



*Empowered lives.
Resilient nations.*

United Nations Development Programme

THE ROLE OF THE PRIVATE SECTOR IN INCLUSIVE DEVELOPMENT

BARRIERS AND OPPORTUNITIES AT THE BASE OF THE PYRAMID

OVERVIEW

Copyright © 2014 United Nations Development Programme
All rights reserved.

UNDP partners with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves the quality of life for everyone. On the ground in more than 170 countries and territories, we offer global perspective and local insight to help empower lives and build resilient nations.

United Nations Development Programme
Istanbul International Center for Private Sector in Development
Eminonu Yalikoscu Caddesi
No 16 Kat 3, Fatih 34112 Istanbul, Turkey
www.undp.org | www.iicpsd.org

August 2014

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNDP or UN Member States.

For further information, contact:
Suliman Al-Atiqi, Programme Analyst | suliman.al-atiqi@undp.org
Tel: +90 212 512 5853 | Fax: +90 212 512 5869



*Empowered lives.
Resilient nations.*

BARRIERS AND OPPORTUNITIES AT THE **BASE OF THE **PYRAMID****

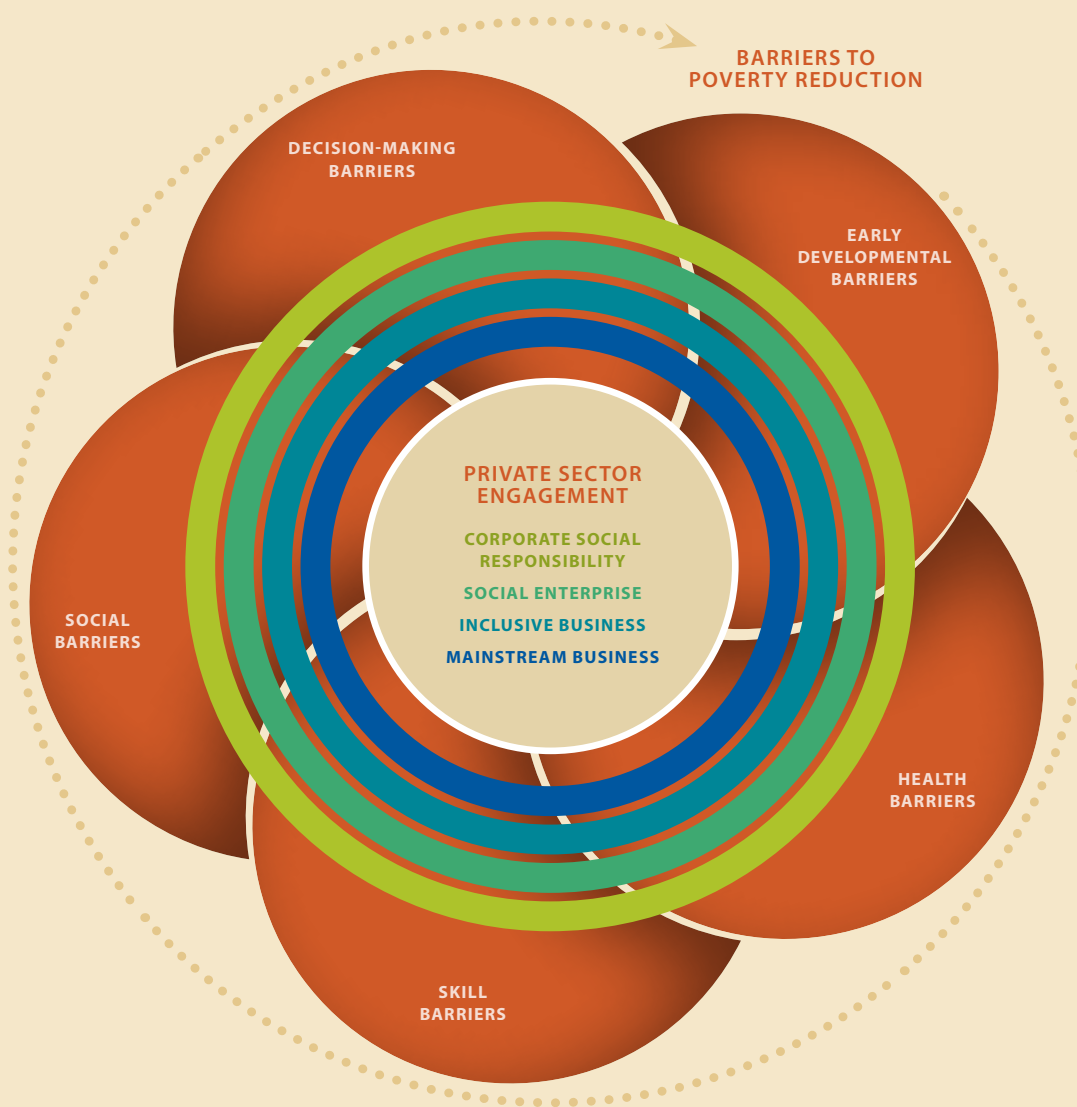
THE ROLE OF THE PRIVATE SECTOR IN INCLUSIVE DEVELOPMENT



OVERVIEW

Poverty can mean many things—from the deprivation of well-being or basic human needs, to a lack of fundamental freedoms of action and choice, to living on less than \$2 a day, the definitions are as diverse as poverty itself. This report presents an ecological approach to understanding the determinants of poverty with the aim of facilitating and stimulating innovative approaches to private sector-led action on poverty. This approach sees poverty as a web of accumulating and interacting disadvantages that sustain and perpetuate a life of socioeconomic exclusion. Together, those disadvantages present systemic barriers that drastically limit one's ability to overcome the adversity of a life of poverty. The report describes poverty in this way to identify as many entry points as possible along the web of disadvantages to remove some of these barriers (figure 1).

FIGURE 1. AN ECOLOGICAL APPROACH TO UNDERSTANDING THE POVERTY CYCLE





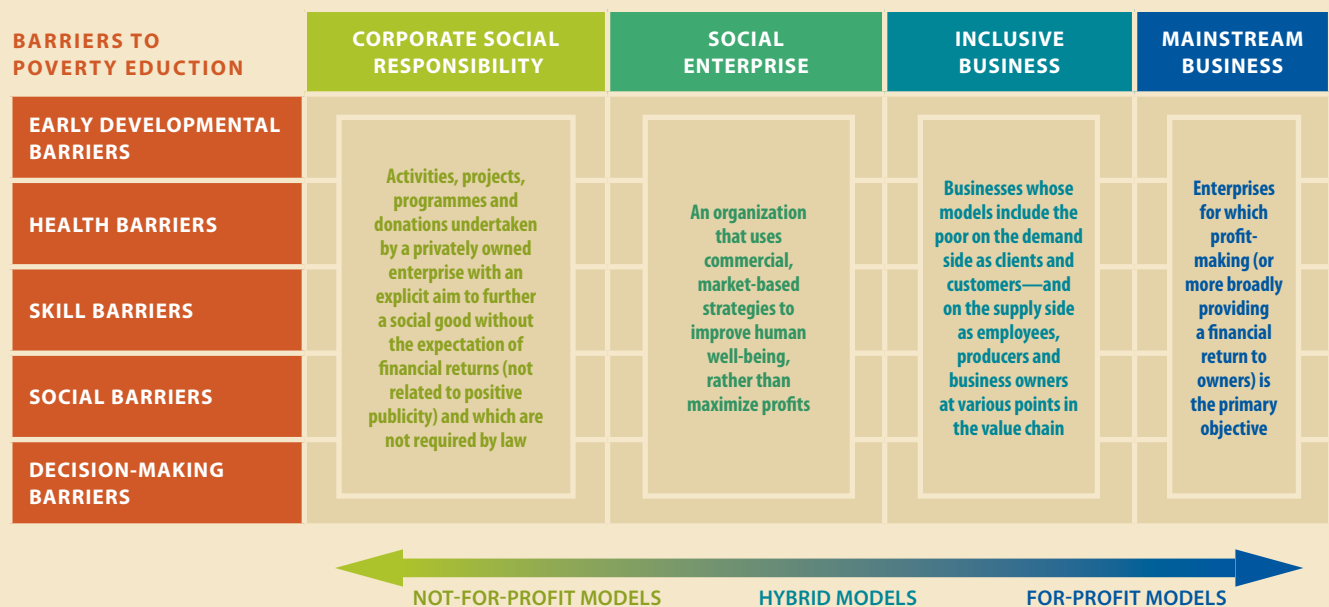
The private sector is intrinsically innovative and businesses ceaselessly present solutions to their target consumer base, solutions stemming from understanding its needs and wants. So, the underlying assumption of this report is that by presenting a more profound assessment of the barriers people in poverty face, the private sector can more successfully formulate innovative solutions—as well as strategically select and implement poverty reduction initiatives that more accurately reflect the needs and aspirations of people living in poverty.

A well-established literature sees the adverse impacts of poverty through diverse social science lenses, and the literature on sustainable business solutions to poverty is growing. The inventiveness and dynamism of the private sector is increasingly being directed towards social purposes, helping to break down many of the barriers that perpetuate a life in poverty while simultaneously achieving commercial sustainability. This report links the opportunities for businesses to contribute to the removal of barriers to reducing poverty.

APPROACHES FOR PRIVATE SECTOR ENGAGEMENT

Dividing the unique approaches that the private sector can take in overcoming the accumulation of disadvantages facing the poor produces four categories: corporate social responsibility, social enterprise, inclusive business and mainstream business. Private actors will have different reasons for engaging with the poor, depending on their purpose, organizational structure and economic logic (figure 2). Outside its corporate

FIGURE 2. APPROACHES ANALYSED FOR PRIVATE SECTOR ENGAGEMENT IN POVERTY REDUCTION EFFORTS





social responsibility programmes, a mainstream business, for example, usually will not enter the Kibera slum in Nairobi for the same reasons or with the same goals as a social enterprise. Each type will have different motivations and use different logic when engaging with people living in poverty, from pure philanthropy to straightforward profit-seeking or a blend of both. And all forms of engagement have a role.

Corporate social responsibility

Corporate social responsibility (CSR) encompasses a business's activities, projects, programmes and donations that further a social good without the expectation of direct financial returns and that are not required by law. Despite their primary social aim, such activities can be undertaken to secure a social licence to operate, earn positive publicity, attract customers and employees or simply serve as an expression of support for a community. CSR brings direct benefits to organizations, from increased financial performance and an enhanced reputation to improved employee engagement and retention. But it may also have other benefits for the community and company alike, including greater skill development and empowerment stemming from positive work cycles.

"Internal" CSR programmes target a firm's employees and their families. They include but are not limited to enhanced compensation and flexible time off, culturally respectful participative decision-making structures, enriched jobs and initiatives for enhanced workplace diversity, integration and inclusiveness.

"External" CSR programmes focus on the larger community—locally or more widely—in which the firm operates. In function and design, external CSR has little to distinguish it from the efforts of charities, aid and development organizations and philanthropic foundations, except that it is initiated by a profit-making enterprise. It can be aligned with an organization's core purpose (such as biomedical firms tackling health issues and working on disease prevention) or not so aligned (such as allowing workers to volunteer on company time for a charity of their choice). In fact, external CSR faces similar challenges as civil society and public sector actors do—but often without the track record or experience in community development. But corporations can bring business-oriented solutions, expertise in their field of business and deep knowledge about the needs of a particular customer base.

Social enterprise

Social businesses are commercial, market-based firms that operate to improve human well-being rather than to maximize profits, usually focusing on innovative solutions for people in poverty. They can take a variety of institutional forms, but commonly include enterprises that pursue primarily social objectives through entrepreneurial approaches and business principles. Social entrepreneurship can address a range of barriers to poverty reduction, from gender inequity and social exclusion to prejudice, discrimination and stereotype threats.

While social enterprises are not designed principally to produce a profit, they do use a business model and generate income to achieve some measure of financial self-sufficiency. Because social enterprises deliver goods and social services for which public alternatives are unavailable or inadequate, in some cases the public sector or private philanthropy contributes funding or subsidies. Even so, a high percentage of the income of social enterprises generally comes from revenues rather than charitable sources, with any profits reinvested in the enterprise.



One function of social enterprises is to provide market access to small, fragmented suppliers and help them become self-sufficient by creating jobs, increasing income and generating a surplus. Such enterprises typically target low income populations with entrepreneurial skills who either lack the resources and capacity to supply enough products to capture the monetary value of the existing market demand—or do not have access to a market large enough to sell and profit from their products. Social enterprises can bridge the gap between existing market need and efficient supply, provide capital, training, education, capacity and governance and bolster the value, efficiency and volume of the supply chain. They may also act as a retail or distribution outlet and thus ensure a profitable exit mechanism for suppliers' production volume. And they can increase the local suppliers' productivity and incomes, enabling them to break out of the viciously repetitive cycle of poverty and become self-sustaining entrepreneurs.

Inclusive business

Inclusive businesses integrate people living in poverty on the demand side as clients and customers—and on the supply side as distributors, employees, producers and business owners. They engage with people affected by poverty who live at the base of the pyramid—those lacking access to essential goods and services and facing high-transaction costs and higher barriers to entry when seeking to sell their produce. They expand access to these livelihood opportunities in commercially viable, scalable ways.

Inclusive businesses can build new markets, offer entry into emerging economies, spur innovation and strengthen supply chains. They differ from mainstream businesses by generally including a social purpose alongside a desire to profit. To qualify for an inclusive business investment from the International Finance Corporation, for example, a business must be commercially viable and scalable, as well as provide a social benefit by expanding access to goods, services and income-generating opportunities for people living at the base of the pyramid.

Inclusive businesses also focus on building skills so that people in poverty can generate products and services that the market demands. Inclusive businesses think about creating shared value and making money by increasing the size of the pie for everyone. They reconnect financial well-being with social progress, not just out of social responsibility, philanthropy or even sustainability, but also as a new way to achieve economic success. For inclusive businesses, integrating people at the base of the pyramid as suppliers, consumers or entrepreneurs is not on the margin of what they do, but at the centre.

Mainstream business

For mainstream businesses the primary objective is making a profit (or more broadly providing a financial return to owners). Depending on the business model and ethos of the owners and managers, various social and environmental impacts will result from the operation of the business—some positive (jobs, goods, services) and some negative (pollution, inequality, overuse of resources). The operation of a business can be influenced by its leadership, regulatory environment and ability to maximize the positives and minimize (or eliminate altogether) the negatives. One advantage of viewing poverty reduction through this lens is the potential to deliver commercial-scale results. Mainstream business represents the largest and most consequential part of the private sector, and the pursuit of profit (and returns for owners) is its primary purpose—not achieving development impact or reducing poverty.



Mainstream businesses, to engage with the barriers identified in this report, need to find a return on investment that competes with other uses of capital. Examples might include opening new markets for goods and services, reducing operating costs, pursuing product innovation, reducing risk exposures, securing access to raw materials, increasing the quality of labour, enhancing employee performance at work with positive work cycles and boosting productivity. Commercial solutions guided by profit cannot be relied on to align with poverty reduction, but they have the advantage of being scalable, and they can offer a powerful means of reducing poverty.

BARRIERS TO POVERTY REDUCTION

Children in poverty are disproportionately exposed to stress, poor nutrition, environmental toxins and parents with higher levels of anxiety or depression, all impairing early developmental trajectories, setting the child in a life of disadvantage from the onset. People living in poverty for prolonged periods also face higher disease burdens, disability rates and workplace accidents, all with financial and social ramifications. Compounding this adversity is a lack of access to learning opportunities, widening a skills gap at the base of the income pyramid—a major factor in unemployment and underemployment. Once in the workforce, people in poverty often confront classist discrimination that wrongly equates economic security with purely personal merit—and poverty with laziness and a lack of interest in self-improvement. Living in poverty can also impair one's sense of self, inducing attitudes, feelings and behaviours that undermine the ability to succeed. And the situation of poverty—lack of control over one's environment, high levels of uncertainty and unpredictability of outcomes, compounded by low social status—frequently leads to economically suboptimal decision-making.

Overcoming early developmental barriers

The timing of child poverty matters, and for some outcomes later in life, poverty early in a child's life may be particularly harmful. Early childhood is critical for the brain's development and for establishing the neural functions and structures that will shape future cognitive, social, emotional and health outcomes. Essential properties of most of the brain's architecture are established very early in life by genes and, importantly, by early experience. Young children's brains are especially open to learning and enriching influences. Moreover, due to the plasticity of early brain development, children's brains are more vulnerable to developmental problems if their environments are deprived or characterized by the severe stress so prevalent among income-poor families.

Parents must be central targets of interventions to increase demand for early childhood programmes that improve children's developmental potential. Media campaigns, civil society engagement and the diffusion of innovative approaches can all increase demand for such programmes.

Conditional cash transfer programmes and other poverty reduction approaches would benefit from continuing emphasis on parents' behaviour to support early childhood development. Conditioning cash transfers on well-child visits and immunizations has improved children's nutritional status and health in early childhood in several countries. The next phase is to condition transfers on enrolment in preprimary education. This



could increase take-up when preschool education is available and drive increases in demand even where it is not available. Warranted in rich countries are paid leave policies, child allowances and other approaches to ensure parental investments in early childhood under conditions of poverty.

Given the prominent role of parents' mental health in early childhood development, interventions to improve their mental health should be further developed. One recent study demonstrates the promise of this approach for a low income country. Training Pakistan's community health workers in short-term cognitive-behavioural therapy for mothers with perinatal depression led to less diagnosed depression once children were one year old.

Incentives to encourage public-private partnerships to reduce poverty could be productively targeted to families with children, particularly during early childhood. A new Indian law requires corporations with annual profits above a certain amount to contribute 2% of their profits to social causes. Although there are many competing targets for this investment, children's issues have been prominent in the policy debate. Recent early childhood development policies such as Colombia's De Cero a Siempre emphasize public-private partnerships.

The business community can engage in dialogues with both government and family organizations to develop a shared understanding of work-family needs and solutions. Public-private summits on this subject are becoming more commonplace in developed countries but can be expanded as a key component of corporate responsibility approaches. Similarly, leadership in the workplace has a role in sustaining workplace cultural change. Symbolic actions, such as male CEOs taking parental leave in areas of conflicting local norms, can shift organizational barriers. From maternity coaching that supports a successful transition back into work to confidential information systems that alert employers of their workers' specific family responsibilities, innovative work-family schemes can reduce disruptions during a child's early development.

Successful interventions at the earliest stages of child development rely on adequate family and health care services, as well as parental employment. Linking family services to private providers can make childhood services part of an integrated network. Establishing co-located services—such as childcare near schools, playgrounds and general practitioner clinics—can increase opportunities for parents to recognize early development problems, as well as create play and social engagements for children and families.

In addition to funding traditional school curricula, the private sector can support before- and after-school programmes by enriching extracurricular activities. Especially in postconflict societies, these programmes can ensure children's safety while allowing parents to generate income.

The limited purchasing power of childcare providers has particular effects on available services, which provide investment opportunities for the private sector (figure 3). Public-private partnerships can expand the reach of existing subsidy allocations. In addition, businesses can organize training sessions for childcare operators, who may lack the financial and managerial skills to deal with the complex system of regulation in the field. Businesses can also sponsor multistakeholder platforms for childcare initiatives to share best practices.



OVERVIEW

FIGURE 3. OPPORTUNITIES FOR PRIVATE SECTOR ENGAGEMENT IN REMOVING EARLY DEVELOPMENTAL BARRIERS TO POVERTY REDUCTION

	CSR—INTERNAL	CSR—EXTERNAL
COGNITIVE STIMULATION	Develop ventures to increase access to stimulating activities for children	
	<ul style="list-style-type: none"> • Develop SMS and other mobile technology services to facilitate the circulation of short training sessions or other cognitive training activities to employees with young children on a routine basis • Make provision of workplace daycare programmes with appropriately trained care providers • Provide sufficient maternal and paternal leave to allow parents to spend time with children providing the much needed early cognitive stimulation 	<ul style="list-style-type: none"> • Promote performance and artistic activities and scholarships for musicianship and creative arts • Support for “adopt-a-school” programmes at preschool levels and the promote the introduction of early cognitive control and development programmes
EXPOSURE TO TOXINS	Reduce the environmental footprint	
	<ul style="list-style-type: none"> • Create internal policies of minimal environmental impact • Promote responsible procurement across supply chains; promote recycling; minimize dust, hazards; implement responsible environmental management systems; monitor and reward internal actions 	<ul style="list-style-type: none"> • Invest in community waste management projects and recycling; fund community innovation programme • Promote the extension of in-house health, safety and environment (HSE) programmes along the organization’s supply chain and within the community; incorporate HSE awareness into community programmes
	Increase awareness of harmful effects of self-induced toxins	Increase awareness of environmental issues
	<ul style="list-style-type: none"> • Implement HSE systems within the workplace • Create employee education and awareness programmes on the negative impacts of exposure to drugs and toxins 	<ul style="list-style-type: none"> • Form business-to-business advocacy groups to convince other companies to adopt internal CSR efforts and start joint initiatives
LANGUAGE DEVELOPMENT	Provide early childhood learning development tools and promote schooling	
	<ul style="list-style-type: none"> • Develop SMS and other mobile technology services to facilitate the circulation of short training sessions or other language training activities to employees with young children on a routine basis • Provide staff literacy programmes to support parents’ (especially mothers’) and other family members’ literacy and language development • Support initiatives such as “take your kids to work” that expose children to more complex linguistic environments than those present in the home 	<ul style="list-style-type: none"> • Use sufficiently qualified company members to provide school mentorship programme • Support and involve public-private partnerships that promote education • Support “adopt-a-school” or “adopt-a-library” programmes that can ensure that adequate and appropriate resources are available for teachers, community libraries and so on. Set up libraries (incl. mobile and/or e-libraries) in communities with special attention to early reading
MALNUTRITION	Develop and provide nutritious food	
	<ul style="list-style-type: none"> • Provide nutritionally balanced meals for employees • Incorporate the provision of nutritious meals for employees’ children into workplace daycare services • Provide workplace nutritional support for employees and their children including onsite nurses as well as health testing (for iron and vitamin deficiencies and so on) • Provide nutritious food for lunch from sustainable local source and daycare centres for employees’ children 	<ul style="list-style-type: none"> • Support and promote workplace sustainable agriculture projects in local organizations, including community gardens, water tanks, fishponds and greenhouses to broaden access to nutritious foods • Adopt a village and internal teams to map out weak pockets of community and contribute to nutrition programmes • Develop and donate nutritionally enhanced crop variety seeds • Support and involve public-private partnerships that promote nutrition for children, parents and expecting mothers
	Increase awareness of value of nutrition to early childhood development	
	<ul style="list-style-type: none"> • Promote breastfeeding to increase immunity • Conduct optional employee surveys to determine nutrition attitudes, knowledge and behaviours; use survey to inform free nutritional education classes complete with job-based nutritional requirements specifying how many calories each job requires in order to avoid nutritional deficits, especially for pregnant women 	<ul style="list-style-type: none"> • Provide free nutrition, obesity, diabetes and metabolic diseases classes • Create special community food programmes • Promote awareness campaigns for pregnant mothers • Support community gardens
STRESS REGULATION	Decrease stress levels at work	
	<ul style="list-style-type: none"> • Identify stress hazards and risks in the workplace • Incorporate stress hazard prevention in manager training • Incentivize the prevention of stress not its reduction • Align stress management with local values and norms • Help employees identify their own stressors and help reduce their impact • Limit the amount of overtime and establish mandatory downtime • Provide staff with access to wellness programmes that include stress management such as access to exercise and mental health awareness and education • Offer “flexi-time” working hours that allow for work-life balance 	Increase awareness of impact of stress
		<ul style="list-style-type: none"> • Address the impact of stress on health (definition of stress, identification of its manifestations, description of its health implications) through annual awareness campaigns • Form business-to-business advocacy groups to convince other companies to adopt internal CSR efforts • Support programmes that promote stress management and mental health programmes; partner with public health programmes to support stress management



SOCIAL ENTERPRISE	INCLUSIVE BUSINESS	MAINSTREAM BUSINESS
Develop ventures to increase access to stimulating activities for children		
<ul style="list-style-type: none"> Identify strategies and materials to support home-based development of academic skills such as literacy or math; build mobile applications for access to such materials Develop and market games / tools to stimulate parents to speak with their children 	<ul style="list-style-type: none"> Expand publishing initiatives to include primary and secondary school educational materials in the offer. Provide access to affordable high-quality educational materials and training programs to young children in low income communities through innovative business models. Establish low-cost learning tools ideally produced locally for local consumption, with tie-in programmes in the local schools and other institutions 	<ul style="list-style-type: none"> Develop or provide affordable and high-quality technology and interactive tools, such as toys, aimed at helping teachers to work inside classrooms (such as board and projectors)
Reduce the environmental footprint		
<ul style="list-style-type: none"> Help develop local micro and small enterprises for toxin cleanup 	<ul style="list-style-type: none"> Create small and medium enterprise financing strategy for local community members to establish small startups for toxin cleanup Promote affordable, environmentally friendly technologies, such as renewable energy, through innovative business models Encourage production of local goods and services that are free from toxins and harmful chemicals 	<ul style="list-style-type: none"> Ensure the elimination of toxins, poisons and harmful chemicals from supply chains; emphasize organic and natural processes Reward protective actions, including whistleblowing
Develop waste management, sanitation and water infrastructure		
<ul style="list-style-type: none"> Develop toxin-free alternatives for poor rural and urban communities, for instance through clean energy, like SolarAid that provides clean lighting for those who rely on diesel and kerosene for reading 	<ul style="list-style-type: none"> Create special programmes for low income communities offering first-time or improved access often through special pricing mechanisms (such as financing, reduced pricing and special payment) Conduct social marketing programmes to change behaviours of low income populations while promoting products and creating the demand of improved sanitation Partner with local self-organized recycling workers, to maintain a clean environment Develop affordable water filters, handwashing stations and easy maintenance latrines 	
Provide better access to materials for language development		
<ul style="list-style-type: none"> Deliver affordable early childhood education, such as Hippocampus Learning Centres that provides before-school and after-school primary programmes to children in India Publish and print low-cost books (such as Pratham Books in India) Develop specific educational material for children in poverty Emphasize community-based interventions that builds on communities' human, cultural and other resources 	<ul style="list-style-type: none"> Use IT-based learning tools. An example is telecom companies providing language and education programme tailored in local languages through low-cost SMS; it works wherever a phone is in range of a mobile network, without mobile service subscription Develop low-cost childhood language development products that may be used in local schools 	<ul style="list-style-type: none"> Develop and sell educational products targeting language development Design jobs to provide rich language skills for parents, which also increase company effectiveness Engage in the history, narrative and culture of communities, such as by naming products and spaces in local languages and using product tags and translations Media companies can dedicate broadcasting time for teaching language development
Develop and provide nutritious food		
<ul style="list-style-type: none"> Develop a sustainable supply chain for nutritious food with sourcing from local farmers Expand and adapt ready-to-use therapeutic foods to new markets and areas where malnutrition is common Develop and facilitate weekly bazar/farmers' market Develop community garden plots on empty property lots to grow agricultural products yet also to use land that might otherwise devalue neighbouring property 	<ul style="list-style-type: none"> Expand nutritional supplement programmes (such as micronutrient powders and home-fortification) Source ingredients from fair trade enterprises at the base of the pyramid Create nutritious food products for malnourished children, such as Danone's fortified Shokti Doi yogurt in Bangladesh Sell fortified food products to lower income customers. An example is Reybanpac in Ecuador that provides affordable high-protein dairy drinks and whey-based fortified yogurt to low income infants with milk purchased from smallholder farmers. The product is fortified with whey, vitamins and minerals that contribute to brain development 	<ul style="list-style-type: none"> Research, develop and distribute nutrient rich foodstuffs and seed varieties Invest in agricultural technologies to improve productivity Create nutritious food products for malnourished children, such as Nutriset's Plumpy'Nut paste, aimed at reducing malnutrition Source and develop products based on the local produce, such as converting corn to a snack that can have a longer shelf life and be distributed at schools Develop and sell nutritionally enhanced crop variety seeds
<ul style="list-style-type: none"> Develop stress identification, prevention and treatment programmes for sale to companies Develop sensory toys and activities to help prevent and reduce stress (dance, music, relaxation, storytelling) 	<ul style="list-style-type: none"> Engage in the hiring and recruitment of long-term unemployed workers who might otherwise be subjected to prolonged stress hardships 	<ul style="list-style-type: none"> Provide decent wages and enhanced job security that reduces stress and enhances skill development



Overcoming health barriers

Poor health is closely linked to lower socioeconomic status—to groups highly susceptible not only to infectious diseases but to disabilities, noncommunicable diseases and mental health problems. Prevention methods may exist but are often inaccessible to the poorest in society. Given that low income countries have the highest “burden of disease,” health problems can contribute to a poverty trap that impedes long-term development. The nature and variety of these problems, likely to be exacerbated by worrying environmental projections, suggest that populations at the base of the pyramid will struggle to move up unless health interventions are better targeted.

Health system deficiencies and socioeconomic inequities predispose, precipitate or perpetuate the health problems that vulnerable individuals and populations experience—and these are the major barriers to achieving health for all.

There must be greater emphasis on strengthening health systems, not just to increase the numbers served but also to reach the hard-to-reach. Some consideration of the risks associated with private sector involvement seems relevant here. The major barriers for accessing health services in low income countries are availability, geographic accessibility, acceptability and affordability.

The linkages between disease and poverty extend beyond individuals and households; the effects of untreated, continuing infection propel a cycle of poverty that feeds into the high costs of healthcare. Vulnerable communities are already at risk since they generally live in poor, ill-served areas.

There is a clear business case for having healthy workers. Unhealthy or unsafe workplaces can cause stress and are associated with greater accidents and injuries, reduced organizational commitment, increased job dissatisfaction, depression and burnout—which can lead to lower productivity, absenteeism, disability, insurance claims, union action and high turnover rates. This in turn increases costs and may reduce both the quantity and quality of production. Initiatives in occupational health are posing a much more positive vision of work and health in low income countries. Competitiveness in the world economy requires a healthy workforce, and the workplace can be a major driver for achieving this.

The contributions of the private sector to public health are significant (figure 4). Compared with their public sector counterparts, private sector providers (PSPs) in developing countries may be open for longer hours and nearer to communities in sparsely populated regions. Moreover, they may offer considerably shorter waiting periods and greater availability of both staff and medicine. As they are generally not members of prepaid health schemes, poorer populations often pay out of pocket for health services. But because PSPs are perceived to be more sensitive to client concerns, especially with diseases that carry social stigma, they can be seen as better alternatives. The perception that PSPs are technically superior—whether true or not—can present a motivating factor for private sector mobilization.

Decision-makers across both the public and private sectors can build on the comparative advantage of PSPs. Especially in slums or densely populated pockets of informal housing, the private sector becomes central to the lives of the poor, who incur more costs for basic services. Businesses can use their organizational capacity and technological innovation to improve the lives of those occupying the base of the pyramid. All poor people are consumers, and local entrepreneurs can harness their knowledge of the actual needs of their



communities to deliver low-cost services to meet existing demand. The ability of the private sector to reach both the distressed urban area and the rural village presents a unique opportunity to develop distribution links among consumers. Building on this segment of the market should allow the private sector to keep costs low.

The private sector can leverage its comparative advantages, which often include greater efficiency, to reach new markets. Lower costs for distribution of services and more integrated delivery systems are part of the challenge to social entrepreneurship. In Namibia, the United Africa Group, a private company, partnered with the Ministry of Health and Social Services to equip officials with portable automatic teller machines, smart cards and trucks to efficiently deliver social security assistance to beneficiaries in rural areas. The abilities to disburse payments, identify payment recipients and manage delivery systems are part of a chain to ensure that the poorest communities can cover the marginal cost of basic services.

By scaling up private facilities with more comprehensive clinical services, and perhaps setting up dual-practices with the public sector, the private sector can potentially increase coverage and quality while controlling excessive healthcare costs. Developing strong occupational health services that reach into the communities—and markets—of employees is another way the private sector can promote better health for all.

Overcoming skill barriers

Societal barriers to education and other opportunities key to social mobility can be internalized in ways that undermine individual and group empowerment—as understood through expectations, hope and motivation. Children and families living in poverty often cannot afford to pay fees for school supplies and uniforms. And many children engage in child labour that only perpetuates their social vulnerability and societal marginalization, offering little escape from poverty. Access to childcare and decent healthcare also varies by social class and influences the capacity of individuals to stay in school.

Understanding the world of work requires mapping vastly different life experiences, ranging across the full spectrum of opportunities and barriers, including access to education, financial affordability, human freedoms and safe communities (figure 5). For some individuals, the world of work provides opportunities that are consistent with their goals, interests, values and talents. But the vast majority of people around the globe who obtain employment work in jobs that are not “chosen.” For many people, particularly those in least developed countries, work is arduous, tedious, often unsafe and inconsistently available. Indeed, for most people around the world, the choice of a job is based on availability. Moreover, the struggles of unemployment, underemployment, exploitation at work and the need to migrate to safer or other more economically vibrant communities is an unfortunate reality for a large number of adults around the world.

Education and pre-employment training are among the most important and effective means of building skills and combating poverty. Indeed, across most parts of the globe, education is inversely associated with unemployment and poverty and positively associated with income, job success, civic participation, access to power and physical, social and mental well-being. The importance of education as a prerequisite to employment that offers a living wage and opportunities for advancement has increased as more routine work has been automated. The best jobs often go to persons with advanced academic and technical skills, as well as an array of adaptive noncognitive skills.



OVERVIEW

FIGURE 4. OPPORTUNITIES FOR PRIVATE SECTOR ENGAGEMENT IN REMOVING HEALTH BARRIERS TO POVERTY REDUCTION

	CSR—INTERNAL	CSR—EXTERNAL
ACCEPTABILITY	Increase awareness programmes that are adapted to local cultures	
	<ul style="list-style-type: none"> • Incorporate cultural dimensions into any in-house or mobile healthcare services • Provide education and awareness through workplace wellness programmes 	<ul style="list-style-type: none"> • Provide education and awareness through wellness programmes, seminars and workshops at community centres, libraries and other public spaces to dispel concerns about conflicts between healthcare services and cultural traditions
AFFORDABILITY	Subsidize the cost of healthcare	
	<ul style="list-style-type: none"> • Create on-site primary care facility to decrease workers' downtime • Subsidize the cost of healthcare insurance programmes • Implement hosting days where healthcare specialists provide screening and testing on site to employees, thus lowering cost and increasing accessibility and availability 	<ul style="list-style-type: none"> • Work together with the local authorities and development partners to address gaps and entry points in the system • Donate home care products to the local community health centres • Provide local health checkup days for the community • Create community healthcare worker programmes with local government • Contribute to health systems strengthening schemes, emphasizing entry points (primary care) and testing
AVAILABILITY	Directly provide or fund healthcare	
	<ul style="list-style-type: none"> • For multinational companies, and for those with remote national centres, utilize or develop available mobile tele-health connections 	<ul style="list-style-type: none"> • Providing public health services to respond to a major local health issue, in coordination with local authorities and development partners • Support community health screening programmes • Support and involve public-private partnerships that promote to fund various healthcare services in local communities
BEHAVIOURAL PREVENTION	Increase awareness	
	<ul style="list-style-type: none"> • Provide awareness campaigns on early medical checks or a specific health condition of greatest relevance to employees • Provide weekly health awareness messaging in company announcements and short training courses offered during breaks or between shifts • Provide education and awareness through on-site wellness programmes on basic healthcare and personal hygiene habits 	<ul style="list-style-type: none"> • Sponsor public education about health problems and treatments • Provide education and awareness through wellness programmes, seminars and workshops at community centres, libraries and other public spaces on basic healthcare and personal hygiene habits
ENVIRONMENTAL PREVENTION	Increase awareness	
	<ul style="list-style-type: none"> • Ensure best-practice environment compliance • Ensure that employees have the right skills to ensure environmental safety 	<ul style="list-style-type: none"> • Promote industry-wide improved environmental practices—health, hygiene, water storage, waste management, sanitation • Engage in community education and awareness programmes on health and environment and support the government and NGOs working in such initiatives in the community
GEOGRAPHIC ACCESSIBILITY	Directly provide or fund healthcare	
	<ul style="list-style-type: none"> • Foster worker insurance programmes • Provide at-work healthcare services for employees (especially for large labour forces that consist primarily of low income workers) and even extend these programmes to employees' families • Allow employees to use company vehicles and drivers in emergency situations to access health-care not available in the community 	<ul style="list-style-type: none"> • Finance course for nursing at home • Support local testing campaigns in conjunction with public health services • Ensure relevant content development and develop relevant health apps for local community for community members or community health providers • Provide support (through philanthropic contributions or technical capacity where available) for healthcare services in communities • Allow healthcare professional that may be on staff to provide on-site emergency visits to employees, families and communities in which employees live



SOCIAL ENTERPRISE	INCLUSIVE BUSINESS	MAINSTREAM BUSINESS
Increase awareness programmes that are adapted to local cultures		
	<ul style="list-style-type: none"> • Incorporate education as a part of inclusive business strategy • Train professionals in diagnosing and treating different diseases—for example, creating awareness about diabetes • Businesses (hospitals or manufacturers) could incorporate health education into their programmes—for example, training and deploying local health educators to educate people about diseases and preventive health measures 	<ul style="list-style-type: none"> • Promote education for a better acceptance of health-related products as part of marketing strategy
Decrease the cost of healthcare		
<ul style="list-style-type: none"> • Low-cost healthcare models • Generics • Access to patented drugs • Resource high-volume demand needs such as vaccinations, eye health or triage services, such as Aravind Eyecare in India, as well as low-volume demand needs, such as neglected diseases 	<ul style="list-style-type: none"> • Develop affordable healthcare delivery and pharmacy models, such as Swasth in India and Farmacias Similares in Mexico • Hospital facilities provide low-cost care, often use subsidized or differential fees based on patient's income and institute measures to reduce costs (lean production) • Microinsurance or health loan schemes for the poor. Manufacture lower cost devices that are more portable (addressing accessibility and availability barriers) and easy to use by minimally trained staff 	<ul style="list-style-type: none"> • Hospital facilities that accept public insurance or insurance targeting low income patients • Provide access to patents for generics • Deploy mobile health insurance solutions to the majority of people
Increase availability of healthcare		
<ul style="list-style-type: none"> • Mobile health connections • Decentralized distribution systems to increase availability in remote areas • Develop business models to address availability, such as Fundación Paraguay—Spectacles, that help spread access to eye glasses and medication • Introduce mobile information portals for poor people to access information about health matters (such as nearest health centre, types of diseases and causes, how to prevent a disease and so on) 	<ul style="list-style-type: none"> • Target underserved poor populations • Develop distribution models to address availability issues—supply chains, back up and alternative product sources 	<ul style="list-style-type: none"> • Develop affordable and high-quality business models in the healthcare ecosystem
Increase awareness		
<ul style="list-style-type: none"> • Develop information portals accessible by mobile for poor people to access information about health matters • Develop social business models around primary healthcare support through community healthcare workers who make home visits, such as the Avon lady model, in which community members educate and sell products to their friends in their homes 	<ul style="list-style-type: none"> • Support hygiene and health initiatives within the supply chain • Conduct various activities such as awareness raising, education campaigns, brand-building and grassroots marketing to inform people about health issues. For example, water companies that provide community education on the benefits of clean water, to encourage individuals to understand the risks of nonpurified water and change behaviours accordingly 	
Provide clean water, sanitation and energy-saving products or services		
<ul style="list-style-type: none"> • Commercialize interventions that improve environment—clay-based water filters, decentralized water plants (such as WaterHealth and Water Life) • Partner with sanitation providers 	<ul style="list-style-type: none"> • Provide ecological toilets that do not use water while conducting a public health awareness campaign on the need for more hygienic latrines • Manufacture low-cost water systems that can be assembled using local materials and labour • Many water and sanitation examples have special programmes for low income communities offering first-time or improved access, often through special pricing mechanisms (financing, reduced pricing, special payment) 	
Develop healthcare infrastructure		
<ul style="list-style-type: none"> • Develop not-for-profit health clinic in the local community • Develop local health technician and medical assistance programmes or other short-term intensive health certification programmes • Create community health worker training and related public service programmes • Develop more affordable and high-quality remote telemedicine and health support • Design products for easy transportation to or storage in remote areas 	<ul style="list-style-type: none"> • Develop small-scale, cottage, hospitals • Develop more affordable and high-quality telemedicine models • Expand care to underserved areas by building primary and secondary care hospitals in semi-urban and rural areas • Use telemedicine and e-health platforms to reach patients in clinics in underserved areas • Design products for easy transportation to or storage in remote areas 	<ul style="list-style-type: none"> • Develop innovative healthcare-based information and communication technology (ICT) services that saturate the global market and drive down ICT healthcare costs for all



OVERVIEW

Two premises underscore the importance of the education and work connection. First, schools that offer students a clear understanding of how their efforts can enhance the quality of their work lives are more likely to promote student engagement and motivation, which can lead to higher academic achievement. Second, educational programmes in secondary and postsecondary settings that are explicitly embedded in working contexts, such as work-based learning, provide students with a more seamless transition to the world of work. Consistent with those premises, career development education offered in school settings with links to experiences in the community can help young people learn more about future careers and the skills needed for the workplace.

Skill acquisition that takes place at work is perhaps as great, or greater, than that before work. Training on the job has been estimated to account for around a quarter to a half of an individual's set of skills. Work activities are related to proficiency in key skills including literacy and numeracy, even after education is taken into consideration. Moreover, learning most readily takes place through practice, and opportunities to practice work skills take place overwhelmingly at work—and across worker's entire careers.

A positive work cycle that supports both work productivity and enhanced well-being can be created by providing workers with decent work conditions and helping them fulfil important internal psychological needs. Two fundamental ways that this cycle can break down at the base of the pyramid relate to skills gaps. First, the skills needed at work and in life might not match the skills that people have. And second, the private sector or individuals seeking gainful employment do not know what skills they have, or what skills they need. At the base of the pyramid, there is evidence to indicate that positive work cycles have been undermined in both ways.

To realize the potential of education to eradicate poverty, societies across the globe will need to invest more fully in education for all citizens. This investment includes funding quality schools with adequate learning resources, ensuring financial and political support for teachers and providing social resources and healthcare to allow children and families to engage fully in educational opportunities.

From a public policy perspective, this investment should be shared among public and private stakeholders. Public social service agencies can work more closely with the educational system to ensure that all young people have the social, emotional and health support they need to succeed in school. Private industry, which benefits from the development of an educated citizenry, has the capacity to invest human and financial capital in education systems. Financial support of the arts, culture, science, technology, sports and vocational programmes in schools can enrich curricular offerings for all students. The private sector can share its special expertise in teaching and mentoring students and educators both in the school setting and in the workplace.

In addition to academic and technical skills, the workplace demands of employees a wide range of intrapersonal and interpersonal skills. These noncognitive skills are important not only for future work but also for success in school and life. They also constitute critical psychosocial resources that allow marginalized and disenfranchised youth to be resilient, despite conditions of injustice. The value of noncognitive skills calls



for a holistic approach to education that extends beyond the cognitive domains. Special educational programmes have been integrated effectively with the academic curricula of schools to promote noncognitive skills as related to socioemotional learning and career development.

Acquiring and applying knowledge—technical know-how—has immense potential to reduce economic deprivation. The private sector can collaborate with governments, academia and civil society to reduce the knowledge divide and to make knowledge accessible to all. Providing access to information and communication technologies is a good start but does not suffice. While governments have the sole responsibility to ensure fair and equitable universal access for all of its citizens, the private sector can step in by bringing innovative solutions to sharing and using knowledge.

Small and medium enterprises could partner with development agencies to structure and market internship opportunities, a collaboration that could be especially advantageous in developing countries. They continually complain of not being able to find and hire talent because they lack the resources to promote and recruit effectively. By bringing them into the process of developing talent—both partnering with educational institutions and providing training on the job—they could increase the size of the talent pie and have early access to potential hires. They could also expand the diversity of internship and training options.

Vocational training offers a powerful vehicle to fight poverty. Private-public collaboration in a community college or technical college might respond to the need for healthcare technicians by setting up programmes to train unemployed and underemployed people who could benefit from these openings. Businesses can, with their expertise, support the process of preparing vocational education and training systems to provide tailored and flexible responses for the diverse needs of learners. For individuals, job training efforts would benefit from using the latest findings in the social sciences to design programmes that enhance motivation, learning transfers and skill development.

Public-private partnerships can develop online and freely available platforms to impart entrepreneurial knowledge and skills, select for entrepreneurial abilities and personalities and motivate entrepreneurial success through goal-setting. Where necessary, this platform should include localized information and be easily accessible both online and in hard copy to entrepreneurs of micro, small and medium-size enterprises. In today's globalized business environment, mobile technologies can provide much-needed access to information that entrepreneurs need for their businesses and for access to distant consumers and clients. These mobile technologies can also serve as avenues for skill development for individuals, and groups through tutorials and low-fidelity simulations.

A host of online training tutorials designed to develop entrepreneurial knowledge and skills should be available for computers and mobile devices. Goal-setting apps that work on mobile devices, facilitate the establishment of specific, measurable, attainable goals and provide feedback to entrepreneurs on their goals would be a useful addition. Such a system could capitalize on social norms, where appropriate, by setting group goals.



FIGURE 5. OPPORTUNITIES FOR PRIVATE SECTOR ENGAGEMENT IN REMOVING SKILL BARRIERS TO POVERTY REDUCTION

	CSR—INTERNAL	CSR—EXTERNAL
BASIC SKILLS GAP	Address directly the basic skills gap through literacy and numeracy education	
	<ul style="list-style-type: none"> • Enhance compensation and time-off for skill development • Provide basic and vocational skill training for employees that starts with a training needs analysis of employees' basic skills gaps • Enrich jobs by designing them with activities that develop basic skills • Establish partnerships with local schools for on- or off-site adult education programmes or provide other tuition reimbursement programmes • Help develop or fund affordable education centres 	<ul style="list-style-type: none"> • Advocate for other organizations to adopt positive internal or external CSR practices; this can include forming partnerships to share the cost of internal CSR, forming accountability and reporting standards for internal CSR results and sharing best practices • Partner with educational and training experts to provide training and skill development opportunities relevant to the businesses' expertise; target disadvantaged groups • Partner with organizations at the base of the pyramid to promote positive internal CSR and facilitate the costs of skill development initiatives' implementation • Participate in skill-information development by sharing anonymous data about skill needs and skill levels of employees
INDIVIDUAL BARRIERS TO LEARNING	Promote education and training among undereducated groups	
	<ul style="list-style-type: none"> • Develop and implement language and other transitional living programmes • Develop and implement continuing skills training for members of the population falling below the poverty line • Offer counselling services to help cope with workplace integration • Develop employee training within the organization that incorporates not only cognitive and vocational aspects but also other noncognitive skills such as values and work ethic 	<ul style="list-style-type: none"> • Host community career fairs that emphasize the importance of the noncognitive skills required for the workplace as well as cognitive and vocational skills • Encourage local communities to participate in vocational and social courses; Maersk in Chile, for example, offers psychological tests and support as part of training programme
LACK OF KNOWLEDGE ABOUT SKILLS POSSESSED BY THE POOR	Promote and fund understanding of skills possessed by the poor	
	<ul style="list-style-type: none"> • Collaborate with national agency to find out potential of workers by using surveys • Provide testing to youth to identify those with skill potential (followed by vocational training noted above for those exhibit sufficient skills) • Map out the skills needed to perform certain jobs in the workplace and train persons within the organization to ensure career advancement and development 	<ul style="list-style-type: none"> • Fund basic research to develop tools helping identify potential of workers • Partner with governments to provide communities with development training such as the importance of developing skills maps for the communities that can be shared with and compared with skills required for jobs in the community. This can serve as the basis for developing appropriate training programmes that can be supported by both public and private sector • Support the development of databases of occupational information such as knowledge, skills, attributes and other characteristics using best case models from more developed countries and contextualizing these to the local environment
VOCATIONAL SKILLS GAP	Provide or fund vocational training	
	<ul style="list-style-type: none"> • Fund vocational training • Create internal opportunities to train employees 	<ul style="list-style-type: none"> • Support organizations that provide vocational training by providing opportunities for workplace-based learning, internships, summer jobs, mentoring and employee shadowing • Create mentoring projects to identify and train local talent that may be absorbed into the company (future hires) • Create an online learning platform; provide mentorship and business acceleration mechanisms; provide business opportunity set (investment, networking in ecosystem) • Collaborate to expand entrepreneurial education



	SOCIAL ENTERPRISE	INCLUSIVE BUSINESS	MAINSTREAM BUSINESS
	Adapt business model to address skills gap		
	<ul style="list-style-type: none"> • Develop affordable online training programmes for companies' workers operating in a specific sector to reduce costs per worker for individual companies • Develop public-private partnerships with relevant government agencies (including technical agencies in fields relevant to the company) to provide skills development programmes • Manage community learning centres that can take membership from other companies as well as qualify for government incentives or subsidies • Develop or fund affordable education centres • Use government subsidies or other incentives to offer continuing education or other foundational skill development 	<ul style="list-style-type: none"> • Target lower income families through affordable schools. For example, a chain of affordable private schools in Africa, targeting students from low income communities. These schools are located in urban and rural low income communities and constructed with a low-cost construction model and standard designs • Provide capacity training and transfer skills to the producers, retailers and distributors in the value chain of the companies; training can include financial literacy, basic business skills, retail management (for retailers) and so on based on demand • Use government subsidies or other incentives to offer continuing education or other foundational skill development 	
	Promote education and training among undereducated groups		
	<ul style="list-style-type: none"> • Develop innovative training programmes targeted specifically at developing the self-efficacy of marginalized populations • Create online train-the-trainer courses designed for implementation at the base of the pyramid and that emphasize the importance of, and ways to improve, working conditions conducive to empowerment 		
	Leverage knowledge about skills gathered through ancillary activities		
	<ul style="list-style-type: none"> • Collect data on base-of-the-pyramid producers, distributors and customers to better understand their value chain and measure performance • Introduce systematic mechanisms to connect suppliers and users of skills at an individual or organizational level 	<ul style="list-style-type: none"> • Develop labour and employment data to better understand undervalued labour force • Perform company-based cost-benefit analyses estimating the gains for different forms of skill training, emphasizing sectors and locations with employees who fall below the poverty line 	
	Develop education infrastructure		
	<ul style="list-style-type: none"> • Develop self-funded schools or affordable training centres • Develop business-led initiatives bridging the gap among school, work and society 	<ul style="list-style-type: none"> • Provide tertiary-level schooling focusing on technical skills—for example, one university in Colombia targets low socioeconomic status groups, has a curriculum that is vocationally oriented, and focuses on aligning offerings with key productive sectors in Colombia 	<ul style="list-style-type: none"> • Provide knowledge transfer by global firms in host country • Develop curricula together with educational institutions; temporary public-private partnership skills development programmes; funding of equipment at schools; inclusion of trainees



Overcoming social barriers

Social barriers to reducing poverty include attitudes, beliefs and behaviours that devalue the poor. Individual-focused attributions for class position equate economic security with personal merit and effort—and poverty with laziness and a lack of interest in self-improvement. Cognitive biases make structural sources of inequality difficult to “see.” Prejudices against racial, ethnic, gender, religious and low income groups limit opportunity. Intergroup differences in power and privilege make forging strong cross-class alliances difficult.

Classism, a major obstacle to reducing poverty, is a network of attitudes, beliefs, behaviours and institutional practices that recreate and legitimize class-based inequalities that systematically advantage middle and high income groups over poor and working class people. It encompasses prejudice, stereotypes and discriminatory behaviours and practices that distance, avoid or exclude poor and working-class persons. Classist prejudices, stereotypes and behaviours are interrelated and may occur together, but they also operate independently.

Tackling social barriers is a long-term investment. Cooperating with local governments and civil society, the private sector can help plan and implement decentralized social programmes. Adopting international standards is perhaps the first step towards aligning business practices with work that ensures the rights of vulnerable groups in high-risk countries.

The private sector should work within a strong regulatory and accountability framework, complying with international labour standards, creating decent jobs, paying taxes and ensuring they inflict no ecological damage. Using principles of solidarity economics, any accountability framework for the private sector should use existing monitoring mechanisms, human rights commitments and principles in the development agenda, including the indivisibility and universality of rights.

In promoting social integration, the private sector should first identify practices that can have unintended exclusionary effects. Businesses must take care to include all local stakeholders—hiring or consulting one group at the expense of others can foster grievances among communities, especially in areas of historical sectarian or ethnic tensions. Human resource policies responsive to the local context can ensure equitable access to jobs. Also, incorporating local products and services in supply chains can create value for vulnerable parts of the population. The role of the private sector in promoting a sustainable model of production and consumption will be key in terms of access and advancement of clean energy sources, access to water and other resources. And by identifying linkages between core business operations and conflict dynamics, the private sector can adopt due diligence measures that contextualize risk factors. In all, this strategic social investment should be an independent activity that in the long run builds on existing capacities and lays out a community hand-over plan.

Within the framework of corporate responsibility, the private sector can implement and promote changes in attitudes and structures furthering equal and full socioeconomic participation of women and men, including disadvantaged groups like persons with disabilities (figure 6). CSR activities can bridge the gender wage gap that enables equal pay for equal jobs among women and men. They can address the jobs matrix where women keep performing the lowest paid jobs and working in precarious conditions. They can combat discrimination at work. And they can ensure paid parental leave for both men and women to encourage from the onset a shared responsibility of care work.



FIGURE 6. OPPORTUNITIES FOR PRIVATE SECTOR ENGAGEMENT IN REMOVING SOCIAL BARRIERS TO POVERTY REDUCTION

	CSR—INTERNAL	CSR—EXTERNAL	SOCIAL ENTERPRISE	INCLUSIVE BUSINESS	MAINSTREAM BUSINESS
COGNITIVE BIASES	Promote discrimination awareness				
	<ul style="list-style-type: none"> Implement human resource policies that protect against all forms of discrimination in the workplace Provide awareness and education about discrimination in the workplace through internal campaigns Have human resource practices audited by outside stakeholders to ensure they are not unwittingly discriminatory 	<ul style="list-style-type: none"> Communicate internal policies with external stakeholders; ensure that supplier contracts include reference to appropriate codes, policies and so on Sponsor local community and cultural activities that identify and confront cognitive biases through humour and multimedia Encourage employees to be part of volunteer services against class discrimination 	<ul style="list-style-type: none"> Develop business and enterprise models that create opportunities for addressing stigma and bias through productive co-effort 		
GENDER INEQUALITY	Promote gender equality		Compensate for impacts of gender inequality		
	<ul style="list-style-type: none"> Create supportive work environment, mentoring and supervision for all genders Create peer counselling groups for female workers to address barriers created by their social environment (childcare, head of household expectations) Develop skills training programmes to compensate for lower education of females in specific countries and contexts to provide them with equal opportunity for employment Create on-site childcare opportunities Create of on-site skills development opportunities for workers' daughters with incentive programme for enrolment 	<ul style="list-style-type: none"> Fund local organizations to promote and support women in education, employment and leadership roles Create community job-search programmes emphasizing female employment to secure additional female workers and create social messaging emphasizing the value of women in the workforce Present at local schools, emphasizing the role of women in the workforce to affect young boys' and girls' perceptions 	<ul style="list-style-type: none"> Develop affordable services to support women below the poverty line stay in the formal workforce (such as affordable community childcare, services transporting them to and from work, and so on) Use technology to create space for women and create a peer network Create enterprise development to support women as entrepreneurs, access to microfinance, training and markets for production and expansion 	<ul style="list-style-type: none"> Support supply chain opportunities for women; identify and generate new opportunities for promoting the participation of women in mainstream business activities Provide income generation opportunities through value chain development, and support suppliers, distributors and retailers with access to inputs, services and training. Specific to gender equality, some of these models have emphasized including women in development of their microdistribution or retail networks, by explicitly recruiting and supporting women and often have targets in place Engage in "pro-social" hiring, recruitment and pro-social training and development 	
LIMITED TRUST AND COHESION ACROSS SOCIAL CLASSES	Promote understanding and cohesion across groups				
	<ul style="list-style-type: none"> Create diverse teams under the right conditions (such as superordinate goals) to form cooperation and understanding across social identities Create opportunities for shared values across social classes and intercultural groups through cooperative problem solving for workplace outcomes Fund events to improve social cohesion Create and publicize a corporate hiring strategy emphasizing diversity to establish a sense of equal opportunity 	<ul style="list-style-type: none"> Start public campaigns in partnership with other public and nongovernmental organization stakeholders that provide awareness and education about discrimination, bias and the like aimed at removing stereotypes and building trust in the community Fund events to improve social cohesion Cooperate with public diversity programmes in the local community 	<ul style="list-style-type: none"> Alternative business organizations like cooperatives or mutual organization can promote shared, democratic decision-making within the workplace, through rotating chairs, managers, shift supervisors and so on 	<ul style="list-style-type: none"> Support local business initiatives that meet shared needs across social groups Train leaders and management across organization; teambuilding 	
SYSTEM-JUSTIFYING BELIEFS	Promote understanding and cohesion across groups and fight discrimination		Compensate for impacts of system-justifying beliefs		
	<ul style="list-style-type: none"> Organize an event to bind employees together Promote equity programmes and policies within workplace; model best practice throughout organization 	<ul style="list-style-type: none"> Operate apprenticeships and internship opportunities reserved for people affected by poverty that are supported by skill-development initiatives and job opportunities Foster learning culture; encourage cross-cultural interaction through volunteering, workplace giving and leadership development 	<ul style="list-style-type: none"> Increase women's engagement in workforce; challenge the notion that women do not work outside home Develop advertisements to promote job-training programmes in ways that break stereotypes Generate market access and employment activities for poor 	<ul style="list-style-type: none"> Operate targeted hiring and skill development training that identifies high-potential trainees from disadvantaged social identities and train them for jobs in sectors dominated by distinct social hierarchies with social and socioeconomic skills (business networking knowledge and skills) Invest in a less attractive poorer region and employ women, many of whom step into work life for the first time, such as Turkcell's Erzurum Call Center inclusive approach to hiring and strategy Recruit mentors for trainees in the above programme from strategic career positions and social identities (female executives) 	



Companies should also support comprehensive health care coverage for women by respecting reproductive rights, a key step towards strengthening women's autonomy and advancing gender equality. The growing trend of supporting women's entrepreneurship, often through microcredit loans, needs to be assessed with a broader feminist lens. Without the appropriate sociocultural interventions, increasing access to loans, for example, can drive women deeper into poverty and debt. If women are not included as decision-makers in their communities, entrepreneurship will not solve the fact that women cannot decide how to spend their earned income because of socially constructed norms.

For businesses operating in areas with visible divisions, organizing awareness campaigns around the importance of workplace diversity to sustainable development can also promote changes in intergroup attitudes. At both the community and corporate levels, the private sector can cooperate with multilateral organizations to establish programmes that foster skills in conflict resolution among local leaders and workplace supervisors.

Overcoming decision-making barriers

Poverty depletes self-efficacy, narrows focus and is stressful and distracting, collectively leading to suboptimal economic decision-making that perpetuates a cycle of poverty. The decision context that poverty creates is so radically different from that of wealth and comfort that it requires a unique framework for the behavioural economics of poverty. The pervasiveness with which poverty penetrates everyday lives affects decisions not only by narrowing the set of options from which one can choose but also by altering the mindset of the decision-maker. The result is a set of decisions and behaviours that may appear irrational or self-defeating from the point of view of the western or middle-class observer.

Material scarcity leads to, and thus operates within, difficulty in almost all dimensions of one's life. Scarcity in material resources has one obvious consequence for economic decision-making: it constrains the set of options from which one can choose. Examples of the consequences for private sector actors working with the poor are uncontroversial: a company marketing to the poor needs to create a set of product options that are affordable to them, while a business employing those living below the poverty line needs to consider the cost of the daily commute to work.

Less obvious is the effect of this narrowing of options on the mindset of someone living in poverty. Thinking about key aspects of the situation of poverty reveals how being poor can lead one towards a different pattern of decision-making. The narrowing of options reduces the level of control one can have over one's activities, lifestyle and outcomes. Someone living in poverty often has as little say over everyday decisions, such as what to have for dinner, as over large decisions, such as whether to attend school or which occupation to pursue. The less people feel in control of their lives, the less likely they are to make decisions that might benefit them in future.

Opportunities exist for the private sector to use insights from behavioural economics to improve outcomes (figure 7). These insights offer scope to improve employee performance and well-being and to identify new openings for social entrepreneurs interested in poverty reduction. They can identify new market opportunities, better integrate the social mission of an inclusive business, improve supply chain management and payment arrangements and understand why promising business ventures at the bottom of the pyramid may fail.



An overarching lesson is to design economic interactions with the poor in a way that allows for high levels of autonomy, thus boosting self-efficacy, and to recognize the distraction and cognitive strain of resource scarcity. One promising area for innovation in the business community, especially the banking sector, is to help the poor understand and access suitable tools for saving money—for instance, by establishing processes for longer term purchasing, where goods can be purchased for a lower price if a contract for a minimal purchase is signed.

Mainstream businesses can implement daily workplace techniques to increase self-efficacy, engaging workers through goal-setting and regular feedback and ensuring that work provides meaning and competence and allows for empowerment and self-determination. Employers can help tackle the stressful nature of poverty by ensuring sufficient breaks and other downtime in workers' schedules to reduce physical stress; similarly, they can create worker training programmes that identify workplace stress and teach coping skills for all forms of company labour, both physical and managerial. Workplace counselling and peer groups could help women facing stress at home and in the workplace, as could workplace childcare to reduce stress for working women unable to afford childcare. Putting in place employee-centred workplace incentive and monitoring processes can buffer and reduce stress, and anonymous reporting procedures can be implemented at the worksite to reduce the stress of directly reporting problems.

Businesses can help mitigate the unique cognitive demands of poverty by decreasing the number of important decisions employees have to make, such as by ensuring that many basic provisions are included in retail or employment contracts. By designing employee and product communications clearly and concisely, they can be made more accessible to those under poverty-related stress. Given how poverty can narrow focus, workplaces can provide training sessions on long-term planning and goal setting, or even provide alternate payment mechanisms to help employees who want to save for education, health and housing. Such interventions can help optimize the long-term economic decision-making of workers, benefiting a business's productivity, boosting the well-being of its employees and improving supply chain reliability.

Social enterprises and inclusive businesses can explore opportunities to help people living in poverty outsource factors that contribute to a higher stress environment as a business opportunity. They could centralize certain services in each community and offer a lower rate due to economies of scale, as in a group investment account. Large investment funds may not be interested in small-scale investors, but tranches for the poor based on investment length could be developed with microfinance institutions involved in weekly collections. The poor would not have to worry about the "how" of saving money, exchanging interest gain for better access to financial instruments.



OVERVIEW

FIGURE 7. OPPORTUNITIES FOR PRIVATE SECTOR ENGAGEMENT IN REMOVING DECISION-MAKING BARRIERS TO POVERTY REDUCTION

	CSR—INTERNAL	CSR—EXTERNAL	SOCIAL ENTERPRISE	INCLUSIVE BUSINESS	MAINSTREAM BUSINESS
POVERTY DEPLETES SELF-EFFICACY	Promote self-efficacy				
	<ul style="list-style-type: none"> Implement on-the-job training to increase self-efficacy Create counselling programmes for workers to increase self-efficacy Engage workers through goal-setting and regular feedback; ensure that work provides meaning and competence, and allows for empowerment and self-determination 	<ul style="list-style-type: none"> Engage in “pro-social” hiring, recruitment, training and development by deliberately targeting people from the base of the pyramid who might not otherwise be considered due to geography, performance or qualifications Promote respect for individuals within community through inclusive practices, supportive communal decision-making processes, local leadership and self-efficacy programmes 	<ul style="list-style-type: none"> Support personal decision-making and risk taking, financial control and knowledge sharing, through initiatives such as study circles, SMS and adaptive technologies Create online train-the-trainer courses designed for implementation at the base of the pyramid that emphasize the importance of working conditions conducive to empowerment 	<ul style="list-style-type: none"> Support local decision-making in supply chain negotiations; enable fair trade agreements Promote and provide skills evaluation and development opportunities, in conjunction with social enterprise efforts, for business partners, customers, suppliers and employees at the base of the pyramid Increase accessibility of markets, such as via agribusinesses developing cooperatives or access to collection centers, and making available training, credit (prepayment) and inputs to help meet international certification standards 	
POVERTY IS DISTRACTING	Reduce distractions within the workplace	Simplify recognition of opportunities and understanding of choices	Develop processes and business models that incorporate implications of distraction		
	<ul style="list-style-type: none"> Develop employee benefit programmes Provide free in-house financial training for employees Decrease sources of home-related distraction through provision of services such as workplace childcare and paid family leave 	<ul style="list-style-type: none"> Provide educational materials about the values and opportunities offered within community Promote communal decision processes 	<ul style="list-style-type: none"> Design business relationships with the poor that recognize the distraction and cognitive strain of resource scarcity Establish processes for longer term purchasing (purchase for a lower price if sign a contract for a minimal purchase) Develop co-op and other community business models Establish payment models that limit interest on long-term payment schemes Design product communications that are clear and concise 		
POVERTY IS STRESSFUL	Tackle financial distress and other sources of stress				
	<ul style="list-style-type: none"> Provide long-term contracts and assurances against sudden dismissal Ensure sufficient breaks and other downtime in workers’ schedules to reduce physical stress Create worker training programmes identifying workplace stress and coping skills for all forms of company labour (physical and managerial) Create workplace counselling and peer groups for women facing home and workplace stress Create workplace childcare support to reduce the stress for working women unable to afford childcare Create anonymous reporting procedures at work to reduce the stress of directly reporting workplace problems 	<ul style="list-style-type: none"> Support community investment to alleviate financial distress—for example, Paraguay community savings Develop community health services related to specific stress factors Develop community counselling services for stress management 	<ul style="list-style-type: none"> Support accessible microfinance arrangements through a community savings plan and matched savings Develop innovative technology and support systems for inclusive businesses to establish work arrangements that allow workers at the base of the pyramid to complete meaningful work, earn a living wage and access work and support services 		<ul style="list-style-type: none"> Promote good financial management practices, accurate financial transactions and transparent arrangements; honour all debts
POVERTY NARROWS FOCUS	Promote activities that expand psychological focus				
	<ul style="list-style-type: none"> Design activities that increase the focus on employees’ future goals Provide training sessions focusing on long-term planning with special one-to-one sessions for new hires Provide special account or other savings programmes for employees’ education, health and housing needs Promote medium-term planning for workplace activities with progressive steps towards achievements 	<ul style="list-style-type: none"> Provide short community training programmes offering trainees general skills to support a perception of increased chances for employment Support community planning activities that enable longer term thinking, including simple scenario planning to widen horizons 	<ul style="list-style-type: none"> Create specific bank accounts, microfinancing programmes and other long-term services targeting those living below the poverty line Create lower cost housing for those with minimum wage employment cooperating with local businesses Create innovative transport systems for those living below the poverty line to help them access markets with greater job opportunities 	<ul style="list-style-type: none"> Implement workplace development programmes that focus on lower income employees including skills passports, personal asset assessments, and measures of confidence, motivation, empathy and pride in achievements Orient towards harnessing the innovation and creative solutions of the poor, enabling reverse innovation 	



CRITICAL ENABLERS

This report has shown how various private sector efforts—whether through corporate social responsibility, social enterprise, inclusive business or mainstream business—can contribute to removing barriers to poverty reduction. Governments, multilateral development agencies, academics, nongovernmental organizations, innovative inclusive finance and investing, and technology all can help guide, encourage and facilitate a greater role for the private sector (figure 8).

Public sector

Governments can help enable the private sector in removing barriers to poverty reduction. They can create the enabling conditions, remove regulatory barriers and institute regulation conducive to economic activity. They can ensure social standards are met and level playing fields exist for all investors. They can reward positive behaviour and incentivize companies to work towards poverty reduction. They can also invest in the enabling infrastructure, information and education. Including local and municipal governments, the public sector needs to ensure that domestic resources are mobilized for pressing developmental issues.

Partnerships across all sectors—public, private, philanthropic and social—are increasing collaborative problem solving and service provision across the developing world. Enterprises operating independently often lack the skill set to understand the barriers to poverty reduction in a local context and the capabilities to overcome them.

Public-private partnerships can be encouraged through government incentive schemes, taxes on such “bads” as pollution, regulations ensuring safe labour conditions and fair pay, and standards to advance best practices. In addition to organizing these conditions, governments can offer subsidies for social goods such as skill-creation programmes in partnership with businesses to rapidly fill the gaps for skills in demand.

International organizations and development agencies

Development agencies can also help focus attention on critical developmental issues, convene parties from diverse sectors, generate and disseminate knowledge and best practices, stimulate the creation of support institutions and ensure implementation of internationally agreed developmental goals. Development agencies can mediate CSR initiatives, especially those directed towards poverty reduction. They can also work with businesses to promote inclusive business models—for example, through challenge funds where development agencies allocate matching grants on a competitive basis.

Building sustainable cross-boundary and cross-regional linkages among private players, governments and civil society allows for more cost-efficient and effective solutions to emerge from the Global South. Approaches can be seamlessly transferred, adopted and scaled up in comparable developmental contexts, leveraging the capacity of the private sector through people-centred impact investments.

Academia

Many products and services that businesses offer—and that generate shared value for all in the marketplace—have their genesis in innovations within the framework of academia. Universities generate knowledge of the local context, which is crucial for businesses expanding operations in lower income countries.



OVERVIEW

FIGURE 8. CRITICAL ENABLERS

	GOVERNMENT	INTERNATIONAL ORGANIZATIONS AND DEVELOPMENT AGENCIES	ACADEMIA
CSR	<ul style="list-style-type: none"> Incentivize firm CSR performance Develop standards for reporting of developmental impact of CSR Engage corporate sector in strategic planning such as infrastructure and workforce needs Define national development goals to provide overarching framework for CSR activities 	<ul style="list-style-type: none"> Partner with private sector and other stakeholders (government and nongovernmental organizations) to support and facilitate CSR initiatives that are based on best practices that can result in measurable impact in communities Share knowledge of best practices in other countries that can be replicated and scaled Continue to support the development of codes of conduct like the UN Global Compact 	<ul style="list-style-type: none"> Conduct research into development-oriented CSR criteria and best practices Research the link between internal CSR and poverty reduction—for example, in terms of income mobility Support research and analysis of current issues and programmes that will advance social and development goals Sponsor innovation and collaborative thought leadership around development goals and challenges Undertake research that translates academic knowledge into practical applications that the private sector can implement in real world
SOCIAL ENTERPRISE	<ul style="list-style-type: none"> Establish public-private partnership laws and procurement laws facilitating social enterprise involvement in public services and encouraging social innovation Recognize social business—specific legal status and tax exemption Introduce social entrepreneurship training in high-school curriculum Support advisory services for social entrepreneurs and help them take their idea to fruition Incentivize firm social enterprise performance Develop standards for reporting of developmental impact of social enterprise Set goals and targets for social enterprise in sectors and countries Promote successes Work with fair trade organizations to ensure supply chains pay government living wages to base-of-the-pyramid employees 	<ul style="list-style-type: none"> Link different actors across development processes to support social enterprise development Implement projects through social enterprises on a contractual basis Provide resources and facilitate training in entrepreneurship Assist with evaluation of the developmental impact of social enterprise work Set goals and targets for social enterprise in sectors and countries, while promoting successes Provide grants to social enterprises, and facilitate access to patient capital 	<ul style="list-style-type: none"> Document, develop action research and evaluate social innovation in situ, through participatory methods that build local capacity for decision-making, use multimedia to capture and promote activities and achievements Conduct research to analyse the ecosystem of entrepreneurship in a country or region with identification of the main players Improve the circulation of innovative ideas within the system—for example, the Tunisian Center for Social Entrepreneurship Provide more case studies on success and failures of social enterprises Conceptualize innovative ideas and models and support social entrepreneurs with scalability and management support Conduct research into development-oriented (triple bottom line) social enterprise criteria and best practices
INCLUSIVE BUSINESS	<ul style="list-style-type: none"> Develop standards for reporting of developmental impact of inclusive business Engage with stakeholders on behalf of governments in fragile states, to ensure transparency and compliance with funding requirements of official development assistance donors Incentivize inclusion of marginalized groups—for example, the Indian government has introduced job quotas for certain classes that have been exploited Establish financing programmes (subsidies for agricultural inputs, loans for education or housing) to expand access to goods and services to lower income individuals—for example, the government programme ICETEX in Colombia enables students to access financing for education Include capacity building for departments and ministries involved in public-private partnerships Establish public-private partnerships or contract the private sector to deliver last-mile water, energy or health services Provide grants to support feasibility studies for inclusive business—for example, JICA launched its “Preparatory Survey for BOP Promotion” to provide funding to companies in the market research and business model development stage and has awarded funds to more than 70 projects Promote an enabling environment for inclusive business through legal empowerment for the base of the pyramid; strengthen property rights; ensure consumer protection as well as broader business enabling environment measures 	<ul style="list-style-type: none"> Support local businesses through programmes such as Australia’s Enterprise Challenge Fund; coinvest in business development; foster relationships between multinational organizations and governments through inclusive business models Provide financing—for example, IFC committing \$11 billion since 2005 to more than 400 inclusive businesses in various sectors Act as a consultant to regional organizations—for example, with the African Union to develop sustainable agricultural schemes Provide technical assistance and expertise to companies to help them scale or reach new market segments—for example, IFC not only provides financing but also offers global and local expertise in inclusive business, regional and sector market insights, best practice and effective solutions from the existing inclusive business clients, established global network Provide an open database for spending of base-of-the-pyramid populations to help companies lower the upfront cost of identifying inclusive business opportunities or replicate their modes in different countries (such as Global Consumption Data) 	<ul style="list-style-type: none"> Work from multiple case studies; identify factors for success and innovation Develop innovative products to expand operations in lower income countries such as leadership schools to generate future knowledge of domestic labour market Provide local, cultural, social and economic information to inform business decision-making Conduct research into development-oriented inclusive business criteria (triple bottom line) and best practices Research the effects of connecting developed-world consumers of goods and commodities with base-of-the-pyramid producers
MAINSTREAM BUSINESS	<ul style="list-style-type: none"> Identify and support sectors that contribute the most to poverty reduction in the national context Ensure that there is an appropriate regulatory environment that allows for formalization of businesses with potential to grow Simplify processes and bureaucracy of starting and licensing a business Promote compliance and adherence to sound business practices through a transparent regulatory environment 	<ul style="list-style-type: none"> Convene public and private stakeholders and disseminate knowledge on best practice to promote collaboration and catalyse business growth Support local businesses through programmes such as Enterprise Challenge Fund; coinvest in business development Foster relationships among companies, multinational organizations and governments 	<ul style="list-style-type: none"> Analyse case studies on the base of the pyramid to showcase opportunities for mainstream businesses, and engage with them at industry conferences and initiatives Undertake environmental studies, business analysis, regional benefits and prefeasibility studies critical for business success Provide local, cultural, social and economic information to inform business decision-making



NONGOVERNMENTAL ORGANIZATIONS	INNOVATIVE INCLUSIVE FINANCING AND INVESTING	TECHNOLOGY
<ul style="list-style-type: none"> Establish specific community targets for CSR programmes, such as those in the Niger Delta supported by local organizations and oil companies Partner with corporations to ensure best practices in aid and development work Assist with evaluation of the developmental impact of CSR work Broker links between government and the private sector Use nongovernmental organizations to introduce and pilot new socially beneficial technologies and products such as solar-power lights, thus demonstrating market potential Liaise between the private sector and communities to identify the needs of the community and present them to the private sector for action Work with the private sector to help it understand and develop a social licence to operate in communities Facilitate the actual implementation of private sector CSR initiatives in communities as a trusted and on-the-ground stakeholder in the community Help implement CSR projects with the facilitating company by providing expertise and resources 	<ul style="list-style-type: none"> Bring external CSR efforts to scale. For example, if companies establish an entrepreneurial training academy in their sector, financing can support the aspiring entrepreneurs 	<ul style="list-style-type: none"> Use information technology to form employee-to-employee and business-to-business CSR partnerships between either high and low income settings (where high income is devoted to supporting and helping low income) or low to low income settings (supporting each other by engaging in internal and external CSR) Help provide access to the Internet and assist people at the base of the pyramid with developing critical ICT skills Develop a near field communication system to disperse microcredits Establish product portfolio and create online platform for women entrepreneurs to sell and market their products Use social media for CSR projects including social messaging, target population identification and outreach Explore technology as a method of enabling the organization to interact with poorer communities Use ICT to overcome skills and knowledge gaps; leapfrogging technologies in developing countries can stimulate innovative processes, rapid response measures and flexible learning options. For example, Wings Cambodia Develop affordable models of technology products for resource-constrained contexts, such as extra cell-phone battery attachments for reduced prices
<ul style="list-style-type: none"> Nongovernmental organization projects may create business opportunities, such as new SMS services or context-specific equipment for low income populations Nongovernmental financing projects for small and medium enterprises may create new opportunities for the expansion of microfinancing projects Provide access to low income communities, working with poor through philanthropic and charity funding to meet social goals Partner with corporations to ensure best practices in aid and development work Assist with evaluation of the developmental impact of social enterprise work 	<ul style="list-style-type: none"> Social enterprises rely on impact investing capital to finance startup and operations costs. As impact investors seek opportunities to harness the positive power of enterprise for social good, there is significant overlap with the social enterprise sphere Impact investing funds can be tied to requirements that social enterprises and inclusive businesses adhere to international best practices and reporting standards Small-scale social enterprises need to be investment-ready, and impact investing needs to have a longer duration before the venture becomes profitable 	<ul style="list-style-type: none"> Adapt technology solutions to meet local needs—for example, solar cell recharge stations for mobile phones and devices Use technology to lower market entry costs, lower operating costs and make otherwise unsustainable business models more feasible Cheap ICT technology can facilitate the study of an enterprise's social impact Mobile technology allows for new business models in developing and post-conflict countries, such as mobile telecom firms like Roshan in Afghanistan, which provides millions with telecom access and mobile financial services Pilot business models and delivery channels to provide access to renewable energy and other green technologies, such as solar and rechargeable lanterns, improved cookstoves, solar kits and solar home systems Big data and social media analytics can be used to better understand and respond to the needs and vulnerabilities of the local population, helping social enterprises identify possible opportunities for products and services
<ul style="list-style-type: none"> Help implement community development programmes; provide training and capacity building; help with implementation of last-mile services—for example, Rainforest Alliance partners with companies to provide training and certification programmes for smallholder farmers Provide local legitimacy and connection for inclusive business opportunities. Local knowledge of stakeholders provides access for engagement Partner with corporations to adhere to best practices in aid and development work Assist in particular with evaluating the developmental impact of inclusive business work Broker links between government and the private sector Produce low-cost products tackling barriers (water filters, solar lamps, toilets) and disseminate them among the poor. There might be a lack of demand or misuse of products unless there is prior educational work conducted by nongovernmental organization—for example, mosquito nets were used as fishing nets in some African villages 	<ul style="list-style-type: none"> Help make alternative financing available Crowdfund—for example, a crowdfunding operator works with a Peruvian credit cooperative, I-DEV, providing a platform to assist small Peruvian farmers while raising funds from retail investors online Promote risk-sharing facilities that mitigate perceived risk in investing in inclusive business, particularly those that extend credit to the base of the pyramid (such as farmers) Patient capital, which allows for longer term and lower-than-market rate returns Examples of impact investment funds in the inclusive business space include Ingnia, LeapFrog, Root Capital or FIRST fund 	<ul style="list-style-type: none"> New connectivity tools like video demonstrations for training, call centre support and online support help expand access to knowledge Develop apps to help farmers identify specific weather conditions affecting crops, prices for a minor usage fee with possible links to other local businesses of relevance Use technology to lower market entry costs, strengthen supply chain commitments and build alternative supply routes Mobile payments enable unbanked populations to have access to financing and banking—for example, an inclusive mobile money provider offers a wide range of services to facilitate financial transactions through mobile phone-based “electronic wallets” (such as YellowPepper). Other companies that employ this type of technology offer both microfinance loans disbursement and payments (such as Roshan in Afghanistan)
<ul style="list-style-type: none"> Partner with government and private sector organizations—for example, to provide affordable school facilities Partner with employers to support their recruiting and skills training needs Provide access to communities, and facilitate creative solutions to immediate needs through community problem-solving 	<ul style="list-style-type: none"> Help scale up successful business models through impact investing Direct funds to key sectors that can ameliorate business disadvantages at the base of the pyramid 	<ul style="list-style-type: none"> Transform and penetrate markets through cutting-edge tools Drive the price of ICT tools down for everyone Create alternate technologies for resource-constrained contexts, including solar power Big data, ethically captured and managed, can be used to help track the links between business practices and outcomes, through decent work policies and practices Use technology in redesigning delivery models, accessing to information and learning, which can lead to change of behaviour and acceptability of products or services Enable innovation through technology—access to global knowledge hubs, collaborative adaption of existing technologies, improvements to generate profit and new solutions to development needs Online government record systems (such as the national eGovernment programme in Turkey) provided by the private sector that facilitate government's ability to identify and provide services to targeted populations Electronic outsourcing of services or technical skills training such as eHealth apps assisting in diagnoses



Academia helps to spread this knowledge by convening parties from government, civil society and the private sector to advance common agendas for poverty reduction and to spread best practices.

Applied research can also help remove barriers to private sector engagement. Researchers can identify the factors that facilitate or prevent private sector actors from engaging in poverty-reduction efforts. They can determine the most effective methods for the private sector to reduce poverty, ranging from specific CSR activities to mainstream business practices. Furthermore, through research, practical dialogue, learning, training and close partnerships, academia and the private sector can create positive cycles of knowledge and skill development that can promote poverty reduction and enhance businesses' deliberate efforts in this domain. A key element in this process is knowledge sharing and dissemination.

Nongovernmental organizations

Nongovernmental organizations (NGOs) have multiple roles in helping the private sector address barriers to poverty reduction. Civil society actors are frequent recipients of CSR funding, with capabilities in noncommercial areas that can help with the design of internal programmes. NGOs often carry a legitimacy that businesses may lack, and their status as a trusted member of the community can be leveraged for local contacts, knowledge and expertise. These assets are valuable for CSR projects, social entrepreneurs and inclusive businesses.

Civil society can work with businesses to uncover instances where profit meets purpose, as in the design of inclusive supply chains, and to identify positive externalities from investments. Multistakeholder partnerships that engage base-of-the-pyramid community decision-makers and provide jobs in a more inclusive business model will contribute to the well-being of workers and raise their skills for future value-added employment.

By interacting with NGOs and social entrepreneurs, the private sector can gain knowledge and insights to target customers, run up the learning curve much faster, and expand its markets and enter new ones.

Innovative inclusive financing and investing

Attention has turned to nontraditional mechanisms to help finance development goals, beyond development aid and the global marketplace. These mechanisms include microfinance, social impact bonds, development bonds, patient capital and social impact insurance, grants, and various shared risk instruments. Such financial innovations—often grouped as impact investments, differing in method and structure but sharing a hybrid focus on both social and financial returns—support the creation, growth and sustainability of businesses that would otherwise not be able to operate in riskier low income settings.

Impact investments are made with the intention to generate a social and environmental impact, linking socially desirable outcomes with the realities of running a business and the market imperatives of generating a return on capital. Impact investments direct capital to projects that combine a social purpose and a sustainable business model, giving them access to resources that would otherwise be unavailable and allowing them the opportunity to create scale.

One of the most valuable resources is patient capital. Due to all the barriers described in the report, behavioural changes and learning within target populations take time. But both investors and donor agencies today seek rapid results. To reduce any of these barriers, the means of leverage for development must integrate longer horizons that can be achieved through innovative financing mechanisms.



Social investors have become more sensitive to the demands of their clients and more sophisticated in their solutions to improve the lives of people living in poverty. They are going beyond financing small-scale economic activities and looking into opportunities in agriculture, energy, health and education.

Technology

Information technology has the potential to disrupt, or to reinforce, barriers to poverty. It alters the way people work, reshapes the ways that people relate to one another and shifts pathways to information and resources.

The private sector can support the poverty-disrupting potential of information and communication technology (ICT). Internal CSR can directly support ICT-empowerment at work by providing ICT tools and training to employees and then offering incentives and goals for employees to enhance their ICT skills. Similarly, external CSR efforts can help give local communities access to ICT tools and skill-development opportunities, but they can also help ensure that meaningful and helpful content exists in local languages—an important determinant of ICT motivation.

Opportunities to reduce poverty through ICT-related activities also exist for inclusive business. ICTs can facilitate the opportunity to distribute online work tasks globally—for example, by paying contract or permanent employees at the base of the pyramid to edit or translate text online or on mobile phones. Inclusive business practices can not only provide people at the base of the pyramid with employment, but by managing work effectively, their ICT skills can be enhanced through positive work cycles.

PRECLUDING POVERTY THROUGH SOCIAL INCLUSION

Conceptualizing poverty as social exclusion can frame fresh perspectives on efforts to eradicate poverty. By helping to preclude poverty through social inclusion, the private sector can help create a world economic community where no one is kept on the outside looking in. The harm from the financial and material deprivations of poverty is obvious, relevant and undeniable, and organized giving campaigns can address the damage done. But other larger dimensions of poverty transcend this perspective.

A social exclusion perspective encompasses material deprivation but brings the relational aspects of poverty to the fore. It focuses on the relationship between “the poor” and the rest of society—particularly the extensive, unremitting and mostly unexamined exclusion of people living in poverty, whether in the market as workers and consumers or in the system of governance. This relational exclusion relegates people affected by poverty to a social space outside mainstream culture, outside access to mainstream opportunities and protections and outside full democratic participation in society more broadly.

An inclusive re-visioning would mean reinterpreting the indispensable contributions by the lowest wage workers to the smooth running of societies. Such labour may be frequently devalued by more privileged social classes, though societies rely daily on the contributions of people at the bottom of the economic hierarchy. The people who harvest food around the world, cut meat, sew garments in factories and clean offices, as well as the people who provide domestic and caregiving services, are generally those at the base of the pyramid. As integral members of the corporate supply chain, they contribute to the fortunes of those at the top of the pyramid with more socially accepted (and financially rewarded) occupations. Society needs working people to come to work every day, and an inclusive vision calls on the global community to see the value of their labour and foster respect for the contribution of all workers.



OVERVIEW

Addressing social exclusion begins with noticing and interrogating the invisibility of “the poor.” It begins with conscious, deliberate questions about who is not in the room and who is not included in social and commercial spaces. It requires asking: Who is not part of this civic decision-making process? Who is not part of this workplace? Who is not represented in this sociocultural world? The answers will almost always point to those living in poverty. They will also undoubtedly point to people of colour, women, sexual minorities, people with disabilities and other marginalized groups.

The chapters of this report can thus be integrated within a social exclusion perspective, yielding a wide-ranging compendium of the forms that exclusion takes in the lives of people living in poverty:

- *Exclusion from basic mainstream services and resources.* Health, developmental and cognitive research has revealed that poverty—in creating stressful environments and obstructing income-poor families’ access to mainstream services—damages the bodily health, emotional well-being and cognitive functioning of income-poor children and adults.
- *Exclusion from mainstream educational, training and vocational gateways.* Research has identified numerous factors that bar people affected by poverty from accessing academic and training opportunities. Overcoming these barriers requires a shared commitment between the private and public sectors to invest in institutions and practices that foster a sense of agency and resilience in low income groups, as well as provide opportunities for people living in poverty to engage in meaningful, dignified work.
- *Exclusion from global reserves of human resources and entrepreneurship.* Empowered global citizens make up the worldwide human capital and human resources that lie at the heart of economic development. The community of people who make up this resource can be seen as both contributors to and beneficiaries of their participation in this system—their participation as workers and consumers is essential to a nation’s economy, and it also enfranchises them as world citizens. But people living in poverty currently are largely excluded from such enfranchisement.
- *Intergroup and interpersonal exclusion through social barriers.* Society’s continuing marginalization and scapegoating of “the poor” is supported by a constellation of attitudes, assumptions, stereotypes and biases that deepen, perpetuate and sanction their exclusion. Moreover, gaps in understanding and empathy characterize the interactions of mainstream individuals with “the poor”—gaps that can render even the most well-intentioned efforts to help as ineffective, shortsighted and patronizing.
- *Exclusion from the social protections and safe life spaces that permit the development of roles in the broader economic world.* Behavioural economists have illuminated the connections through which the marginalized, depleted, stressful environments of poverty preclude the development of long-term economic decision-making and other work-related human capabilities.

Poor people’s social exclusion encompasses both the tangible and intangible harm of poverty. Moreover, each form of exclusion tends to exacerbate other forms, making pathways out of poverty even more elusive. From their disenfranchised position on the margins, it is difficult to imagine that income-poor people can turn back these broad global trends solely through their own undertakings, even with the well-intentioned but short-term support that conventional charity offers. It is thus necessary to explore the links between the social determinants of multidimensional vulnerability and the adoption of interventions grounded in community mobilization. What should follow is collaboration by the rest of society. First is deciding to refute the continuing exclusion of people living below the poverty line. And second is taking deliberate collective action to include them. The private sector can play a much more substantial role in this collaboration.



*Empowered lives.
Resilient nations.*

United Nations Development Programme
Istanbul International Center for Private Sector in Development
Eminonu Yalikoscu Caddesi
No 16 Kat 3, Fatih 34112 Istanbul, Turkey
www.undp.org | www.iicpsd.org