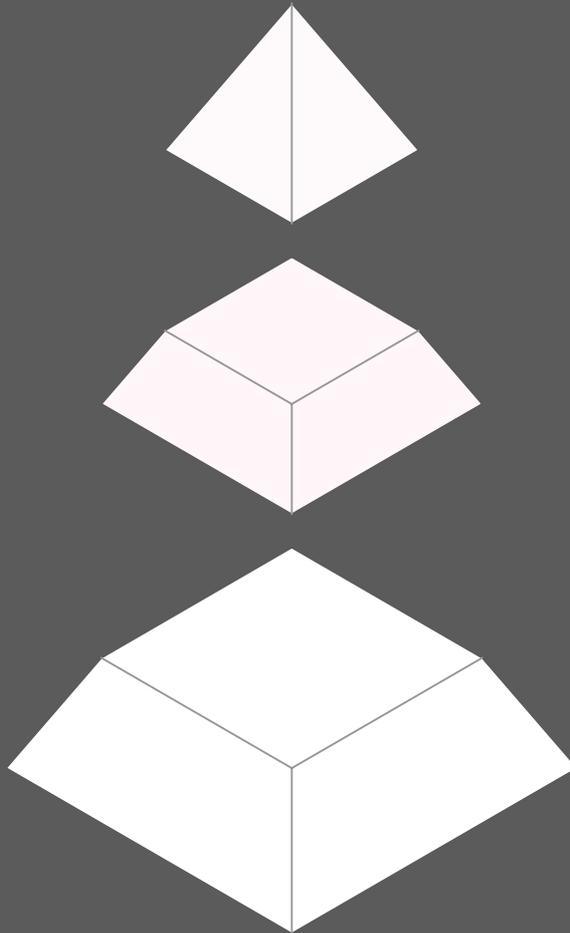


Lucia dal Negro
(edited by)

INCLUSIVE BUSINESS

ANSWERING THE CALL



DELAB

Lucia Dal Negro
(edited by)

Inclusive Business

Answering the call



2015

What is De-LAB?

De-Lab is an international team of professionals whose different technical expertise is required to develop applied research, consultancies and new initiatives in the field of Inclusive Business and Social Innovation.

We represent an intermediary actor between research experts and entrepreneurs willing to apply innovative solutions to their business challenges. We want to stimulate companies to become aware of the many opportunities offered by Inclusive Business models and Social Innovation to business value creation.

To do so we facilitate and coordinate the needs of the profit sector developing solutions that are both economically competitive and socially/environmentally responsible.

Our consultancies, applied research projects and social communication services aim at implementing innovative methodologies for new business development, boosting research achievements and showcasing best practices and groundbreaking knowledge.

Get in touch with us!

www.delab.it
info@delab.it

Preface

Jeremy Millard,
Senior Policy Adviser, Danish Technological Institute

The timing of this publication could not be more appropriate. The European Union, in its Europe 2020 Strategy, is grappling with the three major ‘wicked problems’ of our age: the lack of competitiveness and growth; rising inequality, poverty and stagnating incomes; and increasing environmental stress and resource depletion. Even non-economists can see the irony in this conjunction, as each in turn makes the other worse in a downward spiral leading to more unemployment and greater hopelessness amongst an increasing number of European and world citizens. One important strategy for breaking this veritable vicious spiral, by tackling the problems together at the same time, is the deployment of Inclusive Business models, which are variously defined as commercially viable and replicable business models that include low-income consumers, retailers, suppliers or distributors in core operations.

The Italian perspective to Inclusive Business, which is the focus of this is also highly relevant given the country’s almost schizophrenic dichotomy between having some of the world’s most innovative, successful and well-known companies, on the one hand, but which are increasingly seen as rare pearls in an otherwise lackluster oyster of sluggish economic performance and increasing unemployment. As this concludes, it is high time for Italy to embrace Inclusive Business strategies and to test their economic potential in new niches, building on corporate social responsibility and looking at greener innovations as the tools to customise mainstream goods to new demands. Integrating the development agenda into business thinking can have a significant payoff.

The Inclusive Business approach is more than a concept as it is being successfully deployed in practice in an increasing number of contexts and places, as this clearly demonstrates. Inclusive Business models show there is no inherent contradiction between sustainable growth, prosperity, welfare, meeting social and well as economic needs, reducing inequality and ethical behaviour. In fact, many now see this as the future of business, and even capitalism itself, if both are to survive as the 21st Century unfolds. Michael Porter, well known as the father of competition and company strategy, undertook something of a volte-face in 2011 when he revised his ideas about where business value can and should be found from his hitherto focus on shareholder value and core competencies.

1 Instead, he now emphasises what he terms 'shared-value' in which not just shareholders should benefit from business profits, but so should wider society, both in so-called developed and developing nations. Porter suggests that the competitiveness of a company and the health of the communities in which it operates are mutually dependent, and that indeed recognising and capitalising on these interdependencies between societal, economic and environmental progress is where the next phase of global and economic growth is to be found.

Inclusive Business is an important chapter in this transformation narrative, alongside closely related new approaches to innovation, like social innovation, inclusive innovative, frugal innovation, co-creation, the collaborative economy and open innovation models more broadly. We will increasingly see over the next five years or so, the amalgamation and alignment of each of these approaches as part of European, and indeed global, efforts to address the 'wicked problems' we all face.

A better understanding of Inclusive Business is a big, essential step.

List of contents

About De-LAB	pag.IV
Preface by Jeremy Millard - Danish Technological Institute	pag.VII
List of contents	pag.IX
Executive Summary	pag.X
Introduction	pag.14
Chapter one: Inclusive Business by Lucia Dal Negro De-LAB	pag.16
Chapter two: The Role of Public Policy and Development Cooperation in the promotion of Inclusive Business Worldwide by Elena Como -LAMA	pag. 36
Chapter three: How did development practices evolve? by Mirco Tricoli - NGO and Civil Society Office, Italian Ministry of Foreign Affairs	pag. 50
Chapter four: Inclusive Business Made in Italy by Lucia Dal Negro - De LAB	pag. 62
Chapter five: Conclusions	pag. 94
Aknowledgments	
Imprint	

Executive Summary

This publication describes the Inclusive Business proposition and its potential for a renewed paradigm of growth and responsible entrepreneurship. The complexity of the current economic scenario does not allow to keep on considering the entrepreneur as an isolated entity whose unique responsibility is that of creating economic value only for his main shareholders. On the contrary, great attention is given to the way in which prosperity is generated. In other words, it is not a matter of what the entrepreneur has to do, but how he has to do.

With this in mind, the Bottom of the Pyramid Theory and its operational branch, the so-called “Inclusive Business” approach, offers an interesting perspective through which analyzing mainstream businesses and defining promising possibilities for adding innovation, developing disruptive business strategies and engaging new partners and clients.

The Inclusive Business proposition is particularly relevant when the company has an international vocation, engaging international stakeholders that, at different levels and with different roles, concur to the business operations. The Inclusive Business proposition directly addresses those companies producing or distributing there where low-income communities may be involved as business counterparts. The importance of conceiving the relevance of these “fringe stakeholders¹” for carrying out business activities in developing countries will be illustrated along this study and can be briefly summarized as following:

OPPORTUNITIES: Inclusive Business looks at a specific population which is not usually targeted by economic activities, the so-called “Base of the (income) pyramid”, wherein many people live and interact within informal economies. According to Guesalaga and Marshall² (2008:417), the BOP sector accounts on average for more of the 50% of the purchasing power of low-income countries. The opportunity is that to engage such beneficiaries as business co-partners, thus co-creating with&for them new products or services responding to local needs.

EFFORTS: Inclusive Business has nothing to do with delocalizing in low-income countries to reduce the incidence of labour costs, nor to develop Corporate Social Responsibility projects. Inclusive Business refers to the company’s core business, that needs to be open to new insights coming from social and environmentally-oriented disciplines. Overall, to do Inclusive Business is required to reshape the mainstream business model according to: 1. new consumers, 2. new distribution models, 3. new constraints, 4. sustainability needs, 5. new partners, 6. new cultures.

RESULTS: Inclusive Business is not the silver bullet of modern times. However, Inclusive Business, as implemented by its early adopters, proved to be successful in: 1. providing business opportunities from untapped markets, 2. creating disruptive innovations, 3. building brand reputation, 4. creating inclusive ecosystem and, last but not least, 5. reacting to the challenges of an integrated global markets, in which the need to add value to the production chain has never been stronger.

1. Hart S. and Sharma S. (2004), “Engaging fringe stakeholders for competitive imagination”, *Academy of Management Executive*, 18(1), 7-18.

2. Guesalaga R. and Marshall P. (2008), “Purchasing power at the Bottom of the Pyramid: differences across geographic regions and income tiers”, *Journal of Consumer Marketing*, 25(7), 413-418.

“ Inclusive businesses integrate low-income individuals into value chains in various capacities, be it as consumers, producers, employees and entrepreneurs. This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace. In addition, inclusive businesses are often associated with “green” business practices that conserve resources and protect the environment.”

(UNDP, 2013)

Introduction

Since 2005 Africa has attracted more investment than aid. Consumer spending on the African continent is expected to grow to \$1.4 trillion by 2020, \$520 billion more than in 2008¹. Low-income market segments account for a significant share of this spending. In 2007, total spending by people earning less than \$3.000 per year in Africa was estimated at \$429 billion, on a purchasing power parity (PPP) basis².

Inclusive Business, and its theoretical underpinning known as “Bottom of the Pyramid (BOP) theory” (Prahalad and Hart, 2002),³ is one of the most powerful tools to justify the involvement of firms in low-income countries, in terms of developmental gains and business returns⁴. Shedding light on the market potential of billions of people living below the poverty line, Inclusive Business calls firms to adjust their marketing and design strategies to the specific needs of people living at the base of the income pyramid. Social transformation and massive business returns are the consequences of firms reaching such underserved markets, bringing “prosperity to the aspiring poor” (ibid: 1).

The importance of this topic is not just theoretical. Companies willing to face the challenges of integrated markets, systemic value chains and globalized consumers have to rethink the way in which to position their businesses vis à vis more competitive markets. Innovation is the key to overcome such a demanding situation, as well as the tough economic period that affects many advanced economies. On this point, Italy is definitely no exception: its decreasing prosperity is just the final consequence of a stalemate in which the industrial sector is unable to move forward from the vicious circle of reduced access to credit and low internal demand.

Inclusive business may offer an interesting opportunity to avoid such standstill.

Purpose of this publication is to highlight how public actors at Italian and international levels deal with the Inclusive Business issue: how they facilitate the dialogue between civil society and profit sectors, how they raise the awareness about Inclusive Business and what international policies have been developed so far to reduce the distance between developmental returns and good business. Moreover, purpose of this paper is also that of presenting interesting Italian initiatives from crucial industrial sectors. The latter have been selected due to specific aspects that relate them, in different ways, to the Inclusive Business proposition.

In other words, all the case studies have at least one feature that any entrepreneur willing to embrace the Inclusive Business approach must consider.

Four Italian cases will be presented: two from the architecture&design sector and two from the greentech industry. Each initiative will be illustrated and questions on the business model will be asked directly to the protagonists. Finally, an expert will highlight the state of the art of sustainability issues with reference to the architecture & design sector, so to obtain fresh insights on potentialities and open issues.

The outline of the study will be the following: in the first chapter a review of the relevant basis of the Inclusive Business model will be provided. Then, two chapters will focus on the international and national arena in which companies are engaged in pro-poor policies. In the subsequent chapter, the four case studies will be presented and enriched by the contributions of a third-party expert. The final chapter will be devoted to summarize the key points of the study and to distill and discuss relevant findings.

Enjoy the reading !

1. Mckinsey Global Institute (2010), Lions on the move.
2. IFC and WRI (2008)
3. Prahalad C.K and Hart S. (2002), "The Fortune at the Bottom of the Pyramid", Strategy + Business Booz and Hamilton, 26, first quarter.
4. The concept of "Bottom (or Base) of the Pyramid" overlaps with that of "Inclusive Business", therefore in this publication they will be used interchangeably.

DeLab

Chapter 01

Lucia Dal Negro
De - LAB



“Inclusive business models are commercially viable and replicable business models that include low-income consumers, retailers, suppliers, or distributors in core operations. They are correlating positive business growth with business models that offer goods, services, and job-opportunities to low-income communities.”

(IFC, 2014)



How did all begin?

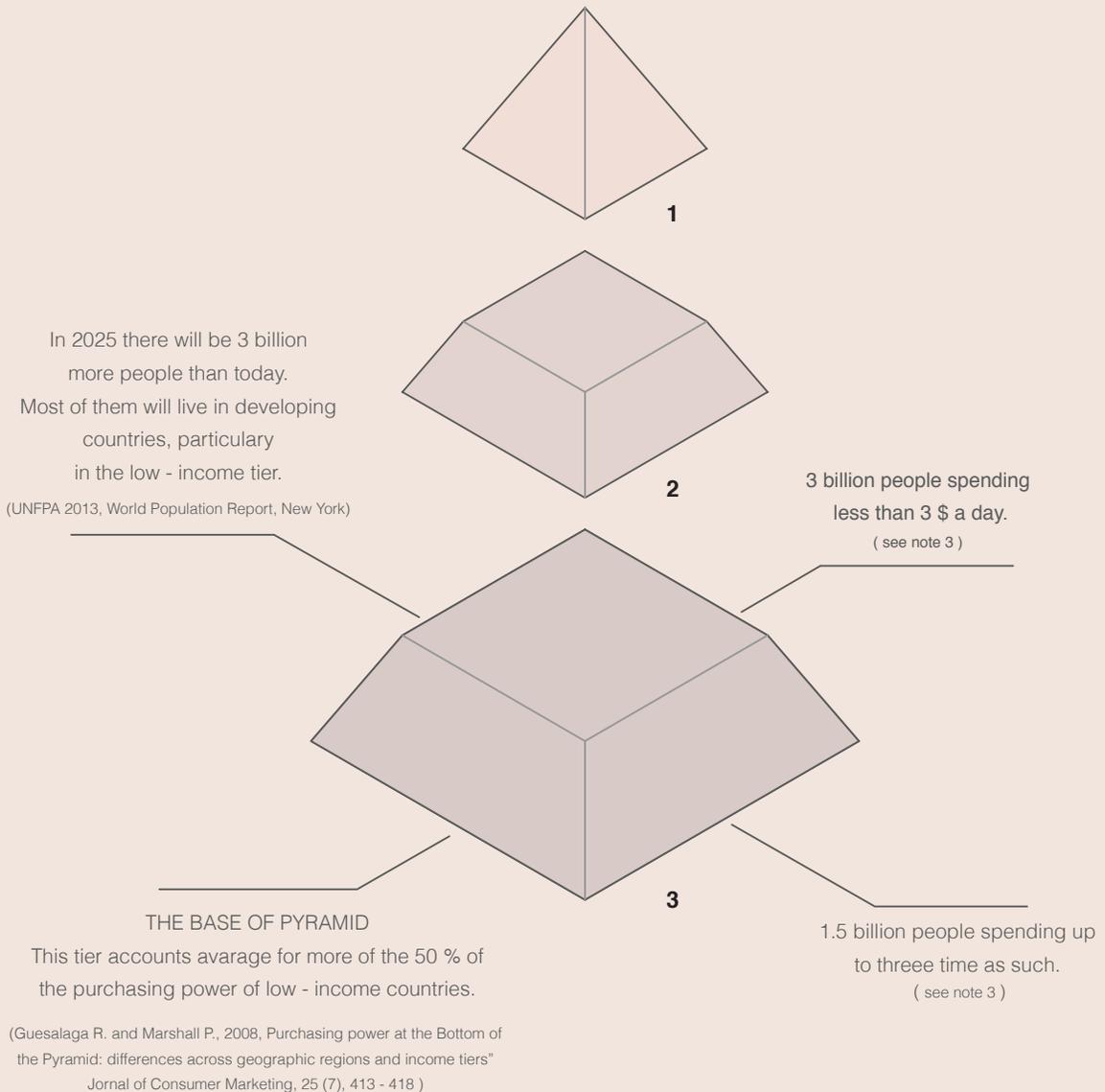


Inclusive Business actively involves poor people in profitable activities, bypassing the model of poverty alleviation based on official aid, as well as traditional investment or philanthropy.

A seminal contribution that paved the way for the diffusion of Inclusive Business models was the launch of the theory “Bottom of the Pyramid”, (hereafter BOP), by C.K Prahalad and S. Hart, in the article “The Fortune at the Bottom of the Pyramid” (2002)¹. Applying the BOP Theory, thus doing Inclusive Business, means to consider companies as the actors to build opportunities for poverty reduction in low income countries. The theory focuses on poor people representing the lower tier of the economic pyramid, namely the 4 billion people living with less than 2\$ per day (ibid, 2002). According to the authors, such a socio-economic tier has long been neglected and perceived as unable to afford mainstream products/services or to appreciate technological innovation (Prahalad et Hart, 2004:8, Martinez and Carbonell 2007:51). On the contrary, crucial for the deployment of BOP initiatives is the consideration of poor people not as “...victims or as a burden... [but] ...as resilient and creative entrepreneurs and value-conscious consumers” (ibid:1). Considering that, to boost social transformation, the BOP theory suggests firms to develop marketable solutions in order to serve the unmet needs of people living at the base of the income pyramid.

1. Prahalad C.K and Hart S. (2002), “The Fortune at the Bottom of the Pyramid”, Strategy + Business Booz and Hamilton, 26, first quarter.
2. Prahalad C.K and Hart S. (2004), The Fortune at the Bottom of the Pyramid: eradicating poverty through profits, Wharton School Publishing.
Martinez J. L. and Carbonell M. (2007), “Value at the Bottom of the Pyramid”, Business Strategy Review, August 2007, 50 - 55.

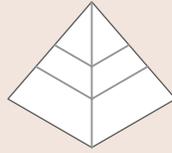




1. top tier / 2. middle tier / 3. lower tier



Why?



Inclusive Business considers the global market as segmented in different income tiers, piled up in a shape of a pyramid. According to recent data published by the IFC (2014) the BOP segment itself is internally diversified, counting 3 billion people spending less than \$3 a day and 1.5 billion spending up to three times as such³.

Overall, the 4.5 billion people at the BOP spend \$5 trillion in the aggregate but very small amounts individually. As a consequence, Inclusive Business strategies look at low single-unit prices counterbalanced by high aggregate sales.

According to Guesalaga and Marshall (2008:417), the BOP sector accounts on average for more of the 50% of the purchasing power of low-income countries.

This massive amount of people has never been reached by any attempt from private companies to address their developmental needs because, due to their poor finances, poor people could not guarantee the minimum purchasing power to establish a valuable commercial exchange of goods or services.

From an Inclusive Business perspective, this assumption is reversed to transform a business constraint into a business opportunity, looking at the poor as new potential customers. What companies must do, therefore, is to “look at globalization strategies through a new lens of inclusive capitalism”^{3a}.

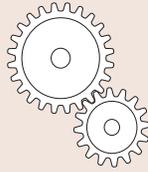
3. Combined total in 2005 purchasing power parity dollar terms for lowest and low consumption segments in 92 countries. (IFC, 2014. Global consumption data for Inclusive Business.)

3a. Prahalad C.K and Hart S. (2002), “The Fortune at the Bottom of the Pyramid”, Strategy + Business Booz and Hamilton, 26, first quarter.





Doing Inclusive Business



Inclusive Business strategies overcome structural constraints that typically characterize low-income countries such as: limited market information, inadequate physical infrastructures, missing knowledge or skills and restricted access to capital.

Because of that, Inclusive Business has to be innovative, thus able to reshape business models to face such criticalities while keeping the balance between developmental and economic returns. Kharamachandani et al. (2009)⁴ highlights, for example, that Inclusive Business often looks at the informal sector in order to learn how poor people experience market dynamics. In other words, poor people represent a managerial challenge for pioneering entrepreneurs willing to test the market potential of such an underserved income segment, (Prahalad and Hammond, 2002)⁵.

Some strategies for implementing fruitful business initiatives in the BOP segment are⁶:

- CUSTOMIZING PRODUCTS
- RECONSIDERING DISTRIBUTION STRATEGIES
- INNOVATING PRODUCTS/SERVICES TO OVERCOME-BOP CONSTRAINTS
- PRIORITIZING SUSTAINABILITY
- RELYING ON HIGH VOLUMES OF SALES AND INVESTMENT INTENSITY

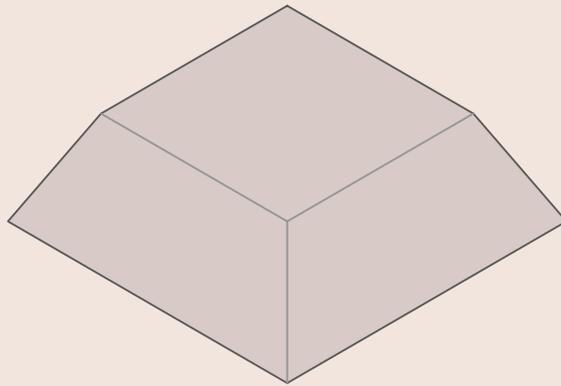
4. Karamchandani et al. (2009), Emerging Markets, Emergin models, MONITOR GROUP Publication.

5. Prahalad C.K and Hammond A. (2002), "Serving the World's Poor, Profitably", Harvard Business Review, R0209C, 4-11.

6. Prahalad C.K and Hart S. (2002), "The Fortune at the Bottom of the Pyramid", Strategy + Business Booz and Hamilton, 26, first quarter.



Targets



A univocal definition of people living at the BOP is not available. They can be either characterized by their income level, or, as London suggested (2007), by being so poor to be forced to transact within the informal market economy. According to Bais (2008:6) “the BOP population is [the one which is] hardly integrated into the global market economy and for sure does not benefit from it”. Eventually, Sen’s Capability Approach may add another perspective from which to understand BOP people’s features, namely considering them for missing the opportunity to unleash their potential and to realize personal capacities⁹.

7. London T. (2007), “A Base of the Pyramid Prospective on poverty alleviation”, William Davidson Institute Working Paper, 2-46.

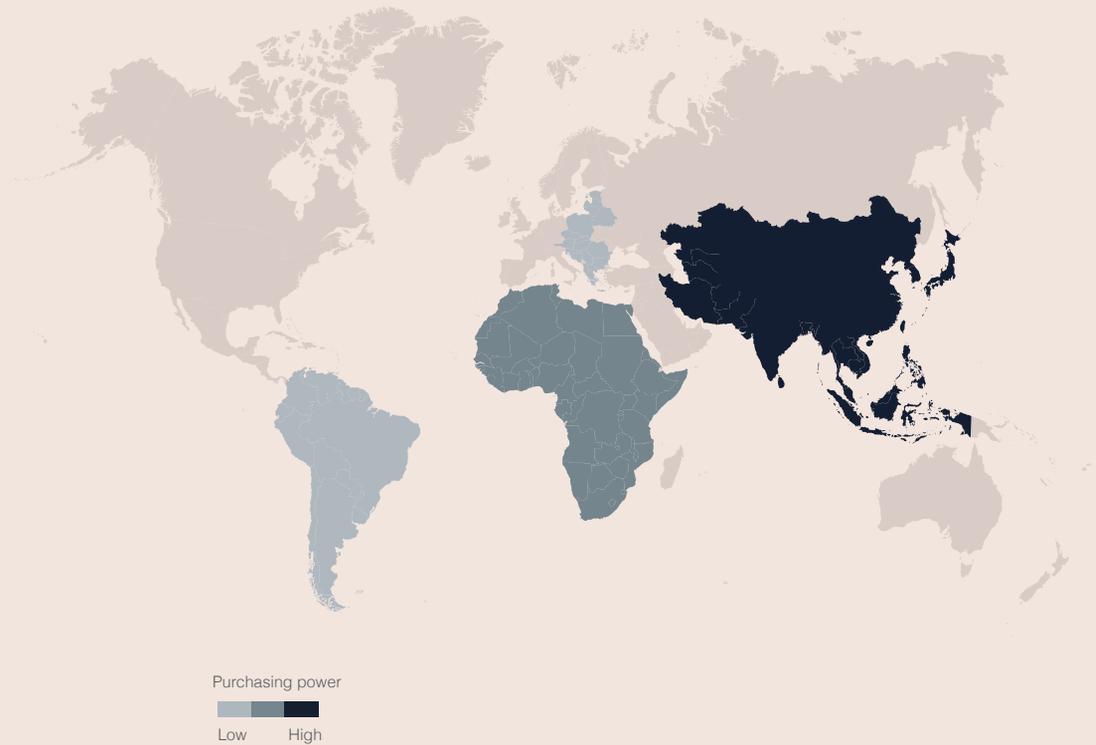
8. Bais K. (2008), “The Base of the Pyramid as a development strategy”, Oxfam Novib Paper, 3, 1-18.

9. Sen, A. (1999), *Development as Freedom*, Knopf, New York: Oxford University Press, New York.



Understanding BOP people by their market potential: a geographical comparison

(Guesalaga and Marshall, 2008)

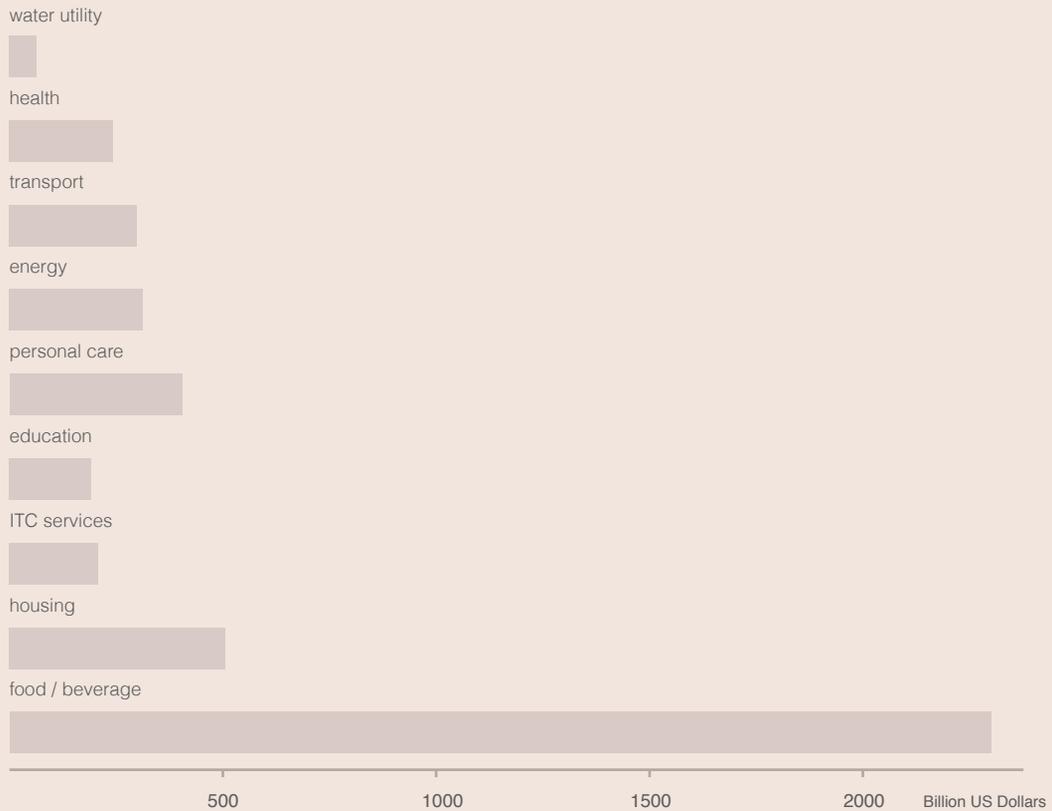


The Asian BOP tier has the highest purchasing power relative to Africa, Eastern Europe and Latin America/Caribbean; The greatest buying power pertains to the BOP tier whose annual income of \$1000 or less in Africa and Asia, whereas to Eastern Europe and Latin America/Caribbean for the tier whose annual income is of \$2000 or less¹⁰.

10. Guesalaga R. and Marshall P. (2008), "Purchasing power at the Bottom of the Pyramid: differences across geographic regions and incomes tiers", *Journal of Consumer Marketing* 25(7), 413 - 418



Understanding BOP people by spending capacity in different sectors

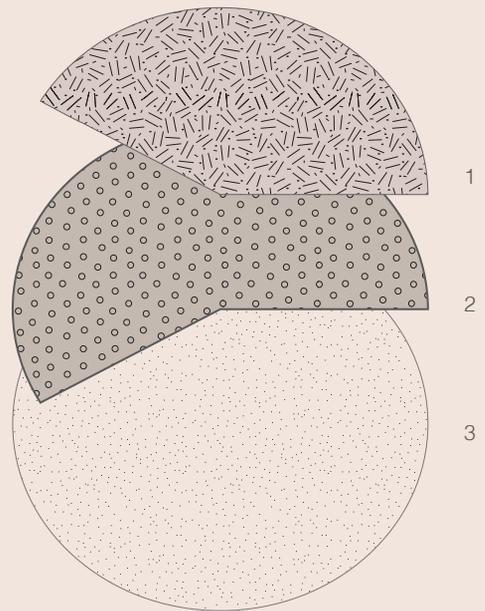
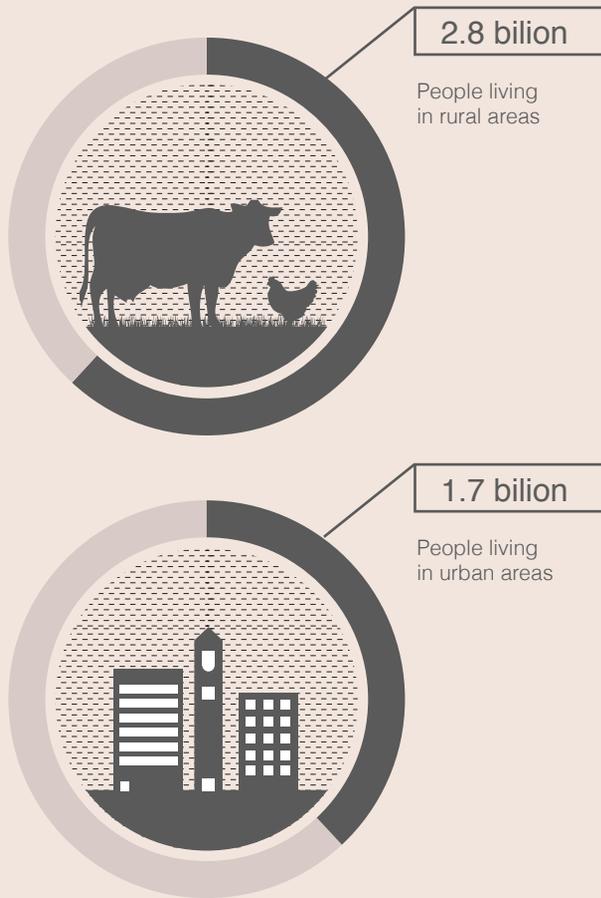


Considering BOP consumption by sector, data show that \$2.3 trillion are spent for food&beverages, \$508 billion are spent for housing, \$206 billion for ICT devices, \$193 billion for education, \$405 billion in combined for clothing&footwear&personal care, \$317 billion for energy, \$298 billion for transport, \$243 billion for health and \$32 billion for water utility¹¹.

11. IFC's data (2014)



Understanding BOP people by living area and age structure



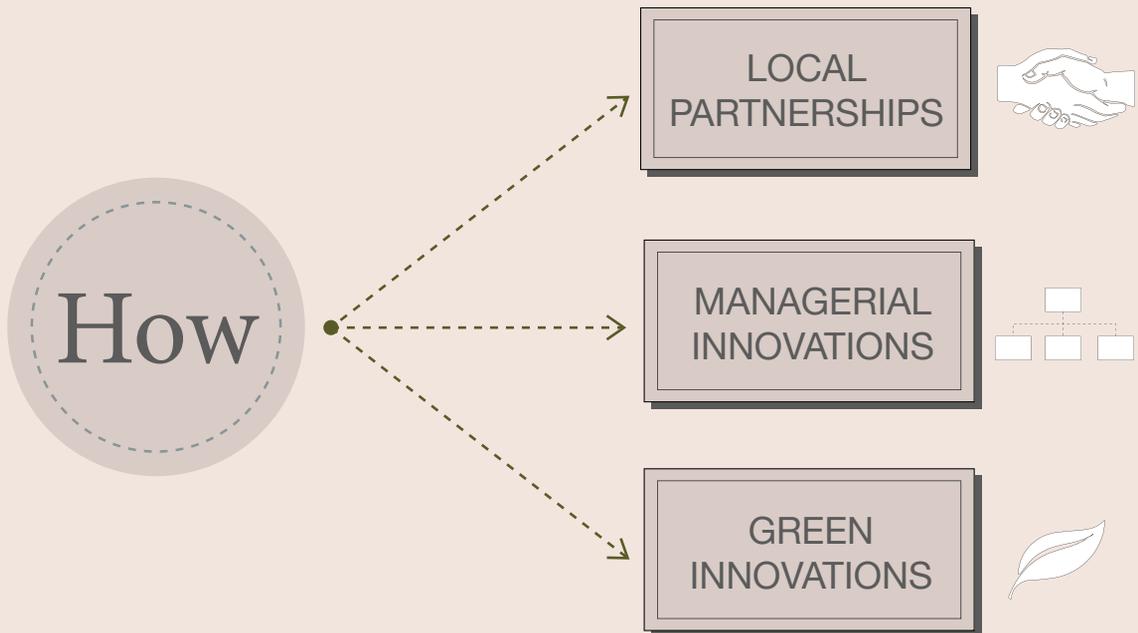
1. People living at the BOP aged under 20 (44 %)
2. People living at the BOP aged under 30 (61 %)
3. People living at BOP (100 %)

Finally, the BOP tier is geographically scattered in urban areas wherein 1.7 billion people live and rural areas hosting 2.8 billion people. Considering the age composition, 44% of people living at the BOP are under age 20, and 61% under age 30. Such a young population offers interesting opportunities to innovate business models, apply pilot projects and co-create business initiatives¹².

12. IFC's data (2014)



How?



In order to understand how to implement Inclusive Business strategies in practical terms, the following paragraphs will highlight three sub-areas in which to focus the company's efforts to innovate from mainstream business approaches. Each of the three sub-areas will deepen the reasons and the practical steps for bringing Inclusive Businesses into force.



Local Partnerships



One of the most important aspect of Inclusive Business is the need to cooperate with people from the BOP tier in order to develop together a type of business that could fruitfully apply to the BOP context. Indeed, firms are expected to invest both in infrastructures and trust. About that, Bais (2008:3)¹³ suggests that shifting towards a more inclusive business development leads to the possibility to develop new products in close conjunction with BOP communities and the creation of unconventional partnerships between companies and local institutions/ NGOs/government bodies.

Inclusive Business highlights the importance of a demand-driven business model in which the needs of people from the BOP are placed at the core of the business proposition. Such a demand-driven perspective, according to Riordan (2007:50)¹⁴, differentiates BOP initiatives from development assistance. Consequently, as affirmed by Selsky and Parker (2005), firms involved in BOP initiatives must consider the creation of Cross-Sector Partnerships (CSP). Business/non-profit, Government/Business, Government/non-profit and tri-sector partnerships are required to merge the specific know-how of poor people and BOP entrepreneurs.

Ultimately, BOP Ecosystems are, according to Gradl and Jenkins (2011:8)¹⁵, the results of such partnerships, namely networks of different actors (e.g TNCs, local entrepreneurs, BOP consumers) serving the BOP segment while tackling structural flaws of BOP markets.

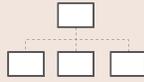
13. Bais K. (2008), "The Base of the Pyramid as a development strategy", Oxfam Novib Paper, 3, 1-18.

14. Riordan J. (2007), "One buyer at a time", Stanford Social Innovation Review, 5 (1): 48-55.

15. Gradl C. and Jenkins B. (2011), Tracking barriers to scale: from Inclusive Business models to Inclusive Business ecosystems, Harvard Kennedy School Publication.



Managerial innovations



Together with great potentialities, low-income markets are also characterized by structural constraints such as: limited market information, inadequate physical infrastructures, missing knowledge and skills and restricted access to capital (UNEP, 2008)¹⁶. In view of that, Inclusive Business is called on to be innovative, for example by building local capacity, co-inventing customized solutions and developing relationships with non-traditional partners (London and Hart, 2004). As argued by Prahalad and Hammond (2002:8)¹⁷ innovation is mandatory in order to ensure affordability within a sector whose economy is based on single unit packages, low margin per unit and high aggregate sales. This cannot be done by selling the cheap version of goods used in advanced economies, but by innovating management strategies in order to tailor goods to the socio-infrastructure features of low-income sectors.

From a theoretical standpoint, Viswanathan and Sridharan (2012)¹⁸ argue that traditional product development needs to abandon its traditional roots in formal, advanced market contexts so to get closer to the BOP contexts. The latter, with their specific features such as intensity, corruption, poor infrastructures require a completely different approach to product development. Weidner et al. (2010) add that it is important to focus on different metrics, avoiding to concentrate on margins and focusing on single unit sales. Moreover, tapping into diverse disciplines, as suggested by Chakravarty (2006)¹⁹ with regard to consumer psychology, helps learning how to see market barriers from a different perspective.

16. UNEP (2008), Creating value for all strategies for doing business with the poor, UNEP/United Nations Environmental Programme.

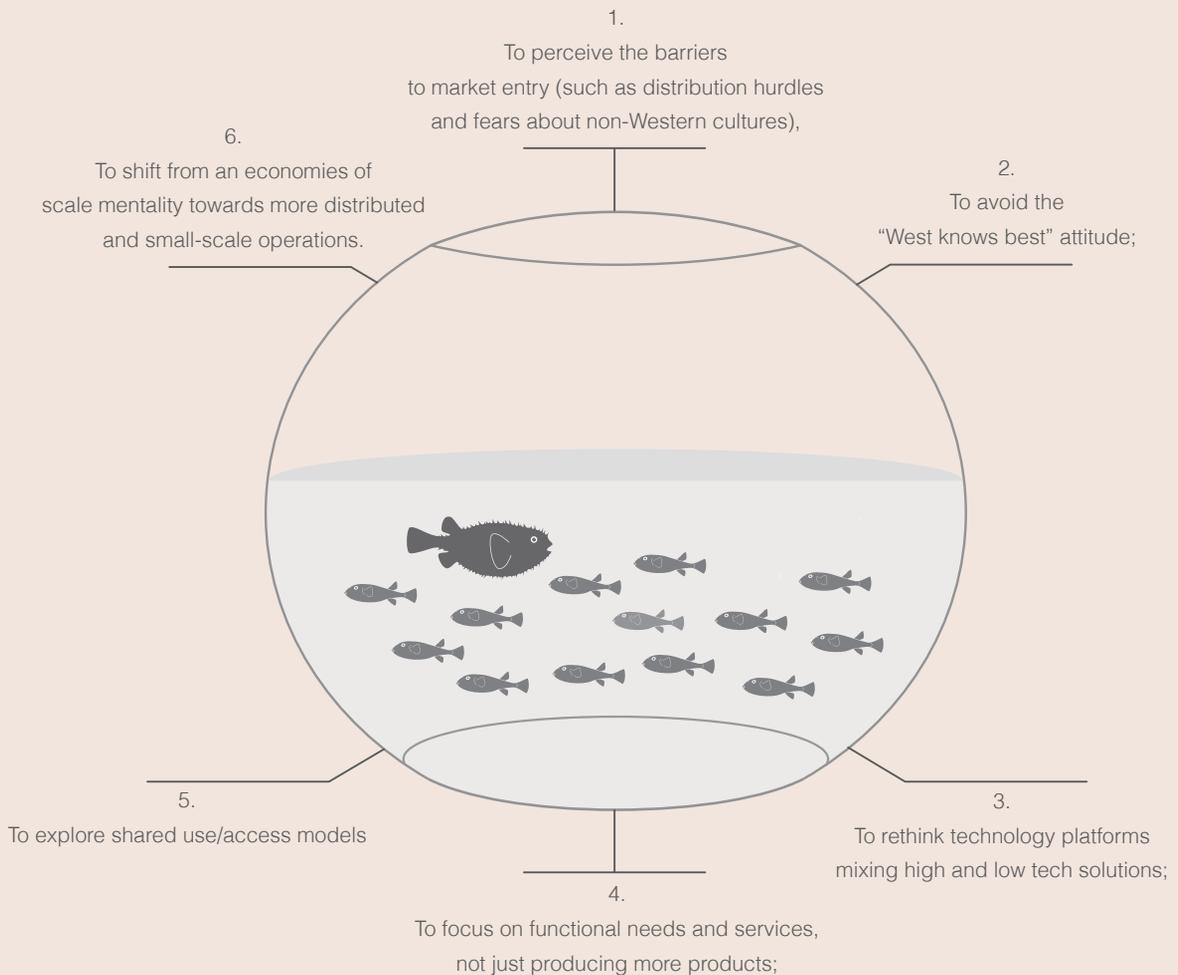
17. London T. and Hart S. (2004), "Reinventing strategies for emerging markets: beyond the transnational model", *Journal of International Business Studie*, 1-21.

18. Prahalad C.K and Hammond A. (2002), "Serving the World's Poor, Profitably", *Harvard Business Review*, R02209C, 4-11.



Chapter one

Boyer (2003)¹⁹ listed a series of assumptions that companies have to review if they want to keep the profitability of their businesses in BOP tiers:



The goal is first to "...learn about the needs and aspirations of the [BOP] community by walking in their shoes" (Nakata and weidner, *ibid*:30)²⁰.

19. Viswanathan M.and Sridharan S. (2012), "Product Development for the BOP: Insights and Prototype Development from University - Based Student Projects in India", *Journal of Production Innovation and Management*, 29 (1): 51 - 68.

20. Weidner et al. (2010), "Marketing to subsistence consumer: lessons from practice", *Jornal of Business Research*, 63, 559-569.



Green innovations



One of the reasons whereby the disruption of mainstream business models is crucial is related to the need of entering the BOP segment with environmentally-friendly goods and services. Considering the massive amount of people living in low-income countries, it is key to analyze the environmental impacts of BOP businesses so to avoid environmental hazards.

Inclusive Business sheds light on the opportunity to experiment green technologies in BOP markets due to the absence of competitors and the rapid diffusion of technological innovations. More specifically, acknowledging that green technologies are often disruptive in character, London and Hart (2011:89)²¹ looked at BOP segments as ideal labs to implement the green technology potential with no risk of path dependency. Hence, coupling Inclusive Business (profit-driven) and a green technology sensitivity (environment-driven) it is possible to address untapped BOP markets with a business strategy for boosting Sustainable Development in low-income communities.

21. Chakravarti D. (2006), "Voices unheard: the psychology of consumption in poverty and development", *Journal of Consumer Psychology*, 16 (4): 363 - 376.

22. Boyer N. (2003), *The Base of the pyramid, The Global Business network*, Cambridge, Cambridge University Press.

23. Nakata C. and Weidner K. (2012), "Enhancing new product adoption at the base of pyramid a contextualized model", *Journal of Production Innovation Management*, 29 (1): 21- 32.

24. London T. and Hart S. (2011), *Next generation business strategies for the Base of the Pyramid*, New Jersey: Pearson Education and Financial Time Press.





The BoP Global Network is a learning community of academics and practitioners that engages in knowledge creation and dissemination about the theory and practice of creating sustainable businesses at the base of the economic pyramid. In addition, the BoP Global Network seeks to develop and implement win-win solutions that open new opportunities for business value creation while simultaneously expanding the development horizon of the world's poorest people and communities.

Over the past few years, BoP Labs have been established at other institutions in both the industrialized and developing world under the guidance of Dr. Stuart Hart at the Center for Sustainable Global Enterprise at Cornell University (for a listing of current and emerging BoP Labs visit <http://www.bopglobalnetwork.org/bop-labs>).

Principles:

Members of the BoP Global Network believe that:

- BoP enterprise development has the potential to create great societal value and should be pursued in a way that enhances community capacity;
- Action research is a key vehicle for stimulating this new field of work;
- Collaboration between companies, NGOs, academics, entrepreneurs and other stakeholders creates beneficial learning for all;
- Innovation is essential for driving economic growth in the BoP; and
- Local community members are capable partners and resources for technology and business development.

Purposes:

The primary purpose of the BoP Global Network is:

- To incubate innovative business models by identifying, designing, incubating and promoting innovation in business processes with companies, entrepreneurs and other stakeholders, aiming to achieve sustainable and inclusive business models that improve BoP lifestyles;
- To generate knowledge by developing an action research focus that will allow each lab to make valuable and unique contributions to the Network and the World;
- To disseminate knowledge by sharing learnings and "next practices" through workshops, seminars, webinars, conferences, case studies, blogs, publications, multimedia, among others.



An enlightening example



According to GAVIⁱ figures, every year more than 2.4 million people die from diseases that might have been prevented by vaccines. Immunization, hence, represents a key area where to invest in order to improve health at a global level. Vaxess Technologies is an example of how research applied to green technologies and innovative business models can reach low-income communities, contributing to solve primary needsⁱⁱ. The company, funded in Boston in 2012, pioneered a novel silk-based technology for stabilizing vaccines and enabling their distribution in extreme climates without refrigeration. Such a technology, initially developed by Professors Kaplan and Omenetto from Tufts University School of Engineering, was based on the use of fibroin (a protein extracted from silk) for high-technology applications.ⁱⁱⁱ

From a development-driven point of view, the potential of such technology is huge since it gives vaccines a global reach bypassing cold-chain technologies, thus heading countries where high temperatures had long endangered, if not prevented, the arrival of such life-saving measures. Improved access to vaccines would ultimately impact on people's health at macro level, particularly in developing countries in which the vast majority of poor people live in rural and isolated areas, where logistic problems impede vaccine storage and distribution.

On the base of such scientific discoveries, Vaxess was funded in order to distribute vaccines in poor areas in partnership with local governments, International Organizations and vaccine manufacturers. The company, which initially got a seed round from Harvard, focused its fundraising strategies to address venture capital and business angels. In May 2013 Vaxess obtained financial support from Norwich Ventures and, thanks to its partnerships with pharmaceutical companies and International Organizations, succeeded in improving its technologies and creating revenues.

i. Global Alliance for Vaccine and Immunization (www.gavialliance.org)

ii. "Vaxess Technologies: Increasing Vaccines Access", Harvard Kennedy School, 2013

iii. Omenetto F. and Kaplan D. L (2010), "New opportunities for an ancient material", Science Magazine, 329, 528-531.



Chapter one

As showed above, Inclusive Business requires a reshaping of firm's strategies in order to understand the needs of low-income communities. This process is supported by alliances with local stakeholders and international organizations that, together, creates the ecosystem within which developing the business initiative. Among the actors of such "community of doers", public actors are certainly crucial. Both at international and national level they maximize the impacts of entrepreneurial activities facilitating funding opportunities, local acceptance, knowledge dissemination.

In the following two chapters, international and Italian public actors will be scrutinized to present their strategies and activities concerning Inclusive Business creation and diffusion.



Chapter 02

Elena Como,
Agenzia LAMA



The role of public
institutions in the
promotion of inclusive
business at a global level.

The role of public policies in the promotion of Inclusive Business



Since the emergence of the BoP approach in the first decade of the 2000s, the debate on inclusive business focused mainly on the model as such, and the need to gather empirical data on its actual spread and main empirical features. However, more recently increasing attention has been given also to the role that public policies could play to promote and enable this type of business.

In 2012, the G20 launched the G20 Challenge on Inclusive Business Innovation, a global online competition that sought to find the best examples of businesses with innovative, scalable, and commercially viable ways of working with low-income people in developing countries¹. The competition provided a unique opportunity to gather information on the direct experience of the participating companies and the potential role of policies to create a more favorable environment for inclusive business. On request of the G20 Development Working Group, the International Finance Corporation (IFC) surveyed the 167 applicants to the competition and published a first “Policy Note on the Business Environment for Inclusive Business Model”, which analyses the issues raised by the companies, and discusses the role of governments, development finance institutions, and donors in the promotion and facilitation of inclusive business ventures ”(IFC, 2012) ². The Note provides initial broad evidence on the importance of appropriate policies and business environments, highlighting that “companies that do business with the base of the pyramid need to



1. <http://www.g20challenge.com>.

2. The analysis looks at agricultural sector businesses trying to include the poor as producers and suppliers; and at housing, health, education and financial sector businesses trying to include the poor as costumers of affordable goods and services (IFC, 2012).



understand new markets, understand the market behavior of base of the pyramid customers, apprise new risks and develop new systems, business processes and training. Companies with inclusive business models also face perceptions from investors and lending institutions that the base of the pyramid is riskier than other markets.”(IFC 2012, p.2). These challenges create the need for government policies and interventions to facilitate this type of businesses.

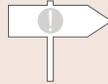
In a subsequent Policy Note, developed through additional analysis of the 15 winners of the Challenge³, a first comprehensive framework is proposed for Inclusive Business Policies, which are now more clearly defined as those government decisions and their implementation that directly enable and encourage private sector companies to include people at the base of the pyramid as part of their value chains as suppliers, distributors, retailers, or customers as well as policies that empower low-income people to participate in companies' value chains.(Development Working Group of the G20, 2013) ⁴. It is evident from such a definition that inclusive business policies refer to a very broad set of regulations and interventions, laying at the intersection of social and economic policy.

3. Policy Note on Inclusive Business Policies (Development Working Group of the G20, 2013).

4. Another definition proposed by Tewes-Gradl, Peters et al (2013) is the following: "Inclusive business policies are government decisions that directly support mutually beneficial business relationships between private-sector companies and poor people. Such policies can enable and encourage companies to include poor people in their value chains. They can also empower poor people to engage with companies."



Why and how to promote inclusive business through public policy interventions



At the initial stages of the inclusive business approach, the role of governments and public policies was vastly overlooked. The inclusive business approach was seen as an alternative to the approach to development based on public policies and international cooperation, and reflections on the topic focused mainly on business strategy issues. However, the experience showed that in successful cases of inclusive business, virtuous public policies did play an important role (Tewes-Gradl, Peters et al., 2013).

The need for public policies for inclusive business is two-fold. On the one hand, doing business in low-income communities is challenging, for a number of reasons that have been recalled in the previous chapter and that found confirmation in the G20 survey. On the other hand, positive externalities produced by inclusive businesses, such as the social benefits associated with the inclusion of poor people in the socio-economic system, cannot be “appropriated” (through higher prices) by the companies that invest in these businesses, and belong to a domain that is closer to the field of “public goods” and “development goals”.

At the same time, many of the barriers to inclusive business are policy-related and can therefore be eased or resolved by government action. In fact, as the Development Working Group of G20 (2013) underlines, government action can help to create the general conditions (infrastructures, legal frameworks) needed for markets to

Source table: “Policy Note on Inclusive Business Policies”, Development Working Group of the G20 (2013)



Chapter two

function, it can correct market failures (such as externalities and information asymmetries), and implement policies of welfare inclusion, which ultimately enhance poor communities' capabilities to participate in local markets and value chains.

So how can public policies remove existing constraints and promote the development of inclusive business? The G20 Policy Note of Inclusive Business Policies proposes a framework that identifies 4 areas where inclusive business faces challenges and constraints (information, rules, financial resources, structure & capacity) and 3 types of public interventions (enabling, encouraging, and empowering) that governments can deploy to overcome such barriers.⁵

The inclusive Business Policy Framework

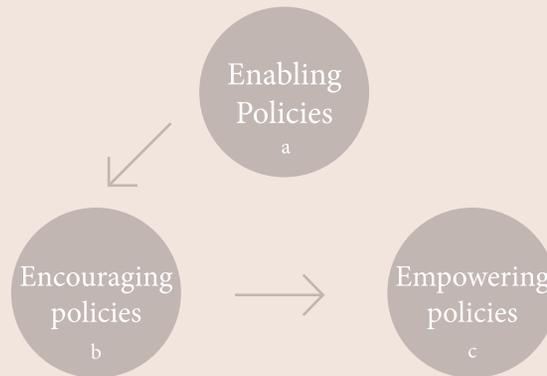
Type of constraint \ Type of approach	Information	Rules	Financial Resources	Structure and capacity
Enable companies to enter low-income markets	<ul style="list-style-type: none"> • Data • Research • Peer learning 	<ul style="list-style-type: none"> • Overarching policy frameworks • Legal forms • Industry regulation • Standards 	<ul style="list-style-type: none"> • Market-rate credit 	<ul style="list-style-type: none"> • Infrastructure
Encourage companies to invest in inclusive business	<ul style="list-style-type: none"> • Awards 	<ul style="list-style-type: none"> • Obligatory inclusion 	<ul style="list-style-type: none"> • Subsidies and tax relief • Impact investing funds • Guarantees • Public procurement 	<ul style="list-style-type: none"> • Development partnerships
Empower low-income people to participate in markets	<ul style="list-style-type: none"> • Awareness raising 	<ul style="list-style-type: none"> • Formalizing informal markets 	<ul style="list-style-type: none"> • User subsidies • Insurance schemes 	<ul style="list-style-type: none"> • Capacity building

Source: "Policy Note on Inclusive Business Policies", Development Working Group of the G20 (2013).

5. See Development Working Group of the G20 (2013) for more details and discussion. The framework has later been developed into a policy toolbox by Tewes-Grادل, Peters et al. (2013).



According to this framework, governments can adopt:



It seems clear from this framework that “inclusive business policies” are not separated from traditional private sector and development policies, but are part of those: in a sense, we might say that inclusive business policies simply introduce or reinforce anti-poverty objectives into private sector development policies, and the need for market-based solutions into development and anti-poverty policies. As a consequence, in real contexts, policies for inclusive business may not be explicitly presented under this name, but can indeed be recognized using the framework illustrated above. A review of real cases of inclusive business policies, carried out by Tewes-Gradl, Peters et al. (2013), has identified 158 examples, covering the spectrum of approaches presented above, and comprising 19 different policy instruments. In most cases the identified policies were intended at overcoming regulation and financial barriers to inclusive business, while comparatively fewer empirical cases were found in relation to policies that intervene on information gaps and infrastructural or capacity gaps (which does not mean they do not exist). Development partnerships are an interesting area to be explored (Colombia’s Zolip programme is a reknown and interesting example)⁶, and are attracting growing interest as will be highlighted in the next paragraph.

a. Enabling policies:

aimed at removing fundamental information, regulatory, financial, and structural barriers, and creating the basic pre-conditions that enable companies to enter otherwise difficult BoP markets;

b. Encouraging policies:

which go beyond the simple removal of obstacles and try to create positive incentives or specific obligations for companies to engage in inclusive business activities. As part of an “enabling policy” approach, governments can also promote the birth of public-private partnerships aimed at inclusive business development;

c. Empowering policies:

aimed at supporting the success of inclusive businesses by acting on the other side of the barriers, that is, by empowering poor communities to participate in value chains and by bringing people and companies closer to each other.

6. See ANSPE (2014).



The role of development actors and their emerging discourses on Inclusive Business

Quite often, discourses on Inclusive Business Policies make reference to the role of international development actors in addition to that of developing countries' public institutions.

Development partners can be a resource in a number of ways:⁷

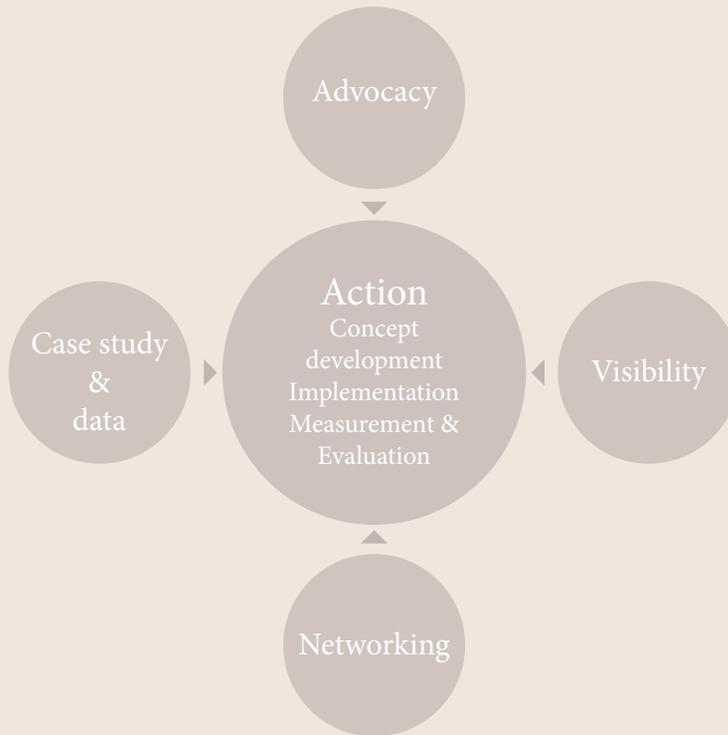
- by contributing to the development and visibility of the "inclusive business concept";*
-
- by carrying our research and sharing data and knowledge on the BoP;*
-
- by providing technical and financial support to pilot experiences and inclusive business ventures;*
-
- by developing and implementing measures, evaluations and benchmarking criteria;*
-
- by acting as brokers and facilitating networking among inclusive business stakeholders;*
-
- by favoring exchange of good practices and advising governments on inclusive business policies and how to create favorable environments.*

7. As early as 2006, when the BoP approach was starting to spread, an OECD report titled "Promoting Pro-Poor Growth: Policy Guidance for Donors", highlighted the need for donors to support private sector development fostering what was there called "pro-poor growth", and "to bring about systemic change that alters the incentives for the private sector (the risk-to-reward ratio), including by encouraging the public sector to foster a more conducive enabling environment. This is done by increasing the capacity of governments at all levels to promote pro-poor market outcomes and by supporting "change agents" within the public and private sectors and civil society. Systemic change is likely to involve a combination of institutional and policy changes aimed at accelerating the development of markets the poor need to improve their livelihoods." The key role of development partners is also acknowledged in the recent discourses on inclusive business policies, not least in the IFC and G20 policy notes that have been recalled above.

The Donor Committee for Enterprise Development has also mapped agency partnership schemes, and published a review (DCED, 2013), highlighting different types of partnerships in which donors and companies can engage in order to favor more sustainable and inclusive private sector development.



A Map of inclusive Business Tool and Resources



The Figure below helps visualize the potential roles of development partners in inclusive business

Source: WBCSD. "Inclusive Business: Mapping of Tools & Resources 2010 N.Y.



Inclusive Business and bilateral development cooperation

Programs
to promote
Inclusive
Business

What has been the actual interest and participation of development actors in the inclusive business field? In a recent study, CSR Europe (2013) has mapped existing policies and programs promoted by European donor countries in the area of private sector development and found that very few of these programs focus on fostering inclusive business models. Even fewer, if any, are explicitly presented under this name⁸. Nonetheless, the authors did find that some countries – such as Germany, the UK, Sweden, and to some extent also the Netherlands – have started programs to promote inclusive business, through a public-private partnership approach, providing technical support and financial support in the form of financial products or challenge funds. Overall, the authors of the review report that few programs encourage significant innovation of the business models, while the majority simply provide more standard forms of partnership and support to businesses that target the BoP.

DeveloPPP Programme

The DeveloPPP Programme of German Federal Ministry for Economic Cooperation and Development (BMZ) is largely considered one of the first and more successful initiative regarding Inclusive Business.

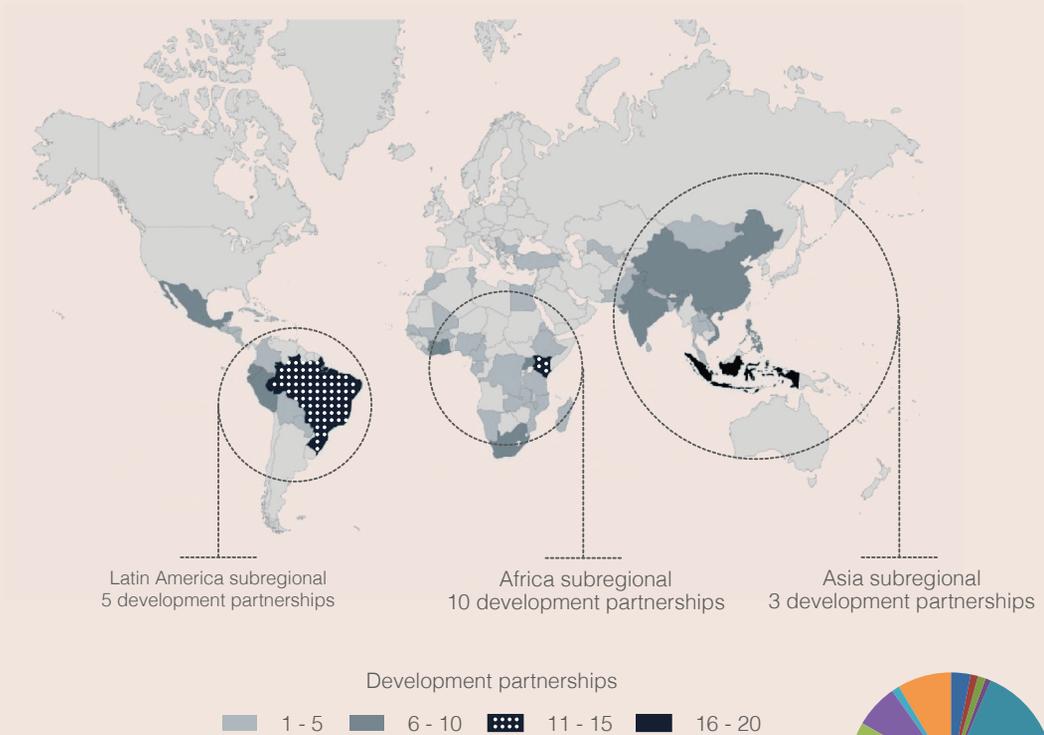
The programme aims to establish development partnerships between BMZ and private sector in order to combine traditional development policies with market instruments.

Among more than 1300 worldwide partnerships carried out between 1999 and 2010 around 250 were focused on Inclusive Business Models.

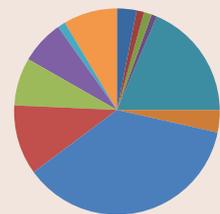
⁸ The Donor Committee for Enterprise Development has also mapped agency partnership schemes, and published a review (DCED, 2013), highlighting different types of partnerships in which donors and companies can engage in order to favor more sustainable and inclusive private sector development.



Results of the develoPPP programme at the end of 2010 - 253 development partnerships involving inclusive business models.



Source: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. "Promoting inclusive business models for sustainable development". Berlin 2011



Inclusive Business development partnership by unit



At the same time, the same research highlights that other, non European donor countries, are dedicating larger budgets to the topic; for example, the Japan International Cooperation Agency (JICA) has started a "BoP Business promotion programme" (with an annual budget of €10 million), and conducts feasibility studies for companies specifically on projects targeting the base of the pyramid, hence supporting real innovation. Similarly, the United States have started "USAID's 'Global Development Alliance'", which supports the birth of new market-based solutions for advancing broader development objectives.

Source: WBCSD. "Inclusive Business: Mapping of Tools & Resources", 2010 N.Y.



Inclusive business and multilateral cooperation

The European
commission
and the UN

International organizations and multilateral donors appear to be more aware and active in the field of inclusive business. An exception is the European Commission, which still shows quite traditional approaches to funding development initiatives (CSR Europe, 2013).⁹ In most cases, companies cannot apply for grant funding from the EU, and can only be associated with other partners as sub-contractors, where the non-profit rule applies.¹⁰ Although the European Union still lags behind on this topic, recently “something is moving”. The 2011 European “Agenda For Change”¹¹ refers to the role of the private sector in development and delivery of public goods, and calls for more actions from the EU to leverage this field. The need to promote inclusive business was also mentioned at the European Development Days in 2012 (CSR Europe 2013). In a more recent Communication, titled “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries”, the European Commission underlines the importance of engaging the private sector for the achievement of development goals. The Communication makes clear

9 “Overall, so far the EU has remained quite conservative in its approach, with the majority of its budget used to fund projects through grants to NGOs or competitive tendering for procurement contracts, or channeled through traditional budget support to governments in developing countries” (CSR Europe, 2013, p.14).

10 The most interesting example of private sector involvement in EU cooperation is perhaps the SWITCH-Asia program, which accepts applications from SMEs aimed at promoting sustainable production and consumption models in Asian countries.

11 See the European Commission Communication “Increasing the impact of EU Development Policy: an Agenda for Change” (European Commission, 2011).



reference to inclusive business and suggests that more attention should be given to develop and disseminate pilot experiences. Indeed, Action 11 of the Communication states the intention to “support the replication and scaling-up of successful inclusive business models and innovative, market-based solutions to development problems by strengthening action oriented private sector platforms and networks that facilitate knowledge sharing, partnerships and match-making between businesses and other actors” (European Commission, 2014). Looking at the United Nations, UNDP appears to be more active in the field of inclusive business. Since the early years 2000s, it has started to underline the role of private sector development and private sector engagement for the achievement of poverty reduction goals (UNDP, 2010) , and since 2009 it has launched the Inclusive Market Development (IMD) Approach, which together with the Growing Inclusive Market Initiative, represents UNDP’s highest commitment to promoting inclusive business.¹² IMD provides a general approach to implementing the 5 priorities of the Private Sector Strategy:

Policy and institutional infrastructure: support to governments for the creation of an enabling regulatory climate for private enterprises;

Pro-poor value chain integration: integration of local producers with domestic and global value chains, where UNPD helps defining needs on the ground through stakeholder consultations;

Pro-poor goods and services: facilitation of private sector investments in affordable goods and services for the poor, through awareness raising, research, advocacy, and the flagship initiatives Growing Inclusive Market (GIM) and Business Call to Action (BctA);

Entrepreneurship development: promotion of small-scale entrepreneurship, through specific training and support;

Corporate Social Responsibility (CSR): support to multi-stakeholder activities with companies of all sizes, aimed at directing their actions towards the achievement of the MDGs.

12. Before then, in 2003, UNDP had already introduced the global initiative Growing Sustainable Business (GSB) which aimed to promote inclusive markets by identifying lead firms and working with these businesses, for example helping them to strengthen their supply chains and/or promote pro-poor investments (UNDP, 2010).



Chapter two

As these initiatives show, UNDP aims to play an important role in the promotion of inclusive business models, acting in various ways as broker, partner, or funder of relevant initiatives.

Lastly, the IFC has claimed an important role in the international inclusive business arena. Inclusive business investments span the entire IFC investment portfolio. They are equally divided across sectors with approximately 1/3 of all projects focusing on financial markets including microfinance, rural banking, and microinsurance; 1/3 on the agribusiness, education, health, housing, and manufacturing sectors; and 1/3 on power, water, sanitation, and internet and mobile technologies (IFC).¹³

IFC's action focuses on improving inclusive business companies' access to finance, that as we have seen often constitute an important barrier to the development of inclusive businesses. IFC provides equity, facilitated loans, and guarantees directly to companies; specific ideas also include the development of a fund of funds to gather donor challenge funds and a virtual network to support inclusive business ventures. The IFC also manages the Trust Fund of the Donor Committee for Enterprise Development (DCED), which was established in 2004 with contributions from DCED member.

Lastly, IFC does also some significant work in terms of advocacy for the BoP model, dissemination of successful cases, brokerage of inclusive business partnerships and advisory support. It has created an Inclusive Business Working Group that witnesses the interest of the institution to play a key role in the field at international level.



The
international
Finance
Corporation

13. The IFC has committed more than \$9.5 billion and worked with over 400 inclusive businesses in more than 85 countries to integrate more than 200 million people, including farmers, students, patients, and utility customers in core business operations (IFC, Inclusive Business Model Group Fact Sheet, s.a.).



Chapter 03

Mirko Tricoli

NGO and Civil Society officer, Italian Ministry of Foreign Affairs

The views expressed in this chapter are those of the author and do not necessarily reflect the official policy or position of the Italian Ministry of Foreign Affairs



How did development
practices evolve?

New approaches in development models



Over the last decade, the traditional international aid model has been analyzed and its effectiveness questioned. In particular, the analysis considered the successes and failures of the actors of development cooperation, putting into question the related results, working methods, relations with local associations, CBOs, NGOs, enterprises and institutions. Since the Rome Declaration on Aid Effectiveness of 2003 until the last Meeting on Global Partnership in Mexico City, the world of development cooperation and, in particular, of Official Development Assistance (ODA), has questioned the effectiveness of aid, the role of the different stakeholders and use of resources located in interventions in partner countries.

The modest results achieved through policies and practices of development imposed from above, which took little account of the external contexts and the ongoing geopolitical changes, led international organizations, states, NGOs to rethink models of development, focusing on the choices and accountability of the countries in which interventions were implemented, introducing fundamental concepts, including those of ownership and mutual accountability.



The bottom-up approach and the participation of beneficiaries



Studies provide encouraging data regarding the impact of projects created by the will of the partner countries and managed by the communities. The beneficiary countries become active participants in local and defined experiences, targeted to achieve reliable and measurable results. Local communities assume a central role in this framework in defining priorities and choosing the areas and the sectors of intervention. Donors's strategies and policies have also changed and continuously evolve: more on the side of the partner countries thus open to a real and horizontal debate.

Participation became increasingly important in a development process from the bottom, where local communities identify special needs and conceive ideas to address them. The economist William Easterly, in his book "The white man's burden¹", distinguishes between two kinds of approach: 1) programs imposed from above (from the so called Planners), usually on a large scale, with over-ambitious objectives and barely measurable indicators; 2) small projects coming from the bottom, the field (called the Seekers) which fit the needs of a small group of people.

The
Seekers

1. Easterly W. (2007), The white man's burden, London, The Penguin Press



The first proved to be inefficient and resulted from policies focused on the achievement of a broad consensus across slogan of strong communicative impact (eg “reduce poverty in the world”), the second proves to be able to meet the needs identified by the beneficiaries themselves, and that small scale projects tend to get a significant impact , even if for a limited number of people.

According to Easterly, the Seekers see low-income communities as direct partners, developers and managers of business models oriented to local needs, where leaders are producers/ entrepreneurs and not just the final recipients or consumers of a good or a service. The Seekers interact, or promote interaction, between foreign entrepreneurs and local non-profit organizations, community and other potential partners. These stakeholders, together, can share ideas and expertise and come to a business idea suitable for a market with specific characteristics (eg, high density population, not easily reachable, with a high unemployment rate, etc.), ensuring a return on investment and sustainability from a social and environmental point of view. In this sense, the Seekers of Easterly, are very close to the concept of co-creation related to the BoP theory.



Conditions and characteristics

✓	-----
✓	-----
✓	-----

The attention of international donors, United Nations, European Union, OECD, individual states and NGOs, committed in international cooperation programs too often similar to welfarism, has recently encompassed the private sector into development policies in partner countries. The emphasis is on a business model aimed not only at ensuring profit to those who invest, but also to improve the living conditions of the communities where the business idea was developed, approaching the concept of inclusive business, deriving from the BoP approach theorized by Prahalad and Hart.

In this context, the innovation from the bottom assumes particular relevance (eg, the use of particular materials for construction, the exploitation of environmental resources in a given ecosystem, the introduction of a new technology for specific needs) together with the concept of inclusive business, especially in areas such as the environment, renewable energy, water and sanitation, support for small farmers, just to name a few.

It is difficult to identify the basic conditions for the development of an inclusive business project, since the environment, the community and potential markets, according to their characteristics, may vary. However, some of these can be considered as cross-cutting conditions, including:



DeLab: solutions about inclusive business

✓	The existence of a group of people with common needs and / or interests;
✓	An entrepreneurial idea, coming from the "bottom" or from abroad, suited to meet a specific need of the target market, which guarantees a profit for investors and the economic, social and environmental sustainability;
✓	An adequate level of collective consciousness, which foresees a real and widespread participation of all the actors involved, and their willingness to share knowledge and experience;
✓	National legislation favorable to the formation of spontaneous organizations between groups of people;
✓	Technical support by specialized actors, local or foreign, with experience in the area of intervention.

To simplify, let's take as an example an imaginary project where a small community of farmers producing cocoa or coffee, in order to optimize resources and achieve a better profit margin, forms a consortium with other communities of producers with the same characteristics (geographical features, type of crop, etc.).

This consortium reaches the following goals: 1) share techniques to improve the quality of products, 2) augment the availability of products to fetch a better price on the market, 3) buy new equipment with the joint management of a portion of the profit, 4) creation of financial instruments for the access to credit for poor families (eg, establishment of rural banks), 5) training for the new generations about production techniques, 6) raising awareness among members of the consortium on environmental issues such as protection of forests.

Small farmers become entrepreneurs, with a shared start-up capital. They manage the entire supply chain through committees elected by the producers themselves. The creation and consolidation of economic bodies of this type, can be facilitated by foreign entrepreneurs and/or non-profit organizations. While the first is concerned with broadening the scope of action of their businesses, the second is encouraged by their mandate scope, both being careful about workers' rights, the environment, social and economic sustainability of the business.

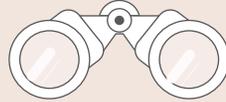


An Example

A successful experience, conveyed by a nonprofit organization in the sector of health care is the World Toilet Organization (www.worldtoilet.org). The organization aims at ensuring access to latrines for the one-third of the world's population that does not have one, then more susceptible to diseases. Local communities, after a technical training on production techniques and materials available locally, build and become the owners of low-cost latrines, creating around them a real enterprise, supported by training on the business plan, marketing and sales. After the training, where the benefits of creating a business on these issues are illustrated, the small local entrepreneurs decide to invest in the construction of low cost latrines. In this way they start with a business that answer to a local requirement, creating a market. In Cambodia and India this experience has been successful. Given the importance of the issue and the need to raise awareness of the world's population, in 2013 a UN resolution, supported by 122 countries, established the World Toilet Day, the 19th, November.



Italian opportunities and prospects for Inclusive Business



Given the approach promoted by Expo 2015 in Milan, Feeding the Planet, Energy for Life, another key area at the core of international debates is food security and the fight against polluting waste. In this context, the preservation of food in the partner countries may have importance and at the same time could be a business opportunity. For this reason, UNIDO, the United Nations Industrial Development Organization, Ipak-Ima Spa, an Italian company leader in the organization of international fairs and exhibitions, with the support of the Ministry of Industry of Kenya, organized in Nairobi, in September, 2014, East exposure Afripack 2014 - The processing, packaging and converting technologies, an event aimed at promoting technological innovation in the field of preservation and storage of foods and the development of small and medium-sized local businesses.



Initiatives of the Italian public sector



In Italy, the Directorate General for Development Cooperation of the Ministry of Foreign Affairs has recently published the Guidelines for the period 2014-2016. Among the issues that characterize the action of cooperation for the next three years there is the “endogenous economic development, inclusive and sustainable, the private sector, focused on regional partnerships and networks of small and medium-sized enterprises”. The Inter-Institutional Table on cooperation and development, focused on the themes of post-2015 Agenda analyzes instances of non-public sector (companies, foundations, banks, co-operative sector) and aims to establish “a creative support regarding the possibility of promoting synergies between public and private sectors, identifying possible pilot initiatives, through a working group dedicated to this issue”.



The European Union and the role of the private sector in developing countries



Recently, a European Commission communication entitled “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth”, stressed that the growing role that the private sector in developing countries may play in the fight against poverty, both as a source of financing, and as a partner of the various stakeholders of development aid.

The Commission proposes new financial instruments to facilitate the action of SMEs in third countries in sectors oriented towards sustainable development: agriculture, renewable energy, infrastructure, social. To quote: “the Commission intends to play a greater role in facilitating the engagement of companies in development actions, by encouraging responsible investment in developing countries, or sustainable supply chains and production patterns.”

Among the principles to strengthen the role of the private sector in the development policies of the European Union, the Commission has introduced that: “to create opportunities through market-based solutions”, emphasizing the unused potential to unleash business opportunities for local entrepreneurs through programs that take care of the needs of the markets in low-income communities.



In recent years, several Italian actors, public and private, have approached inclusive business initiatives, driven by different reasons. On the one hand, the “world of development cooperation” (ministries, local authorities, research centers and civil society) explores new ways to improve the living conditions of low-income communities, promoting the match between the public and private sectors, by sharing technical expertise and management and encouraging local entrepreneurs to explore market niches apparently closed. On the other hand the “business world” tries to overcome the classical view of the low-income markets (characterized by informal economy, with little purchasing power), creating partnerships with local entrepreneurs to invest in sustainable products and services, respecting the peculiarities of eco-systems of reference.

In summary, there is a renewed conception about the internationalization of companies, probably driven by internal difficulties that prevent a real recovery. There are encouraging signs: “There are encouraging signs: large multinational corporations, financial institutions, small and medium enterprises are particularly sensitive in undertaking inclusive business initiatives and others may follow, supported by the positive results of their predecessors”.



Chapter 04

Lucia Dal Negro
De - Lab



Insights and good
practices from
italian initiatives.



Inclusive Business Made in Italy



As showed in the previous chapters, doing Inclusive Business is challenging for a series of reasons that range from the need to abandon the “business as usual mentality” to that of solving technical requirements likely to arise during the distribution phase or, for instance, while engaging local stakeholders.

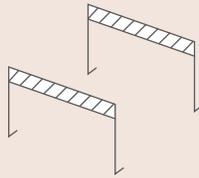
In order to respond to such challenges, entrepreneurs are called to deploy innovative solutions, to re-shape their business proposition and to align their social and environmental expectations to the feedbacks coming from low-income communities.

With that being said, it may look like Inclusive Business is something aspirational. In other words, it seems that a profit-driven solution to poverty-related problems has to do with companies striving for an optimal balance between social, environmental and economic values with no clear ways to translate such theoretical ambition into a real business model.

The aim of this chapter is to exemplify the basic aspects of Inclusive Business and BOP Theory in view of the Italian context, to highlight its hidden potential and finally to shed light on the opportunity to adopt this innovative approach at a national scale. This effort is meant to translate what the academia suggested into practical insights coming from two important sectors of Italy’s industrial tradition.



Made in Italy facing new challenges



The current economic situation is no doubt a challenging starting point from which to frame the adoption of Inclusive Business by Italian companies. Since the beginning of the economic crisis in late 2008, Italy went through many attempts to reduce the risk of a collapse of the national economic production. Different policies were launched and adopted in order to support the industrial sector and to lessen the social impacts of unemployment and increased public expenditure combined with a decreasing domestic demand. Some of these measures were indicated by national institutions whereas others were the result of international agreements. After more than five years, the Italian economic outlook is still unsteady. Current unemployment figures show that the percentage of unemployment has reached 12,2% in 2013, 40,0% among under 25¹.

Italian unemployment rates in 2013



1. ISTAT, 2013 Report. Available at: <http://www.istat.it/it/files/2014/05/cap1.pdf>



Having said that, is this scenario so pessimistic to hinder any successful attempt of contributing to the Inclusive Business debate from the Italian perspective?

The answer is certainly not. This is so not only because any country facing a severe financial and economic world crisis has the duty to look ahead and pave the way for its recovery through the implementation of different strategies, but also because any global crisis implies a reorganization of internal forces that leads to the optimization of the strongest national assets. In so doing, Inclusive Business may offer an interesting perspective.

What is needed is, therefore, the willingness to analyse what still counts as strong national asset notwithstanding the poor economic performances and to start over again from this ground. What is at stake here is not only the creation of a new growth momentum but also the possibility to open an Italian way of being amongst the most innovative economies addressing global problems with a new vision.

In the following, architecture&design and green technologies will be scrutinized with the lenses of Inclusive Business, being sectors that contribute to the Italian industry as sources of innovation, employment and growth. Each of them will be presented through innovative case studies that display some features of the Inclusive Business approach. Brief questions will give voice to the protagonists, and a third-party expert will be called to unfold features, problems and potentialities of the architecture & design sector, providing an external view on open issues and future perspectives.



Architecture & Design



Within the broad category of architecture&design, two initiatives will be illustrated: RhOME for denCity and Reverse. Their specific value is to represent initiatives that were both able to reshape their business concept, particularly their production chains, and to adopt a value-driven perspective, which is highly relevant in terms of socially and environmentally-friendly performances.

RhOME for denCity

“Towards a systemic social housing”



Future scenarios show the need to solve the unbalanced relationships between resource consumption and economic development. Such a demanding issue is also characterized by the presence of a growing population that, at world level, is adding pressure on the intensity of resource consumption. This is particularly true at urban level, there where currently 54% of the total global population lives (up from 34% in 1960) and this growth, in absolute numbers, is concentrated in less developed regions of the world². As a consequence cities are more and more subject to a reshape of their spaces and functions, with new urban standards called to respond to a critical process of increasing human pressure.

2. World Health Organization data 2014. Global Health Observatory. Available at: www.who.int.



Construction, one of the most energy-intensive sectors, has the great responsibility to pave the way for a new approach in defining living spaces in urban areas, designing intelligent buildings, sustainable neighbourhoods and networking spaces in which people can perceive themselves as part of a sustainable community.

With this in mind, the team of University Roma Tre took the lead of the Italian participation at the Solar Decathlon Europe 2014 to present their project of Social Housing called “RhOME for denCity”, with the goal of defining a new “System” with new planning standards responding to the need of a more efficient, inclusive and modern city. Their work was located in the periphery of Rome, more precisely Tor Fiscale, where degradation and illegal activities, particularly over-construction, have compromised the quality of life. The latter caused the uncontrolled expansion of the city, with informal buildings deteriorating the landscape and the urban co-existence.

Social Housing means affordable housing provided to needy people. Different features define the process of social housing allocation but income levels and needs of the beneficiaries are two of the most important measures justifying the fixed rent of such accommodations.

According to the studies developed by the team, the new buildings have to be placed in the empty areas of the district, where low density and high land consumption determined the need of a regeneration of urban spaces.

The new buildings, as newly conceived, have also to be defined through feedbacks of orientation and with the help of the pre-existing neighbourhood's community. The result of this phase of consultation is the idea of “densification” in the area of Tor Fiscale by diffusing buildings and integrated services able to leverage local opportunities and living standards to enhance human relationships and cultural activities.



Chapter fourth

According to the team: *“The dense city allows you to rationalize infrastructure and displacement, land management and waste management. It turns out to be more efficient also from the energetic point of view, optimizing the dispersant surfaces and reducing the costs of heating and air-conditioning. Together with densification, the project combines a study of innovation regarding the conformation of housing, which reduces its size but increases the flexibility and functionality to meet the needs of new users”*³.

From the point of view of social inclusiveness, the RhOME for denCity team decided to target house users with an income level ranging from 12,000 € to 50,000 €. Within such category they comprised old residents, nomad workers or students, single-parents or single-income earners or with disabled dependents, young low-income couples, older people in disadvantaged social or economic conditions and immigrants residents with low-income.

One of the most interesting aspects of the RhOME for denCity project is its contribution in terms of innovation as distinctive feature of the new residential area. At the core of the Social Housing project lies the community (new or already existent) rooted in the city, and interacting with new technologies as part of a “Smart City” serving the needs of local people. Since living is a social behaviour, technological innovations go hand in hand with the quality of life, facilitating the life of the community, which becomes the first user as well as first target of new urban technologies.

3. Solar Decathlon Europe 2014, Official Project Manual, RhOME for denCity.



DeLab



Photo: RhOME for denCity sustainable housing project.
Sources: RhOME for denCity website.



Let the protagonists speak:

RhOME for denCity Team, winner of the Solar Decathlon Europe 2014



1. Do you think that Social Housing could be a strategic sector for the recovery of the Italian economy?

In order to see Social Housing as a key sector for the economic recovery there is the need of a cultural shift. From looking at it as a low quality sector, offering low-cost solutions to basic needs, to imagine Social Housing as the catalyst for the spread of efficient and innovative housing solutions at reduced costs. This is possible only if we see the “Big Picture” of Social Housing, namely not just cheap houses in low-income neighbourhoods but extended household systems where to test new accessible technologies.

2. The growing size of urban cities in low income countries is a pressing phenomenon. Do you think that Social Housing could improve the quality of life of poor suburbs? If so, how?

Social Housing can be seen as a virtuous process for qualifying poor areas of low income countries to the extent to which it is integrated in the surrounding areas. It is not a direct solution for poverty and human marginalization but it works on the long run, only if conceived from a systemic point of view.



3. Do you think that Social Housing projects may represent an occasion for an ethical internationalization of the building sector, targeting low income countries?

Social Housing could work as such if seen as the occasion for researching and exchanging innovative housing models. Notably, in low income countries a systemic view can be applied only if economic and social tensions are solved. There is always the need to apply a Social Housing solution to real life conditions, tackling problems and potentialities of emerging economies. From a systemic point of view, economic incentives to facilitate such exchanges of knowledge and housing models are crucial to put into relation advanced economies and low income countries.

4. Which is the limit of technological innovations in the Social Housing sector once applied in developing countries?

There is no limit to the application of new technologies. Yet, it is important to consider the economic performance of the country where they are applied. This is so because there is always the need of professionals for monitoring and maintaining such innovative devices. In a low income community it is very important to rely on people able to cater technological solutions and to have this people it is key to have a good level of education and knowledge. Finally, to count on this fruitful context is recommended to meet locals, to share with them knowledge and practical ideas and to identify those stakeholders that could best develop and take care of the Social Housing solution.



5. How does a Social Housing project give voice to the needs of final beneficiaries?

What we did was to engage the community of Tor Fiscale (already living in that area) to verify what were the needs and the local knowledge of housing technologies and sustainability issues. This phase of investigation was crucial for the entire process of design and project definition, orienting our following choices. The best aspect of this process was to customize the architecture to people's needs, not only in terms of spaces but also in its intrinsic and operative essence.

What has been explained above points at a future scenario in which environmental and social challenges will drive changes in the architectural sector. Sustainable performances in the production process and resource management, together with integrated communities and technology devices serving everyday's needs of low-income people suggest the idea of an integrated approach, linking together people, environment and technology in a closed loop where none/nothing is an end-user since Everything is re-fed into the production cycle or re-absorbed by community dynamics.

Such a circular way of thinking architectural and living standards is as innovative as it succeeds at shaping new sustainable habits, something that drives directly to the next case study: Reverse.



An interview

with Paola Zanotto,
architect and expert of urban design



Inclusive Business in architecture

In the architectural debate, it is possible to identify policies and strategies consistent with the inclusive business model, as it had always been part of the discipline. The issue has been expressed, although in an implicit way, as an aspect of a wider definition of sustainability; the characteristics of an inclusive business should then be found in other terms and compared with the economic model. Here I shortly introduce how different aspects of sustainable architecture can be related with economic models.

Sustainable architecture

The idea of eco-friendly or green architecture commonly accepted nowadays, evolved from a plurality of experiences and contributions by several scholars and practitioners. If we look at the history of ecology, and how this met the modern and contemporary architecture design and production, an issue returns often in the architectural debate: *how the quality of the environment can affect the social and physical condition of people?* And then, how can we advance our civilization without compromising the quality of the present environment for future generations? On top of that, the term sustainability introduced the new concept of responsibility, extended in time, for buildings and planned spaces. In other words sustainable architecture investigates which design would accomplish these requirements and leave a better world to the next generations to live in.

A healthy architecture for Men and Nature

A built project can affect both people's health as well as the health of natural resources. The concept of health should be considered not only in a medical sense, but also in terms of social welfare, equal access to urban facilities, public space and transport. The needs of people as part of a community rather than individuals have been analyzed and discussed since the early post war period, particularly by the English architect and planner Jaqueline Tyrwhitt, whose work is still underestimated to the historical tradition.

A step ahead: the debate spreads out

An important aspect in the development of sustainability in architecture was the enlargement of the ecological debate at international level. The role of the United Nations was central in the promotion of policies and campaigns for a better relationship between man-made space and natural environment. Through conferences and field missions, the UN brought up the sustainability issue in the international arena and formalized concepts that came to be part of our common vocabulary. During one UN field mission in New Delhi in 1954 entitled "Housing and Community Improvement in Asia and the Far East", Jaqueline Tyrwhitt promoted the use of local materials and skills to build houses for poor people. As a result of a seminar two houses (costing 1000 \$ each) were built as pilots for showing a new conception of architecture in needy context.

The current frame on sustainable architecture in poverty contexts: features and comments

The methods and strategies adopted in order to guarantee the minimum well being connected with dwellings and urban space can vary widely and involved architects and designers to find a better way to accomplish decent standards of living. At the moment there are several realities dealing with an eco-friendly idea of architecture located in poverty contexts. In the following, some examples will be introduced to show how architecture can reverse conditions of inequality and poverty, improving deprived neighbourhoods. Crucial, to this end, is the engagement of locals as employees and beneficiaries to the point of seeing the built environment as a catalyst for social changes.

Researches and projects are continuously experimenting strategies to improve living conditions, like the participatory process of the “Favela-Bairro” project in Rio de Janeiro (Brazil -architect Sérgio Magalhães). The project sought to integrate existing favelas into the fabric of the city through infrastructure upgrading and service improvements. “Key to the success of this large project was a committed and flexible city government and the use of intra- and extra-institutional partnerships with NGOs, the private sector, churches, and the general population.”ⁱⁱ

In recent times in the architectural press rose up a renovated attention for local practices that propose contemporary style building using local materials and techniques, such as Komitu architects ⁱⁱⁱ, with their recent work “Kouk Khleang Youth Centre” in Cambodia ; also in this case the future users of the building and members of the surrounding community had an essential role in the design process, the materials used were local or recycled.

Inclusive Business Made in Italy

In poor contexts the ability of the architect is that of challenging the scarcity of resources: an example is the work of Kerè architects ^{iv}, firm founded in Berlin in 2005 “seeking to create economic and ecological building solutions for local situations in a global context”.

Most of their projects are located in Burkina Faso, where “the main focus of his work is the usage and development of local materials and techniques, the adaptation of new technology in a simple way and the potential of the local community”. In this case the use of the local clay as main material for all the buildings helped their performance in terms of insulation and ventilation.

The Chilean architect Alejandro Aravena ^v in 2000 founded ELEMENTAL, a for profit company with social interest. “When Elemental began in Harvard University in 2000, social housing was associated with a lack of economic and professional resources that had generated a lack of options for poor families”. The project Quinta Monroy “consisted in re-establishing 93 families on the site where they had been squatting for the last 30 years with a budget of just US\$7,500 per family”. The auto-construction was seen as the only way to proceed: users obtained a dwelling whose value accrued due to their late modifications. Doing so, the architectural intervention was turned into a social investment instead of a social expenditure.

i. Favela Barrio (slum to neighborhood) is a pioneering project in slum-upgrading in Rio de Janeiro. It has contributed to the mindset of urban planning as a participatory process. <http://theinformalcity.blogspot.co.uk/2011/06/favela-bairro.html>

ii. From the MIT website <http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-BL-fav.html>

iii. Construction of the youth centre is a result of cooperation between Komitu Architects, a group of young Finnish architects and two Cambodian NGOs: Cambodian Volunteers for Society (CVS) and Khmer Kampuchea Krom Human Rights and Development Organisation (KKKHRDA) who work with the youth from Phnom Penh's poor communities offering those possibilities for education, employment and societal participation. <http://en.presstletter.com/2014/05/kouk-khleang-youth-center-komitu-architects/>

iv. For more information visit the architect's official website <http://www.kere-architecture.com/>

v. For more information visit the architect's official website <http://alejandraravena.com/obras/vivienda-housing/elemental/>

DeLab: solutions about inclusive business



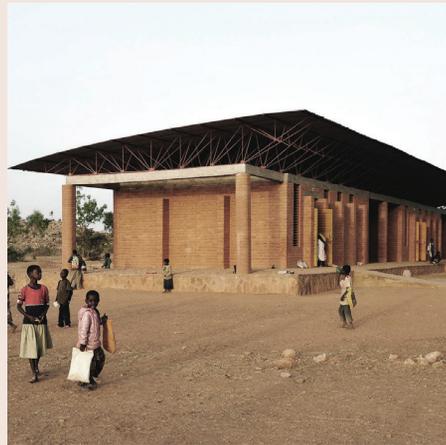
Favela Bairro / Arch Sérgio Magalhães



Construction of the youth centre / Komitu Architects



Primary School, Burkina Faso / ArchKéré Architecture



Primary School, Burkina Faso / ArchKéré Architecture



Housing / Alejandro Aravena Architect



Housing / Alejandro Aravena Architect

Conclusions

Sustainability in architecture has been often reduced to a marketing slogan, a surplus on the building's value. Reconsidering the basic principles of sustainability in architecture and trying to introduce an economic model that could integrate the design phase with a feasibility study can be a great opportunity to achieve more effective strategies of intervention. Tyrwhitt's work in this sense represents a notable experiment among other which followed. Architecture educational system should spread these experiences in its schools in order to achieve a wider awareness of the social involvement of architecture and urban design, and the great environmental responsibility connected with the construction sector.

Reverse

”Italian design from waste materials”



Reverse is a social enterprise who saw the light in 2012. Its mission is to promote an alternative way of thinking the relationship between people and the environment, life quality and environmental sensitivity. Reverse promotes environmental sustainability through cultural events and workshops aiming at giving value to already used materials. They claim that the same object or material may have different meanings depending on the perspective from which it is looked. With this in mind, Reverse works with disposed materials, often defined as “useless” and, therefore, headed to the dump. Doing installations, exhibitions and workshops, Reverse contributes to re-discovering manual skills and creativity associated to the goal of giving a second life to discarded materials collected from local firms. Tables, shelves, lamps and armchairs are just some of the creations stemming from a process of recycling and reshaping of old materials into new items. Crucial was the engagement of the Public Sector and Civil Society: Verona’s and other municipalities, Public Schools and the local Slow Food section were just some of the local actors engaged as Reverse’s project partners.

Positive social impacts stem from cultural and educational activities on local territories, working with schools, young carpenters, designers as well as hosting detainees willing to be trained before getting a new job. Sharing a circular production model starting from discarded materials, engaging local partners and disseminating a more sustainable and integrated local economy are the distinctive features of Reverse activities.



Inclusive Business Made in Italy



Photo: Two creations designed and produced by Reverse.
Sources: Reverse website.



Let the protagonists speak:

Federica Collato, Reverse Communication and Marketing



1. Do you think that a model of sharing economy could be a strategic approach contributing to the Italian economic recovery?

Our economic recovery will surely face the need of being sustainable in order to be durable and solid, in all the economic sectors. In the past the Italian design was considered as a world's excellence and now, coupling it with the value of hand-made production, may contribute to innovate the design sector again, especially considering the sustainability potential. We have always been the country of arts and crafts, nowadays the challenge is to rediscover technologies and look after the environmental impacts of every product.

2. What are the differences between designing furniture with a sustainable approach and producing mainstream items?

Designing sustainable products has strict limits. For instance, you can only use recycled materials, often with specific performances in terms of flexibility and strength. This happens, for instance, with the wood used by Reverse: we use pallet wood, mostly fir, which is very pliable hence it is not suitable for all kind of manufacturing. Designing with a sustainable approach means also to give value to the characteristics of the recycled materials, flaws included, being aware that it will not be possible to satisfy every customer's needs. On the contrary, if we adopt new materials from the very beginning, we must reduce the energy and material consumption, finally influencing the outcomes of the design phase.



3. Do you think that entrepreneurial activities focused on sustainable design may offer an opportunity for an ethical internationalization of the design sector, if applied in developing countries?

Ethical design can surely be the engine for an ethical internationalization, especially if cultural features of developing countries are coupled with the environmental values. Nonetheless, a part from experiences involving medium size companies, it is mandatory to have subsidies for supporting this type of sustainable productions. This is so because companies doing sustainable design are often small and new, hence they cannot invest in ethical internationalization, at least in the first years of activities.

4. How do you engage the final users of your products in the design phase? Do you think that the same methods may apply to developing countries?

Every product we make is designed around the final users. This is our method, the same that explains why we do not have a storehouse but we produce every piece tailoring it on the needs and wants of our customer. We share with users our thoughts about the object, therefore we establish a mutual relationship of understanding that could make him/her aware of what we make and how. Especially how.



Federica's final words demonstrated how crucial it is to understand the needs of the beneficiaries, namely the final users of every item designed by Reverse. This is what Inclusive Business experts call "co-creation" namely a partnership between entrepreneurs and local developing expectations and solutions towards a shared product or service.

Innovation, thus, relies on participative processes for defining methods and goals as well as intrinsic features that will characterize the product or service. New technologies, in this case, are key to adapt a mainstream good to the needs of different users and to the challenges of low-income markets. To this end, green technologies may contribute significantly to the process of optimization and/or radical innovation of product's features. In the following paragraphs, two case studies will exemplify this concept.



Greentech



In this section we show two profitable initiatives that are environmentally friendly thanks to the innovations contained in their products. In both cases the entrepreneurs were able to elaborate a profitable business model investing in research&development to obtain greener solutions and innovative products.

BioSoil expert

“The organic solution to water pollution and soil erosion”



Bio Soil Expert offers solutions to environmental problems such as soil erosion and land or water pollution by adopting biological systems consisting of plants associated with selected soil microorganisms. The main business activities of Bio Soil Expert are: solutions to prevent hydrogeological instability, biological cleansing of polluted soils and soil buffers to reduce the filtering of anthropic pollutants in ground or surface waters. All these solutions are meant to protect soils from environmental hazards and to secure the quality of waters.





Protecting the quality of lands and ground waters, thus saving lives and money in case of emergencies, is the need that Bio Soil Expert addresses by using specific plants able to extend their root apparatus underneath the ground thanks to the synergies with microorganisms. Doing so, the soil is held by fast-growing natural solutions that avoid the need to build infrastructures and barriers to prevent erosion, landslides and soil contamination.

Photo: Biosoil solution to environmental degradation and soil erosion.



Let the protagonists speak:

Alberto Ferrarese, Bio Soil Expert co-founder



1. Which is the potential of Bio Soil Expert solutions?

The potential is that of allowing the complete substitution or integration of traditional anti-erosion solutions with other systems completely organic. Hence, the value of these green-tech solutions is very high because it is natural and highly performing.

2. What is the difference between Bio Soil Expert and other traditional products tackling similar problems?

Our plus is that of using organic solutions (plants and microorganisms) to solve problems that were usually faced by using products with a high environmental impact.

3. Do you think that the innovation that characterizes your business and your services could be fruitfully applied in developing countries?

The innovative solutions that characterize our business may be used in developing countries specifically for reducing crust soil erosion, prevent ground water pollution and landscape restoration.



DueDiLatte

“Cosmetic and fashionable clothes from natural proteins”



Talking about green technologies, people usually think about infrastructures, green design or biotech solutions applied, for instance, to the chemical or energy sectors. However, greentech may also apply to an Italian traditional sectors, such as fashion. In the case of the following company, called DueDiLatte, the Italian fashion creativity is coupled with technological innovation in the form of greener materials: clothes are, indeed, made out of milk or rice.

The company developed a way of producing garments from milk proteins and rice that, on top of being 100% organic, are also able to nourish the skin by a process of long term release of natural substances that moisturize the body. Milk yarns, invented in Italy in the 30s by Mr. Ferretti, an engineer who was the first to obtain a fiber from the milk protein casein, are applied today to modern bioengineering techniques to obtain a natural and eco-friendly fiber. The milk fiber has a specific weight lower than 10% compared to silk and 13% to polyester. It's non-allergenic, antibacterial, breathable and ensures rapid absorption of sweat, leaving the body cool and dry thanks to its thermo-levelers. Additionally, DueDiLatte combines the milk fiber with organic cotton fiber. The latter is completely natural as not derived from GMO seeds as well as grown without the use of chemicals. The combination of milk and cotton fibers is a hybrid-properties product, with high resistance and moisture absorption (typical of cotton) and elasticity, softness and brightness (typical of the milk fiber).

Finally, the third product from DueDiLatte is the so called “rose” fiber, obtained from the processing of





proteins and cellulose of the rice. As for the previous fibers, the 18 amino acids of the polymer structure of the proteins gives to the fabric its “active fiber” characteristic, meaning that it has beneficial effects on the skin protecting against UV rays. The specific surface area of the fiber structure is increased by its honeycomb structure, so that the adsorption and the elimination of chemicals and moisture is quick. This is why a t-shirt made of “rice milk” gives to the body extraordinary lightness and freshness sensations¹.

1. DueDiLatte internal documents.
Photo: Due Di Latte creations.
Sources: Duedilatte website.



Let the protagonists speak:

Elisa Volpi, DueDiLatte founder



1. Do you think that green technologies applied to the industrial sector of fashion&garments could be strategic for the recovery of the Italian economy?

Surely creating new fibers and fabrics can be an option for textile workers that cannot compete with low-cost solutions. Hence differentiating the products and promoting research on new materials could be two solutions for a new textile tradition more open to high quality materials.

2. What is the difference between mainstream textile products and sustainable clothing produced by organic fibers?

Conceptually we are guided by the willingness to produce a product different from those available in the mass market. Indeed, by being fashionable and trendy, our creations are also produced respecting the most advanced labour conditions, determining a higher price but also ensuring the presence of an ethical value. Additionally, to create our fabrics, we work with selected Tuscan artisans living at maximum seventy km from our company. It's with them that we are able to establish a solid relationship, enjoying from the know-how of who made the Italian textile sector one of the most developed. Thanks to their help and to a constant research on input materials we are able to shape our products and define our vision.



3. Do you think that the innovative features of your product may be fruitfully applied to low-income markets?

Let's start by an example: bamboo fabrics are obtained from natural enzymes chipping the wooden parts of the plant. Bamboo plants come from China, therefore the diffusion of such fibers could easily be located in such developing country provided the respect of ethical standards concerning labour conditions (minimum wage, hygienic conditions, rest days and so on). To enable such a virtuous circle, it is important to rely on economic incentives that can reduce the initial costs of such initiatives.

4. To what extent green textiles may be an additional end for food products, thus creating an integrated production chain?

Since milk or rice fibers are obtained as by-products of food or cosmetic sectors, there will not be any additional production impact but, on the contrary, such fibers will result from a process of recycling and waste management along a common production chain. Among the positive outcomes of the integration of textile and food sectors there is a lower environmental impact due to waste avoidance, creation of a new entrepreneurial activity and/or optimization of pre-existing industrial processes and, finally, transformation of old materials in new inputs thanks to the application of green technologies. Currently, for DueDiLatte is difficult to implement such an integrated business model but surely much bigger companies producing for the mass market can do so.



As emerged from the experiences reported above, the greentech sector is a valuable area in which to test innovations that could subsequently be applied to low-income communities. Some of them, as for Bio Soil Expert, are intrinsically greener than mainstream alternatives and are worth testing in developing countries² since these are getting more and more interested by soil degradation or land erosion caused by systemic phenomena such as Climate Change.

Similarly, cosmetic fibers represent a source of innovation worth testing in low-income countries, there where clothing companies usually localize their production phase due to the abundance of manpower. Moreover, low-income communities may be the beneficiaries of such innovative production processes, particularly considering their proximity with input materials (e.g bamboo fibers).

In sum, there is an interesting potential for green technologies to be applied as best option in developing countries, finally proving wrong the trade-off between innovation and poverty.

2. Provided the identification of local microorganisms and plants with performances equivalent to those obtained in the geographical areas of the pilot tests.





Conclusions



Conclusions

“A smooth sea never made
a skillful sailor”

(ENGLISH PROVERB)



Food for thoughts

This publication was meant to shed light on the topic of Inclusive Business from the Italian perspective. The Italian potential was investigated engaging experts and policy actors that clarified, at a national and international level, what is currently going on in the policy arena in the field of Inclusive Business. Subsequently, four Italian ventures were presented and some of their innovative features, those directly linked to the Inclusive Business proposition, were illustrated.

From the case studies presented, some key-points emerged:

- The opportunity to design systemic solutions for new types of partners and consumers;
- The importance to engage local stakeholders so as to build a fertile ecosystem for new products/services,
- The need to optimize the source of input materials, also integrating different production chains,
- The relevance of investing in innovation to shape a new product serving development needs
- The chance to open new markets engaging lowincome communities as entrepreneurial co - partners.

Broadly speaking, the Inclusive Business approach is something already codified and implemented. Companies of every dimension and sector have already tested such innovative approach with interesting business results, demonstrating that the integration of the development agenda into business thinking does have a significant payoff.



Conclusions

The inclusion of low-income people into the value chain, indeed, does not just prove companies good but also:

- Provide business opportunities from untapped markets,
- Create disruptive innovations,
- Build a solid brand reputation,
- Enhance the dialogue between profit actors and civil society,

Clearly, to enable a re-shape of managerial processes and to foster innovations for low-income communities is no doubt challenging. Beneficiaries and co-partners are located in unknown markets where production and consumption habits are different. Companies must resist the temptation of defeaturing their products or services to make them accessible to low-income communities. A totally fresh approach to design, marketing and stakeholder engagement is needed.

Innovation needs to be applied:

- For strategic purposes of building solid relationships with new partners from low-income communities,
- For market-related purposes of producing goods that address and serve the needs of people living in scarcity,
- For companies' brand reputation, which would be severely damaged if such efforts would reveal the simplistic goal of selling a socially conscious image with no real engagement in poverty alleviation goals.

It is also important that companies do not perceive themselves as isolated in such challenge: to work “with and for” low-income communities there is plenty of room for experimentation and collaboration with the public sector, at all levels, as chapter two and three demonstrated.



Time to be engaged

Since 2000 many attempts to engage companies in facing environmental and social challenges have been made. Millennium Development Goal 8 relates exactly to the need of involving the profit sector in development issues, creating new partnerships to foster human development. More recently, the Busan Declaration reaffirmed such need by stating that “the private sector is now widely acknowledged as a key partner in development”¹.

Therefore, a transformational change in corporate vision and strategy is required. Market-based approaches to poverty alleviation proved to couple social values with business returns, while fostering innovations in income segments that were traditionally overlooked. It is high time for Italy to embrace Inclusive Business strategies and to test its industrial potential in new niches, building on Inclusive Business and looking at greener innovations to boost innovative business models.

As Shumpeter epitomized, innovation is the intrinsic feature of good entrepreneurial activities. It's time for Italy to build momentum on Inclusive Business and finally proceed towards the implementation of this business model at a national level.

Let's be brave.

1. Fourth High Level Forum on Aid Effectiveness (2011).



Conclusions



Acknowledgements

Several sections in the publication were written by prominent colleagues. I would like to express my gratitude for providing their expertise, which gave the publication structure and clarity.

I am grateful to:

Jeremy Millard, Senior Policy Adviser, Danish Technological Institute
(Preface)

Elena Como, Research and Innovation, Agenzia LAMA
(Chapter 2)

Mirko Tricoli, NGO and Civil Society, Italian Ministry of Foreign Affairs
(Chapter 3)

Paola Zanotto, Architect and expert of Urban Design
(Section on Architecture & Design, Chapter 4)

Many thanks also to:

Fiorenzo Omenetto, Tufts University
Livio Valenti, Kenendy School of Government
for providing materials relative to Vaxess case study, and to:

RhOME for denCity, Reverse, Biosoil expert, DueDiLatte

A special thanks to De-Lab's colleagues for their suggestions and particularly Marco Campolongo for his invaluable dedication in editing the publication.



Imprint

Published by:

De-LAB
www.delab.it
info@delab.it

2015

Contributors:

Elena Como
LAMA – Development and Cooperation Agency
Elena.como@agenzialama.eu

Jeremy Millard
Danish Technological Institute
jrm@teknologisk.dk

Mirko Tricoli
NGO and Civil Society, Ministry of Foreign Affairs
Mirko.tricoli@esteri.it

Paola Zanozzo
Architect and Researcher in Urban Design, University of Venice
Paola.zan8@gmail.com

Case studies:

Bio Soil Expert
www.biosoilexpert.com/

Due DiLAtte
www.duedilatte.it/

Reverse
www.reverselab.it/

RhOME for DenCity
www.rhomefordencity.it/SDE/ita/

Layout

marco.campolongo@gmail.com

The material in this publication is copyrighted. Quoting, copying, and/or reproducing portions or all of this work is permitted provided the following citation is used: Lucia Dal Negro Ed., Inclusive Business - Answering the call, De-LAB 2015.





delab.it