Reaching the Base of the Pyramid through Inclusive Business Models

June 2011
Toshiya Masuoka
International Finance Corporation
Director, Inclusive Business Models Group
## IFC Business

### Investment Services
- Loans
- Equity
- Trade Finance
- Syndications
- Securitized finance
- Client risk management services
- Treasury Services
- Liquidity management

New investment Commitments (FY10)
- Total $18 Billion
  - IFC’s own account $ 13 Billion
  - Total Mobilization* $ 5 Billion

### Advisory Services
- Access to finance
- Sustainable Business
- Investment Climate
- Public - Private Partnerships

Number of new projects (FY10) 736
Approved value $ 0.8 Billion
AS total expenditure $ 0.3 Billion

### Asset Management
- It lets outside investors benefit from IFC’s expertise at achieving strong equity returns as well as development impact
- Its first two funds are IFC Capitalization Fund and a general private equity fund that will co-invest with IFC in Africa, Latin America, and the Caribbean

*Includes IFC’s initiatives, Syndicated B-Loans, Agented Parallel loans, and IFC Asset management Company
Inclusive business models are scalable, commercially viable models that provide goods, services and livelihood opportunities to people at the BOP

- Inclusive businesses engage the base of the pyramid (BOP) as consumers, suppliers/ producers, distributors or retailers

- IFC defines the base of the pyramid as not just lack of income, but lack of access to basic goods, services, and economic opportunities. This could include:
  - Smallholder farmers
  - Slum dwellers or rural villagers
  - Informal sector workers
  - Those with lack of access to basic goods and services in the formal sector, e.g., water, electricity, sanitation, or credit

- Inclusive business models have potential to reach those 4 billion + at the base of the pyramid (representing $5 Trillion in purchasing power), as described in the WRI/IFC study “The Next 4 Billion”

Note: The same basket of goods and services that costs $1.72 per day in India costs different amounts in other countries - a concept economists call “purchasing power parity” (PPP) used to compare the cost of living across different countries using a common currency.
More than $900 million (7%) of IFC’s commitments in FY10 were in inclusive business models

$ Committed to iBiz Projects by Industry (FY10)

- Infrastructure projects represented 44% of the total value of inclusive business commitments in FY10, followed by Manufacturing, Agribusiness and Services (31%) and then Financial Markets (25%)
- 40% of inclusive business $ commitments was in IDA countries

*NOTE: The FY10 figures included here are preliminary, pending a secondary screening currently underway*
Inclusive business models within IFC’s portfolio are geographically dispersed with opportunities for replication.

Manila Water Company: 1.6M new connections
IDEA Cellular: 11M new rural mobile subscribers
ECOM: 14,000 small holder farmers financed
Apollo Reach: 120,000 BOP patients treated annually
FINO: 12M new customers receiving financial services
JAIN: Sources from 30,000 farmers; 1,000 farmers certified by 2011
Cemar: 230,000 new electricity customers
FINO: 12M new customers receiving financial services
Apollo Reach: 120,000 BOP patients treated annually
IDEA Cellular: 11M new rural mobile subscribers
Manila Water Company: 1.6M new connections

MiTienda: 1,300 MSMEs serviced; 200 stores trained
ECOM: 14,000 small holder farmers financed
UNIMINUTO: 32,000 BOP students in 2009
Cemar: 230,000 new electricity customers
Tribanco: 4M credit cards issued; 150,000 MSMEs services
Anhanguera: 755,000 higher-ed students in ‘09
SABCO: 2,200 new distribution chain entrepreneurs
ZAIN: 338,000 new subscribers in ’09; 6,600 village phone operators

Areas where IFC has inclusive business presence:
- Investment
- Advisory
- Investment & Advisory

Note: These 14 companies are IFC clients that were examined in detail. Their cases are available at www.ifc.org/inclusivebusiness.
As the leading investor in inclusive business, IFC is sharing its experience with public and private sector leaders

### Sharing IFC’s knowledge
IFC’s expertise is being profiled externally through invitations to speak about our inclusive business experience at several international events including those hosted by Business Action for Africa, DFID/Business Call to Action and WBI. A case study written by IFC/ Harvard Kennedy School was launched during a Brookings Institution event featuring Bill Clinton.

### Convening iBiz events
IFC is organizing events such as the 2010 “Inclusive Business Solutions” conference in Washington – providing a forum for IFC clients, staff, donor and partners to exchange experiences on commercially viable, scalable iBiz models. Over 120 participants attended, including 37 representatives from IFC client companies. This event has generated several leads including interest by a client to launch a small farmer financing program and by other clients to launch finance programs for suppliers/ distributors.

### Documenting and disseminating replicable iBiz models
IFC is producing reports that frame key issue areas to advance the field of inclusive business toward greater scale and effectiveness. “Inclusive Business Solutions: Expanding Opportunity and Access at the Base of the Pyramid” includes 12 cases and interviews with 21 IFC clients to illustrate solutions to iBiz challenges. This report has generated interest from the investment side in helping their clients replicate elements of several featured models.
Discussion Points : Inclusive Business Perspectives

- **Market**
  - Do you already have an operation in developing countries?
  - Where in emerging markets are you interested in joining?

- **Products and services**
  - Do you have products that are potentially needed by the BOP?
  - Can you produce and deliver the products with low-cost? If so, how?

- **Distribution Channels**
  - Do you or your partner in developing countries have distribution channels to reach the BOP? (Could you set up joint venture? Or localize?)

- **Risk mitigation**
  - How do you mitigate the risks of new projects in new markets?