. Technical process. Basis for its selection, suitability, relative costs, describe processes, rated capacity and anticipated output.

Raw Materials and Procurement

12. Materials needed, sources, order time, stability of supply, concessions, import licenses, supply contracts. Likelihood of cost increases.

Infrastructure, Transportation

13. Adequacy of electricity, water and other utilities and transportation facilities. Costs.Reasons for possible implementation delays.

Environmental Aspects

14. Detailed description of environmental impact, how project affects the physical and social environment and what project sponsors are doing to mitigate effects.

Organization and Management

15. Describe the structure of the Board and Management.
16. How is the project development and supervision organized? How is the project implementation supervision organized? How are costs to be determined and negotiated? Implementation schedule.
17. Provide details of technical assistance or management contracts or other agreements. Provide information on competence of those involved.
18. Provide details on availability and costs of appropriately skilled workers, as well as information on labour laws, union organizations, ease of work force reduction and so forth.
19. Describe the company's/ project's program for Africanization of management.

Government role, taxation, regulation, insurance, special incentives

20. Does the Government have any direct or indirect role? What government approvals are required and current status?
21. Are there any investment incentives or privileges accorded to the project?
22. Describe applicable, provisions for repatriation of capital, dividends, royalties, foreign exchange rates, loans, etc.
23. Provide details on insurance policies related to the company, the project, and the management.

Project Investment Cost Financing Plan

24. Provide detailed cost estimates, land, buildings, earthworks, machinery, equipment licensing, permanent working capital, and interest during implementation. Allocate costs among local and foreign currency requirements.
25. Financing plan, including details of shareholding or other ownership structure, and various details of loans.
26. Disbursement schedule and rationale.
27. Provide details of assistance requested and reasons why the funders should invest in the project.

Financial and Economic Evaluation

28. Projections of output revenues, costs and profits for ten profits for ten years or more. Costs items should include raw material, labour, power and other utilities, repair and maintenance, administration expenses, sales expenses, depreciation, taxes and so forth. Provide calculation of gross operating profit, cash flow projected income statements, summary balance sheet projection, etc. Supply detailed schedules as appendixes.
29. Provide a complete final evaluation of the project including computation of internal rate of return. For project expansion provide comparisons of forecasts with and without the project.
30. Provide an economic evaluation with economic rate of return and the assumptions used in its calculation.
31. Provide an overview of broader economic and development impact of the project.

Risks and Safeguards

32. Discuss realistically the risks involved in carrying out the project, including weather infrastructure, government, labour, supplier, market and other factors. Then review how the project sponsor intends to guard against the risks.

Appendixes

32. Provide maps, lists of affiliated companies, information on individual shareholders and managers, detailed process, equipment or project subscriptions, market statistics, financial schedules and so forth.

Developing the Project Results Framework

In the cases where the project is more of a systemic one than one involving an enterprise, a different set of planning and presentation tools are required. The project results framework is one of the key tools developed to guide the project development process.

The Results Framework is a snap shot of a project at a particular point in its development. The initial preliminary Results Framework is revised and refined as more in-depth information is gathered during project design and implementation. The Results Framework helps planners:

- Set project objectives
- Define indicators of success
- Identify key activity groups
- Define critical assumptions underlying the project
- Identify means for verifying project results
- Define resources needed for implementation

In addition, the Results Framework can be used as a tool to improve project implementation, monitoring, and evaluation. A comprehensive Project Results Framework will generally have the following elements:

Goals:
The higher order goals that the project is expected to achieve over the long-term. These will usually be corporate strategic objectives or programme goals, such as:
- Promote micro and small enterprise development that generates income and employment
- Improve community-based natural resource management
- Expand participation of African grassroots enterprises in international trade and investment.

Purpose:
The specific objectives the applicant plans to accomplish within the life of the project through its Outputs. The Purpose should be defined in terms of the impact on the intended project beneficiaries. It may describe a change in their behavior (such as "New production methods adopted by grassroots farmers"), their performance (such as "Micro Loan Inc. meets the demand for credit among women entrepreneurs in the central region of Uganda"), a benefit to the larger population (such as "Improved access to and quality of primary education"), or the development of a new technology in an applied research project.

Outputs:
The components or main working strategies of the projects. They are the main deliverables of a project such as a nursery, loans, people trained, or processes developed.

Activities:
The specific actions that the project would carry out to produce the desired outputs and implement the project. Examples of activities would include construction of a building, disbursing of loans, provision of training, and testing of a new production process. A group of activities summarizes the main actions required to accomplish each project output.

Objectively Verifiable Results (OVRs):
Measurements of project performance for each objective at the goal, purpose, output, and activity levels. The results indicators should incorporate quantity, quality and time targets, as shown in the following examples:

Step 1: Basic Indicator
Small farmers increase paprika yields.

Step 2: Add Quality
Small farmers increase paprika yields by 50 percent.

Step 3: Add Quantity
10, 000 small farmers (1.5 ha or less) increase their production of paprika by 50% and 90% of the crop meets the quality specifications of European importers.

Step 4: Add Time
10, 000 small farmers (1.5 ha or less) increase paprika yields by 50% between October 2000 and October 2001 and 90% of the crop meets the quality specifications of European importers. The production and quality gains continue through the end of the project.

Baseline Data:
Establish performance level for each objective at the start of the project.

Important Assumptions:
Assumptions are the key opportunities or threats in the external environment that the project will address that are not under the control of those implementing the project. Assumptions are the sufficient conditions that link each level of objectives in the project plan. The process of specifying assumptions is like scanning for external threats in strategic planning. The process helps managers to anticipate where a project may fail and develop strategies to protect against threats. If the project is based on unrealistic assumptions, it may not be viable and should be redesigned or abandoned.

Generic Results Framework

OBJECTIVES	OBJECTIVELY VERIFIABLE RESULTS (OVR)	BASELINE DATA	ASSUMPTIONS
Goals: The higher order objectives to which the project contributes	Targets to verify goal achievement	Current performance at goal level	Important external factors or events that are necessary for sustaining objectives in the long run
Purpose: The impact or effect of the project on the beneficiaries	Targets to verify purpose achievement	Current performance at purpose level	Important external factors or events that are needed in order to obtain the Goal
Outputs: The deliverables or things produced by the project's activities	Targets to verify accomplishment of outputs	Current performance at the output level	Important external factors or events that are needed in order to achieve the Purpose
Activities: The main activities or actions that must be undertaken to generate the outputs	Summary of Project Budget	Current inputs/ resources	Important external factors that must prevail in order to accomplish the outputs

Example of a preliminary framework: Etrapa tomato puree and concentrate project

OBJECTIVES	OBJECTIVELY VERIFIABLE RESULTS (OVR)	BASELINE DATA	ASSUMPTIONS
Goal Promote micro and small enterprise development that will generate income and employment	ETRAPA members earn 15, 000 CFA per month by the end of Project Year 1	3.4 million for 2012	Inflation remains under control
	ETRAPA employs 24 persons on a permanent on a full-time basis by 2004	19 in 2010	Constant rate of increase in demand for processed tomatoes
Purpose Increase access to safe, high-quality tomato purée and paste on the local market	ETRAPA's sales of processed tomato products stabilize year round in the ____ market at 150, 000, 000 CFA by ______	CFA 13, 000, 000 in 2010	Consumers continue preference for locally produced products
Outputs Processed tomato products	By end of project: 250, 000 cans of pureed tomatoes and 62, 000 cans of peeled tomatoes produced annually	20, 800 cans of pureed tomatoes and 6, 600 cans of peeled tomatoes in 2010	
New skills/improved technology	Higher output/worker; higher product grade	Current output/worker; product grade	
Reliable supply and distribution system	Supplies and distribution of products on schedule ___% of the time.	Supplies and distribution of products on schedule ___% of the time.	10 to 12 fold increase in ETRAPA's demand for tomatoes will induce behavioural changes of farmers that result in a reliable supply of tomatoes
Activities 1.Construct infrastructure 2. Equipment replacement fund 3. Purchase equipment 4. Purchase vehicle 5. Training 6. Processing operation 7. Supply and distribution 8. Marketing 9. Monitor and assess project	Funder ETRAPA (000 CFA) 1. 2. 3. 4. 5. 6. 7. 8. 9. Total	Current inputs/resources	

Chapter 6

Harnessing UN Inclusive Business Finance Technical Assistance Resources

While there are a number of bilateral project related initiatives that provide technical assistance related to the promotion of financial inclusion, three particularly relevant resources for development practitioners and for MSMEs are found within the UN system in the United Nations Capital Development Fund, the International Fund for Agricultural Development, and the International Labour Organization.

Three others, the UN Department of Economic and Social Affairs (co-producers with UNCDF of the "Blue Book on Building Inclusive Financial Sectors"), the UNDP (through support of various micro-finance programmes), and UNICEF (as part of its focus on Innovation for Development and support of mobile money innovations involving cell phones and money transfer and banking) are leading advocates of inclusive finance and work closely with the first three institutions. Similarly, the FAO, WFP, ITC and UNIDO all incorporate access to inclusive finance initiatives in the work that they do to support value chain development, food security, inclusive trade development and LDC industrialization programmes, respectively.

Thus, the profile below is not intended to be exhaustive in terms of all the potential resources that might be available to a development practitioner seeking to develop capacity or to help constituents develop capacity, but rather it is intended to highlight some of the key institutions that offer assistance in this area.

UN Capital Development Fund (UNCDF)

Established by the General Assembly in 1966 and with headquarters in New York, UNCDF is an autonomous UN organization affiliated with UNDP. UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital.

UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

UNCDF works to enlarge peoples' choices: it believes that poor people and communities should take decisions about their own development. Its programmes help to empower women – over 50% of the clients of UNCDF-supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems, in accordance with the Paris Principles.

UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyse larger investment flows from the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1: Eradicate Extreme Poverty and Hunger, Goal 3: Promote Gender Equality and Empower Women, and Goal 7: Ensure Environmental Sustainability.

Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services includes savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances. Sound institutions are guided by internal management systems, industry performance standards, and prudential regulation as appropriate, and may be private or public, and of institutional types ranging from commercial banks to microfinance institutions, from cooperatives to non-bank financial institutions, and more. Sustainable institutions refer to their ability to provide on-going access to financial services and to invest in new products and new markets over time.

90 percent of people lack access to formal financial services in the Least Developed Countries. UNCDF works to ensure that more households and small businesses gain access to credit, savings, insurance and other financial services that expand opportunities. UNCDF's ability to provide risk capital directly to the private sector (unique in the UN system) helps bring microfinance to underserved markets and spur new innovations (e.g. mobile phone banking). UNCDF ranked in the "very good" category, improving its score from 73 in 2009 to 83 in the 2011 "SmartAid Index" of overall effectiveness in microfinance1. UNCDF operates inclusive finance programmes in 27 LDCs in sub-Saharan Africa and Asia/Pacific through a financial inclusion sector-development approach and thematic initiatives. It also supports UNDP inclusive finance activities in 14 countries where UNCDF does not have its own programmes – primarily non-LDC countries.

The G20 Seoul Summit Leaders' Declaration of November 2010 reiterated the G20 commitment to financial inclusion and officially launched the Global Partnership for Financial Inclusion. This platform which includes G20 and non-G20 countries as well as relevant stakeholders, will promote knowledge sharing, policy advocacy and coordination. It will moreover carry out the G20 agenda on financial inclusion through the implementation of its Financial Inclusion Action Plan. This Action Plan emphasizes, among others, the need to develop diagnostic tools at the country level that will help identify constraints and opportunities to promote financial inclusion.

Against this background, UNCDF started to develop, in partnership with the South Africa-based institution FinMarkTrust, CENFRI2 a diagnostic and programmatic tool to promote financial inclusion. This tool will build on UNCDF's extensive experience in promoting inclusive financial sectors (including through the development of national microfinance strategies), as well as FinMark Trust's highly regarded financial inclusion assessment methodology FINSCOPE. It will also incorporate lessons from the new developments that have revolutionized access over the past few years, such as agent and branchless banking, and will reflect promising developments such as linking conditional cash transfers to savings accounts. That programmatic framework will moreover integrate the knowledge gained through the CLEAR4 exercises developed by the Consultative Group to Assist the Poor (CGAP) on ways to promote donor effectiveness and cooperation at the country level. The objective of this tool is, in short, to help governments and national stakeholders develop National Compacts on Financial Inclusion that will fulfil the vision set up by the G20.

UNCDF and FinMark Trust / CENFRI will develop this approach in close cooperation with the leaders of the G20 Global Partnership for Financial Inclusion: the Consultative Group to Assist the Poor (CGAP) and the Alliance for Financial Inclusion (AFI), as well as the Bretton Woods institutions, World Bank and IFC. UNCDF plans to use this programmatic tool in LDCs and carry out joint diagnostics with other donors in those countries. It will use it not only for future programming but also to update its existing sector development programs. In doing so, UNCDF's vision is to help develop National Compacts on Financial Inclusion in at least 20 LDCs within the next five years, which will reflect in a concrete and tangible manner the G20's commitment to promote financial inclusion globally. While UNCDF will focus its own efforts in LDCs, this tool will also be relevant to and available for non-LDCs.

In addition to the national market level work being pursued above, the UNCDF also works on the thematic front of inclusive finance, to support the development of innovative products and client-oriented initiatives.

Recognizing the importance of 'market leaders' to drive sector development, UNCDF launched MicroLead – initially a $26 million programme supported by the Bill and Melinda Gates Foundation – for developing savings-led market leaders in LDCs. Based on proven business models, market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development.

MicroLead provides loans and grants to leading financial service providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict contexts, where access to finance is most limited. The MicroLead program has provided support to some of the leading FSPs from the South to expand their operations through green-fielding or technical assistance provision to existing FSPs, with a focus on saving-based models. Outreach is projected to be over one million new depositors and 600, 000 new borrowers by 2013. In July 2011, UNCDF and The MasterCard Foundation entered an agreement to expand MicroLead in sub-Saharan Africa (LDC and non-LDC) with funding of $23.5 million. The focus remains on savings-led methodologies.

UNCDF's YouthStart programme– also supported by The MasterCard Foundation – will increase the access of youth (defined as 12-24 years old) to appropriate, demand-driven financial products and services, particularly savings, in Sub-Saharan LDCs. The programme was initiated in 2010 and made grants to 19 financial service providers to support their market research of youth and provide technical assistance and training on YFS. In 2011, a second stage of the programme was launched and four year agreements have been executed with 10 FSPs to develop, test, launch and scale up financial products for youth as well as build linkages with youth-serving organizations. Through its knowledge management activities, YouthStart will share lessons learned with governments, donors, technical assistance providers and other stakeholders to advance and maximize the learning related to youth financial services.

The UNCDF–with the support of EU/ACP, AusAID, and UNDP –has successfully led a programme that has brought banks and mobile network operators (MNOs) together to provide financial services to underserved markets in the PacificIslands. The initiative includes intensive client-focused market research; policy and advocacy work to build understanding and support appropriate policies, regulation and supervision; and performance-based based grants and technical assistance for FSPs to share the risk of introducing new products and technologies to the market. Based on its success in reaching 200, 000 clients in the first few months, UNCDF is looking to expand this programme in other LDCs.

Through a joint programme with the International Labour Organization (ILO), UNCDF is supporting a sector-development approach for the promotion of micro-insurance services, building on the ILO's specialized expertise in micro-insurance and UNCDF's long experience in building inclusive financial sectors. This approach to micro-insurance starts with an in-depth country diagnostic on the demand, supply and regulatory framework, leading to the development with key national stakeholders of a country-specific action plan for micro-insurance. Pilots are underway in Ethiopia, Zambia, and Kenya. The joint programme has also designed with CENFRI, a set of normative tools to support this sector-development approach.

Through its participation in the IFAD-managed $18 million multi-donor Funding Facility for Remittances (FFR), UNCDF is promoting access for the poor to remittance services. Key objectives of the FFR include lowering costs to senders and recipients through institutional and technological innovations, increasing access to remittance services in remote areas, as well as linking remittances to other financial services, especially savings, which result in widening options for recipients. Twenty five pilots are currently being implemented and in Africa, including in Senegal, Sierra Leone, Ethiopia and Uganda. New pilots are being approved in DRC, Malawi and Madagascar. The project has also analysed and disseminated data on the key African remittances corridors and the policy issues that must be addressed to create a more conducive environment for remittances.

Based on learning from other successful initiatives (such as at Xac Bank on clean energy products and Micro-Energy Credits on carbon markets), UNCDF is preparing an initiative to work with microfinance market leaders to develop appropriate financial services that will enable poor clients to transition to clean energy sources. The initiative will also help link the MFIs concerned to the voluntary carbon market. CleanStart's objective is to enable 2, 5 million people to move out of energy poverty by 2017.

Table 12: UNCDF Africa Country Office Presence

Country	Programme Activity	Country	Programme Activity
Angola		Madagascar	IFSP
Benin		Malawi	IFSP, YS
Burkina Faso	Inclusive Finance Sector Programme (IFSP)	Mali	
Burundi	Youth Start (YS)	Mauritania	
Central African Republic	IFCP	Mozambique	IFSP
Chad	IFSP	Niger	IFP
Cameroon	IFSP	Rwanda	IFSP, ML, YS
Dem. Rep. of Congo	IFSP, YS, MicroInsurance (MI)	Sao Tome & Principe	
Djibouti		Senegal*	IFSP, YS, R
Equatorial Guinea		Sierra Leone	IFSP, ML, YS
Eritrea		Somalia	
Ethiopia	MicroLead (ML), YS, MI, Remittances (R)	South Africa*	
Gabon		Sudan/ South Sudan	IFSP, ML
Guinea		Tanzania	ML
Guinea-Bissau		Togo	IFSP
Lesotho	IFSP	Uganda	YS, R
Liberia	IFSP, ML	Zambia	MI

*Source: UNCDF (*Denotes Regional Office)*

Based on successes of the Village Savings and Loan Association (VSLA) methodology around the world, UNCDF is looking to launch a global programme that would complement its existing efforts in the LDCs, at low cost and at scale in the most remote and underserved regions.

As one of the first funders to endorse the Smart Campaign for client protection in microfinance, UNCDF is working to promote a strong pro-client industry globally. It encourages partners to adopt and implement client protection principles. It engages with local stakeholders to identify and address client protection issues through a mix of self-regulation, building financial capability, and appropriate regulation and supervision.

UNCDF also houses the Special Advocate for Inclusive Finance for Development (UNSGSA) office and coordinates the wider UNSGSA reference group. In September 2009, UN Secretary-General Ban Ki-moon designated HRH Princess Máxima of the Netherlands to this newly created role.

As UNSGSA, HRH Princess Máxima advocates for greater financial inclusion among policymakers and regulators and raises awareness of the issues and opportunities among financial service providers and other potential collaborators, including the public at large. The themes which form the core of her advocacy work include access to a range of financial services, starting with savings; a continuum of inclusion, from individuals to SMEs; responsible finance, with protected clients empowered to make sound choices; the mutually reinforcing relationship between financial integrity and financial inclusion; and the importance of data for decision-making.

To support development practitioners, UNCDF also has a team CTAs (Chief technical advisers) who run country programs where UNCDF has programme activity. In addition, UNCDF has a team of RTAs (Regional technical advisers) based in three regional offices (2 regional offices in Africa in Senegal and South Africa and a third in Asia) who can also provide technical assistance and advice in a country where UNCDF does not have ongoing programs. The types of technical assistance include: a) responding to requests for designing and implementing national strategies for financial inclusion both in LDCs and non-LDCs (for example in Zanzibar, Nigeria, etc.); b) providing guidance on how best to respond to Governments' needs in terms of inclusive finance; and c) contributing to reflecting the inclusive finance agenda in the UNDAF processes; etc.UNCDFs country presence in Africa is shown in Table 12.

International Fund for Agriculture Development (IFAD)

The International Fund for Agricultural Development (IFAD) was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. The conference resolved that "an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries".

Today, IFAD is dedicated to eradicating rural poverty in developing countries. Working with rural poor people, governments, donors, non-governmental organizations and many other partners, IFAD focuses on country-specific solutions, which can involve increasing rural poor peoples' access to financial services, markets, technology, land and other natural resources. IFAD's fourth Strategic Framework covers the period 2011-2015articulates the principles of engagement that will guide operations and how IFAD will deliver against the framework.

Under the Eighth Replenishment of IFAD's resources, IFAD aims to: raise the level of its new commitments (by 50 per cent over the 2010-2012 period); increase the impact of the projects it finances and supports during implementation; strengthen its partnership and leadership role in the global effort to reduce rural poverty and food insecurity; raise the proportion of its workforce dedicated to country programme development and implementation; and improve its overall efficiency. IFAD's programme of work and budgets for 2011 provide the basis for a decisive step towards achieving those objectives. IFAD Management proposes an indicative programme of work of new loan and grant commitments of US$1 billion (25 per cent higher than in 2010), as well as additional commitments of US$500 million under IFAD direct management but mobilized outside IFAD's regular resources. In total, new commitments managed by IFAD will be US$1.5 billion, 43 percent higher than in 2010.

IFAD is focused on poor rural people and their livelihoods and food security and on small-scale agriculture as a crucial source of income and nutrition for many poor rural households, and a driver of rural economic growth. IFAD collaborates with partners to develop innovative and sound projects that respond to the constraints and priorities identified by poor rural people. It fosters the empowerment of poor rural women and men, their organizations and communities. It engages in policy dialogue on the basis of its field experience.

In pursuit of its goal and objectives, at the macro level, IFAD:

a. Leads rural poverty reduction initiatives based on small-scale agriculture;
b. Helps countries scale up successes through IFAD-funded operations;
c. Expands its policy engagement;
d. Strengthens pro-poor partnerships with a range of actors, including other United Nations agencies, public and private donors, and commercial enterprises that can bring pro-poor investment, assets and services to rural areas; and
e. Plays a knowledge broker and advocacy role.

At the programme and project level, IFAD focuses on:

a. Enhancing environmental sustainability and resilience in small-scale agriculture;
b. Promoting win-win contractual arrangements to help small agricultural producers seize opportunities at lower risk in agricultural value chains;
c. Supporting the development of technologies for sustainable intensification of small-scale agriculture;
d. Increasing the capacity of financial institutions to provide a broad range of inclusive services to poor rural people;
e. Promoting the capabilities of rural women and men, including young people; and
f. Capitalizing on opportunities to use renewable energy sources at the farm and community levels, and promoting low-cost technologies using local resources to provide energy at the village level.

In terms of thematic engagement, IFAD focuses on:

a. Natural resources – including, land, water, energy and biodiversity;
b. Climate change adaptation and mitigation;
c. Improved agricultural technologies and effective production services;
d. A broad range of inclusive financial services;
e. Integration of poor rural people within value chains;
f. Rural enterprise development and non-farm employment opportunities;
g. Technical and vocational skills development; and
h. Support to rural producers' organizations.

Gender equality and social inclusion are addressed as cross-cutting themes in each of these areas, as are household strategies to improve food security and nutrition.

Selected pipeline initiatives of IFAD, include the following:

a IFAD Pipeline Projects in East and Southern Africa

1. Eritrea: National Agricultural Programme
2. Ethiopia: Rural Financial Intermediation Programme II
3. Lesotho: Smallholder Agriculture Development Programme
4. Madagascar: Vocational Training and Agricultural Productivity Improvement Programme (FORMAPROD)
5. Malawi: Sustainable Agricultural Production Programme
6. Rwanda: Project for Rural Income through Exports
7. Zambia: Smallholder Productivity Promotion Programme

b IFAD pipeline projects for West and Central Africa

1. Ghana: Rural Enterprises Programme
2. Mauritania: Poverty Reduction Project in Aftout South and Karakoro – Phase II
3. Senegal: Support to Agricultural Development and Rural Entrepreneurship

In conjunction with the Swedish Cooperative Fund and the International Cooperative Alliance, IFAD's East and Southern Africa Regional office is also delivering a series of Rural Finance Workshops to promote capacity development among development practitioners on issues related to rural and agricultural finance. The fourth workshop was held in September 2010 on the theme "Exploring Rural Finance Best Practices along Value Chains – Cases from East and Southern Africa" and the fifth workshop was held in September 2011 on the theme of "the Role of Agricultural and Rural Finance in Accelerating Economic Growth".

International Labour Organization (ILO)

The ILO was founded in 1919 after World War I to pursue a vision based on the premise that universal, lasting peace can be established only if it is based on social justice. The ILO became the first specialized agency of the UN in 1946.

Today, the ILO is the international organization responsible for drawing up and overseeing international labour standards and the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. In the realm of inclusive finance, the ILO promotes "social finance" as a means of using financial instruments to promote Decent Work. Like Impact investing, ILO's promotion of sustainable finance is to seek the provision of finance – with a social goal. With a staff of 135 professionals, ILO's annual budget is roughly US$80 million.

Social finance as defined by the ILO is about credit, savings, insurance and other products that help the poor to cope better with risk, take advantage of income-generating opportunities, organize and have a voice. Social Finance is also about promoting and encouraging those institutions that cater to the financial needs of the working poor, including women groups and small and medium enterprises that create jobs. Social Finance is also about financial sector policies that set incentives to open up the financial realm to the working majority and create an enabling environment in which microfinance institutions can operate. The ILO Programme addresses three major goals: reducing vulnerability and increasing access to risk management tools, creating jobs through enterprise development, and making financial policies more employment-sensitive.

A core focus of ILO's initiatives is on promoting micro-insurance programmes for the poor through the ILO Micro-insurance Innovation Facility. Housed within the Social Finance Programme, the Micro-insurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility was launched in 2008, with the support of a grant from the Bill and Melinda Gates Foundation.

The ILO also manages COOPAfrica (the Cooperative Facility for Africa), a challenge fund founded in June 2008 for cooperatives which offers grants of less than US$50, 000.00 through competitions held thrice yearly. CoopAfrica is set up to be a demand-driven programme giving the national cooperative movements influence on how to invest the funds available. Cooperatives, cooperative apex organisations and other cooperative support agencies from the project countries can apply for a grant from the CoopAfrica Challenge Fund. Twice a year CoopAfrica publishes in national newspapers, on the radio and on the website a call for proposals for proposals of USD $20, 000 to USD $50, 000. Smaller projects below the threshold of USD 20, 000 can apply for funds throughout the year.

Thus, CoopAfrica is a technical assistance programme for the promotion of cooperative development in Africa. From the ILO Office in Dar-es-Salaam, CoopAfrica covers nine countries in Eastern and Southern Africa (Ethiopia, Kenya, Rwanda, Tanzania, Uganda, Botswana, Lesotho, Swaziland and Zambia) with the support of the ILO Cooperative Programme in Geneva. CoopAfrica aims at helping people to co-operate out of poverty as well as to deal with the cooperative needs such as they have been identified in CoopAfrica's preliminary 2005 research project, Research for a Cooperative Facility for Africa. Together with a wide range of international and national partners, CoopAfrica promotes an enabling legal and policy environment, supports effective cooperative unions and federations, as well as provides demand-driven services for cooperatives.

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Chapter 7

Conclusion

As 2015 and the initial deadline for the achievement of the Millennium Development Goals fast approaches, global development stakeholders are increasingly realizing that one of the most effective ways of empowering low income communities is to provide them with access to finance. The recognition is that, with capital, through their own ingenuity and desire to improve their lives, they can contribute to the efforts underway to integrate their communities into the global economy.

Also, encouraged and empowered by initiatives such as the UN Global Compact, Business Call to Action and Business Action for Africa, a growing cadre of global and local African corporations are making a commitment to expand their core business value chains to include low income commercial actors as suppliers, distributors and employees through shared value initiatives and partnerships with an array of donor institutions.

Within the traditional micro-finance sector, financial service providers are beginning to expand their offerings and a number are seeking formal banking licenses so that they can retain their clientele as their standard of living improves and their capital needs grow. At the same time, formal banking institutions such as Equity Bank of Kenya have pioneered new products tailored for low income clients and their success in growing their top line banking business revenues has caught the attention of rival institutions. Today, many more traditional banks are aggressively exploring ways to add products and services to their offering that will attract low income customers.

Continued innovation in the ICT environment has also made it easier to harness the cellular telephony boom in

Africa and create outlets for mobile money and reduce the transaction costs of remittances – from abroad and from urban communities to rural ones on the continent.

The agricultural demand growth on the continent, due to domestic consumption increases, rapid and growing urbanization, and food security challenges globally, is also attracting significant private capital and funds. Furthermore, these funds are coming from an ever widening variety of sources (private equity funds, foundations, sovereign funds, development finance institutions, and development partners). Yet, understanding how to access these resources is not as straight forward as development practitioners, and potential beneficiary MSMEs that produce agricultural goods, would like.

For development practitioners tasked with establishing programmes to support low income communities, and who are seeking to partner with the growing list of prospective stakeholders who have skills, financial resources and purchasing power (i.e. represent markets), it is important to be able to map one's domestic financial environment. It is also important to be able to identify finance providers and prospective corporate partners who have shared interests to collaborate with development partners and government.

While recognizing that there are a number of institutional and technical resources available that seek to promote financial inclusion, the desired aim of this publication is to provide development practitioners and MSMEs with a easy to understand how-to-guide and desk reference. Thus, the Guide is intended to help both beginners and more seasoned professionals to be more efficient and successful in their efforts to mobilize inclusive business finance.

Furthermore, as there are many new inclusive financial products and resources being offered within the UN by UNCDF, IFAD, ILO and the UNDP, this publication aims to provide an up-to-date overview of the various services that are being offered across the African continent to support increased financial inclusion.

Through these institutional resources, and the growing number of inclusive finance focused associations, communities of practice, platforms and programmes, it is intended that readers of this book will be able to assess the array of financial resources around them. The Guide is also intended to help readers to segment the market to ascertain which institutions offer products that will best fit their needs or the needs of their clientele. It also aims to help readers to understand how to identify corporate partners who can share the effort to engage with low income commercial actors and MSMEs. Lastly, the Guide is intended to provide tools to help readers to engage with all of the relevant stakeholders (including government, donors, companies, and civil society) to establish successful and inclusive business development initiatives that meaningfully involve MSMEs and low income commercial actors.

One of the most important tools to provide someone who is being taught to fish, so that she may eat in perpetuity, is the means to acquire the proper tools for the task(s) at hand. Inclusive economic growth on the African continent begins with increasing access to, and knowledge about how to mobilize, inclusive business finance!

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