Empowered lives.
Resilient nations.

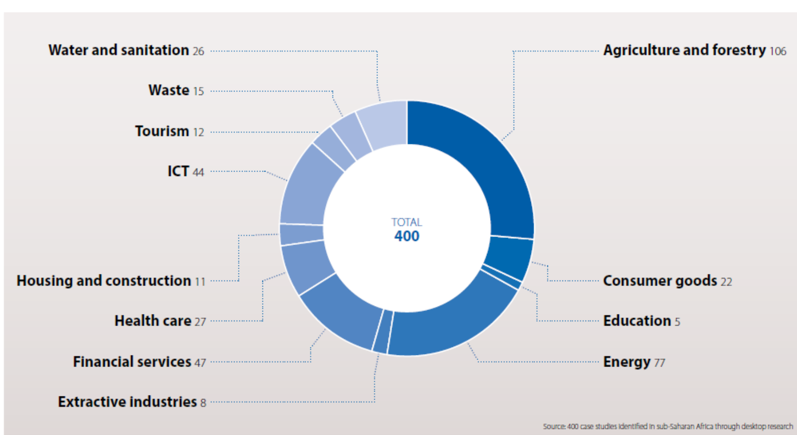
FAST FACTS – Realizing Africa's Wealth - Building Inclusive Businesses for Shared Prosperity

Inclusive business creates profits and unleashes potential

Sub-Saharan Africa has a total population of about 800 million people. By 2015, 75% of its population will be below the age of 30. Moreover, the number of young people is expected to double by 2045. This young, growing population holds great economic potential. The household incomes are rising and consumer spending is expected to grow to $1.4 trillion by 2020, $520 billion more than in 2008.
At the same time Africa has huge socio-economic problems, including extreme poverty, hunger, disease and unemployment:

- Almost half of sub-Saharan Africa's population lives on incomes of less than $1.25 per day
- Around 239 million people in sub-Saharan Africa are malnourished
- the continent has a high infant mortality rate(at least 100 deaths per 1,000 live births in 2009 in 30 countries in SSA)
- low average life expectancy of 52.5 years)
- two-thirds of the working-age population hold vulnerable, informal jobs,
- about 38% of Africa's adult population (153 million adults), lack basic literacy and numeracy skills
- more than 31 million African children do not attend school.

Examples of inclusive business in sub-Saharan Africa, by sector



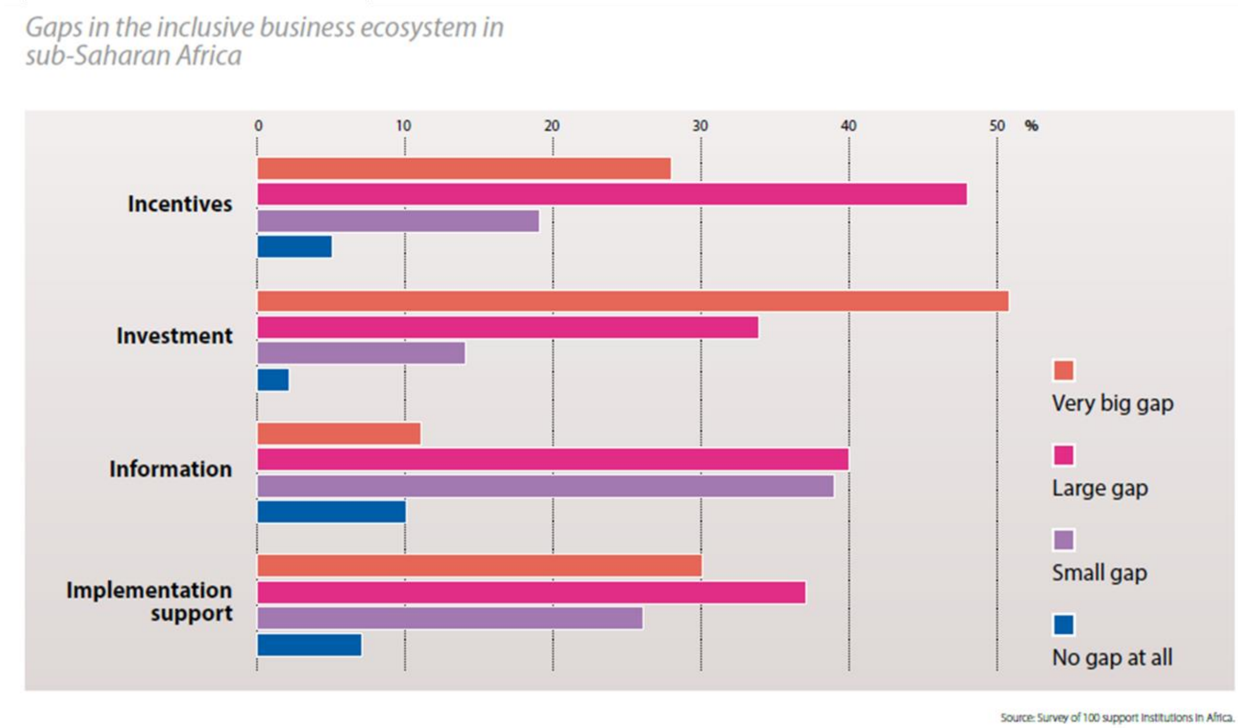
Inclusive businesses integrate low-income individuals into value chains in various capacities, be it as consumers, producers, employees and entrepreneurs. Thus, they bring the benefits of growth directly to low-income communities. This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace.

The Inclusive Business Ecosystem: Challenges to be addressed

Low-income markets lack many of the conditions that enable functioning markets. Entrepreneurs rely on the following four enabling functions to start and implement a business:

1. **information** about business opportunities and other market characteristics
2. commercial **incentives** to provide a reason to engage in the business activity
3. access to **financial investment**
4. **technical support** during implementation

A survey of 100 participants from various organizations reveal that these challenges have to be addressed by a network including companies, development partners, Civil Society Organizations, research institutions and intermediaries.



THE WAY FORWARD: Success Stories, Achievements and Best practices

1. **Information:**

The World Resources Institute (WRI) and the International Finance Corporation (IFC) have made a first attempt to map the size of emerging markets by country, region and sector in their 2007 report, “The Next 4 Billion”.

FinScope, a **FinMark Trust** initiative funded primarily by the U.K. Department for International Development (DFID), studies financial services in 14 African countries from both a supply and demand perspective.

The **University of Cape Town** uses financial diaries in rural and peri-urban areas of South Africa to track incomes and expenses in low-income communities.

The majority of market research companies focused on the African market are based in South Africa. **Field Africa** and **Eighty20**, for instance, are South African-based research agencies that collect data and conduct quantitative and qualitative research in low-income communities. **Consumer Insight Ltd.**, operating in Kenya, Tanzania, Nigeria, Uganda and Ethiopia, also conducts market research on African consumers, but does not specialize in low-income markets. **Research Africa** is a market research agency based in Uganda and the Netherlands focused on “social impact” businesses.

2. **Incentives:**

The World Bank finds that among the 50 economies showing the biggest improvements in business regulation since 2005, the largest share – a third – are in sub-Saharan Africa.

Supported by the World Bank, **Mali's** government created regulation that allowed private operators to offer energy services. The Malian Agency for the Development of Household Energy and Rural Electrification (Amader) provides subsidies of up to 70% for expansion of the services provided by the Rural Energy Services Companies. Subsidies are cut when the companies' profit margins exceed 20%. In this way, the government supports the creation of a market for energy services.

Kenya, for example, attracted investment in building renewable energy capacities and increasing access to modern energy services by improving the regulatory environment and creating incentives, such as feed-in tariffs.

Regional integration is progressing in Africa working to facilitate regional trade and coordinating initiatives under the umbrella of the African Economic Community (AEC). The World Bank estimates that the gradual removal of regional trade barriers could generate an additional $20 billion in agricultural trade, increase local production l, reduce dependence on imports from other continents and increase food security.

3. **Investments:**

Inclusive businesses often need initial investments to carry them through the point of operating stability. Several approaches and improved investment products are on the way:

Over the past decade, high-profile business personalities have created foundations with significant endowments to support the growth of African entrepreneurship. Examples include the **Tony Elumelu Foundation** and the **Dangote Foundation**.

Togo-based **Ecobank** has grown its SME portfolio by 269% over the past three years, bringing its total loan book to $603 million across six countries in West and Central Africa.

Micro Finance Institutions' total loan portfolio for Africa reached $7.2 billion in 2011, covering a total of 5.7 million borrowers.

The increased use of **Value chain approaches** makes sure interventions are market-based and sustainable. By closing gaps in value chains, these programmes provide coordination and investment that enables the private sector to step in on a sustainable basis. They thus provide indirect financing to inclusive businesses by reducing the costs of reaching the low-income market.

4. **Implementation support:**

To run a successful inclusive business, e.g. logistical support is needed to collect products from the low-income population and/or transactional support is needed to facilitate financial transactions. A wide range of support can be provided through partnerships:

ToughStuff and **Toyola**, both market clean energy devices in low-income communities. The two companies have created a network of micro-entrepreneurs that sell their solar lamps and cook stoves.

L'Occitane en Provence set up a Civil Society Organization to provide capacity-building support and training in shea butter production, general business management, bookkeeping and fair trade standards to thousands of rural women in Burkina Faso who convert shea nuts into butter.

Also government can play a crucial role: The **Ghana Cocoa Board** helped build technical expertise necessary for the company's operations by training and supervising 17 extension workers who were then tasked with building cocoa-farmer capacities.
The **Ethiopian Agriculture Transformation Agency** supports the development of domestic chickpea production, which in turn supports the sustainability of the PepsiCo Foundation's chickpea initiative.

Mobile information services can reach low-income customers with service information by providing smallholder producers with information on weather, prices and marketing opportunities. For example,the **Kenya Agricultural Commodity Exchange** (KACE) initiative connects farmers and mainstream buyers, by providing farmers with market information on a variety of commodities. Similarly, **e-Soko** provides market information services in 16 African countries.

Full report available online: **"Realizing Africa's Wealth - Building Inclusive Businesses for Shared Prosperity".**