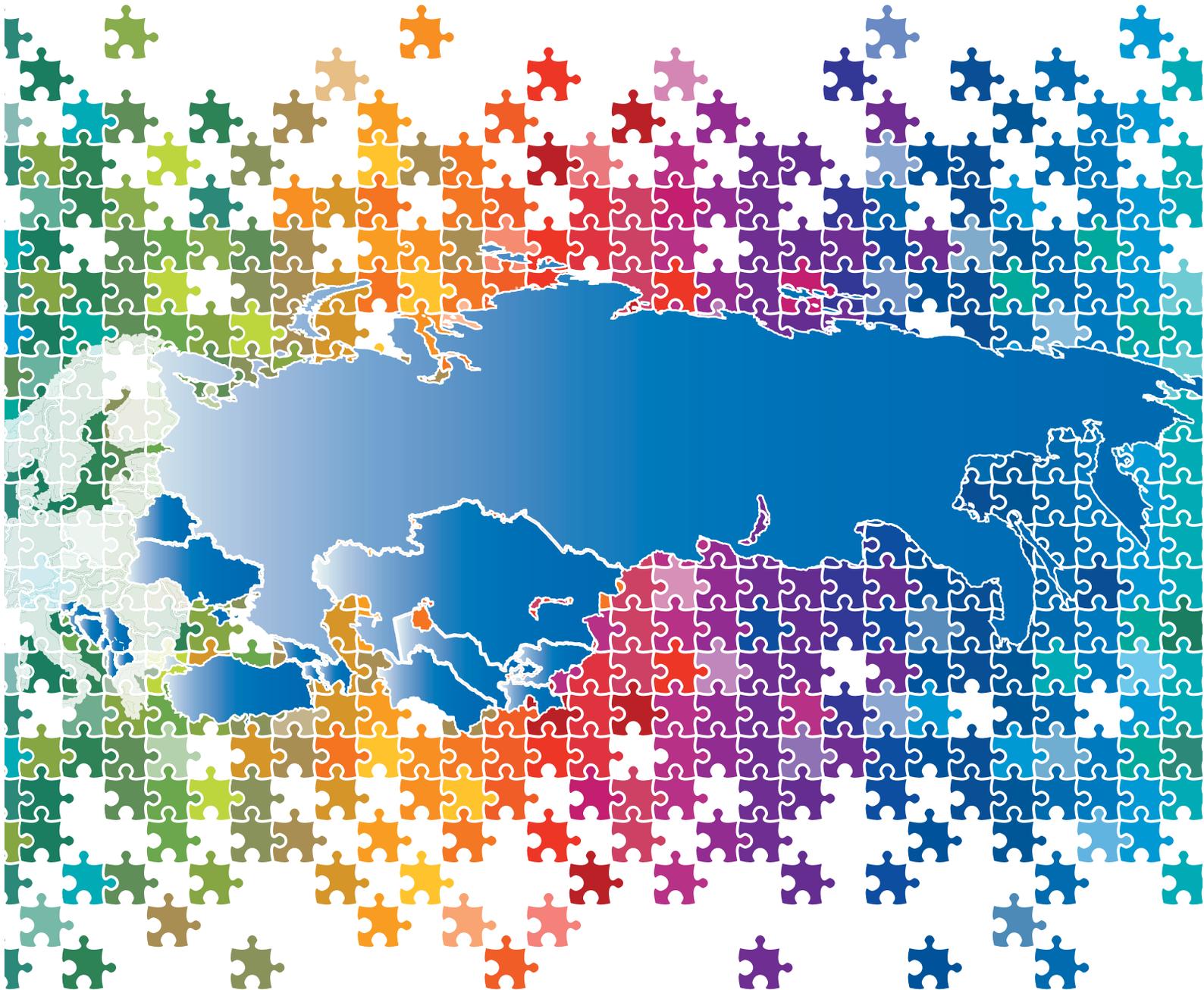


BUSINESS SOLUTIONS TO POVERTY

– How inclusive business models create opportunities for all
in Emerging Europe and Central Asia



United Nations Millennium Development Goals



Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria, and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Global partnership for development

BUSINESS SOLUTIONS TO POVERTY

– How inclusive business models create opportunities for all
in Emerging Europe and Central Asia

November 2010

The United Nations Development Programme (UNDP) would like to acknowledge the contributions of partner organizations to “Growing Inclusive Markets”. Each partner organization is contributing in different ways and the views and recommendations expressed in this report are not necessarily shared by each of those partner organizations. The findings, interpretations and conclusions expressed in this study are those of the authors and should not be attributed to the United Nations Development Programme, to its affiliated organizations or to members of its Board or Executive Directors or the countries they represent. Moreover, the views expressed do not necessarily represent the decision or the stated policy of the United Nations Development Programme, nor does citing of trade names or commercial processes constitute endorsement. The designations employed and the presentation of material on the maps in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNDP concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

Copyright © 2010

United Nations Development Programme
UNDP Regional Bureau for Europe and the Commonwealth of Independent States

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form by any means, electronic, mechanical, photocopying or otherwise, without prior permission of UNDP.

Design: Phoenix Design Aid (Denmark)
Production: Valeur s.r.o. (Slovakia)



Growing Inclusive Markets

Business Works for Development • Development Works for Business

United Nations Development Programme

BUSINESS SOLUTIONS TO POVERTY

– How inclusive business models create opportunities for all
in Emerging Europe and Central Asia

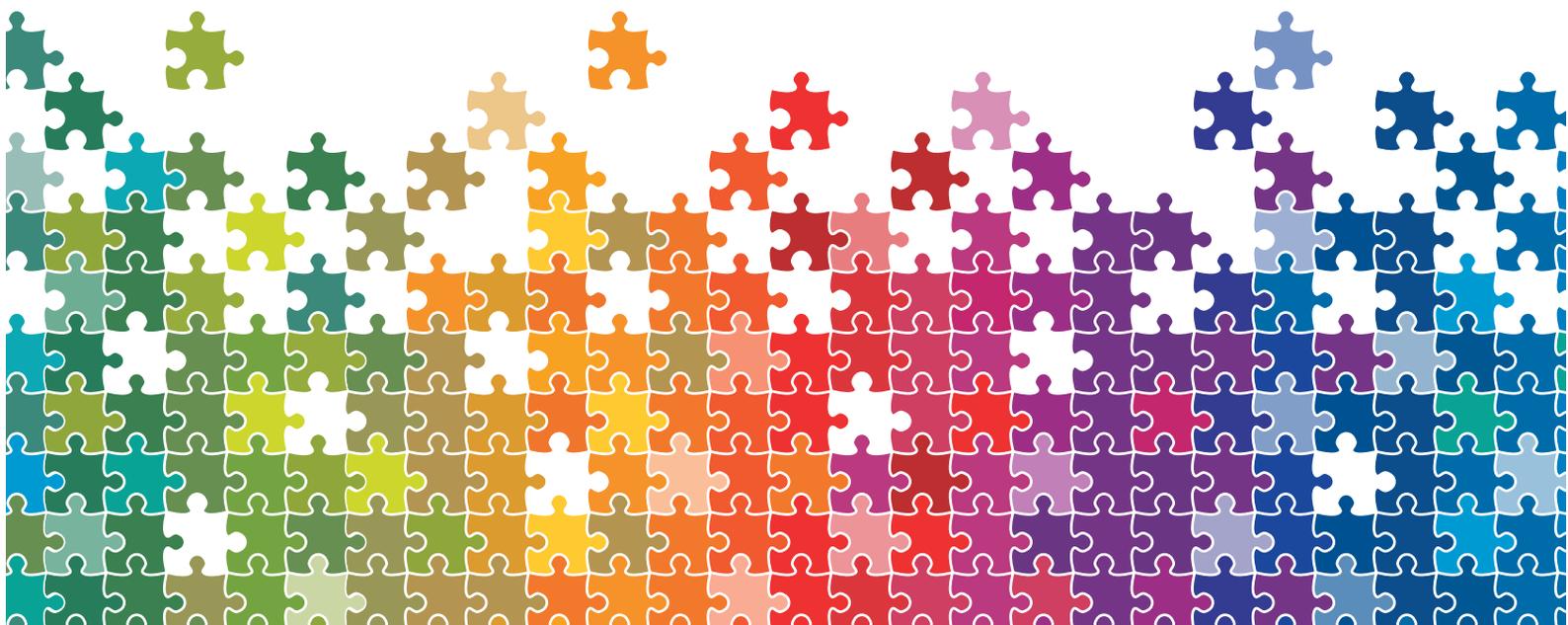




PHOTO: UNDP

FOREWORD

by Kori Udovički

*Assistant Administrator and Regional Director
UNDP Regional Bureau for Europe and the CIS*

The former socialist countries of Europe and Central Asia (ECA) have undergone a dramatic political and economic transition that has improved the futures of large parts of the population, but left many in deep poverty. Growth has not translated into poverty alleviation, with as much as 130 million people still living under US\$4.30 a day, measured at Purchasing Power Parity. Turkey, without sharing the same transition history as the other countries of the region, has the second highest number of poor people among countries in the region.

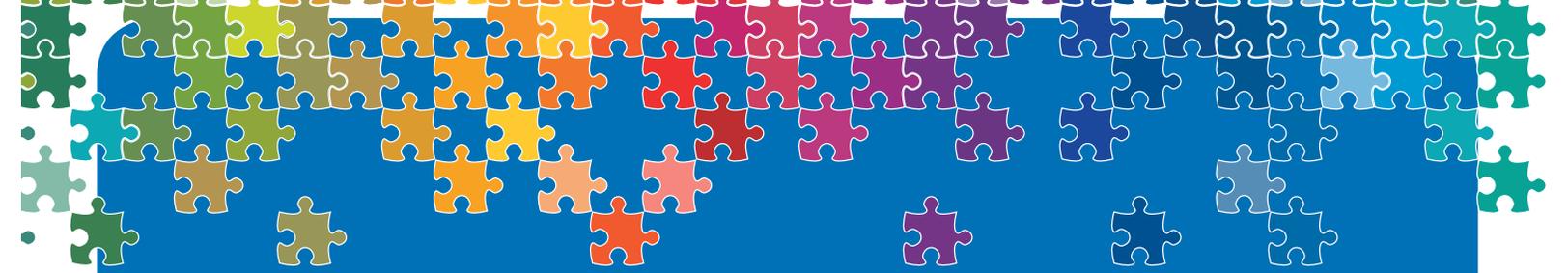
Growth can be made more inclusive through the right policies, but business also has a key role to play. There is a growing body of evidence that businesses that engage the poor on the demand side as clients and consumers, and/or on the supply side as producers, employees and business owners can capture benefits that go beyond the short-term bottom line, while creating value for the poor. For instance, *Creating Value for All: Strategies for Doing Business with the Poor*, a UNDP report published in 2008, highlighted portraits of 50 successful businesses that earned revenues while achieving social impact. It also drew lessons from key solution strategies on how to address challenges typically encountered in developing and emerging economies.

It is fair to say, however, that much of this empirical evidence stems from businesses operating outside the ECA region. Very little has been published so far on inclusive businesses and business models in this region, which could help harness the power of business for development and poverty alleviation. The present report attempts to close this gap by building on specially commissioned case studies from 19 countries of the region, showcasing examples of profitable businesses that are also having positive effects on people and the environment.

The report's aim is to catalyse more inclusive markets in the region, by tackling one of the key barriers to making markets work for the poor: the lack of awareness that inclusive business is possible, and of the successful models that have been tested in the ECA region. It presents data and cases from different countries and sectors. Further research is still needed of course. But there is enough evidence to show that an opportunity exists for business and for development partners.

It is our wish that the 19 case studies inspire the region's private sector to action. There are five years left to achieve the Millennium Development Goals (MDGs). The private sector can be a powerful engine for inclusive growth, greatly enhancing the probability that they will be met. At the same time, when societies fail to reach such goals, businesses cannot thrive and succeed.

As the report shows, collaboration with a number of different actors is a key success factor for inclusive business. UNDP is doing its part through policy advice, research and advocacy, funding and capacity development on the topic. However, the contribution of many others is also needed. We hope that this report will serve as an advocacy tool for businesses, governments, civil society and other development actors to work together to create a more inclusive ECA region.



EXECUTIVE SUMMARY

The Emerging Europe and Central Asia (ECA) region¹ may be considered at the same time the most and the least advanced region with regard to inclusive business. It may be the most advanced because, until the early 1990s, all the countries in the region – except for Turkey – were under a socialist regime where business focused on providing economic opportunities to all people as consumers and employees. The legacy of this socialist period is a comparatively well-developed infrastructure, even in remote regions, and a generally well-educated population – a solid basis for doing business. It may be considered the least advanced with regard to inclusive business because after the transition, companies abandoned the old, uncompetitive approach. Moreover, only few businesses in the region have realized that inclusiveness can be a means to competitiveness. This report shows how inclusive business creates opportunities for people and business in the region.

WHAT ARE INCLUSIVE BUSINESS MODELS?

Inclusive business models include people with low incomes on the demand side as clients and consumers, and on the supply side as employees, producers and entrepreneurs at various points in the value chain. They build bridges between business and people with low incomes, for mutual benefit. The benefits from inclusive business models go beyond immediate profits and higher incomes. For business, they include winning new consumers, expanding the workforce, and strengthening supply and delivery chains. And for people with low incomes, they include meeting basic needs, having sustainable earnings, and achieving higher productivity. In addition, the models can be designed in a way that uses environmental resources sustainably.

Vitmark in Ukraine is a case in point. Several years ago, people with low incomes in Ukraine rarely purchased fresh, high-quality juices because they were very expensive. Vitmark opened up juice factories in three Ukrainian cities and started selling juices that were affordable to almost all. The company employs and trains local employees and procures fruit from local farmers. Salaries offered are one-third higher than the regional average. In addition, farmers receive regular training to improve the quality of their produce. At the same time, Vitmark brought the cost of juice down through efficient product packaging and marketing in order to target low-income consumers. Even after imitators entered the low-income market, Vitmark accounts for 30 percent of sales in the lower-priced segment of the juice market in Ukraine, generating a revenue of approximately UAH800 million (EUR78.5 million) in 2008. Its market share increased from 7 percent in 1999 to over 22 percent in 2008.

Inclusive business models are not just an opportunity for companies; they are valuable for organizations that work to improve the prospects of people with low incomes. They are financially sustainable, create choices and can empower these people to become included in the business value chain as entrepreneurs, employees or consumers.

Helvetas, the Swiss Association for International Cooperation, introduced community-based tourism (CBT) to Kyrgyzstan. This type of tourism is owned and managed by the local community. There are now CBT groups in 19 villages, directly involving 350 families.

WHY READ THIS REPORT?

This is the first report that applies the concept of inclusive business models to the ECA region. It addresses decision makers from the region and from different sectors: company representatives, policy

1) Please refer to Box 2.

makers, development agencies, civil society organizations (CSOs) and other stakeholders such as academia and business associations. For all of these actors, the report provides:

- **Concrete examples** of inclusive business models from the region that can serve as inspiration and replica. Nineteen case studies – one from each country – have been studied to provide the empirical foundation for this report;
- **Empirical evidence** of the benefits that these business models have created for the business, people with low incomes and the environment;
- **Practical frameworks** that can guide the design of inclusive business models and the support from governments, development agencies, civil society organizations and other actors.

With the above, the report seeks to inspire companies and other stakeholders in the ECA region to identify and realize opportunities for including people with low incomes into value chains and to provide guidance on how this can be achieved. It shall also help to create space for dialogue among the relevant stakeholders – locally and on higher levels – to improve the enabling environment for inclusive markets development in the region.

The report contains five chapters:

Chapter 1 – The Development Opportunity shows how people with low incomes can benefit from being included into business models by increasing incomes, meeting basic needs, and gaining productivity: 130 million people in the region live on less than US\$4.30 per day; 11 million are unemployed; and 140 million work in the informal economy. Almost 19 million people lack access to clean water and almost 40 million lack access to improved sanitation facilities. Health services are often expensive and of poor quality. These needs can be met by using business approaches. Similarly, access to goods and services can increase productivity; five million people in the region lack access to electricity and more than 150 million lack access to financial services. Access to information and communication technologies (ICT) such as Internet can also be improved.

Chapter 2 – The Business Opportunity points out how businesses can benefit by winning new consumers, expanding the workforce and strengthening supply and delivery chains. The access gaps highlighted above as well as poor price-performance levels can mean new markets for companies that can address these shortcomings. Similarly, the large pool of unemployed or informally employed people – most of whom have at least a secondary education – can be tapped to win new employees at reasonable terms. The 8.5 million micro- and small-sized enterprises (MSMEs) – and more if counting the informal ones – and the 1.3 million small-scale farms located in Central Asia alone can offer services as suppliers or in the delivery chain. Some of the inclusive business models studied were not just created to increase profits, but also to provide economic opportunities for low-income communities. They were initiated mostly by organizations with development goals.

Chapter 3 – Building Inclusive Business Models identifies the constraints that prevail when developing business in low-income markets and the solutions that have been used to overcome them in the ECA region. Based on the global report *Creating Value for All: Strategies for Doing Business with the Poor* of UNDP's Growing Inclusive Markets (GIM) Initiative, five areas of constraints are discussed: limited market information, ineffective regulatory environments, inadequate physical infrastructure, missing knowledge and skills, and restricted access to financial services. Of these, missing knowledge and skills was the most widespread constraint in the cases studied. The strategies that were mainly used to overcome them were investing to remove constraints and combining resources and capabilities with others.

Chapter 4 – Supporting Inclusive Business Models in the ECA Region introduces the role of other actors in enabling inclusive business models. Indeed, supporting institutions play a critical role in the success of these models. They create the necessary foundations through policy-making and research and advocacy. They also act as partners, providing financing and complementary capabilities.

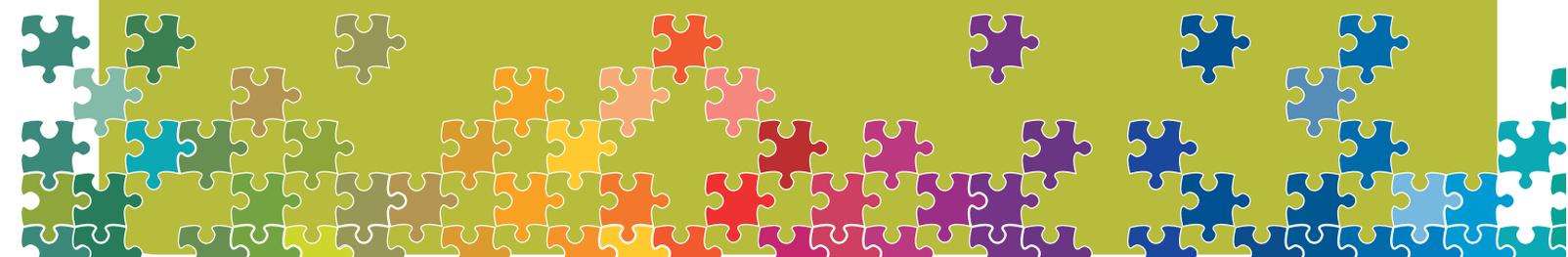
Chapter 5 – Recommendations are provided for various actors, companies — but also governments, development agencies, civil society organizations and others — for taking action to make inclusive business models a reality.

TABLE OF CONTENTS

FOREWORD	5
EXECUTIVE SUMMARY	6
ACRONYMS AND ABBREVIATIONS	10
ACKNOWLEDGEMENTS	11
INTRODUCTION	15
What are the benefits of inclusive business models?	15
Who should read this report and why?	17
Why promote inclusive business models in the ECA region?	17
How was the report developed?	19
CHAPTER 1: The Development Opportunity	23
The landscape of poverty	25
Increasing incomes	28
Meeting needs	31
Increasing productivity	33
CHAPTER 2: The Business Opportunity	39
The landscape of business	40
Winning new consumers	41
Expanding the workforce	45
Strengthening the supply and delivery chain	47
CHAPTER 3: Strategies for Building Inclusive Business Models	51
Solutions for limited market information	53
Solutions for ineffective regulatory environments	55
Solutions for inadequate physical infrastructure	57
Solutions to missing knowledge and skills	59
Solutions to restricted access to financial products and services	61
CHAPTER 4: How Others Support Inclusive Business in the ECA Region	63
Policy-making	64
Research and advocacy	66
Finance	66
Complementary capabilities	67
Taking the initiative	68
CHAPTER 5: Recommendations	71
Recommendations for companies	72
Recommendations for governments	72
Recommendations for development partners	73
Recommendations for civil society organizations	74
Recommendations for other actors	75
What next?	75
ANNEXES	79
Annex 1: Case summaries	80
Annex 2: Overview of actors providing support to inclusive business in the ECA region	99
BIBLIOGRAPHY	102

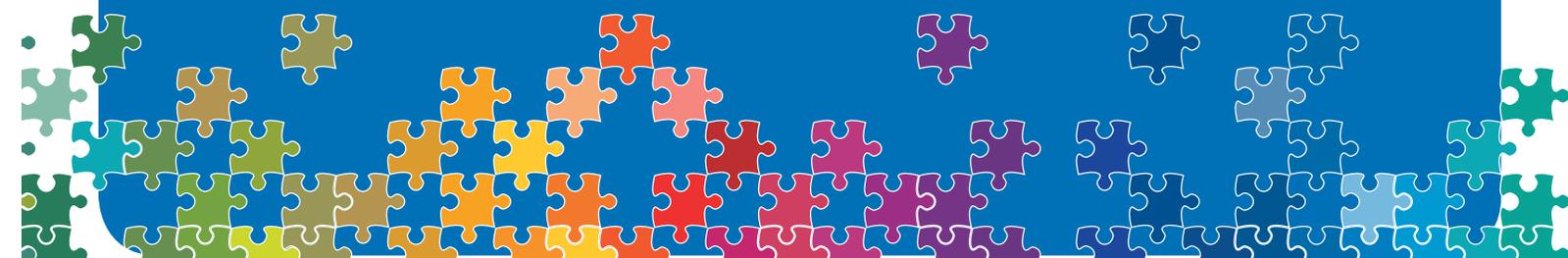
TABLE OF TABLES, FIGURES AND BOXES

Table 1:	Case studies from the ECA region	20
Figure 1:	Poverty in the ECA region, 1981-2005	26
Figure 2:	Human development by sub-region, 1990-2007	27
Figure 3:	Poverty in the region by country	28
Figure 4:	Production of agricultural commodities in the region	30
Figure 5:	No. of people without access to clean water	31
Figure 6:	Share of the population without access to improved sanitation facilities	32
Figure 7:	Internet users (% of the population)	35
Figure 8:	Share of the population without access to a financial intermediary	36
Figure 9:	Ease of Doing Business Ranking 2010	40
Figure 10:	Evolution of the private sector share in the GDP (%)	41
Figure 11:	GDP growth per capita by region	42
Figure 12:	Economic output per country.	42
Figure 13:	Market gaps by sector and country	43
Figure 14:	Unemployment and informal employment by country	44
Figure 15:	Percentage of the population who attained primary, secondary and tertiary education per country	46
Figure 16:	Micro- and small-sized enterprises by country	48
Figure 17:	GIM Strategy Matrix with regional patterns for the ECA region	54
Box 1:	What are inclusive business models?	16
Box 2:	ECA – The region in focus	18
Box 3:	Selection of case studies used for this report	20
Box 4:	Inclusive business models and the MDGs	24
Box 5:	Human development and social exclusion	25
Box 6:	The GIM Strategy Matrix	52
Box 7:	The MDGs – Everybody's Business	64



ACRONYMS AND ABBREVIATIONS

ADA	Austrian Development Agency
CBT	Community Based Tourism
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
ECA	Emerging Europe and Central Asia
EU	European Union
GDP	Gross Domestic Product
GIM	Growing Inclusive Markets
ICT	Information and Communication Technologies
IDP	Internally Displaced Population
IFC	International Finance Corporation
ILO	International Labour Organization
KCBTA	Kyrgyz Community-Based Tourism Association
MDG	Millennium Development Goal
MSME	Micro-, Small- and Medium-sized Enterprise
MTS	MobileTeleSystems
NAMMS	National Partnership of Microfinance Market Stakeholders
NGO	Non-governmental organization
PPP	Purchasing Power Parity (PPP)
PTF	Production and Training Facility
RFC	Rural Financial Corporation
SBD	Small Business Development Group
SCA	Savings and Credit Associations of Citizens
SME	Small-and Medium-sized Enterprise
TSB	Tojiksodirotbank
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization



ACKNOWLEDGEMENTS

GIM WORKING GROUP

A multi-stakeholder Working Group was created as the key convening platform of the emerging ECA Growing Inclusive Markets (GIM) Initiative. Its objective is to safeguard a multi-stakeholder process in the development and implementation of this regional initiative. In sum, the Working Group:

- Brings together leading initiatives and institutions from the region concerned with the role of business in development;
- Builds a platform for dialogue and exchange;
- Works towards a common goal of creating more inclusive business in the region;
- Works in alignment with the Global GIM Initiative and its Advisory Board and leverages its experience and expertise in growing inclusive markets;
- Builds a platform for change by advocating for integrating the GIM concept into Working Group members' own programming or by collaborating with other Working Group partners in spurring local action.

The Working Group's guidance, insights and inputs at the inception of the initiative and throughout the report production process have been invaluable.

The Working Group members comprised:

- Farid Baddache, Europe Director, Business for Social Responsibility, France
- Yury Blagov, Director of the Center for Social Responsibility at the Graduate School of Management (GSOM), St. Petersburg State University, Russian Federation
- Giovanna Ceglie, Chief, Clusters and Business Linkages Unit, Private Sector Development Branch, United Nations Industrial Development Organization (UNIDO), Austria
- Bernard Conhilh de Beyssac, Senior Advisor of Product Development, Netherlands Development Organization (SNV), Bosnia and Herzegovina
- Jack Cortenraad, Albania Director, Netherlands Development Organization (SNV), Albania
- Will Day, Senior Associate, Programme for Sustainability Leadership, University of Cambridge, United Kingdom
- Meltem Duran, Economic and Social Research Department, Istanbul Chamber of Commerce, Turkey
- Brook Horowitz, Executive Director of the International Business Leaders Forum (IBLF), in Russian Federation
- Balazs Horvath, Poverty Practice Leader, Bratislava Regional Centre, UNDP Regional Bureau for Europe and CIS, Slovakia
- Celine Hyon-Naudin, Quality Support, Business Trade and Regional Integration, Europe-Aid, European Commission, Belgium
- Henry Jackelen, Director, Private Sector Division, UNDP Partnership Bureau, USA
- Andrew Kilpatrick, Director in the Office of the Chief Economist, European Bank for Reconstruction and Development (EBRD), United Kingdom
- Vladislav Krivosheev, Vice-President, Russian Microfinance Center, Russian Federation
- Anthony O'Sullivan, Head Private Sector Development Division, Organization for Economic Co-operation and Development (OECD), France
- Liliana Petrella, Director, Development Initiatives, European Foundation for Management Development (EFMD), Belgium
- Boleslaw Rok, Professor, Business Ethics Centre, Business School, Kozminski University, Poland
- Ben Slay, Senior Economist, Bratislava Regional Centre, UNDP Regional Bureau for Europe & CIS, Slovakia
- Sahba Sobhani, GIM Programme Manager, Private Sector Division, UNDP Partnership Bureau, USA
- Dursun Topcu, Vice President of the Board of Directors, Istanbul Chamber of Commerce, Turkey
- Jocelyne Wang, Manager, EU Affairs Unit, European Foundation for Management Development (EFMD), Belgium
- Nancy Wildfeir-Field, Global Development Alliance Advisor, Europe and Eurasia Region,

The Growing Inclusive Markets Initiative in the ECA region was conceived as a multi-stakeholder platform.



PHOTO: UNDP

United States Agency for International Development (USAID), Ukraine

PEER REVIEWERS

The content of the report benefited greatly from a Peer Review Group comprising experts and colleagues within and outside UNDP. This group included:

- Alexandre Bim, Director, Global Compact Sustainable Development Project, UNDP Russian Federation
- Celine Hyon-Naudin, Quality Support, Business Trade and Regional Integration, Europe-Aid, European Commission, Belgium
- Liudmila Istomina, Programme Analyst, UNDP Belarus
- Aline Kraemer, Director, endeva, Germany
- Juergen Nagler, Inclusive Markets Development Consultant, Private Sector Division, UNDP Partnership Bureau, USA
- Boleslaw Rok, Professor, Business Ethics Centre, Business School, Kozminski University, Poland
- Stephan Schmitt-Degenhardt, Private Sector Development Policy Specialist, Bratislava Regional Centre, UNDP Regional Bureau for Europe and CIS, Slovakia
- Georg Schoen, Environment Programme Officer, UNDP Macedonia
- Sahba Sobhani, Programme Manager, Growing Inclusive Markets Initiative, Private Sector Division, UNDP Partnership Bureau, USA
- Natascha Weisert, Industrial Development Officer, Clusters and Business Linkages Unit, United Nations Industrial Development Organization (UNIDO), Austria

We are also very grateful to the following colleagues who gave generously of their time and expertise, often on very short notice: Balazs Horvath, Poverty Practice Leader; Susanne Milcher, Social Exclusion and Poverty Reduction Specialist; Mikhail Peleah, Human Development Programme and Research Officer and Vladimir Mikhalev, Poverty Reduction Policy Adviser from the Bratislava Regional Centre, UNDP Regional Bureau for Europe and CIS, Slovakia

CASE STUDY AUTHORS

This report would not have been possible without the valuable contributions of the case study authors:

- Sheradil Baktygulov, Senior Instructor, International University of Kyrgyzstan, Kyrgyzstan
- Murat Çokgezen, Associate Professor, Marmara University, Turkey
- Brigitte Duerr, Junior Private Sector Consultant, Bratislava Regional Centre, UNDP Regional Bureau for Europe and CIS, Slovakia
- Adrian Dumitru Danet, Assistant Professor, University of Bucharest, Romania
- Manuk Hergnyan, Partner, Economy and Values Research Center, Armenia
- Iva Kleinova, Public Policy Graduate Student, Columbia University, USA
- Alesia Krupenikava, Consultant, Zdes i Seichas Consulting Group, Belarus
- Olga Kutuzova, Director, International Investment Center, Russian Federation
- Olena Lazorenko, Senior Research Fellow at the National Academy of Sciences of Ukraine, Ukraine
- Tim Lehmann, Consultant, Bertelsmann Stiftung, Germany
- Mislav A. Omazic, Assistant Professor, Department of Organization and Management, Faculty of Economics and Business, University of Zagreb, Croatia
- Damira Reava, Helvetas, Kyrgyzstan
- Minjung Shin, Student, Graduate School of International Studies, Pusan National University, Republic of Korea

- Jens Trummer, Associate Professor, Central European University, Hungary

GROWING INCLUSIVE MARKETS TEAM

This report is the result of a joint effort between members of the UNDP Poverty Practice at the Bratislava Regional Centre (BRC), Regional Bureau for Europe and CIS, Slovakia, and of the Growing Inclusive Markets Initiative, UNDP Private Sector Division at the Partnership Bureau, USA (GIM Team).

Pascale Bonzom, Private Sector Engagement Policy Specialist at BRC led the design and implementation of the Growing Inclusive Markets initiative in ECA as well as the regional report production process with the support of the following team members:

Project Management

- Brigitte Duerr, Junior Private Sector Consultant, BRC
- Veronika Kalousova, Programme Assistant, BRC
- Eunika Jurcikova, Programme Associate, BRC

Report Writing Team

- Christina Gradl, Director, endeva, Germany
- Jens Trummer, Associate Professor, Central European University, Hungary
- Iva Kleinova, Public Policy Graduate Student, Columbia University, USA
- Brigitte Duerr, Junior Private Sector Consultant, BRC
- Pascale Bonzom, Private Sector Engagement Policy Specialist, BRC
- Subathirai Sivakumaran, Research Associate, GIM Team
- Austine Gasnier, Programme Associate, GIM Team
- Boleslaw Rok, Professor, Business School, Kozminski University, Poland
- Gul Berna Ozcan, Senior Lecturer, School of Management of Royal Holloway College, University of London, United Kingdom

Case Study Reviewers

- Aline Kraemer, Director, endeva, Germany
- Pascale Bonzom, Private Sector Engagement Policy Specialist, BRC
- Brigitte Duerr, Junior Private Sector Consultant, BRC

Case Study Analysis Team

- Christina Gradl, Director, endeva, Germany
- Brigitte Duerr, Junior Private Sector Consultant, BRC
- Shuan SadreGhazi, Researcher, United Nations University-MERIT, Netherlands
- Subathirai Sivakumaran, Research Associate, GIM Team
- Mike Valente, Assistant Professor of Business and Sustainability, University of Victoria, Canada

Editors

- Barbara Hall, Consultant Editor
- Peter Serenyi, Editor and Regional Publications Manager, BRC
- Hugh Biggar, Website Editor, BRC
- Karan Malik, Editorial Intern, BRC

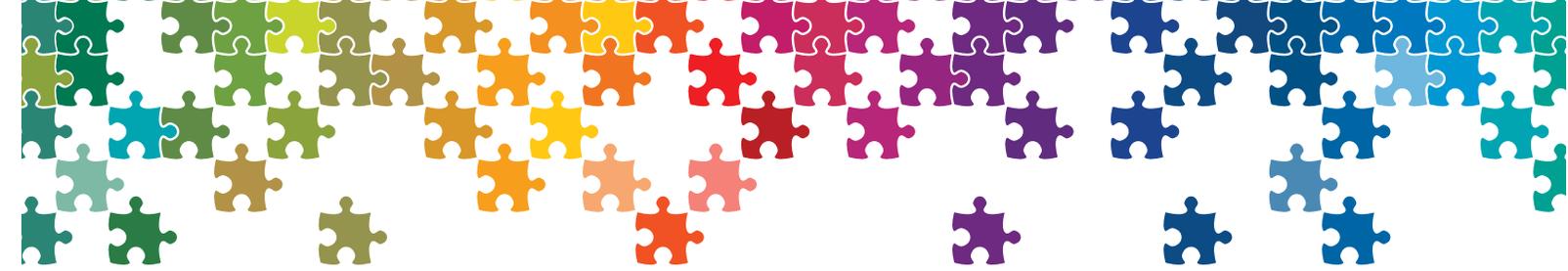
We would like to thank the GIM Team at the UNDP Private Sector Division, Partnership Bureau in NY, headed by Sahba Sobhani, Programme Manager, for their financial support, as well as valuable guidance and inputs to the regional initiative and report production process.

Finally, we are very grateful to Anna Kropina, Minjung Shin and Monika Zollerova, interns, and Michaela Pospisilova, Research Associate, for their useful research, and to the entire Management Support Unit at BRC led by Andrey Pogrebnyak, Operations Manager, which provided invaluable operational support throughout the report production process.



Inclusive business models include people with low incomes on the demand side as clients and consumers, and on the supply side as employees, producers and entrepreneurs at various points in the value chain. They build bridges between business and people with low incomes, for mutual benefit.





INTRODUCTION

The 19 countries of the Emerging Europe and Central Asia (ECA) region² in focus in this report might be simultaneously the most and the least advanced in terms of inclusive business, which is the approach to include poor people into business as consumers, employees, producers and entrepreneurs in a financially sustainable manner.

From the 1950s to the 1980s, business was chiefly concerned with inclusiveness in the countries under a socialist or communist regime (all except Turkey). Indeed, the *raison d'être* of companies was to create jobs and to cater to the needs of all people in a country. After the transition to a free market regime, many of the companies with their very large staff, low-cost products and social programmes were financially unsustainable in a competitive market environment. Companies had to shrink and focus on profitability to survive.

Today, inclusive business has gained significant momentum everywhere in the developing world and emerging economies, except for countries of ECA – for now. This report aims to revive the legacy of inclusive business in the region under the new paradigm of competitiveness and a market economy.

WHAT ARE THE BENEFITS OF INCLUSIVE BUSINESS MODELS?

For a company that competes in the marketplace, inclusiveness can be a driver for profitability. By targeting low-income consumers, companies can build new markets; by employing poor and marginalized people they can make their workforce more competitive; and by including small-scale farmers and entrepreneurs, they can strengthen their supply chain.

Vitmark in Ukraine is a good example. Several years ago, people with low incomes in Ukraine rarely purchased fresh, high-quality juices because they were very expensive. Vitmark then opened up juice factories in three Ukrainian cities and started selling

²⁾ Please see Box 2.

Vitmark in Ukraine strengthens its supply chain through sourcing quality fruits from small producers for processing into juices.



PHOTO: VITMARK

juices that were affordable to almost all. The company employs and trains local employees and procures fruit from local farmers. Salaries offered are one-third higher than the regional average. In addition, farmers receive regular training to improve the quality of their produce. At the same time, Vitmark brought the cost of juice down through efficient product packaging and marketing. Even after imitators entered the low-income market, Vitmark still accounts for 30 percent of sales in the lower-priced segment of the juice market in Ukraine, generating a revenue of approximately UAH800 million (EUR78.5 million) in 2008. Its market share increased from 7 percent in 1999 to over 22 percent in 2008.

For organizations that work to improve the opportunities of people with low incomes³, inclusive business approaches are also recommendable. Since inclusive business is profitable, it is sustainable in the long term and does not rely on time-bound programme budgets. Since it includes individuals as business partners, it creates choices and ensures that participants actually want to be included. Finally, it can empower people with low incomes to be owners of the business, as members of a cooperative or of a micro-franchise system.

Helvetas, the Swiss Association for International Cooperation, introduced community-based tourism

(CBT) to Kyrgyzstan. This type of tourism is owned and managed by the local community. It offers tourists unique experiences, generates incomes for rural families and preserves the natural and cultural heritage of the country. There are now CBT groups in 19 villages; 350 families (approximately 1,400 people) are directly involved.

Indeed, inclusive business models may be – and are – implemented by organizations with all kinds of backgrounds, not just private companies. Examples in this report include large multinational companies, large domestic companies, small-and medium-sized enterprises (SMEs) from the country and abroad, state-owned companies and non-profit organizations. They all have their own motivations to build these business models, but have all found that it is this approach that allows them to best achieve their objectives.

When people with low incomes are included into value chains as producers, entrepreneurs, employees or consumers, they can benefit in a number of ways: their (real) incomes increase; they gain better access to goods and services that improve their productivity and standard of living; and they gain a voice and opportunity from organizing in the community and being part of broader value chains.

In the planned economies, companies have also included people in the value chains and at times pursued much of their business without focusing on competitiveness and profitability. In a market economy, companies have to continuously innovate to stay ahead of their competitors. They have to create new markets,

3) For simplicity, this report refers to poor, marginalized, vulnerable and excluded people as 'people with low incomes', with the understanding that all these concepts refer to issues that have many facets – not just or even mainly the lack of income.

Box 1 What are inclusive business models?

Inclusive business models include people with low incomes on the demand side as clients and consumers, and/or on the supply side as employees, producers and business owners at various points in the value chain. They build bridges between business and people with low incomes for mutual benefit. The benefits from inclusive business models go beyond immediate profits and higher incomes. For business, they include winning new consumers, expanding the workforce, and strengthening supply and delivery chains. For people with low incomes, they include meeting basic needs, having sustainable earnings, and achieving higher productivity. In addition, the models can be designed in a way that uses environmental resources sustainably.

SOURCE: Adapted from GIM (2008).

improve their processes and strengthen their supply chains. Including people with low incomes can be a way to achieve all of the above – and at the same time reduce poverty and increase economic opportunity. It is an opportunity to create value.

WHO SHOULD READ THIS REPORT AND WHY?

This report is the first that applies the inclusive business model approach to the ECA region by presenting its underlying concept and linking it to empirical data and concrete case studies from the region.

This report addresses decision makers from the region and from different sectors:

- **Company representatives** who seek opportunities to develop their business sustainably and create real value for society;
- **Policy makers** who look for ways to leverage the power of business for the well-being of society, in particular those members who remain marginalized, vulnerable and poor;
- **Development agencies** that work to enable sustainable and inclusive growth, contribute to development and empower communities; and
- **Civil society organizations** that struggle for a better society with less poverty, a safe environment and empowered communities – but have limited resources to achieve their mission.

The report provides the above decision makers with the following:

- Concrete examples of inclusive business models from the region that can serve as inspiration and models;
- Empirical evidence of the benefits these business models have created for the business, people with low incomes and the environment; and
- Practical frameworks that can guide the design of inclusive business models and the support from governments, development agencies, CSOs and others.

Further, the report seeks to inspire companies and other stakeholders in the ECA region to identify and realize opportunities for including people with low incomes into value chains and to provide guidance on how this can be achieved. It shall also help to create space for dialogue among the relevant stakeholders –

locally and on higher levels – to improve the enabling environment for inclusive markets development in the region.

The report contains five chapters:

Chapter 1 – The Development Opportunity shows how people with low incomes in the region can benefit from being included, such as having their basic needs met, becoming more productive and increasing their incomes.

Chapter 2 – The Business Opportunity points out how businesses can benefit by winning new consumers, building the workforce and strengthening supply chains. It also highlights market gaps in specific sectors.

Chapter 3 – How to Build Inclusive Business Models identifies the constraints that prevail when developing business in low-income markets and the solutions that have been used to overcome them.

Chapter 4 – How Others Support Inclusive Business Models in the ECA Region introduces the role of other actors in enabling inclusive business models through policy-making, research and advocacy, financing and complementary capabilities.

Chapter 5 – Recommendations provides concrete recommendations for various actors – companies, governments, development agencies and civil society organizations (CSOs) – to support inclusive business models.

WHY PROMOTE INCLUSIVE BUSINESS MODELS IN THE ECA REGION?

The basis for this report and its message are that there is a particular opportunity and a need for inclusive business models in the region.

ECA offers particular potential for inclusive business models. It has a large low-income population: in 2005, 130 million people in the region lived on less than US\$4.30 in purchasing power parity (PPP) terms per day.⁴ Unlike in other developing and emerging economies, this population is well-educated; 75 percent of the population over 26 years of age have completed secondary education.⁵ Moreover, basic infrastructure,

4) World Bank POVCALNET database.

5) UNESCO, Institute for Statistics Data Centre.

including roads, energy, water and telecommunication is available, even in the most rural places (although there might be issues with quality), which also differentiates the region from others in the world. Hence, the socialist legacy has left a fertile breeding ground for inclusive business models. Finally, a wealth of new businesses has sprung up after the transition and is continuously looking for new markets; 8.5 million micro-, small- and medium-sized enterprises (MS-MEs) have much to offer and to gain from including people with low incomes and so do large domestic and multinational companies active in the region.⁶

The need for inclusive business in the region is large and growing. While most people were able to make a living before the transition – without necessarily being wealthy – inequality rose sharply afterwards⁷ and many people lost their livelihoods. The Western Balkans were shattered by conflicts that destroyed much of the production means and infrastructure. In

6) Kozak (2009).
7) UNICEF 2001; TransMONEE Database UNICEF (2010).

Box 2 ECA - The region in focus

This report covers 19 countries in Emerging Europe and Central Asia (ECA), which are grouped into the following sub-regions:

- **Caucasus:** Armenia, Azerbaijan and Georgia
- **Central Asia:** Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
- **Turkey**
- **Western Balkans:** Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, and the Former Yugoslav Republic of Macedonia (FYR Macedonia)
- **Western Commonwealth of Independent States (CIS) and Russian Federation:** Belarus, Ukraine, Moldova and the Russian Federation.

The EU member states are not covered by the report.



With the exception of Turkey, all countries in this region share a history of socialist regimes from the mid-1940s and 1950s, and a transition to a market economy after the fall of the Iron Curtain in 1989. In 1991, the Soviet Union ceased to exist and in 1992, the Socialist Federal Republic of Yugoslavia was dissolved. As a result, a number of new states in this region were created. Indeed, only two countries discussed in this report – Turkey and Albania – have the same geographical boundaries as 20 years ago. Particular opportunities and challenges for inclusive business, which are highlighted in this report, have been created by the particular history of the former Socialist countries of the region, the ensuing social, economic and political characteristics, as well as the cultural and economic ties of the Western Balkans, Azerbaijan and Central Asia with Turkey.

addition, Turkey – the only country among the 19 that did not go through a socialist phase – developed with high levels of inequality. The situation improved when economies started to grow again, but the economic crisis of the last two years has stalled this progress.⁸ Although most people have access to the bare necessities – food, water, energy, health care – they can be expensive and of poor quality.⁹ More important in this region, however, is the widespread lack of economic opportunity, sustainable and decent jobs and markets. Combining unemployment and informal employment, over 20 million people in the region are looking for better ways to earn a living.¹⁰ ICT and financial services, important enablers of productivity, are not available to large parts of the low-income population.¹¹

Inclusive business models can help to bridge the gap between potential and need. These models find innovative ways to deal with the widespread constraints in the low-income market and to operate on a sustainable and profitable basis.

HOW WAS THE REPORT DEVELOPED?

This report is based on the methodology developed by the GIM Initiative for evidence-based analysis of inclusive business models.

The GIM Initiative is a global UNDP-led multi-stakeholder platform with the aim to further the creation of inclusive business models and inclusive markets through research, advocacy, knowledge networking and capacity building. The initiative promotes an evidence-based, Southern-focused, and partnership-oriented approach guided by a human development framework.

In 2008, the initiative's first report, *Creating Value for All: Strategies for Doing Business with the Poor*, was launched. Based on 50 case studies, it identifies strategies for dealing with the constraints in the markets of the poor to establish successful business models (see also Box 3). The report was then launched in more than 45 countries and has inspired the creation of several national and regional initiatives. A Colombian report was published in 2010. Also in 2010, the initiative launched *The MDGs – Everybody's Business*, which maps inclusive business models and the actors that support them by each of the eight Millennium Development Goals (MDGs).

The regional GIM initiative in ECA was launched in 2009. It is led by the UNDP Bratislava Regional Centre

(BRC) and supported by a broad range of institutions, including business organizations, academic institutions, CSOs and development partners. It aims to promote and catalyse more inclusive markets in the region by:

- Building country-level awareness for inclusive business models;
- Promoting multi-stakeholder dialogue, exchange and learning on inclusive markets and inclusive business models in the region;
- Inspiring the private sector to spur local action through the replication or development of new inclusive business models;

This report is part of this endeavour.

Nineteen case studies – one from each country in the region – have been developed to inform this report. Following the GIM methodology, these case studies are written by researchers from the countries. They were guided by a common protocol presented and finalized in a joint workshop of the entire research team in Bratislava in June 2009. The protocol asked three main questions: How can the business model be described (building on the insights of *Creating Value for All: Strategies for Doing Business with the Poor*)? What results are achieved with regard to the business, the poor and the environment? How have other actors supported the business? Researchers were coached by reviewers, who also ensured that information in the cases was sufficient, accurate and consistent. All cases are available online at www.growinginclusivemarkets.org.

Cases were then analysed by a team of researchers to find patterns prevalent in the region concerning the main research questions. The qualitative analysis was carried out inductively, using standard software for qualitative text analysis. To ensure reliability, each case was analysed by two different researchers. Results were discussed and patterns identified. To highlight regional particularities and triangulate the results with previous research, the patterns found were categorized in line with the GIM strategy matrix (chapter 3), which was developed prior to this report based on 50 case studies from throughout the world. The overall

8) TransMONEE Database UNICEF (2010).

9) See Chapter 1.

10) Data on the informal sector: UNECE (Ukraine 2006, Turkey 2007), World Bank (Albania 2005, Bosnia and Herzegovina 2004, Montenegro 2005), ILO (all other countries 2007, except Kazakhstan 2004, Kyrgyzstan 2006); Unemployment: Respective National Statistical Offices (2007).

11) For finance: World Bank (2008); for ITC: International Telecommunications Union (2009).

results of this process are captured on the following pages. They are illustrated using examples from the empirical basis of the report – i.e. the case studies – as well as additional examples from the region where applicable.¹²

12) The results of the analysis carried out in this report are limited by the relatively small sample (19) of empirical case studies used. As a result, patterns described in Chapter 3 might change when applying the framework of the GIM strategy matrix to a larger number of case studies.

Box 3 Selection of case studies used for this report

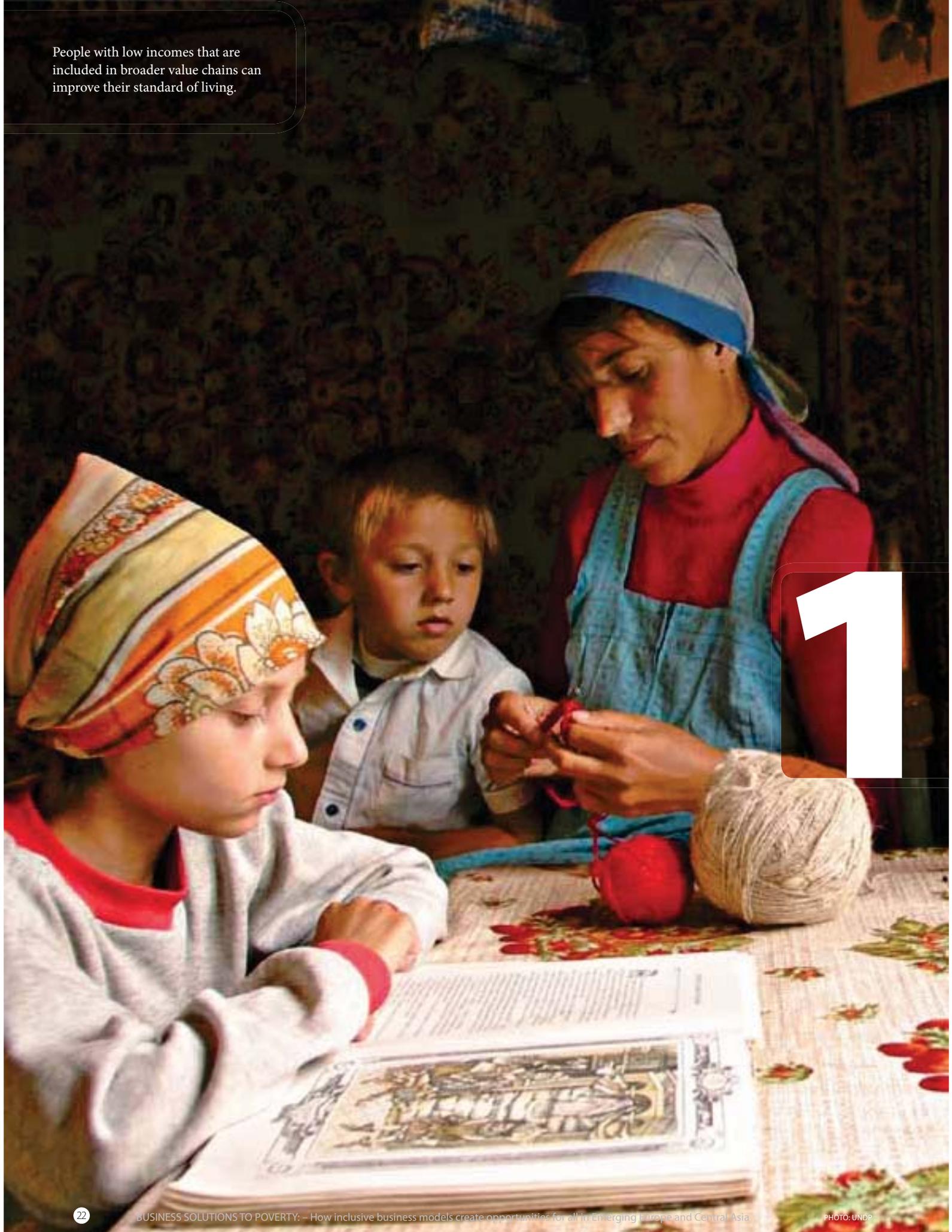
The cases studies that inform this report all include people with low incomes into their value chain – as consumers, employees, producers, entrepreneurs and in various other capacities. From a list of about 80 examples that had been identified through literature research and expert consultations, a short list of the best cases was extracted. Selection criteria included the originality of the case study (innovation), social, environmental and financial impact, and the scalability of the business model. The final list was then derived with a view to achieve a balanced representation of different sectors and different types of lead organizations (i.e. large domestic companies, state-owned companies, SMEs and non-profit organizations (NPOs)). Finally, one case study was selected from each of the 19 countries represented in this report. Table 2 provides a brief description of the case studies. Summaries can be found in Annex 1. The complete case studies can be downloaded from www.growinginclusivemarkets.org.

Table 1: Case studies from the ECA region

Name	Short description	Country	Lead organization
Agriculture and Food			
Vitmark	This producer successfully penetrated the low-income fruit juices market (22% market share) with a high quality, nutritious, low-cost fruit juice as a result of judicious decisions on packaging and marketing. Vitmark provides decent work to 2,600 local full time employees in relatively economically deprived regions of Ukraine, and income-generation opportunities to 2,500 small-scale, local producers of fruits and vegetables.	Ukraine	Large domestic company
Begeli	An organic produce distributor with a 10% annual growth rates provides a direct marketing channel for over 400 low-income farmers that receive a price premium and are provided with capacity building support to satisfy the organic standards.	Georgia	Small-and medium-sized enterprise (SME)
Eco Farm Mavrović Ltd	An organic food producer worth over US\$2 million, which provides decent work conditions, is the biggest employer in its local community, and has just started a social rehabilitation programme offering farm employment to socially excluded people.	Croatia	SME
Marap	An Austrian organic food producer importing its raw material from Uzbekistan increased the quantity and quality of its inputs by planting 150,000 new fruit and nut trees in environmentally degraded regions on land leased by small-scale producers, thereby increasing income-generation opportunities for over 500 rural poor.	Uzbekistan	SME
Extractive Industry			
Tengizchevroil	To increase its local supply chain, this oil company helped 174 small-scale, local suppliers access over US\$7 million of affordable loans to expand their businesses.	Kazakhstan	Large multinational company
Financial Services			
Voronezh Oblast State Fund	This entity with 25 branches and affiliates enables the underprivileged businesses in remote areas in one province of the Russian Federation to gain access to financial services through modern technology.	Russian Federation	State-owned company

Name	Short description	Country	Lead organization
Financial Services			
Rural Finance Corporation (RFC)	A micro-finance organization with an annual net profit of US\$1.9 million in 2008, 25% of market share, and almost 29% of industry profits offers financial services on favourable terms to farmers and entrepreneurs in rural areas, thus contributing to rural development.	Moldova	Large domestic company
Tojiksodirotbank (TSB)	This bank branched out to a new untapped, yet very large market group and benefitted over 8,400 people involved in cotton farming, through loans, for an amount equal to US\$4.2 million, provided to 150 small-scale farms, between 2007 and 2009.c	Tajikistan	Large domestic company
ICT			
Temerin Telecottages	This not-for-profit organization offers inexpensive computer and Internet services to over 15,000 rural poor customers annually, improving the access of unemployed to job services and farmers to inputs and markets.	Serbia	Not-for-profit organization (NPO)
Mobile-TeleSystems (MTS)	A telecommunication group expanded its customer base by targeting rural hospitals in need of telemedicine, thereby saving lives and training medical staff in cutting-edge technologies.	Belarus	Large domestic company
Manufacturing			
Production & Training Facility (PTF)	A textile manufacturing business established by the Deaf and Blind Society employs 167 hearing impaired persons and is using its quarterly revenues of US\$42,000 to fund its founding NGO activities supporting the deaf and the blind.	Turkmenistan	NPO
Hey Textile	A textile manufacturer expanded its production facilities in remote areas of Turkey, where operational costs are lower, thereby increasing its profits by 10% while offering decent employment to over 1,000 low-income, 50% of whom are women.	Turkey	Large domestic company
Gadim Guba	A carpet manufacturer took over a formerly state-owned enterprise and in its bid to maintain traditional carpet weaving techniques, uses natural dyes and employs 140 women, constituting most of the workforce.	Azerbaijan	SME
Retail			
Tinex	This second largest supermarket chain in the country with over 1,000 employees provides employment, mentoring and capacity-building to former foster children over 18 years of age; it currently employs 25 former foster children.	FYR Macedonia	Large domestic company
Tourism			
Tufenkian	This hotel chain builds on Armenia's rich cultural and natural heritage to offer rural tourism services to 3,000 customers annually, thereby employing 174 rural people, buying food products from local communities, and protecting the environment by using solar energy, planting 1,500 trees and reducing the amount of waste water.	Armenia	Large domestic company
Community-based tourism (CBT)	By 2008, these community-run eco-tourism services have increased by 400% the number of tourists in eight years and have created 412 rural jobs.	Kyrgyzstan	SME
Waste Management			
Čistoća	This municipal waste management company employs people with low incomes to collect and sort recycling materials. Of the 98 employees, 32 are Roma from poor communities. They receive a higher-than-average salary and health insurance benefits. Solid waste in the municipality was reduced by 30% following on an awareness-raising campaign implemented in collaboration with local partners.	Montenegro	State-owned company
Industrijski Otpad	This enterprise recycles and processes between 350 and 1,000 tons of industrial and household waste annually, and employs and buys from vulnerable groups.	Bosnia and Herzegovina	SME
Edipack	The company produces packaging from recycled materials that it collects from local SMEs and households — providing them with average monthly earnings of US\$160/person. It helps its cosmetics sister-company grow, thereby increasing its sales by 60% and generating a turnover of US\$2 million in 2008.	Albania	SME

People with low incomes that are included in broader value chains can improve their standard of living.



1



THE DEVELOPMENT OPPORTUNITY

People with low incomes can benefit from being included into business models as consumers, employees, producers and entrepreneurs in various ways, as experiences show. The three main benefits are gaining incomes, meeting needs and increasing productivity, as detailed further in this chapter. In addition to these very tangible and direct benefits, inclusive business models also create broader benefits for the whole community.

The three main benefits that people with low incomes can enjoy through inclusion into business models are:

- **Gaining incomes** by finding employment or through the demand for one's products and services;
- **Meeting needs** for essential goods and services such as water, sanitation or health care and improving the standard of living;
- **Increasing productivity** through the provision of access to financial services, ICT and energy as well as the provision of training.

In addition to the above, inclusive business models offer two other types of benefits.

Empowering individuals and communities

By raising awareness, providing information and training, including marginalized groups, offering new opportunities and conferring hope and pride, inclusive business models can give people confidence and new sources of strength to escape poverty using their own means. In some cases, business models build on organizing community groups or networks, for example, when groups of credit takers are responsible for a loan. Organized com-

munities can coordinate better to achieve joint goals and represent their interests.

Industrijski Otpad in Bosnia and Herzegovina, the Tinex supermarket chain in FYR Macedonia, the Production and Training Facility (PTF) in Turkmenistan, and Eco Farm Mavrović in Croatia have included vulnerable women, ethnic minorities, returning migrants, orphans, the hearing and visually impaired, and war

veterans as employees and entrepreneurs, providing livelihoods and a greater sense of self-esteem.

In Kyrgyzstan, groups of community-based tourism providers organize to offer their services jointly. CBT groups meet once a month to decide on joint projects. They control the quality of tourism services, promote their offering and raise awareness of the local population on environmental issues.

Box 4 Inclusive business models and the MDGs

The Millennium Development Goals (MDGs) are a promise and the aspiration of the global society to create a better world for all. Formally, these eight MDGs are commitments by 192 governments, specified by 18 targets, by 2015. In addition, they have been adopted by many organizations in the world as an overarching framework for their efforts towards a more equitable and sustainable world. Business plays an integral part in these efforts, as the examples from the cases of this report show. A recent report by UNDP, *The MDGs – Everybody's Business*, highlights how actors can support inclusive business models for the MDGs through policy-making, research and advocacy, financing and complementary capabilities.

A recent review of the MDG achievement in ECA¹³ by the United Nations shows mixed results. On the one hand, it highlights the remarkable progress in reducing poverty during the 2000–2008 period of vibrant economic growth. Major progress was also made in the areas of food security, women's employment, child and maternal mortality, environmental sustainability and energy efficiency. On the other hand, large disparities between sub-regions and countries, and between geographical areas and population groups within countries persist. Progress regarding poverty has been seriously threatened by the recent economic crisis. Other challenges include the quality of primary education, the under-representation of women in decision-making positions, the unequal access to primary health care and reproductive health, lack of access to safe drinking water and sanitation in rural areas, the growth in informal settlements and, finally, the increase in HIV and tuberculosis prevalence in parts of the region.¹⁴

Examples of enterprises taking action in areas covered by individual MDGs are as follows:

-  **MDG 1: Eradicate extreme poverty and hunger:** Vitmark in Ukraine employs 2,600 people and creates income opportunities for 2,500 small-scale farmers and their families. The high-quality juices they make available at low cost contribute to well-being through vitamins and other micronutrients.
-  **MDG 2: Achieve universal primary education:** Temerin Telecottage provides ICT services to people in rural Serbia. Among other benefits, school children can use the Internet for research.
-  **MDG 3: Promote gender equality and empower women:** Gadim Guba employs 80 women in its traditional carpet manufacturing in rural Azerbaijan. The women receive above-average wages. For them, it is possibly the only opportunity to work outside their homes.
-  **MDG 4: Reduce child mortality:** Child mortality is comparatively low in the region. Most at risk are children in rural areas, especially where water and sanitation is not safe. As part of its hotel operations in rural Armenia, Tufenkian Heritage Hotels installed a wastewater facility that is now used by the entire community.
-  **MDG 5: Improve maternal health:** Hey Textile in Turkey employs over 1,000 staff, 50 percent of whom are women. In addition to skills training, the women are empowered through the opportunity of earning their own income and receiving social security premiums. This allows them to have access to better healthcare and hence to reduce the risk of delivery complications.
-  **MDG 6: Combat HIV/AIDS, malaria and other diseases:** MobileTeleSystems (MTS) uses telemedicine to save lives in rural areas of Belarus by connecting local hospitals with cardiology specialists in larger towns. Although this example is related to cardio-vascular diseases, it well illustrates the power of business and ICT to monitor and combat major diseases.
-  **MDG 7: Ensure environmental sustainability:** Industrijski Otpad Ltd. in Bosnia and Herzegovina recycles up to 1,000 tons of industrial and household waste annually, saving on several tons of carbon emissions.
-  **MDG 8: Building a global partnership for development:** The Voronezh Oblast State Fund for Small Business Support in cooperation with a multitude of partners provides microfinance services and mobile banking to micro- and small-scale enterprises in the remote regions of Voronezh Oblast region in the Russian Federation.

Environmental sustainability

People with low incomes as well as society at large benefit from business models that use environmental resources sustainably. Increasing access to markets for those currently excluded does not mean that there will be an increased use of non-renewable resources. New technologies and business models make it possible to provide energy, water, sanitation, food and other services without damaging the environment. Environmental sustainability, poverty alleviation and business development can often go hand in hand.

Marap planted 150,000 fruit and nut trees in Uzbekistan and thereby rehabilitated 750 ha of degraded land. The trees also help to avoid soil erosion and improve the micro-climate. Production is organic, abstaining from the use of chemical fertilizer or plant protection.

Edipack in Albania recycles paper to produce packaging materials. It receives its inputs from 120 small, individual suppliers for waste paper as well as from two waste management companies. It uses 1,000 tons of waste paper every month to produce 350 tons of packaging material.

THE LANDSCAPE OF POVERTY

Poverty is multidimensional: it cannot be determined by measuring income only. Its complexity encompasses multiple, essential areas of human life. Poor people are often also denied good health, education, material goods as well as opportunities to enjoy dignity, self-respect and other basic rights.

In addition to poverty, social exclusion is a key challenge in the ECA region. The vulnerable groups and marginalized communities typically at risk of being excluded from equal participation in mainstream society often include the youth, the elderly, the long-term unemployed, ethnic minorities, people with disabilities, internally displaced persons (IDPs) and returnees.

- 13) This report covers the wider ECA region including the new EU member states.
14) United Nations (2010).

Box 5 Human development and social exclusion

In 1990, the UNDP launched the concept of human development, which is based on works from Nobel prize winner Amartya Sen. Human development refers to the widening of choices and freedoms for people to live the life that they have reason to value. Human development calls for a focus on people's well-being rather than on economic output when measuring country's progress and achievements. The Human Development Index (HDI) is a summary measure of average achievements in a country in terms of three basic dimensions of human development: a long and healthy life, education, and a decent standard of living. The year 2010 marks the 20th anniversary of the human development paradigm, which serves as the analytical framework for UNDP's global, regional and national human development reports (HDRs).

Poverty and social exclusion impair human development, and thus the overall level of well-being in a country. Achieving high levels of human development is not possible if large segments of the population remain excluded, with limited opportunities to fully participate in economic, social, political and cultural life.

The forthcoming Regional Human Development Report for the ECA countries analyses social exclusion according to three dimensions—economic exclusion, exclusion from social services, and civic exclusion. The research that underpins this report assesses the major aspects of social exclusion in these three dimensions, reducing them to a comparable single measure of social exclusion, which ranges from 12 percent in FYR Macedonia to 72 percent in Tajikistan. The research also finds that the three dimensions of exclusion contribute equally to social exclusion. This suggests that efforts to enhance social inclusion must be holistic and integrated, rather than addressing only one dimension (i.e. poverty reduction).

The report suggests possible areas of intervention that would enhance social inclusion. These include (but are not limited to) five major areas—fostering policy commitment to social inclusion; setting clear social inclusion targets; addressing individual vulnerabilities before they translate into actual exclusion; changing the perspective from focusing on individual deficits to identifying and expanding people's capacities and opportunities; and changing mindsets of societies thus promoting inclusion.

SOURCE: UNDP (2011), *Regional Human Development Report: Beyond Transition – Towards Inclusive Societies*. Bratislava: United Nations Development Programme (forthcoming).

Poverty is multidimensional: poor people are often denied good health, education, material goods as well as opportunities to enjoy dignity, self-respect and other basic rights.



PHOTO: UNDP

In the early 1990s, levels of inequality were fairly low, reflecting the policies of the former communist regimes. The surge in poverty rates in the first half of the 1990s (Figure 1) is partly due to the dramatic changes in institutions and policies that the region underwent in the early years of transition.¹⁵ During the transition to liberalized market economies, real wages initially fell, and unemployment and inequality rose. At the same time, state-sponsored social benefits were

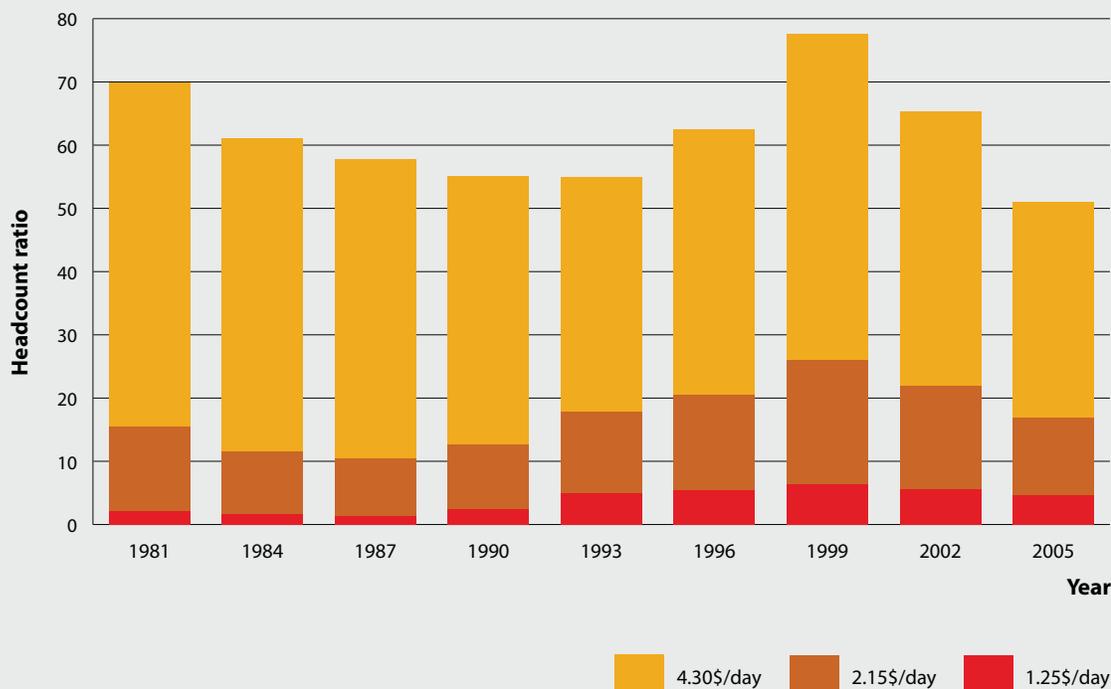
reduced. The result was a sharp expansion in poverty. In the first half of the 1990s, ECA was the only region that demonstrated a regression in human development indicators, which measure the overall achievement and progress of countries (Figure 2).¹⁶

The economic recovery in the late 1990s brought significant improvements. This was in large part due to a rise in real wages and a reduction in unemployment levels.¹⁷ A recent research paper shows that by 2008, most countries had reached or surpassed their pre-transition levels of income per capita, and unemployment and inequality had declined or at least stabilized.¹⁸

The recent global economic crisis has also affected the region, with the poor being the most impacted.

- 15) 2005 data.
- 16) UNDP Regional Bureau for Europe and the Commonwealth of Independent States (2006).
- 17) Mitra (2008).
- 18) Brainerd (2010).

Figure 1 Poverty in the ECA region, 1981–2005



NOTE: Percentage of people living in households with per capita consumption below three poverty lines: US\$4.30 PPP/day; US\$2.15 PPP/day, and US\$1.25 PPP/day.

SOURCE: World Bank POVCALNET database.

The World Bank predicts that by 2010, there will be 11 million more people in poverty and over 23 million more people just above the international poverty line of US\$2.15, relative to pre-crisis projections for growth and poverty.¹⁹

Poverty is not distributed evenly within the countries, however. Some geographies and socio-economic groups are disproportionately affected:

- While poverty dropped mainly in capitals, geographically isolated regions, mountain areas and rural areas, particularly those far from urban centres have higher poverty rates than the national average.
- The ‘working poor’ constitute a large part of the poor: about half of people with low incomes live in households where the head is employed.
- 62 percent of households with three or more children are poor.²⁰
- Vulnerable groups and marginalized communities typically at risk of being excluded are women, the youth, the elderly, the long-term unemployed,

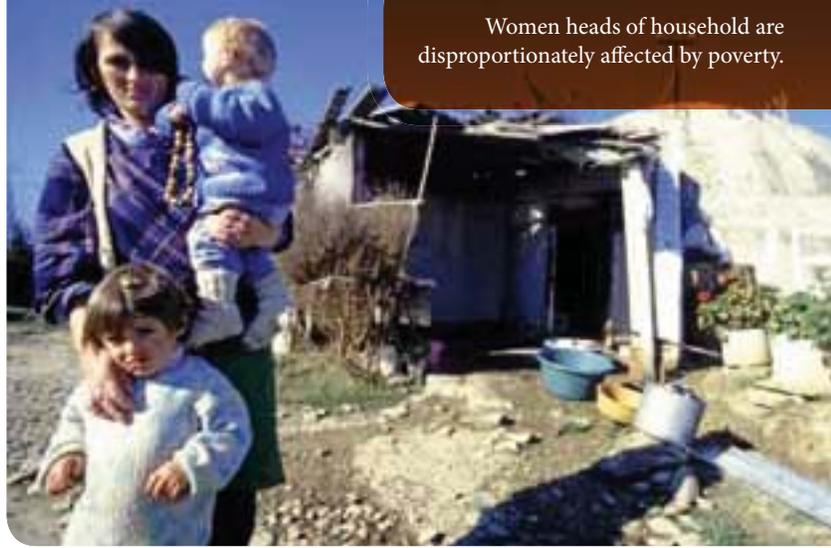


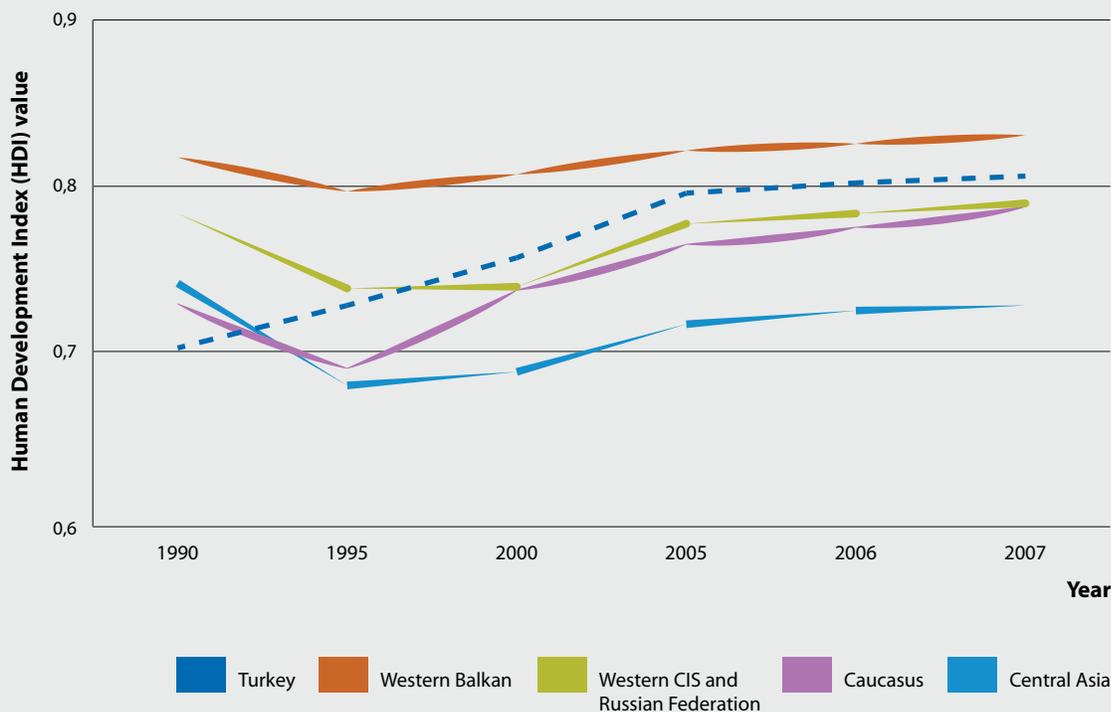
PHOTO: UNDP

ethnic minorities, people with disabilities, internally displaced people (IDPs) and returnees.

The term ‘inclusive’ in this report refers not only to the inclusion of people with low incomes, but also to other excluded population groups, which often overlap.

19) The International Bank for Reconstruction and Development / The World Bank (2010).
20) Simai (2006).

Figure 2 Human development by sub-region, 1990–2007



SOURCE: Human Development Report database <http://hdr.undp.org/en/statistics/>

INCREASING INCOMES

Economic opportunities as employees, producers or entrepreneurs increase households' income. Reduced prices and improved performance and durability of products effectively increase household budgets for consumption.

130 million live on less than US\$4.30 per day

Income is a good proxy for the opportunities people have in their lives: on the one hand, good health, education and participation enable people to access economic opportunities that translate into income; on the other hand, income allows people to improve their living standard and lead a life they value. Figure 2 shows the level of poverty per country using income and the Human Development Index, which generally

correlate closely. Two income measures are applied in the report: a person with an income of US\$2.15 per day or less in PPP terms is defined as poor, and a person with over US\$2.15 but under US\$4.30 per day (PPP) is defined as vulnerable to falling into poverty.

Together, approximately 130 million people in the region have an income of less than US\$4.30 per day, and almost 45 million live on less than US\$2.15 per day.

The countries with the highest degree of poverty are in Central Asia, averaging 47 percent with regard to the income poverty level of US\$2.15, followed by Caucasus with 23 percent, Turkey with 11 percent and the Western Balkans with 3 percent. The Western CIS and the Russian Federation have an average of 9 percent, which masks the relatively high percentage of poor in Moldova (amounting to 33 percent)²¹ (Figures 1, 2 and 3).

Figure 3 Poverty in the region by country

Country	No. of people (mio) in poverty (2.15 US\$/ day PPP) (2005)	Percentage of the population in poverty (2.15 US\$/day PPP) (2005)	No. of people vulnerable to poverty (4.30 US\$/day PPP) (mio people (2005))	Percentage of the population vulnerable to poverty (4.30 US\$/day PPP) (2005)	Human Development Index 2007
Albania	0.315	10	1.514	48.07	0.818
Armenia	1.040	34.44	2.513	83.2	0.798
Azerbaijan	0.037	0.44	4.641	55.31	0.787
Belarus	0.057	0.58	0.695	7.11	0.826
Bosnia and Herzegovina	0.034	0.88	0.449	11.46	0.812
Croatia	0.000	0	0.016	0.37	0.871
FYR Macedonia	0.050	2.48	0.388	19.11	0.817
Georgia	1.497	33.49	3.172	70.96	0.778
Kazakhstan	1.929	12.73	7.499	49.5	0.804
Kyrgyzstan	2.901	56.43	4.605	89.6	0.71
Moldova	1.276	32.89	2.989	76.79	0.72
Russian Federation	2.935	2.05	27.857	19.46	0.817
Tajikistan	3.641	55.59	5.902	90.11	0.688
Turkey	7.589	10.53	25.952	36.01	0.806
Turkmenistan*	1.685	34.89	3.495	72.36	0.739
Ukraine	0.306	0.65	7.057	14.98	0.796
Uzbekistan	not available (n.a.)	n.a	n.a	n.a	n.a.

* based on estimated PPP

Source: World Bank POVCALNET database.

Finding employment

Employment opportunities are essential to lift people out of poverty. Today, 11 million people are unemployed in the region and 140.3 million work in the informal sector (chapter 2).²² Not only do jobs provide regular streams of income, but they can also include other benefits such as training or insurance.

In central Anatolia, Hey Textile created about 1,000 jobs; over half of the current employees are women. The employees benefit from training, increased income, greater socio-economic independence and empowerment. Additional benefits include free lunch and shuttle service to and from the factory. Equally important, all workers are registered and their social security premiums are fully paid by Hey Textile (an uncommon practice in the clothing industry and in the region). Assuming that each worker only earns the minimum wage of about US\$350, the workers contribute about US\$120,000 to local economies each month.

Tufenkian Heritage Hotels infuse US\$16,000 monthly into the rural economies through salaries. It employs 174 workers, of which 108 work in rural area hotels and 90 percent of employees are locals from the region.

Employment can also mean a first step towards greater inclusion for marginalized groups such as ethnic minorities, disabled people and orphans.

Since 2004, in FYR Macedonia, Tinex has offered 40 orphans employment. Currently, 25 former foster children of 18 years and over work in the company's retail stores. The company has set up a special programme to include these youths into its workforce. A mentoring programme involves other employees in the training and coaching of former foster children.

Selling goods and services

Small-scale producers and entrepreneurs can benefit greatly from gaining access to larger value chains. Often, they are trapped in the local economy and unable to get a good price for what they have to offer. By being included into business models as producers, service providers or delivery channels, they can get better prices and learn to improve the quality and reliability of their products and services.

The region has 1.3 million small-scale farming businesses and up to 100 million household plots.²³ The main products are cow milk, wheat, indigenous cattle meat and potatoes.²⁴ These items – cow milk in

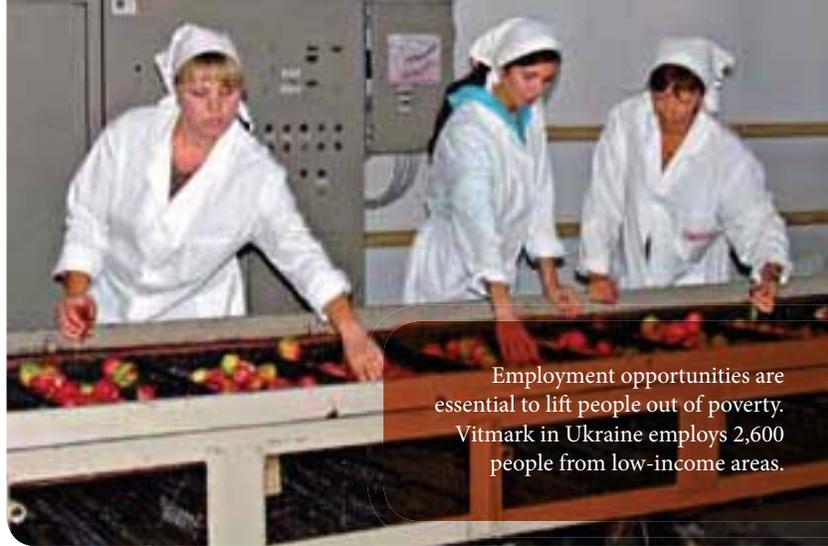


PHOTO: VITMARK

Employment opportunities are essential to lift people out of poverty. Vitmark in Ukraine employs 2,600 people from low-income areas.

particular – are also among the top ten in generating income in most of the region's countries (Figure 4).

Vitmark, a juice producer in Ukraine, creates stable incomes for 2,500 small-scale farmers and has trained them to improve fruit quality; 2,600 employees from low-income areas are employed full-time in the company.

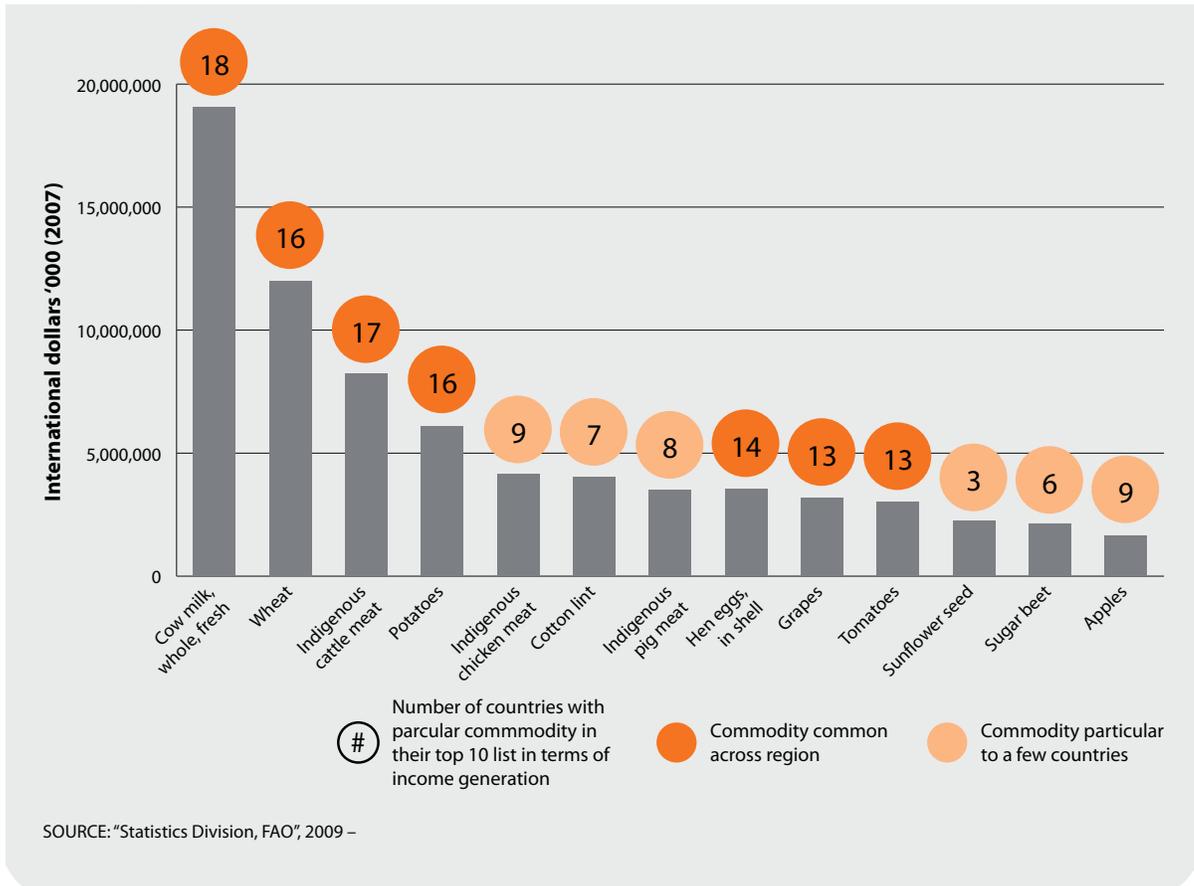
- 21) Source: 2005 World Bank POVCALNET database.
- 22) This estimate does not include the 5 percent 'natural unemployment'. International Labour Organization, National Statistical Offices (2007). "The natural rate of unemployment is the unemployment rate that occurs, even in a healthy economy. The only way an economy could have a zero percent unemployment rate is if it is severely overheated. Even then, wages would probably rise before there could actually be no unemployment."
- 23) Information on registered private farms was not available for Georgia. However, all CIS countries are included in the sum of household plots. Database "Statistics of the CIS" Interstate Statistical Committee of the Commonwealth of Independent States.
- 24) Figures stated in international dollars. Hammond et al (2007).



PHOTO: UNDP

A women led small retail shop in Central Asia.

Figure 4 Production of agricultural commodities in the region



Begeli, a Georgian company doing business in organic produce, allows 400 small-scale organic farmers to access higher value markets. In this way, they can take advantage of the organic production standards they apply as members of NGO Elkana. They also receive training for these methods from Elkana.

Micro- and small-sized entrepreneurs benefit from increased incomes when selling their goods and services to bigger companies.

Edivack in Albania buys approximately 600 tons of waste paper monthly from small-scale suppliers at EUR30 per ton. This adds up to an income of EUR120 per person per month, which can mean a significant improvement of household income.

Tengizchevroil (TCO) in Kazakhstan includes services providers into its supply chain. They supply goods and services to the company's extractive operations. Six entrepreneurs and small-scale enterprises have thus found a regular income stream.

Accessing affordable goods and services

The availability of low-cost quality goods and services allow people with low incomes to expand their choice as consumers. People with low incomes often pay more for the goods and services than others — a phenomenon known as the 'poverty penalty'. Reasons include increased transaction costs in poorly developed markets, but also monopoly pricing and small volumes. In addition, products and services are often of poorer quality, which limits their value to consumers and often also their durability. Innovative business models can provide more 'value for money'.

Vitmark makes healthy fruit juices affordable to people from the low-income segment. In the past, this segment could only access nectars and other drinks with high levels of sugar. Fruit juices improve the diet of consumers, adding vitamins and minerals.

In the region, 18.9 million people lack access to clean water, in particular in rural areas.



PHOTO: UNDP

MEETING NEEDS

Inclusive business models can cater to the needs of low-income consumers, who can therefore gain access to clean water, sanitation, health-related services and other goods and services.²⁵

Water

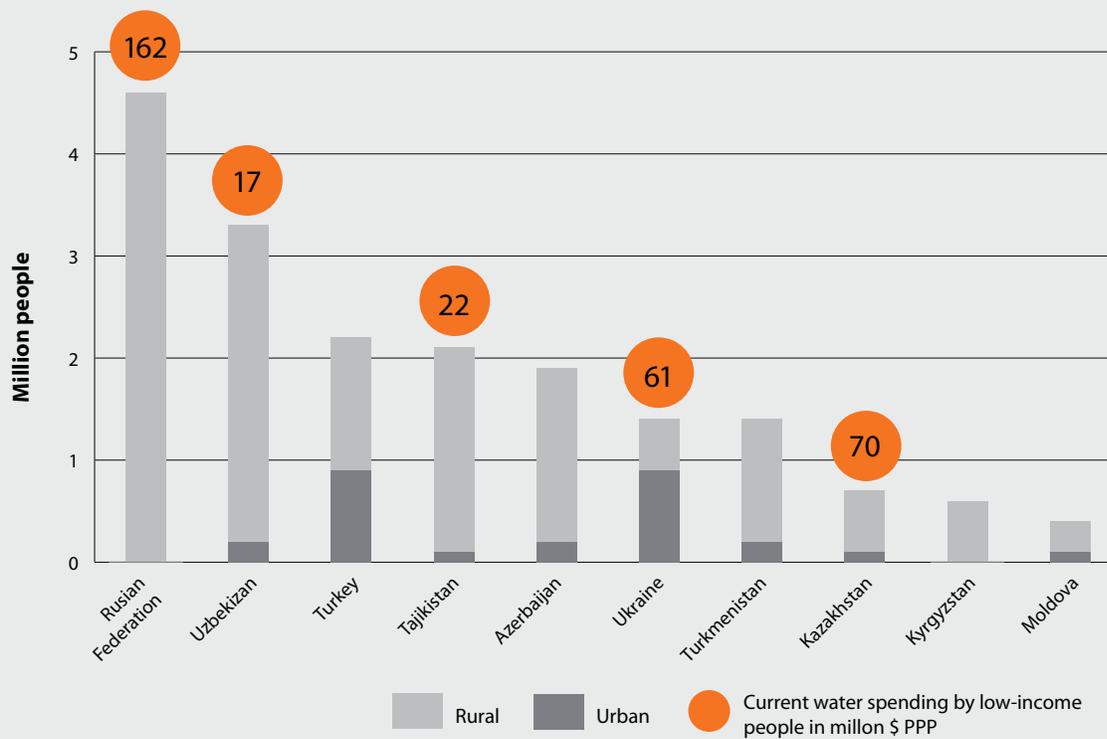
In the region, 18.9 million people lack access to clean water, in particular in rural areas (Figure 5). In Turkmenistan, Tajikistan and Azerbaijan, approximately two of every five rural residents lack access to clean water. In Uzbekistan and Kyrgyzstan, the ratio is approximately one to five.²⁶

There are business approaches to provide clean water to low-income populations profitably. These include: filtering and chemical cleansing processes; a distribution system based on community organization and small-scale providers; and standard piped network systems with improved processes.

In Armenia, Tufenkian Heritage Hotels suffered from the poor infrastructure in the village of Tsapatagh. Since there was no sewage system, one was installed for the hotel, which is now used by the entire

25) Energy is also an important need, but it will be discussed in the next section since it is also an important enabler of productivity.
26) Hammond et al. (2007:114-149).

Figure 5 No. of people without access to clean water



SOURCE: World Development Indicators, World Bank Selected Indicators for Development, p. 335; The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid

In the region, 39.3 million people lack access to improved sanitation facilities.



PHOTO: UNDP

village as well. In the town of Dzoraget, the company constructed a water filtering plant for the village. People now have access to clean drinking water.

In Ukraine, the company CH2M HILL provided Ukrainian water utilities with on-site training on how to involve the public in planning and decision-making. As the old infrastructure in the region deteriorated, investments had to be made, and consumers had to carry the costs that were formerly heavily subsidized by the Government. By engaging local communities in planning and funding new water systems, the necessary buy-in and support is achieved.²⁷

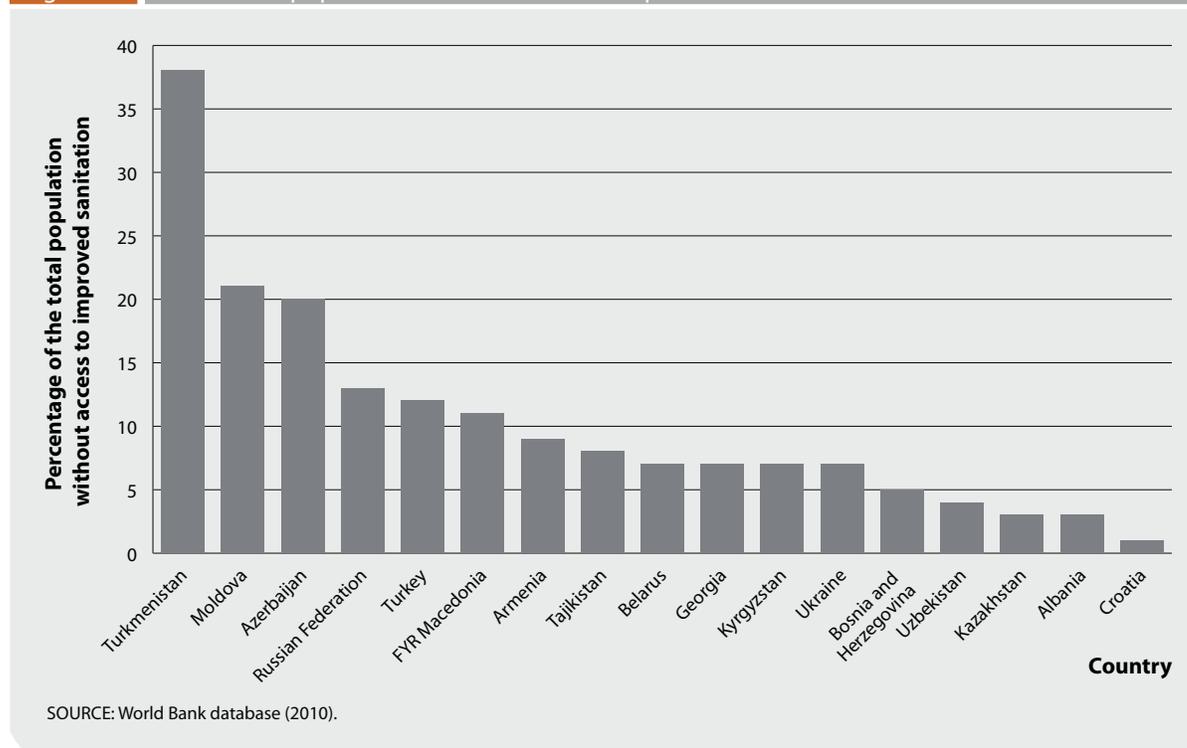
Sanitation

In the region, 39.3 million people lack access to improved sanitation facilities.²⁸ Most of them are in the Russian Federation – 11.4 million rural and 7.4 million urban residents. In Turkey, there are 7 million rural and 2 million urban residents without proper sanitation; in Ukraine, 2.6 million and 1 million respectively. The share of the population without access to improved sanitation facilities ranges from 1 percent in Croatia to over 30 percent in Turkmenistan (Figure 6).²⁹

Sanitation can be provided through low-cost innovative systems, as examples from other regions show. For example, in India, Sulabh builds pay-per-use

- 27) World Business Council for Sustainable Development (WBCSD) (2010).
- 28) According to the World Health Organization (WHO), 'improved sanitation facilities' ensure hygienic separation of human excreta from human contact. They include: "(i) flush or pour-flush toilet/latrine to piped sewer system, septic tank or pit latrine; (ii) Ventilated improved pit latrine; (iii) pit latrine with slab; and (iv) composting toilet." "The Joint Monitoring Programme: definitions." http://www.wssinfo.org/en/122_definitions.html.
- 29) World Bank Group. *World Development Indicators* (2009).

Figure 6 Share of the population without access to improved sanitation facilities





toilets in communities and has also developed low-cost private toilet facilities.

Health services

Some countries in the ECA region report limited access of the population to medical staff, such as Turkey, where over 230,000 babies are born each year without the attendance of proper medical staff.³⁰ Generally, public health expenditures have fallen, resulting in large health systems with underpaid or unpaid doctors and inadequate medical equipment, drugs and supplies.³¹

A specific and persistent problem that affects much of the region is iodine deficiency (IDD), which can lead to negative effects on brain development among children.³² In Ukraine, over 80 percent of households consume less than the required iodine levels of 150 mg per day, in Russian Federation 65 percent are affected and in Tajikistan, 54 percent.³³

The health care market for low-income people in the region (including EU member states) who earn less than US\$260 PPP per month is estimated at US\$20.9 billion PPP.³⁴ The average spending per household amounts to approximately US\$152 per year on health care, with higher income segments spending significantly more than lower-income segments.³⁵

There are a variety of business approaches to deliver health care to low-income populations. These include microfranchising models for pharmacies, clinics or opticians, telemedical services, and hospitals that improve their efficiency and implement models of cross-subsidization for offering affordable services to the poor. Common to all these approaches is that skills – probably the scarcest resource for health care services – are used efficiently, and simple tasks are handed down to people with fewer skills and/or lower education.

In the past, in Belarus, many rural low-income people lacked access to specialized cardiologic services. MTS, a mobile telecommunications company, set up special Internet and phone devices in remote hospitals that can send electrocardiograms to specialists in cities, reducing the need for costly travel. Five rural hospitals now have access to specialists via mobile cardiographs. Specialists can provide immediate feedback on heart conditions, thereby improving diagnostics and even saving the lives of low-income people living in remote areas with poor healthcare facilities.

INCREASING PRODUCTIVITY

As consumers, people with low incomes benefit from products and services that increase productivity, such as electricity, ICT and financial services. Machinery for agriculture or crafts and other inputs such as fertilizer can also enhance productivity. As employees, producers and entrepreneurs, they can increase their productivity by becoming part of larger value chains, giving them the opportunity to build their skills, specialize and collaborate more effectively.

Energy

There are only five countries – Albania, Kazakhstan, FYR Macedonia, Turkey and Turkmenistan – where the population is not fully connected to the electricity grid, which corresponds to a total of over 5 million people without electricity,³⁶ 3.6 million of whom live in Turkey.

However, high electricity prices, irregular supply, defective transmission equipment resulting in transmission losses, and energy inefficiency due to poor building isolation all contribute to reducing the real access to energy services in the region. For instance, losses in transmission distribution can be as high as 49 percent of total electricity output in Moldova, 37 percent in Kyrgyzstan and 35 percent in Albania, negatively affecting cost and quality of provision.³⁷

Solid fuels are also used, mostly in Central Asia, since they are reliable and cheap or even free. Unfortunately, they are frequently used in stoves that are inefficient and create indoor pollution, causing respiratory health problems.³⁸

There are many examples for business models that provide energy services to people with low incomes. These include off-grid solutions, such as solar home systems or efficient stoves and mini-grids for villages

30) World Bank Group. *World Development Indicators* (2009).

31) Lewis (2000).

32) UNICEF (2008).

33) UNICEF Global Database on Iodized Salt Consumption.

34) *The Next 4 Billion* report (Hammond et al., 2007) from which these estimates are taken, reports their numbers for a larger group of low-income people (up to the annual income of US\$3000 PPP, or about twice as much as this report's target). Furthermore, the regional data also includes Eastern European countries that have already been accepted in the European Union.

35) Hammond et al. (2007:35,37).

36) Estache and Goicoechea (2005).

37) Ibid.

38) Suhrcke, Rocco and McKee (2007: 158); Alam, Murthi and Yemtsov (2005).

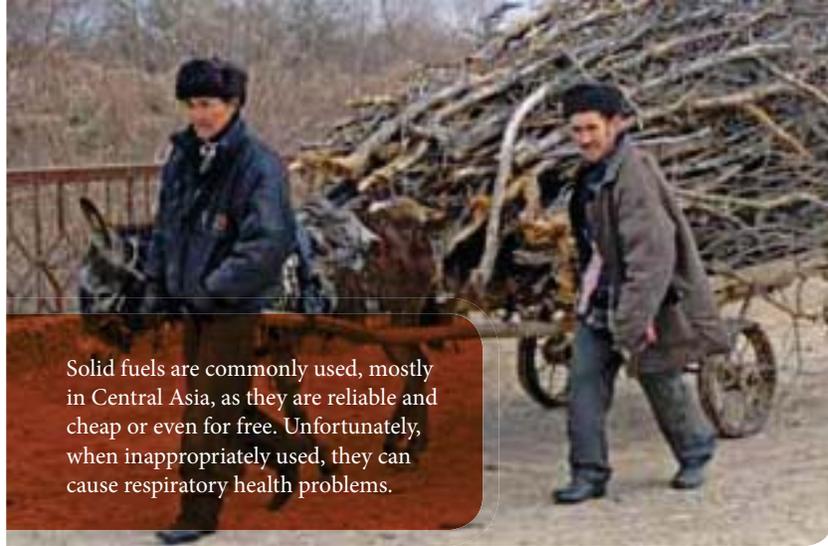


PHOTO: UNDP

Solid fuels are commonly used, mostly in Central Asia, as they are reliable and cheap or even for free. Unfortunately, when inappropriately used, they can cause respiratory health problems.

or small towns that can be powered by all kinds of energy sources, including renewable energies from water, wind or the sun, and grid connections. The latter often require innovative business processes to avoid electricity theft and ensure payments and maintenance of systems.

In Tajikistan, PamirEnergy provides reliable energy based on hydropower. The company is supported by the Aga Khan Development Network and had received grants from various public sources. Subsidies ensure that a minimum 'lifeline' monthly supply of power is provided to all households served by the company at a rate of US\$0.25/kWh. PamirEnergy re-calibrated 9,200 old individual meters and installed 7,609 new ones, so that 81 percent of all power sold is now individually metered. It provides employment opportunities to over 600 local residents.³⁹

Energy provision is only one aspect to consider – energy efficiency is the other. Energy-efficient buildings, transportation systems and devices can greatly reduce the amount of energy required. This is all the more important given the urgent need to reduce global carbon emissions.

To reduce building costs, Habitat Kyrgyzstan Foundation promotes the traditional cane reed house building technology common in the 19th century. Using this technology, families save approximately 40 percent on construction costs. To reduce energy consumption, an innovative underfloor heating system is used, which combined with the cane reed construction, saves 75 percent on energy costs.

Information and communication technology (ICT)

There are 100 active pre-paid or regular mobile phone contracts for every 100 inhabitants in the region.⁴⁰ This does not imply, however, that close to 100 percent of the population uses mobile phones, since many

people subscribe to several plans. Furthermore, rates differ considerably between countries. Figures exceed 100 in Russian Federation, Ukraine, Croatia and FYR Macedonia, while only 35 percent in Tajikistan and 7 percent in Turkmenistan own pre-paid packages or mobile phone contracts.

Internet use (i.e. at least once a year) ranges from 50 percent in Croatia to 2 percent in Turkmenistan (Figure 7).⁴¹

Access to ICT services can be expensive. In some countries, such as Azerbaijan, Albania, FYR Macedonia or Croatia, cellular phone rates account for between 17 and 29 percent of the monthly income for people earning less than US\$130 in PPP per month.⁴² In Azerbaijan, the cost of a monthly subscription of broadband Internet alone exceeds US\$130 PPP.⁴³

Wireless data transfers have also made it much easier to provide ICT services to more remote populations. Mobile-based information services on jobs, agricultural information and health information, inter alia, are available in many countries worldwide. Mobile banking and other financial services are also growing fast and are quickly being adopted by people with low incomes, who often had no previous access to these services.

Temerin Telecottages in Serbia offer shared Internet and other technology service where few people have access at home; 15,000 use these services in Temerin every year. Free Internet access is provided to children, pensioners and unemployed people. It also helps users to access job information from the national employment agency, and people with disabilities and health issues to learn about services by the International Committee of the Red Cross.

The Voronezh Region in the Russian Federation spearheaded mobile SME banking in remote areas in partnership with private actors. It resulted in the provision of credit and technology to people who had no previous access to them, supporting self-employment and entrepreneurship. In addition, Voronezh Oblast

39) SECO (2003).

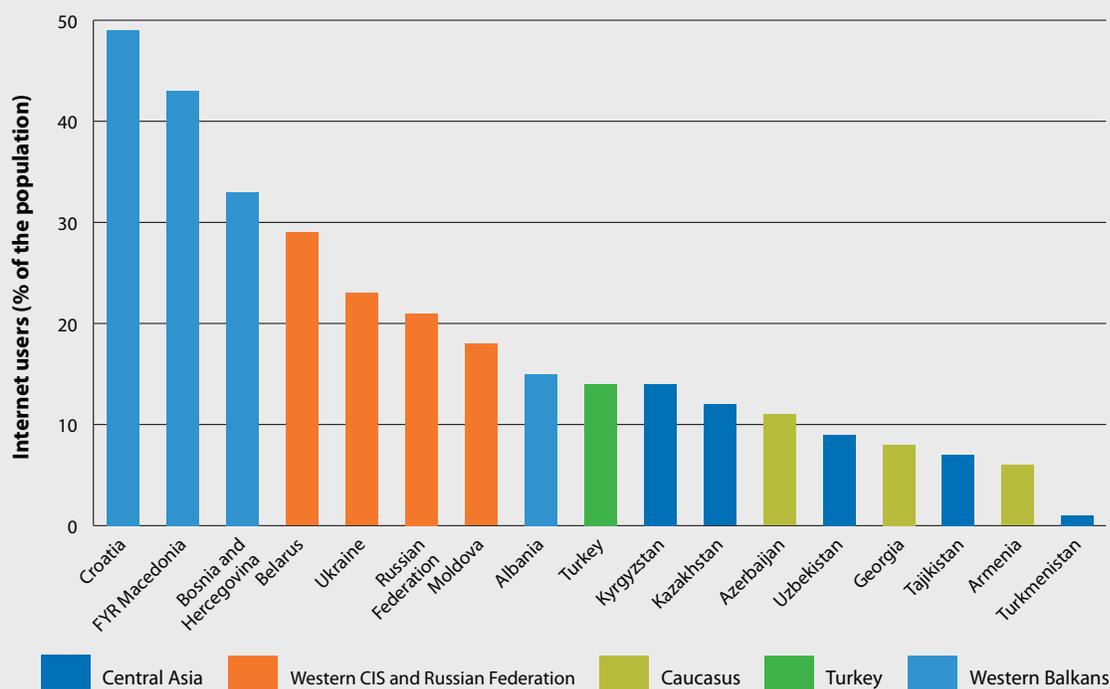
40) Ponder (2008:6).

41) International Telecommunication Union (ITU) (2009).

42) Own calculations based on Hammond et al. (2007: 114-149).

43) Own calculations based on PPP basket data from *Measuring the Information Society – The ICT Development Index* International Telecommunications Union (2009: 60, 62, 66).

Figure 7 Internet users (% of the population)



SOURCE: International Telecommunications Union

State Fund for Small Business Support and its partners enhance financial and ICT literacy.

Financial services

More than 150 million people in the region do not have access to financial services.⁴⁴ In 15 of the countries in the region, over half of the population lack access to financial services; in ten of them, over 80 percent lack access (Figure 8). Almost every fourth small-scale enterprise in the region identifies lack of access to finance as a major constraint in doing business.⁴⁵

Fees for banking services are often prohibitively high. In Armenia, people wanting to open a bank account must deposit as a minimum 11 percent of the national GDP per capita.⁴⁶ Also, sending remittances is expensive. Over 17 percent of people from the region work abroad.⁴⁷ The average individual transfers between US\$800 and 1,600 per year, and contributes as much as 60 percent of the households' total income, yet money transfer fees are expensive, costing on average 12 percent of the transfer.⁴⁸

When considering amounts transacted, microfinance plays a minor role in the region. While in some smaller countries, penetration is quite high – as high as 20 percent in Montenegro – in most countries, including the larger ones – Ukraine, Russian Federation and Belarus – it is below 5 percent.⁴⁹ However, microfinance plays a significant role for those who would otherwise be completely excluded from the credit market.

The Rural Finance Corporation (RFC) in Moldova provides loans and micro-credits to farmers and entrepreneurs in remote areas. In Costesti village, the

44) Throughout this section, access is defined as the number of people inadvertently excluded from using financial services. The World Bank, which developed the financial services access indicator used here, argues that "improving access [...] means improving the degree to which financial services are available to all at a fair price" (page 28). In this report, non-usage is not equivalent to lack of access because some users might choose not to purchase a financial product. See the discussion, World Bank (2008: 26-30).

45) The World Bank Group. *Enterprise Surveys* (2010).

46) *Idem*, p. 197.

47) World Bank Data (2005).

48) Pytkowska, Houyet and Mach (2008: 33, 36, 44).

49) *Idem*, p. 63.

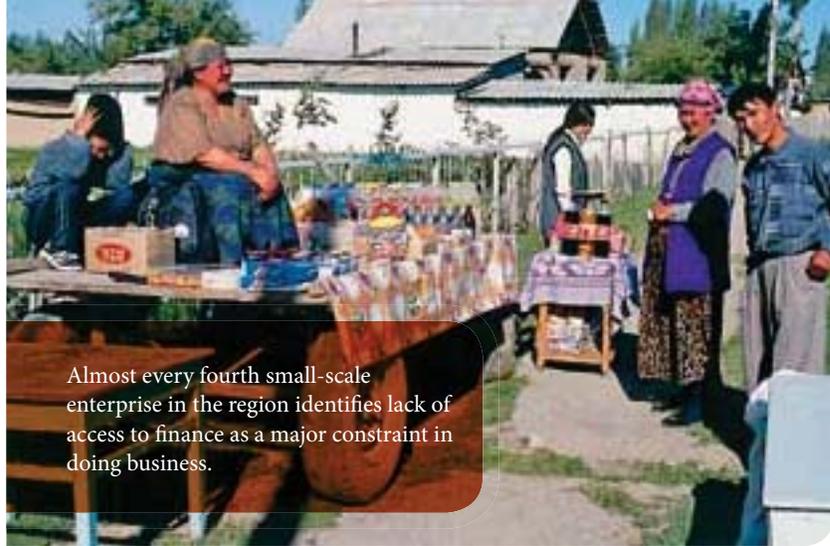


PHOTO: UNDP

Almost every fourth small-scale enterprise in the region identifies lack of access to finance as a major constraint in doing business.

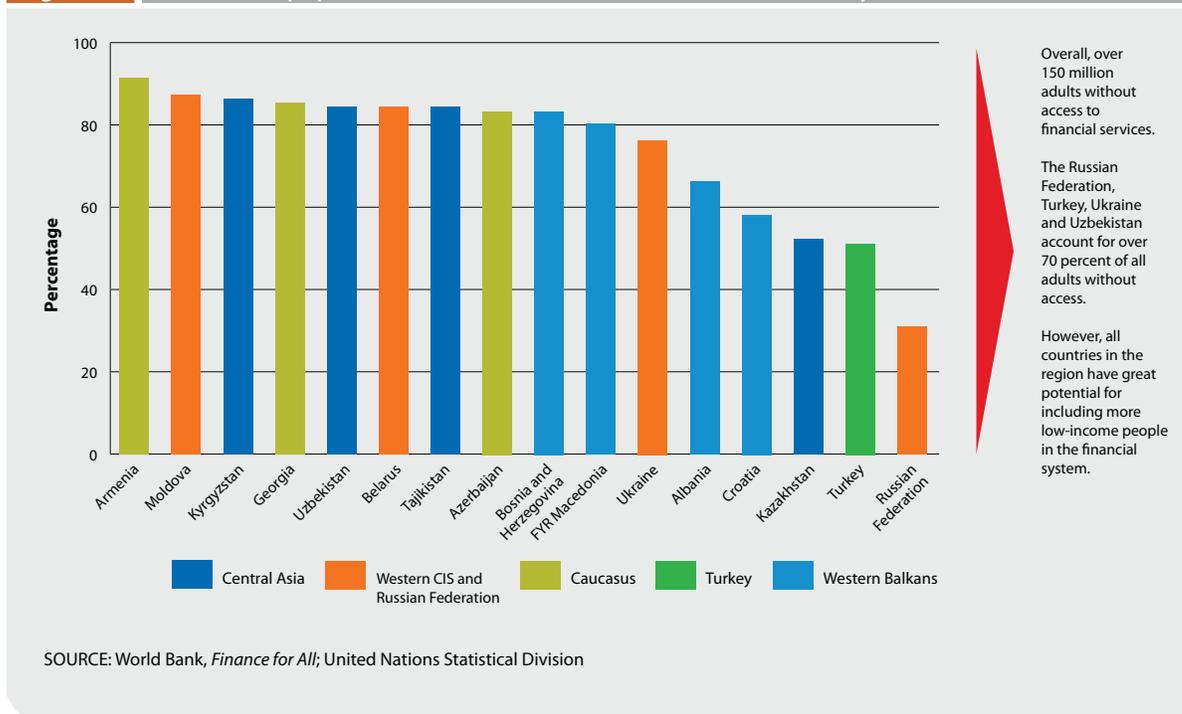
them to invest in their business and improve their services, it provides them with loans at favourable conditions. In 12 years, over US\$7 million (KZT840 million) have been loaned, 174 SMEs funded, and close to 2,000 new jobs created.

number of businesses grew from two in 1998 to more than 180 in 2008 as a result.

Tojiksodirotbank (TSB), Tajikistan's third largest bank, restructured its loan portfolio to more effectively target cotton farmers, providing them with more affordable financial products at favourable rates, and technical assistance. Over 150 small-scale family farms covering a total of 4,200 ha have received loans. The farmers can now better invest into machinery, agricultural inputs and other productivity enhancers. This increases yields and allows for increased income of farmers and field workers.

Tengizchevroil (TCO) in Kazakhstan includes service providers into its supply chain. In order to allow

Figure 8 Share of the population without access to a financial intermediary

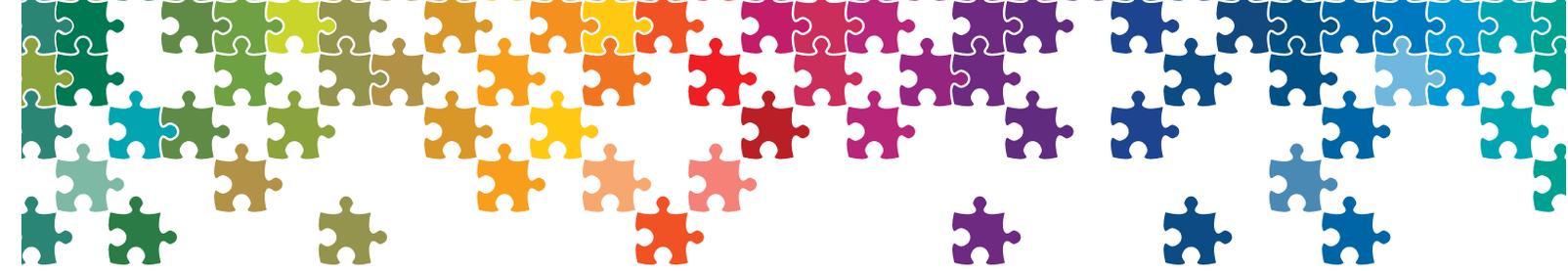




Small-scale producers and entrepreneurs can strengthen the supply and delivery chains of inclusive business models.

2





THE BUSINESS OPPORTUNITY

Inclusive business model can include the poor in three main capacities, each of which represents a business opportunity:

1. *As **consumers** to win new consumers;*
2. *As **employees** to expand the workforce;*
3. *As **producers and entrepreneurs** to strengthen the supply and delivery chains.*

These opportunities will be discussed in depth in the following sections. In all of these domains below, businesses can generate further benefits from including people with low incomes:

- **Generating profits:** Business with people with low incomes can be profitable – sometimes even more profitable than mainstream business. Higher volumes on the demand side and cost savings on the supply side can improve profit margins.
- **Driving innovation:** The challenge of developing inclusive business models can lead to innovations that contribute to a company's competitiveness. For example, to meet the target market's preferences and ability to pay, firms must offer new combinations of price and performance. In addition, the constraints that businesses encounter in the market—from transportation difficulties to the inability to enforce contracts—require creative responses. These forces drive the development of new products, services and business models that can catch on in other markets.
- **Enabling environment and license to operate:** Inclusive business models can help enhance the acceptance and support a business receives from policy makers and society at large.



PHOTO: VITMARK

Business has become a significant force supporting growth, employment and the provision of goods and services in the ECA region.

People with low incomes can be present on several capacities in inclusive business models. As the example of Vitmark shows, they can even play a role at all levels of the value chain, as producers, employees and consumers.

THE LANDSCAPE OF BUSINESS

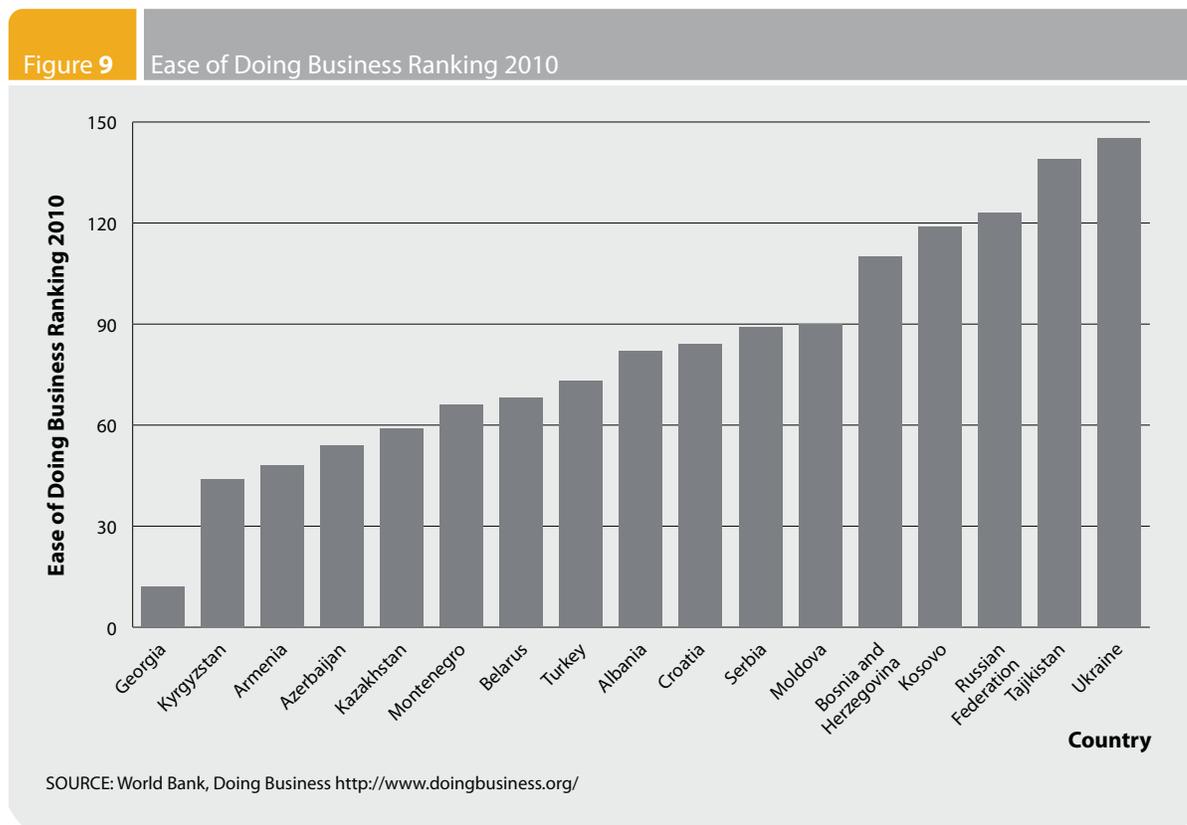
Business is growing

Since the beginning of the transition process, business in the region has become a significant force in supporting growth, employment and the provision of goods

and services. State interference in the corporate sector is still a challenge in Central Asia and to a smaller extent in the Caucasus, Western CIS and Russian Federation and Turkey, even if the private sector has continuously increased its share in the GDP. Some countries of the region have made important progress in improving their business environment and the ease of doing business, such as Georgia, FYR Macedonia and Azerbaijan (Figure 9), while others are still affected by the combination of state interference with the lack of an adequate legal framework or its enforcement.

Given the common socialist history of the region (with the exception of Turkey), firms in ECA are young on average: the average age is only 13.8 years. In the years since the transition, a vibrant private sector has emerged. Only 1.1 percent of the firms in the region are owned by the state; the rest are privately owned, thereof 91.4 percent by domestic investors.⁵⁰ However, in 2009, still more than 37 percent of GDP was supplied by state-owned companies in the region.

50) IFC, Enterprise Surveys.



State ownership is predominant in some countries, accounting for as much as 70 percent in Belarus and 75 percent in Turkmenistan.⁵¹ On the other hand, in eight countries of the region (Albania, Armenia, Azerbaijan, Croatia, FYR Macedonia, Georgia, Kyrgyzstan and Turkey), the private sector already provides 70 percent or more of GDP (Figure 10).

Economies in ECA have been expanding since the transition. On average, the region has seen an economic growth of 2 percent between 1998 and 2009.⁵² After the recession in the years following the beginning of the transition, GDP per capita has grown significantly over the last decade (see Figure 11). However, the global economic crisis in 2008 and 2009 has not left the region untouched.

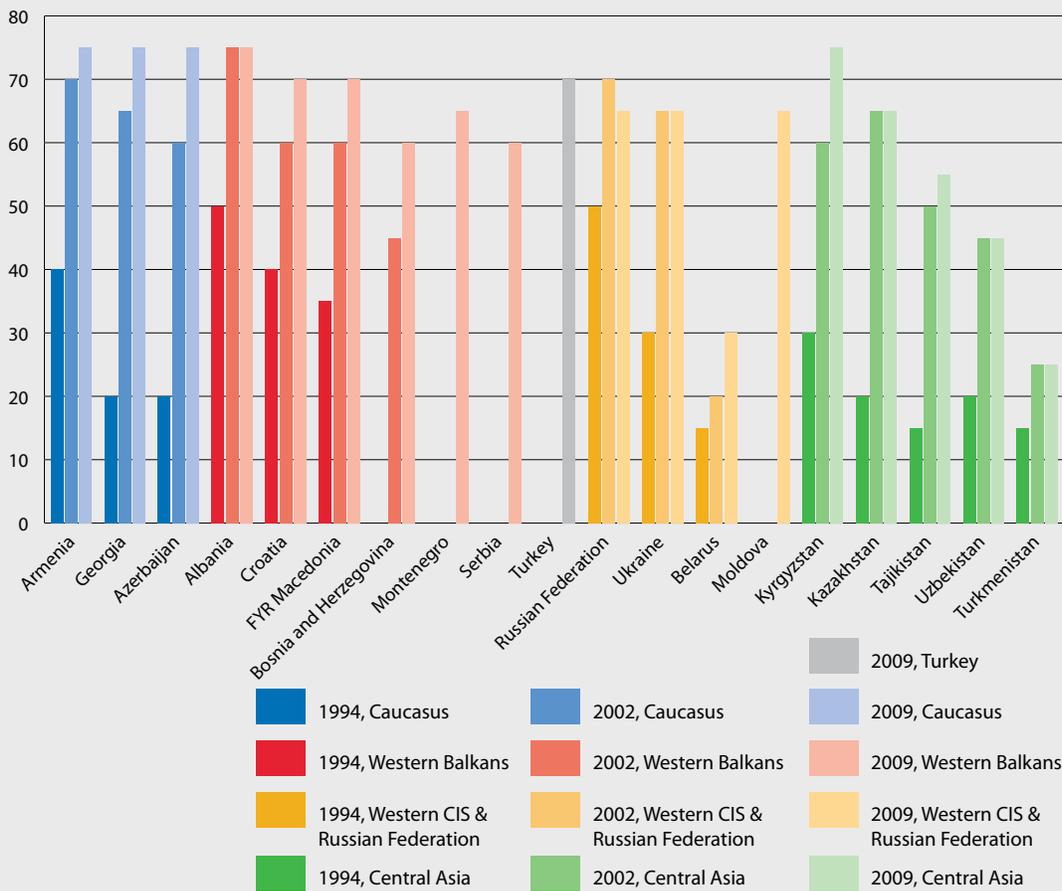
Countries in the region vary greatly in economic output overall as well as per capita, as shown in Figure 12.

WINNING NEW CONSUMERS

According to the International Finance Corporation/ the World Resources Institute (IFC/WRI), the 130 million low-income consumers in the ECA region are spending around \$190 billion per year on regular purchases, representing a huge potential market for inclusive businesses.⁵³ In many sectors, consumers are either not served or not served adequately.

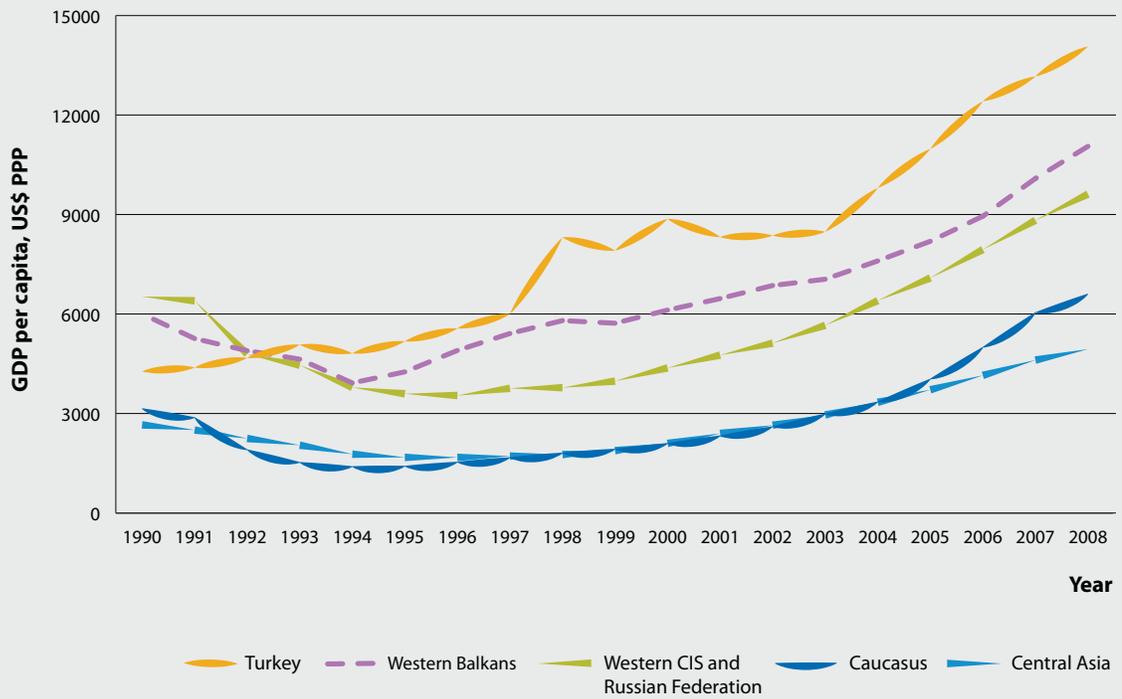
51) EBRD (2009).
 52) The World Bank, Data Catalog (2010)
 53) This estimate is based on *The Next 4 Billion* report (2007:19), where the total opportunity for doing business with low-income people is estimated at US\$458 billion for ECA, but for a much higher poverty cut-off level. Based on the report's data, we estimate by deducing from Figure 19 of the report that the expenditure for those making \$130 per month or less is approximately \$190 billion. These data, however, include all countries in the region – including the new European Union member states – which are not included in this report.

Figure 10 Evolution of the private sector share in the GDP (%)



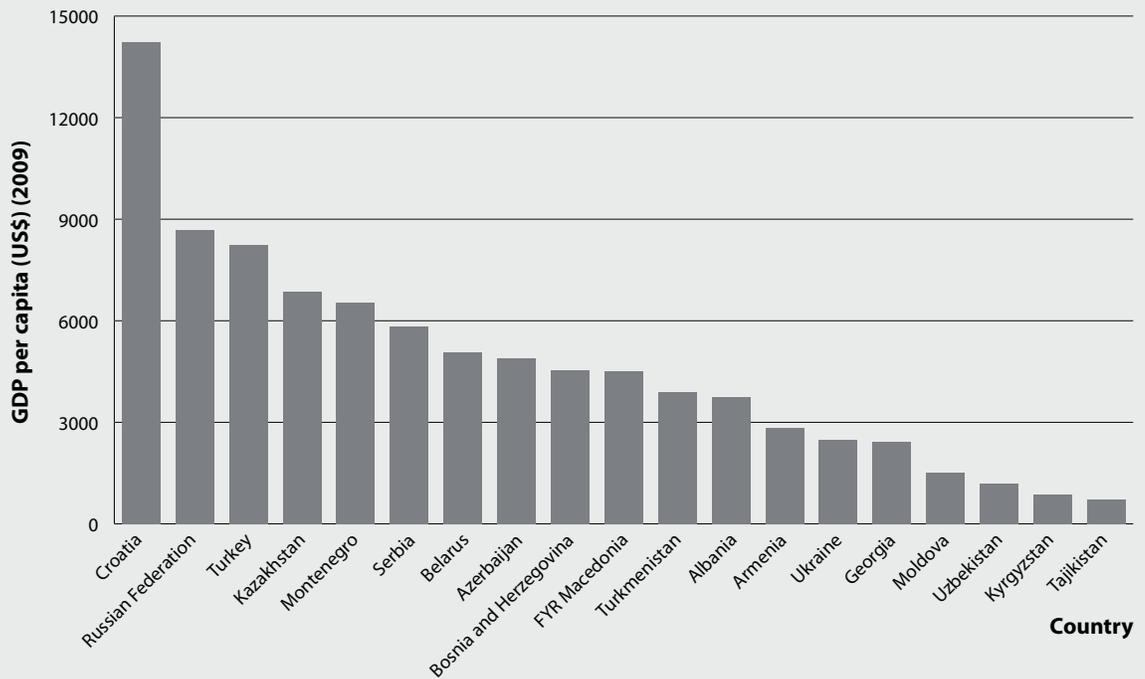
SOURCE: For 1994 and 2002: World Bank. 2004. *Economies in Transition: An OECD Evaluation of World Bank Assistance*. Washington, D.C. For 2009 figures: EBRD *Transition Report 2009: Transition in crisis?* November 2009, EBRD

Figure 11 GDP growth per capita by region



SOURCE: The World Bank. Data Catalog (2010).

Figure 12 Economic output per country



SOURCE: The World Bank. Data Catalog (2010).



A supermarket shelf with Vitmark products in Ukraine. The low-income consumers in the ECA region are spending around US\$ 190 billion per year on regular purchases, representing a huge potential market for inclusive businesses.

PHOTO: VITMARK

Access levels vary strongly by country and sector.

Figure 13 provides an overview of the gaps that exist by sector and country. The data can only serve as an indication since market information is often limited. Depending on the sector, different percentages of access levels were used to define the boundaries between the different market gap sizes (very large, large, etc). In some sectors, proxies had to be used to measure the market gap sizes, such as price of the monthly ICT basket (fixed line, broadband Internet and cellular phone) relative to US\$130 PPP for ICT, or percentage of the population using solid fuels for energy (footnote

54) The data in this table were measured separately for each sector and should not be compared across sectors for consistent types of measures. Such measures do not exist. Water: information on population's access to improved water sources was used. Countries were divided based on clusters that they formed relative to each other: very large gap: over 30 percent without access; large gap: 20–30 percent without access; significant gap: 10–19 percent without access; some gap: 5–9 percent without access; small or no gap: 0–4 percent without access. Sanitation: The division was as follows: very large gap: more than 30 percent without access; large gap: 20–30 percent without access; significant gap: 10–19 percent without access; some gap: 5–9 percent without access; no or small gap: 0–4 percent without access. Health: Two measures were used in parallel. First, the three countries with a very large gap (Turkey, Azerbaijan and Tajikistan) were defined as those where more than 10 percent of births are not attended by skilled medical personnel. Because all other countries had a very low measure of non-medical attendance at birth, a secondary measure to differentiate between them was the percentage of the population with iodine deficiency, which can be seen as a proxy for low levels of prevention. Large gap: iodine deficiency of 40 percent or more; significant gap: 25–39 percent of the population with iodine deficiency; some gap: 10–24 percent with iodine deficiency; no or small gap: less than 10 percent with iodine deficiency. ICT: Available countries were compared based on the price of the monthly ICT basket (fixed line, broadband Internet and cellular phone) relative to US\$130 PPP. In all measured countries (except Turkey, Turkmenistan, Belarus and Kazakhstan, where this information is unavailable), the cost of the ICT basket combined is more than 50 percent of US\$130 per month. Cellular phones cost between 5 and 35 percent of the monthly income of US\$130 per month. For the countries for which this data are not available, information is not provided. However, ICT market gaps are estimated to be large based on other data, such as the number of cellular and Internet subscriptions, which tend to be lower. Finance: The World Bank composite access to financial services index was used as follows: very large gap: more than 70 percent without access; large gap: 50–70 percent without access; significant gap: 30–49 percent without access; some gap: 10–29 percent without access; small or no gap: less than 10 percent without access. Energy: The percentage of the population using solid fuels was used as a measure of potential demand for cleaner energy, as follows: very large gap: more than 70 percent using solid fuels; large gap: 50–70 percent using solid fuels; significant gap: 30–49 percent using solid fuels; some gap: 10–29 percent using solid fuels; small or no gap: less than 10 percent using solid fuels.

Figure 13 Market gaps by sector and country⁵⁴

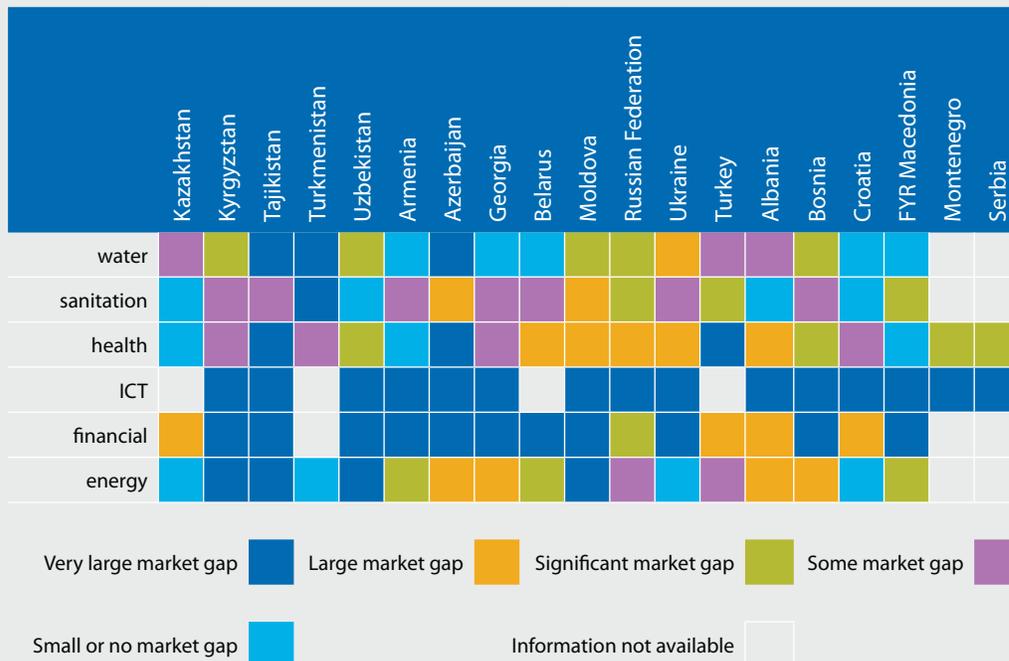
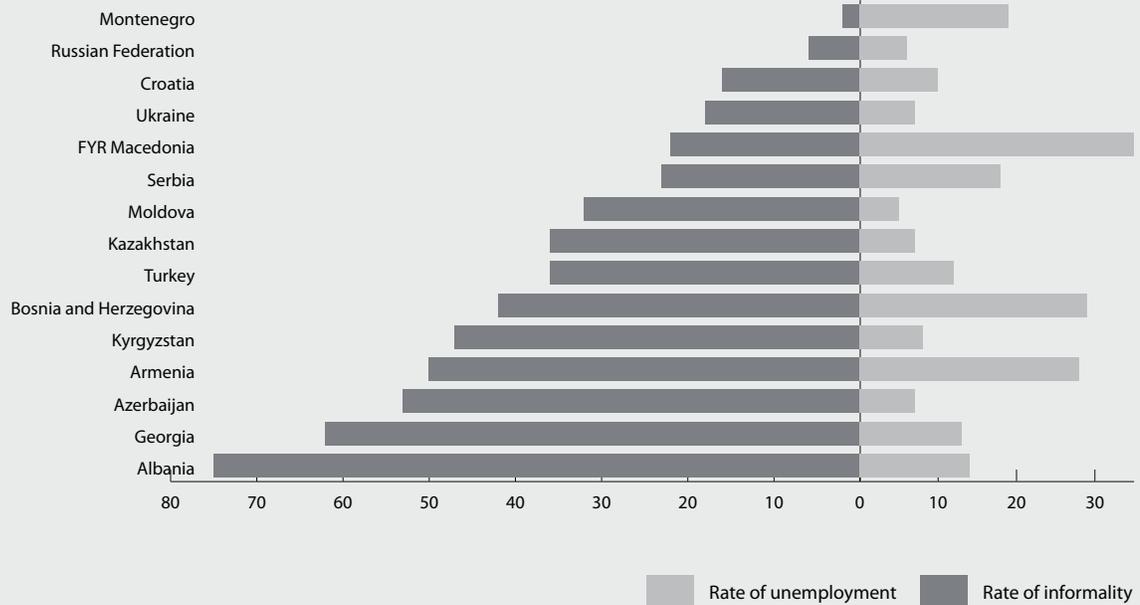


Figure 14 Unemployment and informal employment by country



SOURCES: Informal sector: UNECE (Ukraine 2006, Turkey 2007), World Bank (Albania 2005, Bosnia and Herzegovina 2004, Montenegro 2005), ILO (all other countries 2007, except Kazakhstan 2004 and Kyrgyzstan 2006). Unemployment: Respective National Statistical Offices (2007).

52 for detailed methodology). It highlights that large gaps exist in some domains. In terms of sectors, the provision of ICT and financial products and services has been inadequate for all countries in the region. In terms of regions, the largest market gaps exist in Central Asia, which also has the region's highest poverty levels. With the exception of Kazakhstan, people here lack access to basic goods and services in almost all of the analysed categories.

Market gaps can be profitable opportunities for businesses to provide new, needed, useful and affordable products and services. Product development for low-income markets requires specific innovation principles that take into account the constraints and requirements of low-income communities. The high price sensitivity of low-income consumers requires a business model that combines cost reductions and low margins per unit sold with a high volume of sales. To ensure this volume of sales, it is important for businesses to understand what low-income consumers want and to develop the offering based on this insight, improving product functionality and durability.

Expanding existing and creating new business

Targeting people with low incomes as consumers is a strategy to identify and develop new markets. This strategy is used both by existing firms that expand their activities and by new firms that focus exclusively on the low-income market.

TSB, Tajikistan's third-largest bank, targeted a new customer group – cotton farmers. Traditionally, banks have veered away from this clientele because they could not offer collateral and it was difficult to assess and supervise loans. Therefore, cotton farmers had to rely on private investors that provided loans at high interest rates. Farmers had to use a share of the value of the next season's crop to pay back the debt and interest from the previous season. In some cases, this created a vicious circle of indebtedness. TSB offered cotton farmers financial products at favourable rates. They also received technical assistance to help them forecast harvest returns and put up collateral. Between 2007 and 2009, TSB provided 150 small-scale cotton farmers with 206 loans worth US\$4.2 million at favourable rates.

The Telecottage in the village of Temerin in Serbia was established to provide computer and Internet-related services to 15,000 villagers. It also provides computer skills training, English classes, guidance on how to obtain information about jobs and on how to cooperate with regional government agencies (the National Employment Service) and humanitarian organizations (the International Committee of the Red Cross). These activities combine to generate an annual revenue of about US\$20,000. The telecottage creates opportunities for farmers to better access capital through on-line banking and to technology and know-how; it also helps school children to research, write and print their assignments; and it provides retired persons with the opportunity to understand their rights to healthcare and pensions.

EXPANDING THE WORKFORCE

The region has an available and skilled population of people with low incomes.

151.3 million people are not formally employed in the region

An estimated 11 million are unemployed and a further 140.3 million are employed in the informal market.⁵⁵ People working in the informal sector are often either self-employed or work with their families. While some people choose to work in the informal sector because it occasionally offers higher income earning potential, research shows that many prefer to switch to the formal sector and receive stable wages and associated benefits.⁵⁶ In over half the countries, more than 40 percent of the workforce works in the informal sector (Figure 14). Additionally, the region includes many underemployed and working poor⁵⁷ people in search of better job opportunities.⁵⁸

A well-educated workforce

The low-income workforce in the region is generally well educated as a result of the socialist legacy of promoting high levels of literacy and school enrolment. The highest percentages of university graduates can be found in the Russian Federation and Ukraine, with 52.5 percent and 38 percent of population above 25 years, respectively. On average, 75 percent of the population over 25 years of age have a secondary education, 15 percent have tertiary or university edu-



PHOTO: UNDP

The region has an available and skilled population of people with low incomes.

cation, and 10 percent only have primary education. However, in Turkey, the only country in the report without a socialist past, data from the International Labour Organization (ILO) show more than two-thirds of the adult population over 25 years having no more than primary education (Figure 15).⁵⁹

Reducing cost – increasing productivity

The case studies show that the business incentives for including people with low incomes as employees lie in cost reduction as well as increased productivity and improved quality of manufactured goods through optimal utilization of skills.

In Turkey, Hey Textile, an exporting textile company, invested in the poorest regions of the country and employed the local workforce. The move was stimulated by an incentive programme of the Turkish Government, and offered cost reductions as a result of lower costs of living compared to the city of Istanbul. In addition to training, Hey Textile offers its workers benefits such as free lunches, shuttle service and above-average social security. The local community provides services to the factory and its employees. As a result, migration from the region has fallen considerably. The company could increase its profits by 10 percent in 2008 in spite of a 30 percent decline of

55) This estimate does not include the 5 percent 'natural unemployment'. International Labour Organization, National Statistical Offices (2007). "The natural rate of unemployment is the unemployment rate that occurs, even in a healthy economy. The only way an economy could have a zero percent unemployment rate is if it is severely overheated. Even then, wages would probably rise before there could actually be no unemployment."

56) Maloney (2004: 1159-178); Perry, Guillermo and Maloney (2007).

57) The 'working poor' are defined as people who are unable to earn enough to lift themselves and their families above US\$2 per person per day. The definition involves two statistical units, namely individuals and households: individuals are the basis for establishing the 'working' and 'not working' classifications, and households, the 'poor' and 'not poor'. Source: Majid (2001).

58) National Statistical Offices (2007).

59) UNESCO Institute for Statistics Data Centre.

The low-income workforce in the region is generally well educated as a result of the socialist legacy of promoting high levels of literacy and school enrolment.

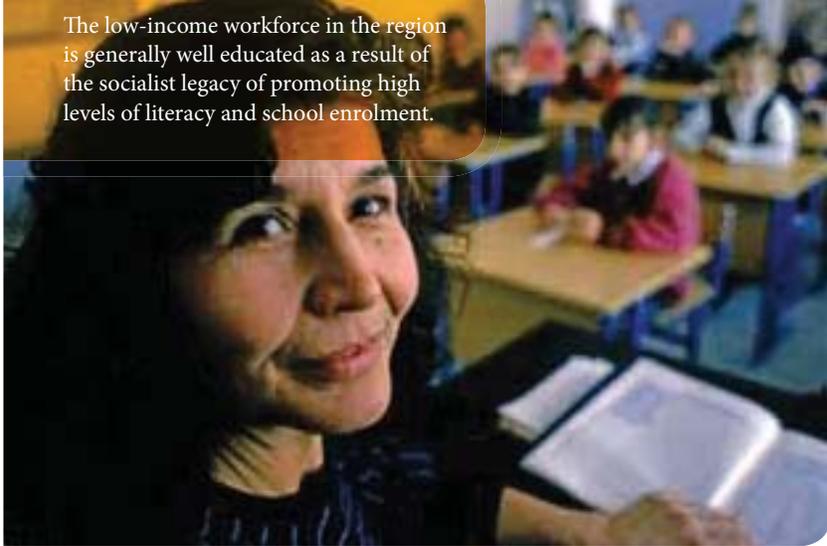


PHOTO: UNDP

Turkish textile industry during the global economic crisis. It could maintain its competitiveness compared with cheap producers in Asia.

Treating employees well pays off in higher quality outputs and more dedicated employees. Good working conditions – including fair wages, appropriate benefits, training and professional development as

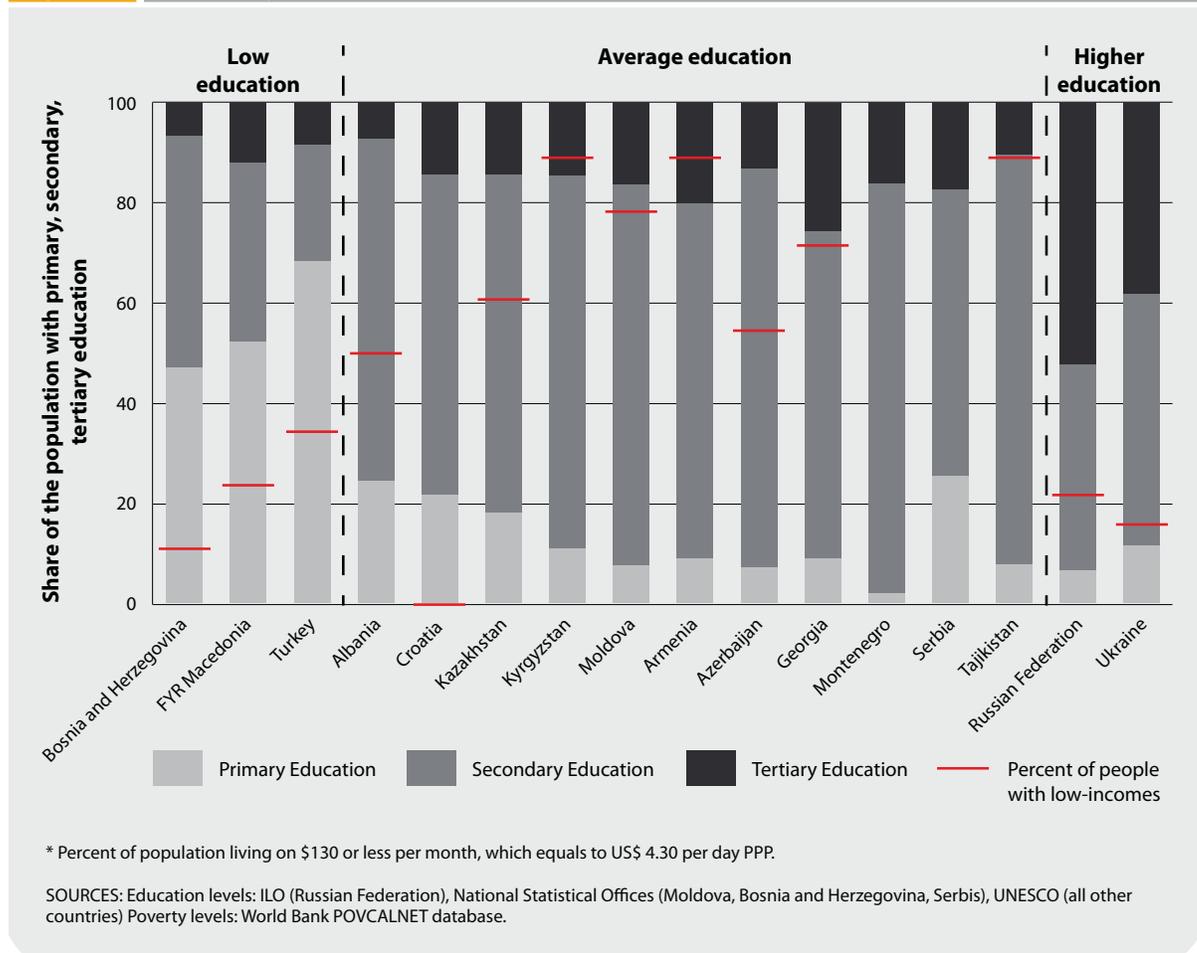
well as a culture of non-discrimination – have proven to reduce costs associated with staff turnover and absence levels, and to increase productivity. Moreover, companies with good labour standards benefit from a positive reputation in the community and beyond.⁶⁰ This reduces the risks of conflict with local communities or policy makers, and increases sales opportunities with international buyers.

In Azerbaijan, Humay Mammadova, a woman entrepreneur, took over the former state-owned Gadim Guba carpet manufacturing company, which builds on the special skills of local women. Women in Azerbaijan have a tradition of weaving carpets. Its staff of 140 consists

60) See, for example, IFC and Ethos Institute (2002:4).

Figure 15

Percentage of the population who attained primary, secondary and tertiary education per country



entirely of women, who produce about 400 quality rugs a year, generating an annual turn-over of US\$120,000.

Space for the marginalized

Additionally, some companies had explicitly social objectives: providing economic opportunities to people with low incomes and marginalized groups.

Tinex is the second largest chain of supermarkets in FYR Macedonia offering employment to every foster child turning 18. Since 2004 Tinex has provided jobs to 40 former foster children, and 25 are currently employed.

The Deaf and Blind Society (DBS) in Turkmenistan owns several Production and Training Facilities (PTFs) throughout the country. The PTF in Ashgabat employs 167 hearing-impaired individuals to produce textiles. It generates an annual revenue of US\$42,000.

In 2009, Eco Centre Mavrović started a ‘social farming’ project – a rehabilitation approach that integrates people recovering from different addictions, psychiatric, mental, or physical diseases or handicaps. Former addicts have the opportunity to live and work on the farm. Only a few years ago, a current employee Saša from Zagreb was changing jobs frequently and was addicted to drugs:

I really hit the bottom and I almost spent all the money I had earned and my family had but I had luck, [...] I heard about Mr. Mavrović and what he tries to do here. I've been learning a lot from Mr. Mavrović, he's a true visionary. I feel much better since I've been staying here and now I dream of starting something small by myself connected to organic farming on that small piece of land I've inherited from my parents.⁶¹

In war-ravaged Bosnia and Herzegovina, recycling company Industrijski Otpad specifically targets the most vulnerable and socially excluded as employees – returned migrants, women, single mothers, ex-addicts and ethnic minorities. Of its 15 employees, three are single mothers, another three belong to the Roma ethnic minority, and one is disabled. Roma employee Razim Goloman–Kismi explained:

They offered me work when no one else did. Ms. Isić and her husband always treated me fairly and as an equal. I have health insurance here and a good wage that comes every month without any delays. It is all important for my family to survive. I have two young



PHOTO: TINEX

Tinex in FYR Macedonia. Some companies have explicitly social objectives: providing economic opportunities to people with low incomes and marginalized groups.

children that have a brighter future because of this job and I want to educate them.⁶²

Industrijski Otpad also offers its workers benefits such as a pension and health insurance—an uncommon business practice in MSMEs in the country.

STRENGTHENING THE SUPPLY AND DELIVERY CHAIN

People with low incomes can be engaged as high quality suppliers and effective distributors of goods and services. They have deep knowledge of local market conditions and can build on local networks. Millions of micro- and small-sized entrepreneurs and farmers in the region offer opportunities to strengthen the supply chain.

On the supply side, companies can increase the effectiveness and productivity of their supply chains because middlemen are reduced and quality can be better controlled. Companies can reduce their investment in production facilities and procure directly from local entrepreneurs.

On the demand side, small shops and micro-franchises can reach out to low-income consumers even in remote areas. They know their consumers well and understand their needs and constraints.

8.5 million micro- and small-sized enterprises

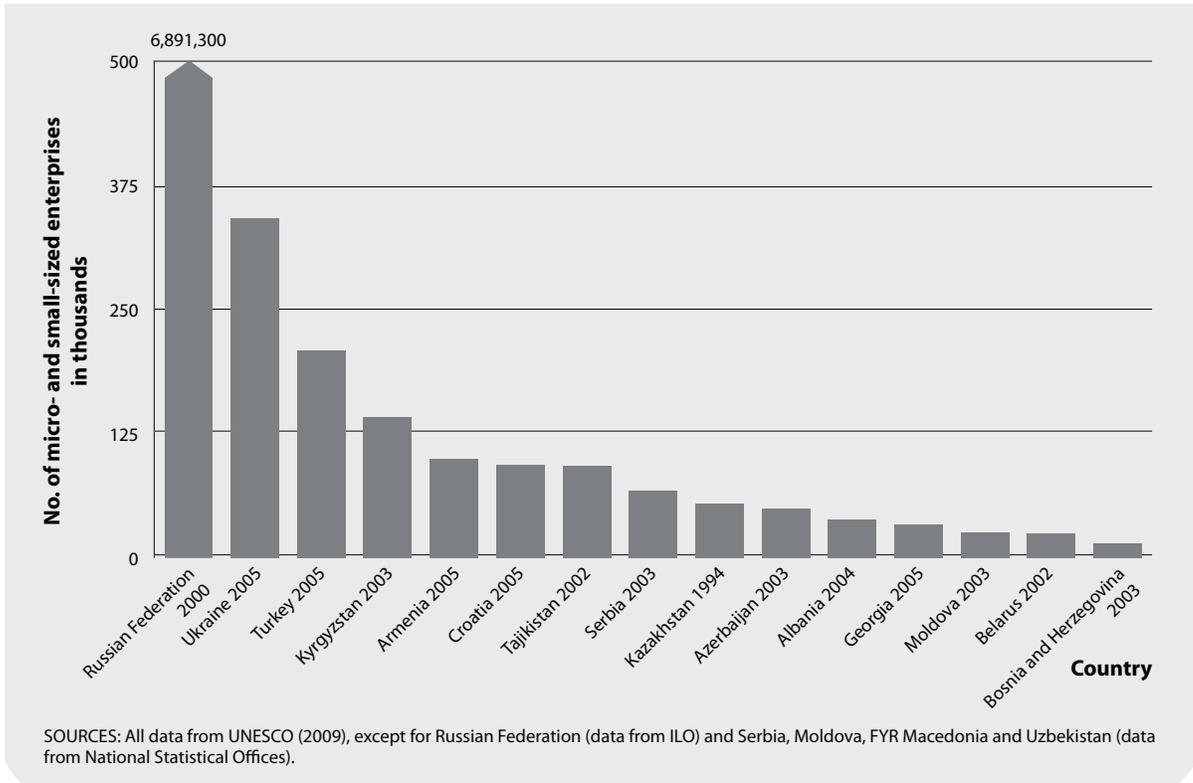
There are 8.5 million micro- and small-sized enterprises operating in the region.⁶³ These enterprises are

61) Omazic (2010a).

62) Omazic (2010b).

63) All numbers in this section are based on Kozak (2009).

Figure 16 Micro- and small-sized enterprises by country



usually defined as businesses with less than ten employees.⁶⁴ The Russian Federation alone has 6.9 million micro- and small-sized enterprises (see Figure 16).

These numbers do not include the substantial amount of informal micro- and small-sized enterprises.

The most common activities of micro-enterprises are retail and wholesale, amounting to almost three million companies. Other important sectors include food, hospitality, garments, textiles, chemicals, pharmaceuticals and machinery.⁶⁵

1.3 million small-scale farms in the Commonwealth of Independent States (CIS)

Companies also buy from local producers. Farmers can offer access to unspoiled land and rare products at competitive costs. The CIS records 1.3 million small-scale farm businesses and up to 100 million household plots.⁶⁶

64) In some countries, the MSME numbers are not distinguished as such. In most countries in the region, however, the share of micro-enterprises is quite stable, usually more than 80 percent of all MSMEs. Accordingly, the average percentage was applied consistently across countries where better data were not available.
 65) World Bank, Enterprise Surveys.
 66) Information about registered private farms was not available for Georgia. However, all CIS countries are included in the sum of household plots. Database "Statistics of the CIS" Interstate Statistical Committee of the Commonwealth of Independent States (2009).

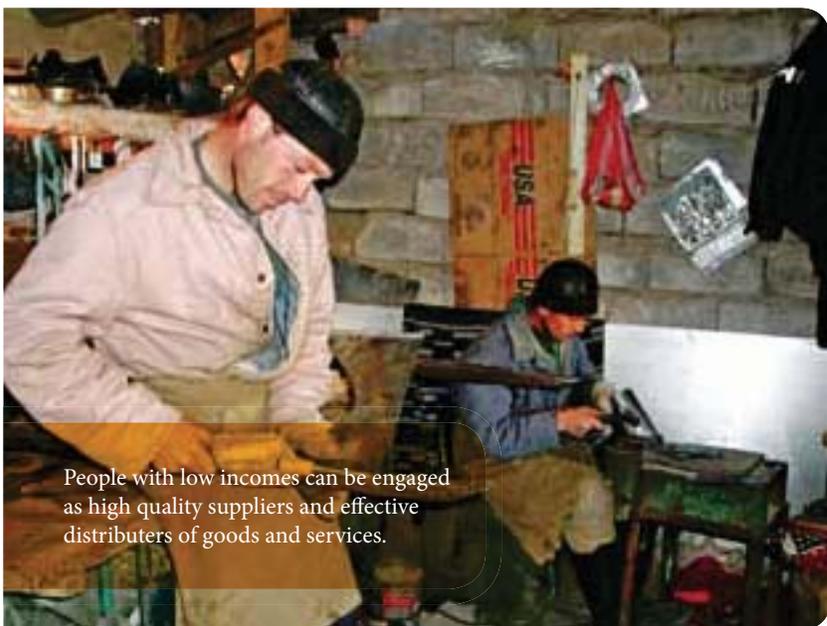


PHOTO: UNDP

People with low incomes can be engaged as high quality suppliers and effective distributors of goods and services.

The Austrian SME Marap imports organic fruit and nuts from Uzbekistan and markets the processed product in the European Union and the United States of America. However, the quantities and quality of the produce fluctuated. In order to ensure better quality and expand its operations, the company worked with several partners to plant fruit and nut tree orchards in several deforested region in the mountainous regions of Uzbekistan, and trained local villagers in organic cultivation techniques. Marap then buys its fruit and nuts from these farmers, ensuring them above-average prices for the improved quality produce it receives.⁶⁶

Cost reduction and increased productivity

The motivation for business to work with people with low incomes in the supply chain, based on the case studies, was both cost reduction and increased productivity.

The paper recycling company Edipack in Albania recycles paper to produce packaging materials. It receives its inputs from 120 small-scale, individual suppliers for waste paper as well as from two waste management companies. Sourcing paper from micro-entrepreneurs instead of collecting it themselves saves investments into collection trucks and employees, and increases flexibility. Sales grew at 60 percent between 2007 and 2008, generating a turnover of about US\$2 million in 2009 and a monthly output of 350 tons of packaging material.⁶⁷

Vitmark in Ukraine buys fresh fruit and vegetables from over 2,500 small-scale farmers. In order to ensure high quality and stable quantities at a good price, it works under long-term contracts with its suppliers. The company provides its suppliers with regular training, which helps them to increase quality and output.

Empowering entrepreneurs

Some businesses have mainly social objectives in providing opportunities to small-scale entrepreneurs and farmers.

In Kyrgyzstan, Community Based Tourism (CBT) and its umbrella association, Kyrgyz Community-Based Tourism Association (KCBTA), promotes sustainable community-based ecotourism services that offer tourists unique experiences, generate incomes for rural families and preserve the natural and cultural heritage of the country. Among the services that KCBTA and CBT groups provide to tourists and

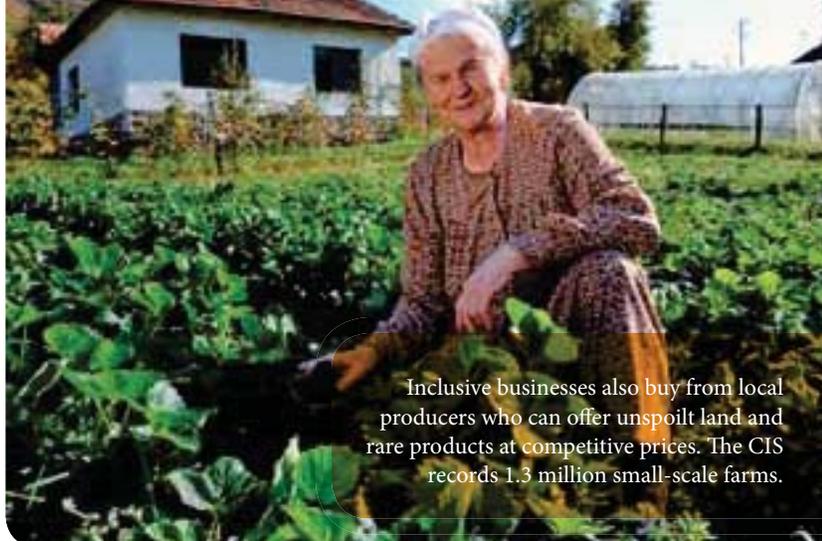


PHOTO: UNDP

Inclusive businesses also buy from local producers who can offer unspoiled land and rare products at competitive prices. The CIS records 1.3 million small-scale farms.

tour operators are home-stays, *yurtas/jailoo* tourism, trekking, guided tours of cultural and historic sights, and handicraft demonstrations and sales. The provision of these services is the main source of income for individual service providers and CBT groups.

Begeli in Georgia is an example of a social enterprise operating as a local organic produce distributor. It serves as a direct marketing and distribution channel for Elkana members — a Georgian Biological Farming Association and NGO — helping them to avoid costly middlemen. Begeli also pays them a premium for their produce to create an incentive for organic farming. The company thus serves Elkana members as a channel to access markets and enhance their revenues.

67) Baktygulov and Trummer (2010).

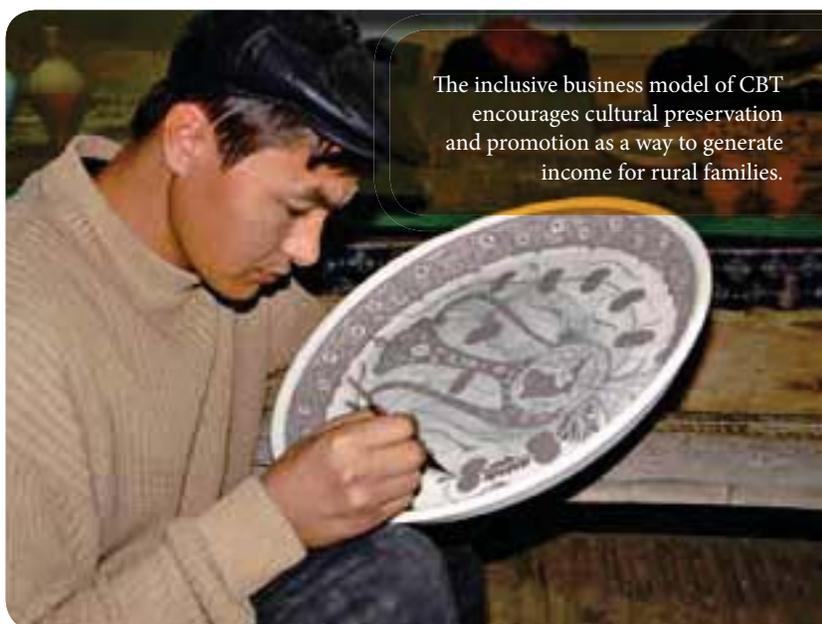
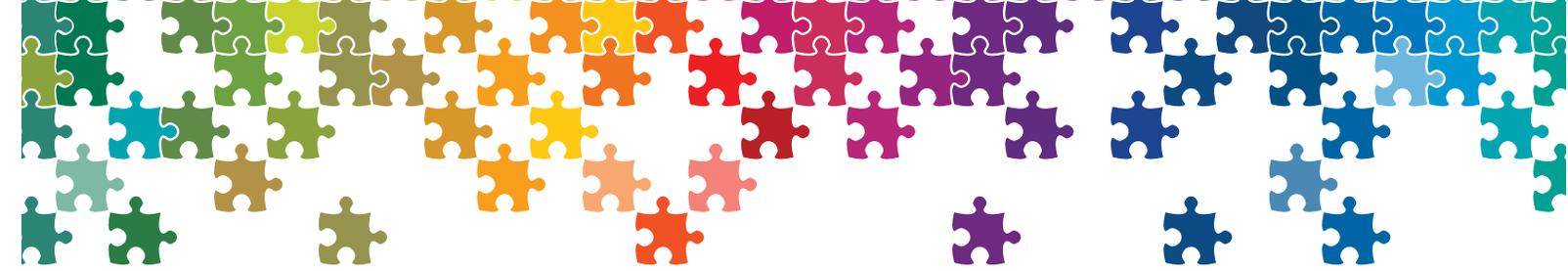


PHOTO: UNCDF

The inclusive business model of CBT encourages cultural preservation and promotion as a way to generate income for rural families.

Many constraints hamper the development of inclusive businesses such as those that employ or source from women with specialized skills.

3



STRATEGIES FOR BUILDING INCLUSIVE BUSINESS MODELS

There are ample opportunities for inclusive business models in the ECA region. To date, they have not been taken up widely. Why not?

Previous research of the UNDP GIM Initiative found that business creation is hampered by widespread constraints in the markets where the poor live, the rural villages and urban slums in developing countries. Based on 50 case studies from throughout the world, the report *Creating Value for All Strategies for Doing Business with the Poor* also identifies strategies that business models have used to deal with these constraints (Box 6).

This chapter will highlight, based on insight from the 19 case studies, those constraints that are most relevant in ECA and those strategies that have been mainly used to overcome them.

The patterns of constraints in the ECA region differ significantly from other developing and emerging countries. Figure 17 shows the GIM Strategy Matrix with the combinations of constraints and solutions that appear in the 19 case studies. The darker the shading of the box, the more frequent is the combination.

By far the most pervasive constraint in the region was the missing knowledge and skills among low-income consumers, employees, producers and entrepreneurs. Almost every case study features some element of education and training, in many cases starting from very basic skill levels. The needed competencies were built either by the company itself or by working with experienced partners.

Box 6 The GIM Strategy Matrix

The GIM Strategy Matrix summarizes the insights of the 2008 UNDP report *Creating Value for All: Strategies for Doing Business with the Poor*. The insights are generated from analysis of 50 case studies written by Southern academics from developing countries sharing two common research questions: What creates difficulties for business in the markets of the poor and what solutions have been successfully applied? Five areas of constraints and five solution strategies were identified. Together, they form a strategy matrix that can be used as a tool to revisit and to refine business models or to develop new ones.

		STRATEGIES				
		Adapt products and processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with government
CONSTRAINTS	Market information	Light Blue	Light Blue	Dark Blue	Light Blue	Very Light Blue
	Regulatory environment	Dark Blue	Very Light Blue	Very Light Blue	Light Blue	Dark Blue
	Physical infrastructure	Dark Blue	Light Blue	Light Blue	Dark Blue	Very Light Blue
	Knowledge and skills	Very Light Blue	Dark Blue	Light Blue	Dark Blue	Very Light Blue
	Access to financial services	Light Blue	Light Blue	Light Blue	Dark Blue	Very Light Blue

The different colour shades in the matrix indicate how often the combination of constraint and solution had been identified in the 50 case studies.

Five areas of constraints

- (1) **Limited market information:** Businesses know too little about people with low income, e.g. what they prefer and what they can afford as consumers, and what products and capabilities they have to offer as employees, producers and business owners.
- (2) **Ineffective regulatory environments:** The markets of the poor lack regulatory frameworks that allow inclusive business to work. Rules and contracts are not enforced. People and enterprises lack access to the opportunities and protection afforded by a functioning legal system.
- (3) **Inadequate physical infrastructure:** Transportation is constrained by the lack of roads and supporting infrastructure. Water, electricity, sanitation and telecommunications networks are lacking.
- (4) **Missing knowledge and skills:** Low-income consumers may not know the use and benefits of particular products, or may lack the skills to use them effectively. Suppliers, distributors and retailers may lack the knowledge and skills to deliver quality products and services consistently, on time and at a set cost.

Box 6 The GIM Strategy Matrix *cont.*

(5) **Restricted access to financial products and services.** Lacking credit, producers and consumers with low incomes cannot finance investments or large purchases. Lacking insurance, they cannot protect their assets and income against shocks such as illness, drought or theft. And in the absence of transactional banking services, their financing is insecure and expensive.

Five strategies at work

Inclusive business models employed five dominant strategies to overcome constraints and become successful:

- (1) **Adapting products and processes** to avoid constraints by leveraging technology and redesigning business processes.
- (2) **Investing in removing constraints** with own funding or by leveraging co-funding.
- (3) **Leveraging the strengths of low-income people** by engaging them individually or building on existing social networks.
- (4) **Combining resources and capabilities** by working with others in partnership and pooling resources.
- (5) **Engaging in policy dialogue with governments** to inform policy-making that can remove constraints by engaging individually, through demonstration effects or collectively.

The strategy matrix has guided the research of the case writers for the 19 case studies that form the basis of this report. Therefore, the analysis of constraints and solutions in the region also starts from this framework and highlights regional particularities.

Source: UNDP (2008) *Creating Value for All: Strategies for Doing Business with the Poor*

Issues with the regulatory environment also came up frequently, especially in cases where the business was building a new market in the specific country. Whereas in other developing and emerging countries this type of constraints relates mainly to the lack of or difficult access to the legal system and issues with law enforcement in rural areas and slums, here these constraints were mostly related to the existence of an obsolete regulatory framework or to the lack of legislation in particular areas. The dominant strategy here was to engage with government to achieve the regulation required.

While access to financial services and especially credit is low in the region for people with low incomes, it was only identified as constraint in a few case studies where producers and entrepreneurs are included in value chains. In these cases, the business solved the constraint by advancing credit or investment items directly.

Due to the comparatively well-developed physical and institutional infrastructure in the region, issues with market information and transportation or other networks were much less frequent than in other regions.

SOLUTIONS FOR LIMITED MARKET INFORMATION

Limited market information was not found to be a major constraint in the region. Generally, information about what low-income consumers want and are willing to pay for, and what low-income producers, entrepreneurs and employees can offer seems to be easier to find or assess than in other regions.



PHOTO: UNDP

Figure 17 GIM Strategy Matrix with regional patterns for the ECA region



In general, combining resources and capabilities was the strategy of choice when dealing with lack of market information. In fact, the availability of well-informed partners might be the main reason for which lack of market information was not perceived as a constraint in most cases.

In a number of cases, the business model was even developed or initiated by an organization already operating in the relevant market. For example, organic producer Begeli in Georgia was established by Elkana, an NGO that had already promoted organic agriculture for a number of years.

Tinex in the FYR Macedonia was made aware of the opportunities to employ foster children of 18 years or over by the State House for Foster Children. Together with the Ministry of Labour and Social Policy, the State House presented the idea to the company to employ these children in Tinex stores. Up until then, Tinex had not perceived vulnerable people as potentially valuable and dedicated employees. Based on this information, the company developed a diligent placement and mentoring programme for the foster children. Based on the success of this programme, Tinex is considering hiring from additional marginalized

groups. In this and other examples, information about the market opportunities from a knowledgeable institution marked the beginning of the business model development.

Rural Financial Corporation (RFC) in Moldova was concerned that investors from abroad would not trust the micro-credit business model and would be worried about the uncertainty and volatility associated with investing in an Eastern European country. RFC worked with an internationally recognized institution to obtain a credit rating. Investors thus had the reliable information they needed and RFC could successfully attract capital.

In Kyrgyzstan potential tour operators and consumers had limited information about CBT products, services and providers. As a result, many tour operators did not trust CBT groups. A number of marketing campaigns were undertaken to increase the awareness of and build trust in the services provided by the CBT groups.

SOLUTIONS FOR INEFFECTIVE REGULATORY ENVIRONMENTS

Access to the legal system and enforcement of legislation did not strongly emerge in the case studies as a constraint, contrary to other developing and emerging countries, where people living in slums and rural villages cannot rely on a legal system and may not even be registered citizens. Rather, the constraints that appeared with regard to the regulatory environment were for the most part not specific to the markets of people with low incomes, but applied to the country as a whole. Barriers appeared where business models ventured into a new domain that had not yet been reflected in the law and hence lacked a legal framework. Furthermore, regulation was sometimes inadequate to enter foreign markets, in particular EU markets, where stricter rules apply.

To respond to gaps in the regulatory environment, three main strategies were employed:

1. Engage in policy dialogue with government, either individually or collectively.
2. Combine resources and capabilities with others who are better positioned to engage with government.
3. Invest into removing the market constraint (e.g. by initiating an independent certification body).



PHOTO: UNDP

The support of organizations that represent the interests of a broader section of organizations - be it business associations or civil society groups- is one of the strategies chosen to overcome the constraint of ineffective regulatory environment.

Engage individually or collectively

Businesses require a proper legal foundation. However, engaging in a dialogue with national and regional government agencies can be a lengthy and costly process slowed down by administrative burdens. Small start-up businesses are at a disadvantage due to their lack of financial resources and entry points with the government.

When RFC started its micro-credit services in Moldova in 1997, no legislation existed to govern microfinance. RFC actively engaged in a policy dialogue with the government until the latter defined a legal framework for microfinance. Throughout this process RFC was supported by other microfinance actors and the World Bank, which provided added status and technical know-how, and facilitated negotiations with the government.

Ten years later, the system had become inadequate for the regulation and the supervision of microfinance activities. RFC informed the institutional reform of this system, which led to the establishment of new regulating bodies for Savings and Credit Associations of Citizens (SCAs) and widened the spectrum of activities that SCAs may carry out. In addition, RFC advocated for the creation of an Association or Union of the SCAs to improve the structure of the SCA system in Moldova and create a source of liquidity and reserves.

In Albania, little legislation or public resources were available on waste management and recycling procedures. Edipack joined forces with other recycling companies to engage in policy dialogue with the Government. For over three years, the owner of Edipack, Bardhyl Balteza, held the Presidency of the Albanian Society for Recycling Companies, which represents all the major companies involved in the sector. Together, they are currently advocating for the elimination of



value-added tax (VAT) on locally produced packaging material and for the allocation of more resources to set up an adequate waste management infrastructure in Albania.

Support representative bodies

Engaging in a dialogue with the government can be difficult for a company. Not without reason, there is much apprehension about lobbying that does no more than seek rents in the private interest. Organizations that represent the interests of a broader section of society – be it business associations or civil society groups – are often better positioned to speak with the government.

In Serbia, the Foundation for Development of Democratic Rights (FDDR) informed legislative

reform in favour of the telecottages in the country.

In the past, Temerin Telecottage had to register as a company in spite of providing low-cost community services typically provided by NGOs. This meant that the telecottage had to pay higher taxes despite its minimal revenues. Now, telecottages qualify as NGOs rather than businesses.

In the Russian Federation, the National Partnership of Microfinance Market Stakeholders (NAMMS) is involved in lobbying for improvements in legislation on microfinance and its institutions, developing standards and representing the interests of microfinance institutions. It is voicing the needs of Voronezh Oblast State Fund for Small Business Support operating mobile banking for adequate legislation.

Invest in certification

EU requirements with regard to environmental, health and safety and human rights standards are typically more stringent than those in ECA. Exporting companies often respond by obtaining certification from internationally accepted bodies. However, in some cases, national bodies had to be created by the companies themselves.

Hey Textile's clients expressed concern about the environmental standards and working conditions of the Anatolian facilities. With these concerns in mind, Hey Textile maintains high standards in its operations. Hey Textile's compliance with social, health, safety and environmental requirements is certified by audit reports from the Business Social Compliance Initiative (BSCI). In addition, the company organizes demonstration tours of the Anatolian plants. "We have a Human Rights department in our factory and we are involved in social responsibility projects," Aynur Bektaş, owner of Hey Textile, said. "This brings us consumers." Factory buildings and working conditions have been designed to meet legal requirements and internationally accepted standards. The company has a worksite doctor and regularly monitors worker health and safety measures. Hey Textile minimizes its environmental footprint. For example, production facilities have a water treatment system to clean waste water from washing machines.

In Georgia, Begeli and Elkana jointly supported the establishment of the first regional certification body Caucasert. Through Caucasert, farmers get organic food certification, which allows them access to new local, regional and foreign markets.

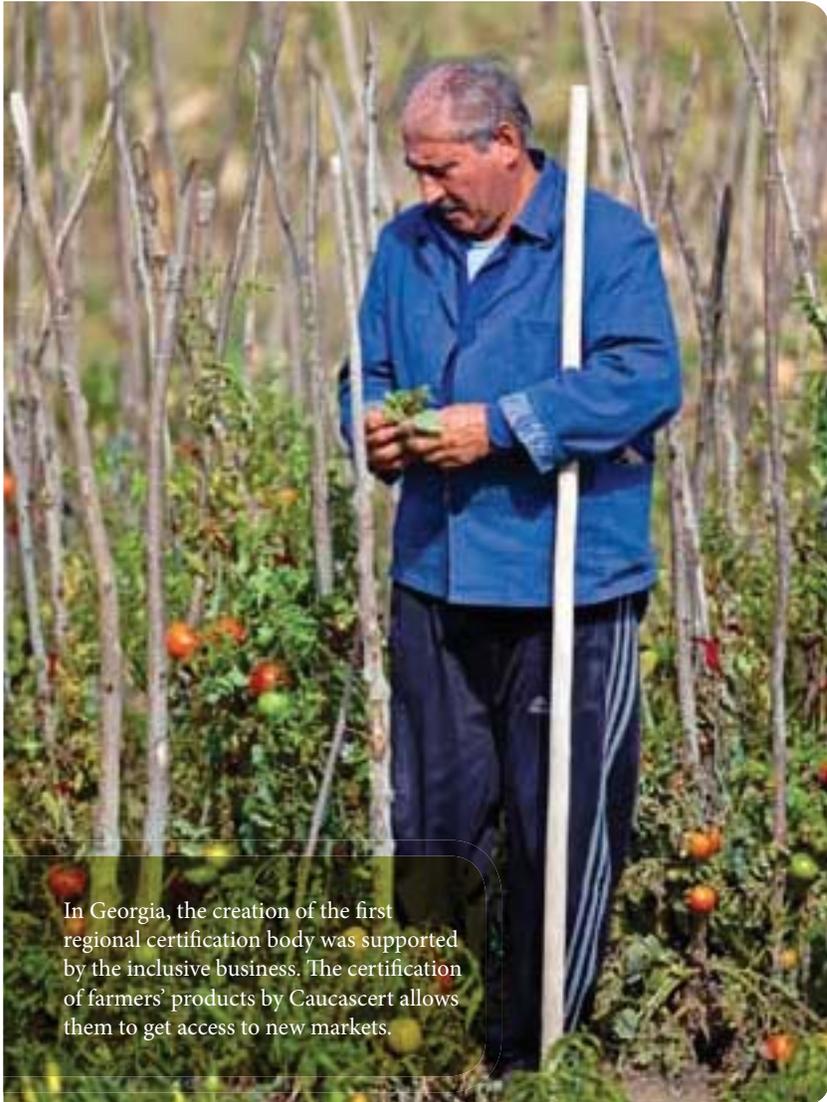


PHOTO: UNDP

In Georgia, the creation of the first regional certification body was supported by the inclusive business. The certification of farmers' products by Caucasert allows them to get access to new markets.

SOLUTIONS FOR INADEQUATE PHYSICAL INFRASTRUCTURE

Physical infrastructure – including roads, telecommunication networks, and supply systems for electricity, water and gas – is typically well developed in the region due to the large investments into infrastructure creation before the transition. However, it is not always in good repair, owing to a long period of low maintenance spending and in some cases, to conflict. Nonetheless, the businesses studied rarely had to confront major infrastructure constraints. If ever, constraints only existed in rural and remote areas, and places that had been affected by conflict.

In remote areas and places that had been affected by conflict, there were infrastructure constraints, for which business employed two main strategies:

1. Investing in removing constraints by building infrastructure.
2. Engaging in policy dialogue with government to achieve public investments.

The latter, however, was not met with success in the case studies examined here.

Build infrastructure

Where enough value can be captured from the investment, business can sometimes build public infrastructure itself.

When building a hotel in Tsapatagh village in rural Armenia, Tufenkian had to deal with the inadequate infrastructure of the village, including a lack of sewage system. Tufenkian built a centralized water filtering plant by which the unclean water, after being distilled, pours into Debed River in Dzoraget. The system is currently used by the whole village.

In Uzbekistan, fruit and nut exporter Marap participated in the rehabilitation of a dirt road between the villages and the orchards to improve access for farmers and trucks that pick up the produce and deliver it to the processing facilities.

Achieve public investments

In many cases, however, providing public infrastructure will simply be too expensive for a company to finance. In response, business can try to alert the government of the shortcomings to achieve public



PHOTO: UNDP

Physical infrastructure, even if relatively well developed in the region, is not always in good repair due to a lack of investments after the collapse of the socialist systems.

investments. In the cases studies, this strategy was not, however, crowned with success.

While Tufenkian was able to finance the sewage system from its own resources, it could not finance the road rehabilitation around the villages. Hakob Hakobyan, the General Manager of Tufenkian Hotels, explained: “We face several external factors that hinder the realization of our business development. First of all, the physical infrastructure is underdeveloped, which makes us close the Tsapatagh hotel during winter and early spring as the roads to the village are in a very bad condition.” Also, in Dilijan, the local physical infrastructure was half-complete and run-down. These obstacles restrain the tourists from visiting these regions. Tufenkian tried to engage local authorities in building roads in Tsapatagh. It also offered to provide financial support. However, to date, the request remains unaddressed.

In Kyrgyzstan, most CBT groups face problems with poorly developed physical infrastructure such as

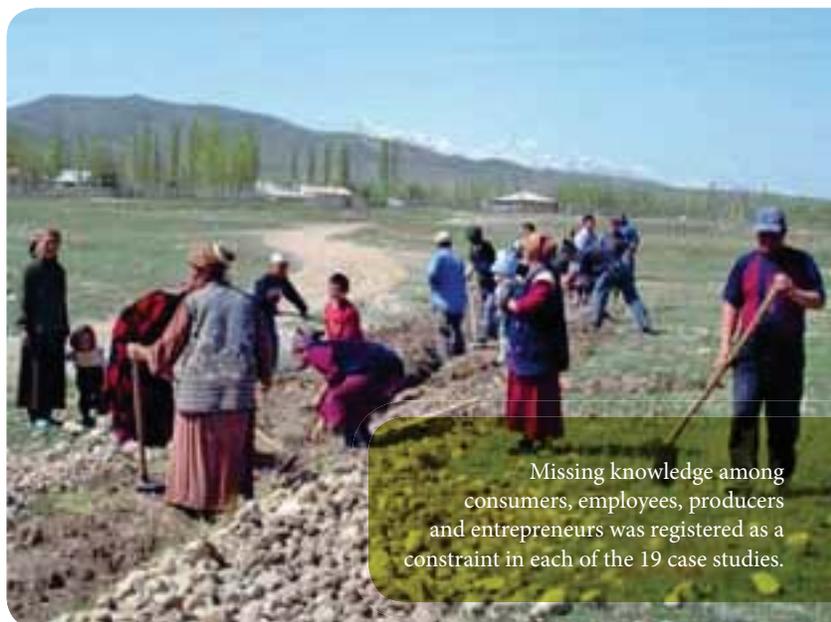


PHOTO: UNDP

Missing knowledge among consumers, employees, producers and entrepreneurs was registered as a constraint in each of the 19 case studies.

bad road conditions, a very low level of access to improved sanitation systems and problems with electricity and water supply. For example, CBT Kochkor has a major problem with the supply of clean drinking water for tourists around the Song-Kul Lake, one of the most popular tourist destinations in Kyrgyzstan. CBT with the support of KCBTA is currently raising this issue on different levels by organizing policy dialogues and applying for donor funding.

SOLUTIONS TO MISSING KNOWLEDGE AND SKILLS

Missing knowledge and skills among consumers, employees, producers and entrepreneurs was by far the dominant constraint businesses encountered in the region; in fact, it was registered as a challenge in each of the 19 case studies.

When businesses offer new products or services, consumers are often not fully aware of the benefits and uses of these offerings. Customer education is the usual solution. Similarly, people with low incomes often lack the skills and knowledge required. Training was essential in all cases. Finally, when including producers and entrepreneurs, the quality and quantity of supply does often not meet expectations initially, again due to missing knowledge and skills. Training is also the solution of choice in this case.

Customer education and training of employees and suppliers is, of course, a must in any business, not just for inclusive business models. However, people with

low incomes often require more in-depth education, especially when they are new to certain products, services or requirements to deliver them. For example, it is not enough to inform about the specific features of a micro loan if people have not been able to use financial services. Financial literacy training is required. Similarly, it is not enough to show a worker a machine if he or she is not used to the environment and the processes of a factory.

One regional aspect of this constraint is the deep impact of the conflicts in the post-crisis areas on the residents of the area. Several countries in the region have experienced conflicts over the last decade. Croatia has emerged from a war in the 1990s, and many of its citizens have been traumatized by the brutal events. Eco Farm Mavrović is located in one of the most war-affected areas in Croatia, by the villages of Slobodina near Brestovac, which were mostly burned to the ground during the war. Mavrović explains:

It is still a problem but at the beginning it was really challenging to find motivated workers among the people who after the war lost the sense of life. [...] It was also challenging to find people with certain competences in larger urban centers, and bring them into an area where life is very simple and the consequences of the War are still very present. I knew from the day I bought land here that only with building a strong local community I have a chance to survive. A strong local community is of vital importance to the sustainability of my business model.

Mavrović addressed these issues by providing above-average salaries and benefit packages, training and even counselling to his workers by employing a psychologist and psychiatrist who support the staff and generate a sense of community and participation.

Customer education and training of employees, producers and entrepreneurs are provided by applying two strategies:

1. Investing in removing constraints by providing the capacity building directly.
2. Combining resources and capabilities by working with partners who provide the capacity building.

Provide education and training

Investments into customer education and training are common for a business, and even if demands for training in inclusive business may be higher than the



PHOTO: UNDP

Bee-keeping in Georgia.

general practice, enterprises are often in the best position to provide the required knowledge to their new consumers, employees, producers and entrepreneurs.

The missing knowledge and skills among employees was a consistent constraint in all of the relevant cases. Hey Textile, for example, faced a major hurdle when it moved away from Istanbul – the lack of industrial skills by regional workers. Essentially, the company had to retrain farmers to be factory workers. Hey Textile assigned experienced managers from Istanbul to the new plants to assist with workforce training. The company also allocated work based on skill level – an example of the ‘adapting products and processes’ strategy. In Çerkeş and Hacibektaş, workers primarily sew basic models, leaving the more complicated work for the Istanbul facility.

A key objective of RFC is the promotion of rural development by offering favourable financial services and micro-credit to farmers and entrepreneurs, and by providing financial education to entrepreneurs in rural areas. RFC customizes its services to the needs of its clients by offering rapid and transparent procedures. The financial literacy of consumers is improved through the services offered by the RDF and the National Agency for Rural Development, both partners of RFC. SMEs can take use the free services of RFC’s partner, the Rural Development Centre (RDC), such as training in management, accounting, financial planning as well as information sessions and business plan development assistance.

The Tinex supermarket chain in FYR Macedonia implemented a combination of policies to help train and integrate foster children as new employees. The company offers its employees the opportunity to become mentors to the foster children. The mentoring process helps to increase employee morale at the stores and helps the foster children to become part of the work culture. In addition, Tinex has adapted its hiring process and made the selection process more flexible in order to better accommodate the skills and preferences of the foster children.

Partner with providers of capacity building

In some cases, partners are better positioned to provide the required capacity building, e.g. because they have experience in the training or their relations with the target group.

The mobile banking fund in the Russian Federation worked with two national umbrella microfinance institutions (MFIs) – the Russian Microfinance Centre (RMC) and NAMMS – which provided financial literacy training for consumers.

CBT in Kyrgyzstan was confronted with a lack of sufficient knowledge and skills among the service providers to develop and provide adequate tourism services. Helvetas and the CBT umbrella organization KCBTA provided various training programmes to build these capacities within the local communities.

Marap cooperated with the Austrian Development Agency (ADA), which financed the training of agricultural extension workers provided by the Shreder Institute, an Uzbek agricultural research organization. These workers in turn trained local farmers in sustainable cultivation techniques and organically certified practices.

SOLUTIONS TO RESTRICTED ACCESS TO FINANCIAL PRODUCTS AND SERVICES

The main constraint in the area of financial services was the limited access to credit for small-scale producers and entrepreneurs. Even though microfinance services exist in ECA, their penetration is still very small, especially in remote rural areas. In addition, interest rates are still often unattractive for small-scale farmers and micro-entrepreneurs. Similar issues might arise



PHOTO: UNDP

In the area of financial services, the main constraint in the region was found to be the limited access to credit for small-scale producers and entrepreneurs.

for consumers seeking to purchase durable items such as furniture or housing, but since none of the case studies represent a business model of this kind of inclusive credit, no evidence is available. Similarly, access to savings and insurance is low among people with low incomes in the region, but this has not figured as a constraint in the case studies.

Business solved the lack of access to credit by using two main strategies:

1. Investing in removing constraints by providing own credit solutions.
2. Adapting products and processes by advancing investment items.

Provide own credit solutions

As a response to the lack of credit for their business partners, some businesses have incorporated the provision of credit into their model.

In Kyrgyzstan, local inhabitants who sought to participate in community-based tourism (CBT) could not gain access to credit to improve their premises for homestays and tourism-related activities, etc. CBT established a revolving fund that provided credit to CBT members at lower interest rates.

TCO in Kazakhstan provided loans to SMEs that it engaged to provide services at its oil extraction operations. Later on, it combined capabilities with an international financial institution to provide interest-free loans. The bank administers the loans and TCO pays for the bank's service and loan interest.

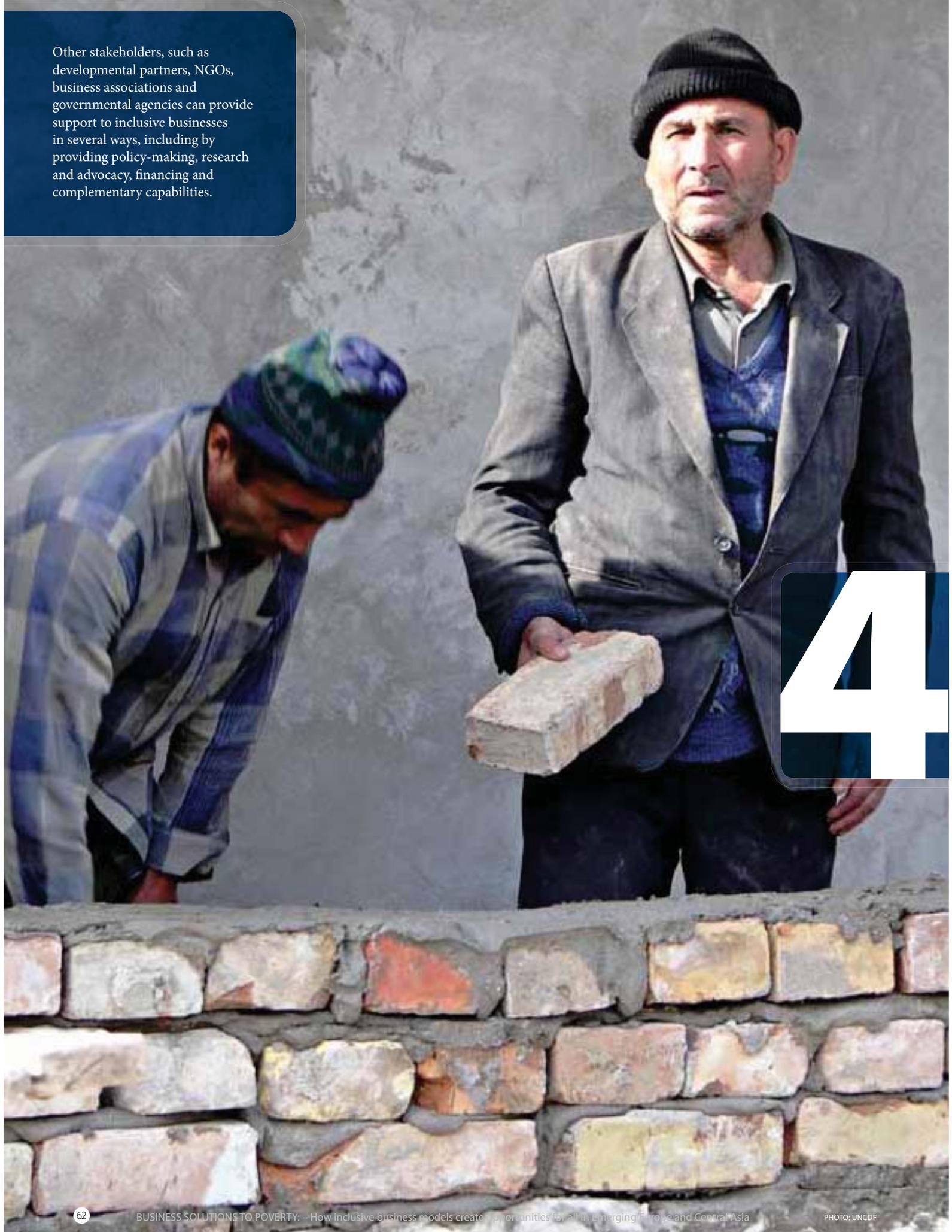
Advance investment items

Instead of advancing the credit and basically offering financial services outside the core business, other businesses preferred to advance the investment items directly—be it machinery or seed. They then recover the cost when they receive the supplies, merely subtracting them from the supplier's bill.

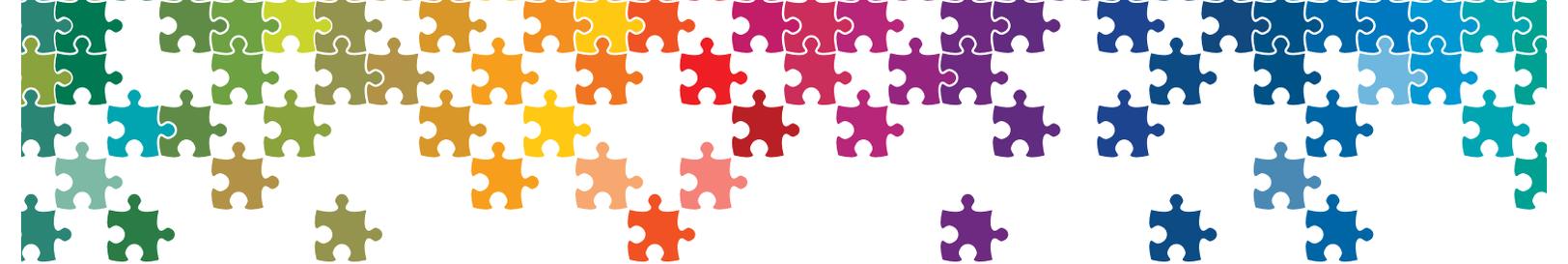
To enable farmers to cultivate high quality organic products, for six years Vitmark provided them with organic fertilizers at the beginning of the agricultural season. The cost of fertilizers was included in the contract between Vitmark and the farmers. At the end of the season, the cost was subtracted from the payment made to farmers for the supply of fruits and vegetables.

In Georgia, Begeli purchases products from organic farmers associated with Elkana. Elkana started a programme to facilitate access to seeds for poor farmers. Farmers agree to return 1.5 times the original amount of seeds distributed to them after harvest. One unit of the returned seed material is used for incorporating new farmers, while the remaining part is stocked as a security fund in case of poor future harvests. People who lived in extreme poverty are eager to undertake this venture because they do not have any other means to afford seeds and other extension services provided by Elkana. The programme also guarantees purchase of crops and produce from farmers.

Other stakeholders, such as developmental partners, NGOs, business associations and governmental agencies can provide support to inclusive businesses in several ways, including by providing policy-making, research and advocacy, financing and complementary capabilities.



4



HOW OTHERS SUPPORT INCLUSIVE BUSINESS IN THE ECA REGION

Inclusive business models often heavily rely on collaboration with partners. The previous chapters reinforced this insight: ‘combining resources and capabilities with others’ was the most widely used strategy to deal with the constraints in the case studies examined.

And often, these partners are not the usual business partners, but include government and public agencies, development agencies, business associations and NGOs. These partners own the resources and have capabilities that are required to deal with the challenges of creating new markets. Inclusive business models are supported by others in a variety of ways. In the case studies, four main roles emerged:

1. **Policy-making:** Governments create the legal environment that enables and motivates companies to include people with low incomes; associations and development agencies and development banks support them.
2. **Research and advocacy:** Research institutions, think tanks and specialist organizations create the empirical data, analytical knowledge and practical know-how that guide the creation of effective inclusive business models. Advocacy creates the broad-based awareness and support required to successfully initiate and implement such models.
3. **Financing:** Grant and seed funding finances the start-up phases of inclusive business models. Subsidies and other shared-cost models improve the business case for inclusion.

4. Complementary capabilities: Inclusive business models often require capabilities that the company does not have and require time and investment to build, such as trust and networks among the target group or the ability to train and inform the target group effectively. Organizations that have longstanding experience in working with the target group often come in to take on these and other tasks.

The case of fruit and nut importer Marap in Uzbekistan demonstrates how important other stakeholders were in making this inclusive business successful. Marap worked with a variety of partners, all with specific roles:

- The governmental organization Uzbek State Forestry Administration and the international organization UNDP collaborated to adjust regulation on land lease-holding permits that generate a greater sense of ownership and responsibility, promoting more sustainable land use by farmers.
- The academic research institution Shreder Institute provided the seedlings, training and supervision for the planting phase of the fruit and nut orchards.
- The Austrian Development Agency (ADA) provided financing and technical assistance to develop the fruit and nut tree orchards.
- The NGO Austria Bio Garantie certifies the cultivation process and final produce as 'organic'; and

- The local intermediary company Kantor buys, collects, transports and sells the fruit to Marap and its subsidiary, DP Silk Road Organic Foods.

Partners come in at all stages of the development process, helping the business with the above contributions. For example, they provide start-up funding, add their skills to implement and create the legal environment to go to scale. Although the role of partners at different stages is not discussed in depth here, one observation deserves special attention: a number of the businesses studied were actually not initiated by the organization that eventually implemented them. An example is Begeli in Georgia, which was founded by the NGO Elkana, or CBT in Kyrgyzstan initiated by the development partner Helvetas. These organizations were driven by their mission and identified a business approach – and sometimes a company that could implement it – as the most effective way to achieve this objective.

A wealth of organizations in the region stands ready to support inclusive business models. Annex 2 provides a list of the most important actors. Further details can be found in the database of actors on-line at www.growinginclusivemarkets.org.

POLICY-MAKING

Public policy creates the incentives and infrastructure that enable business to act.

Box 7 The MDGs – Everybody's Business

On the occasion of the MDG Summit in September 2010, UNDP GIM Initiative published a report that shows how inclusive business can contribute to each MDG – and how other stakeholders can support it. It is a first attempt to assemble a 'yellow pages' of inclusive business and the MDGs. It features:

40 case studies, drawing mainly on the latest set of 65 case studies conducted by the UNDP GIM Initiative, Business Call to Action (BCTA) company initiatives and UNDP's own partnerships;

140 supporting institutions that support inclusive business through policy-making, research and advocacy, financing and complementary capabilities.

The launch of the report is accompanied by a new on-line knowledge platform, which will continuously expand its database of case studies and supporting institutions (www.growinginclusivemarkets.org).

The main roles by which other actors contribute to inclusive business have been identified through analysis of the latest set of case studies, where the role of other actors was the focus of the research. The 19 case studies that inform the present regional report were part of the global database of case studies.

SOURCE: UNDP (2010). *The MDGs – Everybody's Business – How Inclusive Business Can Contribute to Development and How Others Can Support it*.

Policy-makers enact

On the one hand, policy makers can open doors for business to make it easier for them to engage, provide economic benefits (or prevent loss), create standards and guidelines, and clear a space for public private partnerships. On the other hand, to make markets work for people with low incomes, specific policies must deal with market failures and promote pro-poor growth.

Policy also provides direction and facilitates concerted action. Ideally, national policy makers provide an overarching framework for development, where the diverse partners, including business, can feed into.

The Government of Turkey implemented the 'Employment Encouragement in the Underdeveloped Regions' incentive programme. The programme facilitates the expansion of business into poorer areas with lower labour and other costs. Through this programme, Hey Textile was encouraged to invest in a new factory in Central Anatolia. The Government subsidized the new facilities through tax and social insurance exemptions.

Development agencies and banks advise

Development agencies and banks can act as advisers of policy-making. Building on experiences in other countries, research and analysis, they can help governments design effective policies.

The Government of Uzbekistan retains exclusive state ownership of the land. It leases the land to farmers linked to binding quotas through Uzbekistan's State Forestry Administration (SFA). Traditionally, SFA only allowed short-term leasing of up to one year, and required that 70 percent of income derived from leases, go to the Government. As a result, many small-scale farmers chose to avoid these leasing terms and instead resorted to informal and unsustainable timber harvesting and agricultural practices. This has led to significant environmental degradation, adversely impacting fruit and nuts orchards, and thus creating a difficult environment for companies like Marap to flourish. In an effort to support environmental protection, UNDP and the Government of Uzbekistan initiated a project in 2001 to lengthen leasing agreements between the SFA and farmers from one to ten years, with five-year extension options. In addition, leaseholder income was raised to over 85 percent for some crops with quotas payable to the Government

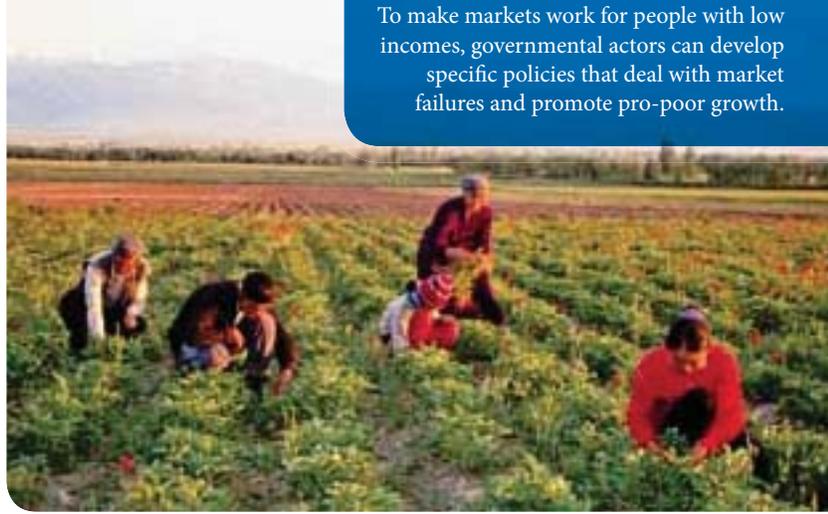


PHOTO: UNDP

only once the fruit and nut trees started to produce. The UNDP project also financed the training of leaseholders in planting, pruning and other horticultural techniques, thus re-creating the expertise that was lost during the Soviet period.

In Moldova, the World Bank and RFC engaged in a policy dialogue with the Government to develop a legal framework for microfinance. The World Bank added status and technical know-how, and facilitated negotiations. Other microfinance actors were also involved.

Civil society organizations speak out

Civil society organizations speak out for their members and beneficiaries. They consolidate the interests and opinions of their constituencies, be it business or marginalized groups, and thus act as an important channel towards government.

In the Russian Federation, NAMMS, which was established in 2006 as a private non-profit organization, acts as an intermediary between local and national regulatory and legislative bodies. NAMMS helps the Voronezh Oblast State Fund for Small Business Support through lobbying the government for improvements in legislation on microfinance and development of standards.

In Serbia, the Foundation for Development of Democratic Rights (FDDR) assisted in impacting and reforming legislation in favour of telecottages. As a result, Temerin Telecottage could qualify as an NGO rather than a business. This allowed it to save costs on taxes.

In a number of cases, entrepreneurs were instrumental in setting up and leading representative bodies of their industry that could speak for the whole sector.

When Eco Farm Mavrović started marketing organic food in 2001, the concept was new in Croatia, so legislation accompanying organic produce was not in line with EU requirements. The founder



Željko Mavrović became the President of the Croatian farmer's union consisting of 16,000 members. Through his position, he could spread the word about organic farming and lobby for its cause. In particular, the organization lobbied for compliance of national regulation with the EU regulatory framework in order to improve chances for future exports of organic products.

In Albania, the founder of Edipack, Bardhyl Balteza, held the Presidency of the Albanian Society for Recycling Companies, which represents all the major companies involved in the sector. By joining forces, the recycling companies are able to more effectively lobby the Government to improve the legal framework for waste management and recycling. Among their aims is the elimination of the VAT for locally produced packaging material. Furthermore, the Recycling Society is trying to influence the Government to set up an adequate waste management infrastructure in Albania.

In Georgia, Begeli and Elkana jointly pursued the establishment of the first regional organic certification body, Caucascert. Through Caucascert, farmers get organic food certification, which allows them to have access to new local, regional and foreign markets.

RESEARCH AND ADVOCACY

Research and advocacy provide the necessary informational basis for inclusive business models.

Knowing what works

Research can inform business about effective approaches by collecting and systematizing empirical data and analysing it to draw conclusions. Such grounded knowledge is relevant at the business model level – to understand which approaches and solutions work – as well as at the technical level.

In February 2000, consultants from Helvetas travelled to Nepal to get acquainted with the CBT model so that they could replicate it in Kyrgyzstan. They studied the CBT established in Sirubari village, which was the first CBT model in the world. Helvetas then helped to initiate the CBT model in Kyrgyzstan based on these lessons learned and best practices from Nepal.

UNDP, through the Global Compact Local Network, used a feasibility study carried out on telemedicine in Turkey to convince MTS to look into

telemedicine as a potential area of engagement in Belarus. In addition, it advocated for the idea with local stakeholders.

Building support

Inclusive business models typically venture into new fields, and change is often met with resistance. Advocacy is required to make stakeholders and the broader public aware of the benefits of the new approach.

Helvetas had to convince both tour operators and potential providers of CBT services of the value and viability of the concept. It did so through site visits and communication activities.

In Moldova, the Rural Development Centre (RDC) and the National Agency for Rural Development (NARD) worked with the Rural Finance Corporation to raise awareness and educate rural farmers and entrepreneurs in the use of micro credit.

Since 1994, Elkana has been advocating for organic farming in Georgia. It also builds the capacity of small farmers to produce organic food throughout Georgia. Begeli is built on this foundation.

FINANCE

Whether to start a new business, grow or increase the productivity of an existing one, financial resources are necessary. In the ECA region, it is often challenging, however, for business to access finance at reasonable interest rates. As an alternative to traditional sources of finance, SMEs can revert to specialized development financiers. In addition, there are opportunities to receive co-funding for specific investments. Grants are also available where the social benefit is expected to be high, but financial returns too distant or risky for a loan.

Funding SMEs

Development financiers, in particular the development banks, have special funds to support SME development. These include grants, loans provided at preferential conditions and equity investments.

The European Bank for Reconstruction and Development (EBRD) provided financing to the recycling company Edipack in Albania, based on a bankable business plan. The EBRD funds constituted a 31 percent equity stake in the company. The bank also

advised Edipack on strategic and operational improvements.

The Temerin Telecottage in Serbia was established in 2001 with grant funding from the United States Agency for International Development (USAID). The total amount received was US\$11,000, 80 percent of which was used to finance the IT equipment (server, workstations, printers, cameras, software, etc.) and furniture (tables and chairs); the remaining 20 percent paid the initial three months' wages for two employees to manage and run the centre.

In order to increase the quality of the recycling facilities and invest in new equipment and vehicles, in 2006, Čistoća in Montenegro approached USAID and International Relief and Development (IRD) for financial assistance. Anticipating that tourism would bring economic and ecological benefits to the local community and create new sustainable jobs, the donors supported Čistoća's investment in new facilities as well as its efforts in promoting recycling among the public. This helped Čistoća's revenues increase by 10 percent annually, reaching over EUR2 million in 2008.

Co-funding for specific investments

Companies of all sizes can obtain co-funding for specific investments, such as training or upgrade of machinery. This kind of earmarked funding can also come from non-financial institutions, such as employment agencies.

The PTF in Turkmenistan had out-dated machinery in its manufacturing facilities. The EU Delegation and UNDP financed the procurement of new machinery, the training in the use of the new equipment and the renovation of the facilities.

IFC advisers supported Industrijski Otpad in raising EUR100,000 from domestic and international investors to build a storage facility in Bosnia. UNDP provided an additional grant of EUR10,000 for the purchase of 22 containers to collect textiles.

The Turkey State Employment Agency financed the training of new workers at Hey Textile. The company had moved to a region where workers did not have industrial skills.

COMPLEMENTARY CAPABILITIES

Inclusive business models often require resources and skills that are new to the company that implements it.

In particular, proximity to the market of people with low incomes is a must to be able to educate them on new products and processes, and build the capacities of employees, producers and entrepreneurs. Moreover, independent organizations can lend credibility to business models that promise intangible value, such as fair or organic production, e.g. through certification services.

Marketing and consumer education

When reaching out to low-income consumers with new or improved products or services, they need to be properly informed about their characteristics and educated about their use. Similarly, when low-income producers and entrepreneurs offer new products to other markets, buyers need to be addressed with effective messaging, and trust needs to be built.

When CBT first started in Kyrgyzstan, potential tour operators and consumers were sceptical about the services and its providers. Helvetas and KCBTA helped local CBT groups to build trust with the tour operators through presentations and field trips. They also involved the latter in the development of products and in quality monitoring. In addition, Helvetas helped build a website for tour operators and tourists, and print brochures that are distributed at fairs and exhibitions. It even financed several field trips for tour operators and media and government officials, a guidebook in print and CD formats, and the



When reaching out to low-income consumers with new or improved products or services, they need to be informed properly about their characteristics and educated about their use.

PHOTO: VITMARK



PHOTO: UNDP

Capacity building is needed in every case where poor and vulnerable employees, producers and entrepreneurs are included. Development agencies and other specialists are often called on to provide the training.

participation of KCBTA in tourism fairs in Berlin, Almaty and Bishkek.

Capacity building of employees, producers and entrepreneurs

Capacity building is needed in every case where poor and vulnerable employees, producers and entrepreneurs are included. Because the inclusion often goes together with a new business model, other employees also need to be trained, and development agencies and other specialists are often called on to provide the training.

IFC provided training to bank employees of TSB in Tajikistan on the new product that targeted cotton farmers, with financial resources made available by the Canadian International Development Agency (CIDA). In Moldova, the World Bank trained RFC staff in micro-credit financial services. Agricultural expertise was lost during the Soviet era, and organic cultivation techniques were lacking in Uzbekistan when Marap started buying, processing and exporting fruit and nuts. A local academic and research partner, the Shreder Uzbek Scientific Institute of Gardening, Grape and Wine Making, provided four agricultural extension agents who then trained 150 farmers in organic cultivation techniques in compliance with EU organic farming guidelines.

Tufenkian employees in Armenia are trained by professionals who hold Certified Hospitality Trainer (CHT) certifications through the USAID-funded Competitive Armenian Private Sector project. Since for most employees, this is their first job outside their homes and farms, they not only receive training in the skills necessary for their jobs, but also on how to work in a corporate environment. All employees regularly receive training.

Technical know-how on procuring and installing the IT equipment for the Temerin Telecottage was

provided by the Hungarian Telecottage Association (HTA) with financial assistance from USAID.

USAID also provided targeted technical assistance for Edipack in Albania. Edipack's owners received technical advice from external experts on paper recycling best practices, equipment requirements and factory processes.

Certification

Even if local producers and companies offer high-quality products, this quality is hard for buyers in other countries to verify. In particular, when buying from places that generally lack high standards of production, buyers may perceive it as too risky to source from someone they do not know. In addition, countries in the EU and other regions have extensive regulation on the quality of import products. Finally, many companies, especially multi-nationals, have their own purchasing codes that require that certain environmental, social and human rights standards be kept by suppliers. Certification agencies can help producers and companies comply with these various expectations and gain trust.

Hey Textile's compliance with social, health, safety and environmental requirements is certified by audit reports from the Business Social Compliance Initiative (BSCI). The reports also confirm that the company employs no unregistered workers or child labour.

Certifier Austria Bio Garantie (ABG) verifies and certifies that Marap's fruit and nuts are produced by organic standards; 45 percent of the certification costs were financed by ADA. Inspections by ABG staff from Austria take place on every plot at least once a year. ABG also trained four agricultural extension workers in organic cultivation and land management practices.

TAKING THE INITIATIVE

The initial spark for developing an inclusive business model often comes from outside the organization that eventually implements it, as the case studies show. In some cases, a new entity was created by an existing organization specifically for the purpose of implementing a new business model. Development agencies and -banks often act as initiators, as do NGOs. The motivation for these actors is their individual development mission, and they identify business as a way to achieve their objectives effectively.



Spin-offs

Some enterprises were newly created by other actors. The initiators come from all kinds of backgrounds, including NGOs, foundations, business associations and development agencies.

In Hungary, the Temerin Telecottage was established by the Foundation for Development of Democratic Rights (FDDR) together with the Hungarian Telecottage Association (HTA) and the Yugoslav Telecottage Association (YTA), each of which wish to promote a greater exchange and availability of information through the promotion of telecottages.

In Georgia, Begeli was founded in 2005 by the Georgian Fruit and Vegetable Ltd. and the NGO Biological Farming Association Elkana. Elkana's mission is to contribute to sustainable agricultural development in Georgia.

CBT was introduced to Kyrgyzstan by Helvetas, which supported the creation of the umbrella KCBTA. CBT was well-adopted by local communities.

Inspiring to action

In other cases, other actors inspired an existing company to action.

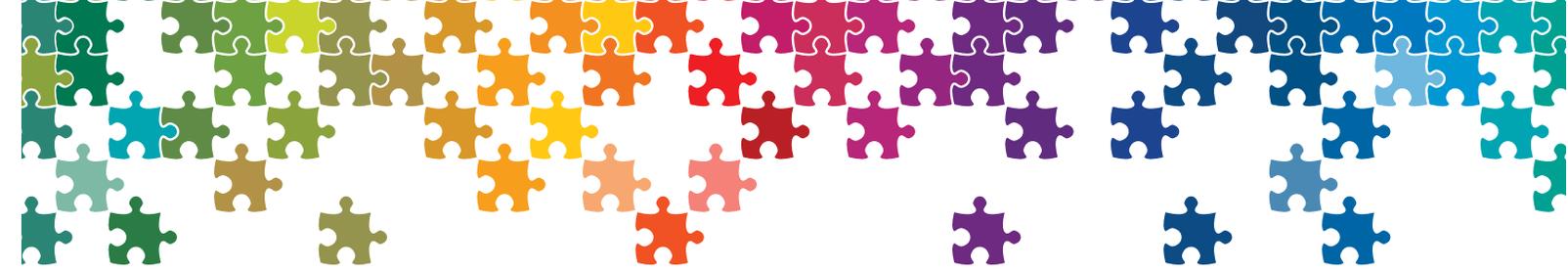
IFC sought to reduce the deeply entrenched poverty of cotton farmers. It worked with TSB in Tajikistan to make finance more accessible to them.

The Ministry of Education and the State House for Foster Children showed Tinex that employing foster children could actually be an opportunity.

When MTS joined the UN Global Compact Local Network (GCLN) in Belarus, the company wanted to be a proactive member of the network and to implement the GC principles within its business activities. Together with UNDP, which provided technical support and partnership brokerage, the inclusive business model was designed around the concept of telemedicine.

Creating a new market can resemble putting together a jigsaw puzzle, which often requires collaboration to bring the missing pieces together. No piece is alike - and each has its unique role to play.

5



RECOMMENDATIONS

This report has repeatedly shown that inclusive business models not only require the engagement of private companies, but that most of them have been inspired, developed and co-implemented by a variety of actors from all kinds of sectors.

The actors range from large companies to small community-led initiatives, from development agencies to business associations and from national governments to local NGOs. Creating a new market can resemble putting together a jigsaw puzzle, which often requires collaboration to bring the missing pieces together. No piece is alike – and each has its unique role to play.

Rather than summarizing the conclusions from the previous chapters, this last chapter puts the various actors into the spotlight and brings out the roles they each can play.

Four main players repeatedly appear in the 19 case studies:

- Companies
- Governments
- Development partners
- Civil society organizations.

Many other intermediaries – including business associations, research institutions and banks – sometimes come in with their specific skills.

RECOMMENDATIONS FOR COMPANIES

1. **Identify opportunities** for inclusion of people with low incomes along the whole value chain. Systematic analysis of the value creation process from the supply chain to the customer can yield multiple areas for engagement. Vitmark in Ukraine sources from small-scale producers, employs workers in rural areas and sells its high quality low-cost juices to low-income consumers.
2. **Take a new look at marginalized populations.** Are they especially motivated to do their best as employees? Do they have special skills, for example in agriculture or handicrafts? Tinex in FYR Macedonia provides jobs to foster children. The programme has worked so well that it plans to include more marginalized groups.
3. **Listen to advocacy.** Some of the business models featured here have been initiated by public or civil society organizations that came to a company with a concrete opportunity. IFC pointed TSB in Tajikistan to the market of cotton farmers, which had not been served by banks before.
4. **Identify the right partners early on.** Venturing into new territory is always a risk, and partners with complementary capabilities can greatly increase the likelihood of success by adding their market know-how and technical expertise, networks and skills. Including them right from

- the beginning into the development process can leverage their expertise for the design of an effective model. MTS worked with the UN Global Compact in Belarus and the Belarus Ministry of Health right from the beginning to equip rural hospitals with telemedicine technology.
5. **Initiate a pilot project.** A 'dry run' of the model helps minimize risk through limiting financial exposure, enables early improvements to the model and showcases the benefits of the model to others. Hey Textile set up a factory in one village in Anatolia – the birthplace of the founder – as the first production site outside the Turkish capital. When it was clear that the production works under these conditions, it expanded to another village.
 6. **Invest in training and education.** Missing knowledge and skills among consumers, employees, producers and entrepreneurs was the single most important constraint across all case studies. Investing in people is essential to win them as loyal and satisfied business partners. In particular among populations that have been affected by war, motivating them through skills development and associated benefits is important. Industrijski Otpad employs and contracts minorities and excluded groups, in particular, such as Roma people. It trains them in organizing the waste collection process.
 7. **Engage in policy dialogues** with governments to improve the enabling environment for inclusive business models. Edipack organized companies from the recycling industry into an association that worked with the government to create regulation for better waste management. It also lobbies for more investment to improve the inadequate waste management infrastructure.
 8. **Collaborate in inclusive business models** as suppliers, delivery channels or business partners. An international bank administers the loans that Tengizchevroil (TCO) provides to the small-scale entrepreneurs in its value chain.

Governments can support inclusive businesses by providing the incentives and the enabling environment for companies to become more inclusive and/or they can support inclusive business models directly.



PHOTO: UNDP

RECOMMENDATIONS FOR GOVERNMENTS

The most powerful way for government to support inclusive business is by providing the incentives and

the enabling environment for companies to become more inclusive. Governments can also support inclusive business models individually or set up their own models.

1. **Provide incentives for inclusive business.** By creating additional benefits for organizations that include people with low incomes into their value chain, government can create the impetus to engage. These can include financial benefits such as subsidies or tax breaks, or non-financial incentives such as standards and labels or awards. The Turkish Government gives tax breaks to companies that create jobs in rural areas. Hey Textiles has taken this subsidy as a starting point to invest in a factory in rural Turkey.
2. **Provide expertise** on how to effectively address issues relevant for the inclusive business model as well as robust data. The Ministry of Health in Belarus supported the implementation of the MTS telemedicine pilot through professional expertise and coordination of the pilot project.
3. **Enhance credibility** of inclusive business models by officially supporting them or creating certification schemes. The Ukrainian Scientific Research Institution of Nourishment at the Ministry of Health approves Vitmark's organic and natural recipes for juices and provides expertise on nutrition.
4. **Improve the enabling environment.** Inclusive business models are often hampered by inadequate market conditions such as ineffective or inexistent laws and regulations, red tape and corruption, generally poor rural roads and infrastructure and, low levels of education. Alleviating these constraints can make it much more attractive for companies to engage. When RFC started to provide microcredit in Moldova, there was no adequate legal framework for this activity. The government developed it together with the microfinance players.
5. **Inspire inclusive business models.** Government and public agencies can approach companies and point out concrete opportunities for working with people with low incomes. The Ministry of Labour and Social Policy of FYR of Macedonia together with the State House for Foster Children introduced to supermarket chain Tinex the possibility of employing foster children of 18 years or older.

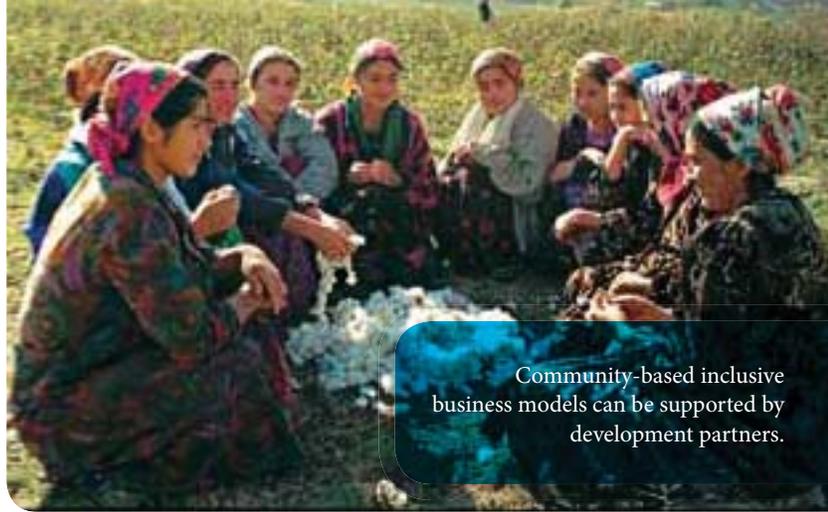


PHOTO: UNDP

Community-based inclusive business models can be supported by development partners.

6. **Create space for dialogue** with the private sector on opportunities for inclusive business models. Voronezh Oblast State Fund in the Russian Federation is a legal entity of the regional government and serves as a coordinating centre for the provision of microfinance services and mobile banking for micro-and small businesses in the remote regions of Voronezh Oblast.
7. **Create own inclusive business models.** In particular, local governments and municipalities often integrate activities in their field in publicly owned yet profit-seeking companies. These companies can be given the special mission to provide economic opportunity to people with low income. Čistoća was created by the municipality of Herceg Novi in Montenegro to collect waste from the city's streets. This model also created income and jobs for poor people.

RECOMMENDATIONS FOR DEVELOPMENT PARTNERS

Development agencies, development banks and NGOs have discovered companies as effective partners in the fight against poverty. They often come in as partners at the interface with the local community or provide financing.

1. **Establish community-based inclusive business models.** Business that is owned and controlled by people with low incomes is not just a source for livelihoods, but also for empowerment. Based on the development practice of creating livelihoods and coordinating communities, development agencies can build profitable business models. In Kyrgyzstan, Helvetas initiated community-based tourism in rural areas.
2. **Inspire the development of inclusive business models** by advocating for engagement with



companies and other players, providing the necessary market information and concrete ideas. In Belarus, the UN Global Compact Secretariat convinced MTS of the opportunity of offering telemedicine to rural hospitals. To this aim, it provided solid background information from a UNDP feasibility study on telemedicine in Turkey and from discussions with local stakeholders.

3. **Broker partnerships** to enable inclusive business models. The UN Global Compact Secretariat also brought together the different partners of the telemedicine project, linking MTS with the Ministry of Health.
4. **Create the information** necessary to develop inclusive business models, e.g. by documenting and analysing existing models or by conducting market research and feasibility studies. Helvetas conducted several studies on community-based tourism in other countries to understand how best to introduce the approach to Kyrgyzstan.
5. **Develop inclusive business models with partners.** While development agencies understand the market and the needs of people with low incomes, business partners have the necessary technical and managerial competencies. The International Finance Corporation (IFC) worked with Tojiksodirotkonk (TSB) to provide financial products to cotton farmers in Turkmenistan.
6. **Educate consumers and train staff, producers and entrepreneurs.** Capacity building is at the heart of most development efforts today. In addition, development agencies have often established contacts with the target group. In Moldova, they can therefore be effective partners in addressing missing knowledge and skills. The World Bank trained RFC staff on the provision of micro-credits.
7. **Facilitate the creation of representative bodies** to enable effective dialogue with government. The USAID Competitive Armenian Private Sector (CAPS) project worked with Tufenkian Heritage Hotels and other leading hotels to establish the Armenian Hotel Association (AHA). Its purpose is to improve the regulatory environment for Armenian hotels, to promote Armenian hotels nationally and internationally, and to serve as a tourism information centre.

8. **Help replicate inclusive business models.** Development agencies can provide technical assistance to companies and entrepreneurs based on experiences elsewhere. In Albania, USAID provided technical assistance to Edipack on paper recycling.
9. **Provide funding.** Seed funding, co-funding and preferential loans are important means to stimulate innovative inclusive business models. EBRD invested EUR2 million equity in Edipack in Albania to help scale up the business. It also provided technical assistance on how to increase efficiency and profitability.
10. **Advise government on policy changes.** The government is typically the key partner of development agencies with whom they have well-established relationships. Providing advice on better market conditions can help the government develop conducive policies. UNDP lobbied for the lengthening of lease-holding agreements between the State Forestry Administration of Uzbekistan and local leaseholders. The share of revenues accruing to smallholders was raised considerably. This improved working conditions for the fruit and nut importer Marap.

RECOMMENDATIONS FOR CIVIL SOCIETY ORGANIZATIONS

Civil society organizations (CSOs) can set up own business models to achieve their mission and raise funds. CSOs can support inclusive business models as follows:

1. **Create business approaches** to achieve the organization's mission. A number of businesses among the 19 cases were founded by civil society organizations (CSOs) that expected to achieve their mission more effectively through business approaches. Elkana has established Begeli as its sales arm for organic produce.
 2. **Provide technical assistance** to inclusive business models. The Rural Development Centre (RDC) in Moldova helped to set up Savings and Credit Associations and provided its members with marketing and extension services, trade information and training.
- 

3. **Advocate and raise awareness.** CSOs can build the required support and information among the population to accept inclusive business models. In Albania, Edipack works with local NGOs to reach out to potential suppliers of waste paper from vulnerable groups.
4. **Represent beneficiary interests.** CSOs can represent the interests of people with low incomes towards governments, but also to companies and other stakeholders. They can act as a watchdog to protect their constituency from business malpractice. The National Partnership for Microfinance Market Stakeholders (NAMMS) lobbies for better legislation on microfinance in the Russian Federation.



PHOTO: UNCDF

RECOMMENDATIONS FOR OTHER ACTORS

Entities that do not belong to any of the groups shown above can also support inclusive business, as the following examples show:

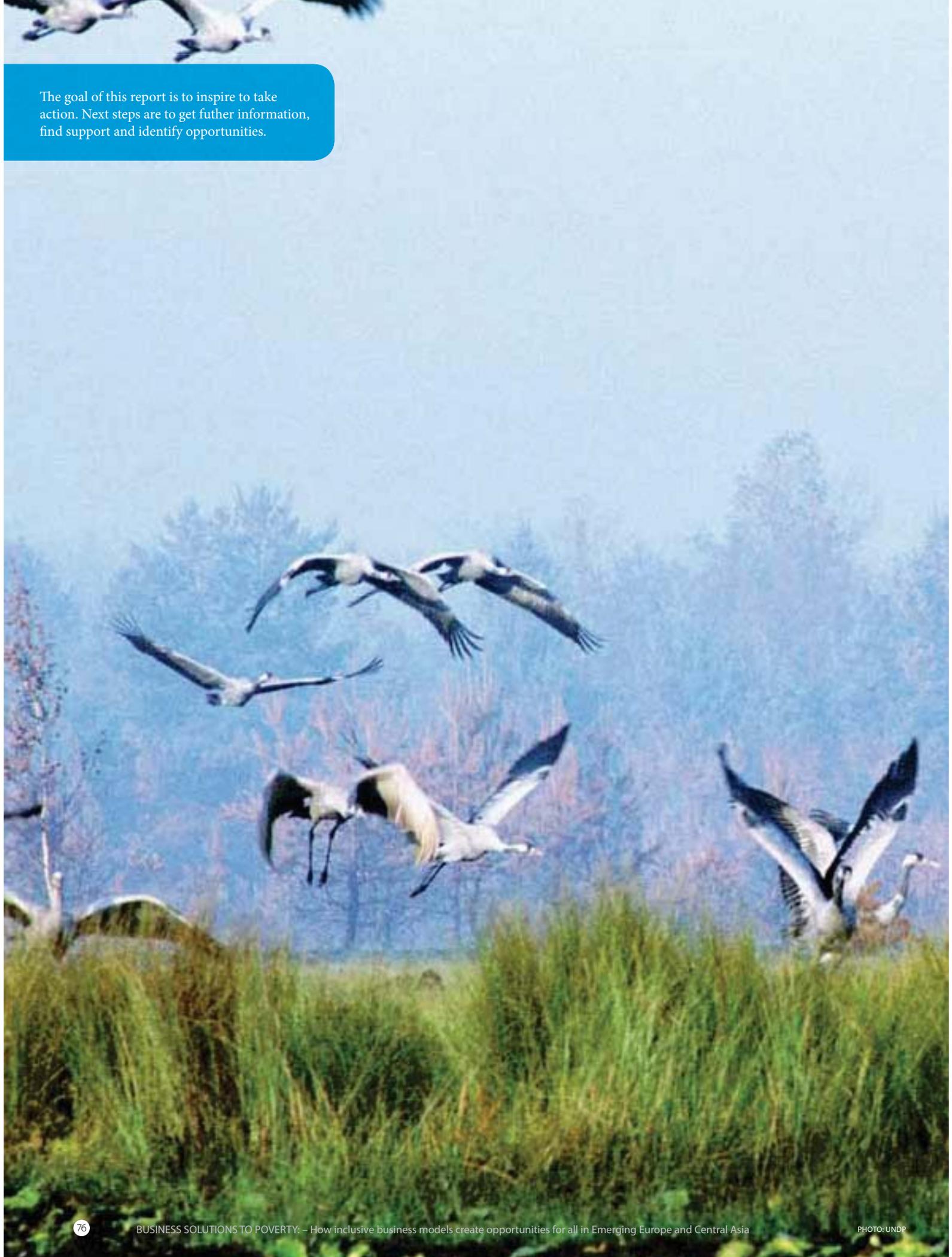
- Research institutions can help develop inclusive business models through their technical expertise and empirical data. In Belarus, the Scientific Research Institute of Cardiology, the National Academy of Sciences, and WHO supported MTS in setting up telemedicine services.
- Certification agencies can create trust in the products and production processes of inclusive business models, in particular where the regulatory or economic environment is weak. Caucacert certifies organic food produced by Begeli's suppliers. RFC invested in a credit rating from an international institution to attract capital.
- Commercial banks and other financiers can provide funds. Zagrebacka bank, one of the leading banks in Croatia, provided Eco Mavrović with access to a loan at favourable conditions. Insurance companies insure the loans in the portfolio of the Voronez Oblast Fund for Microfinance in the Russian Federation.
- Business and trade associations can represent their members' interests to governments and society as a whole. The Central Association of Saving and Credit Associations leads a policy dialogue with the Government of Moldova on the further development of microfinance legislation.

WHAT NEXT?

The goal of this report is to inspire to take action. Once the goal is achieved and readers of this report want to realize the opportunities of inclusive business models, what is the next step?

- Get further information. More case studies from many sectors and countries as well as publications are available at www.growinginclusivemarkets.org. The website also includes a database of supporting institutions that can help to develop and implement an inclusive business model.
- Find support. A number of intermediary organizations in the region offer support to businesses and others that seek to implement inclusive business models. They support inclusive business and other stakeholders with further information, capacity building, networking, and funding. UNDP's regional Growing Inclusive Markets Initiative offers, in partnership with the Turkish International Cooperation and Development Agency (TIKA), brokerage of concrete inclusive business models in many countries of the region. Further links to supporting institutions are listed in Annex 2 and in the on-line database mentioned above.
- Identify opportunities. The information in this report and on the website as well as the experts and brokers in the supporting institutions can help to find concrete ideas. But a successful inclusive business model must be based on the competencies of the organization that implements it. Concrete opportunities can be identified by looking inward rather than outward, and asking "How can we create business that includes people with low incomes? What benefits can arise for us and for others?" These questions can also guide a dialogue with management and staff that leverages all the know-how in the organization.

The goal of this report is to inspire to take action. Next steps are to get further information, find support and identify opportunities.



the 1990s, the number of people in the UK who are aged 65 and over has increased from 10.5 million to 13.5 million, and the number of people aged 75 and over has increased from 4.5 million to 6.5 million (Office for National Statistics 2000).

There is a growing awareness of the need to address the needs of older people, and the need to ensure that they are able to live independently and actively in their own homes.

The aim of this paper is to explore the needs of older people, and to discuss the implications for the design of information systems.

2. Background

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

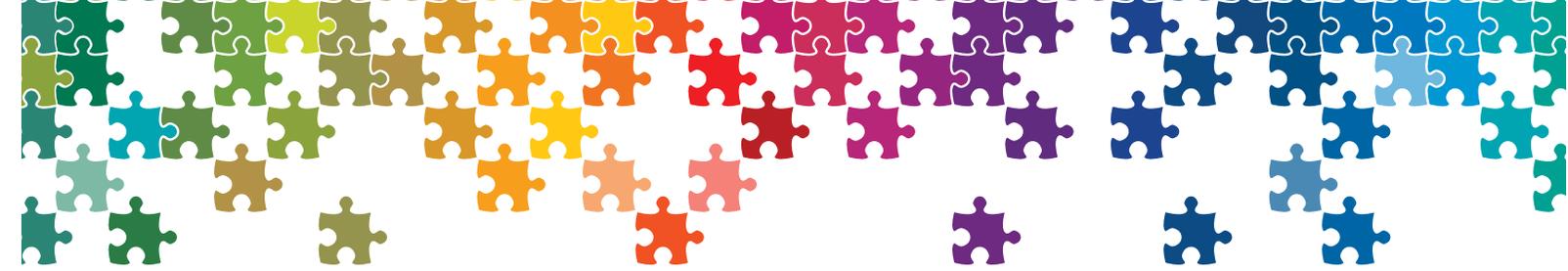
The World Bank (1999) has estimated that the number of people aged 65 and over in the world will increase from 500 million in 1999 to 1 billion in 2025.

The United Nations (1999) has estimated that the number of people aged 65 and over in the UK will increase from 10.5 million in 1999 to 13.5 million in 2025.

The need to address the needs of older people is a global issue, and is becoming increasingly important in many countries.

Marginalized farmer in Belarus.





ANNEXES

The annexes section contains summaries of the case studies and an overview of actors providing support to inclusive business models in the ECA region. The full case studies as well as detailed profiles of supporting institutions are available on the global knowledge platform of the GIM Initiative at: www.growinginclusivemarkets.org

Annex 1: Case summaries

Annex 2: Overview of actors providing support to inclusive business in the ECA region

ANNEX 1: CASE SUMMARIES

EDIPACK : A Paper Recycling Pioneer

MDGs addressed:



Country: Albania

Author(s): Iva Kleinova & Brigitte Duerr

Sector: Waste management

Lead organization: Startup

Inclusion of the poor: Producer, entrepreneur



PHOTO: UNDP

Edipack is a leading paper recycling and packaging material enterprise, located in one of the most environmentally hazardous places in Albania, the city of Durres. Bardhyl Balteza started Edipack in order to produce packaging material for his cosmetic business, and in doing so was able to convert strong obstacles into a business opportunity, such as the lack of production capacity of packaging materials and the high cost of imported raw material.

The company receives its inputs from small individual suppliers as well as from two waste management companies. With the aim of including poor and vulnerable people in its supply chain and generating income opportunities for them, Edipack partners with three NGOs, which coordinate paper collection from 120 individual collectors who supply about 600 tons of waste paper per month and earn an average monthly income of EUR120. By employing and providing on-the-job training to 75 low-skilled employees in the production process, Edipack further contributes to social inclusion.

Edipack produces a large variety of goods, including sheets of corrugated paper, sophisticated packaging materials such as cosmetics paper boxes, and packaging for agricultural products or beverages. The company currently has over 370 clients and sells its products to a variety of businesses, most of which are Albanian SMEs.

The main constraints the company faced were barriers to access to finance, the lack of sector-specific knowledge and skills among its employees, and the unfavourable regulatory environment related to waste management and recycling that prevailed in Albania.

In order to enhance the development and growth of its business, Edipack partnered with several developmental actors who provided technical assistance, training and financial resources, such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and the United States Agency for International Development (USAID).

The business has become economically profitable, with a turnover of about US\$2 million and a production of up to 350 tons of packaging materials per month. In addition, Edipack contributes to the environmental health of the city of Durres by organizing waste collection, recycling paper, and raising awareness on the need for more environmentally sustainable waste disposal habits. Furthermore, Edipack's recycled paper production process uses 100 percent recycled water and other inputs (starch and chemicals) that comply with European Union standards.

Tufenkian Heritage Hotels: Enhanced Employment Opportunities in Distressed Rural Areas

MDGs addressed:



Country: Armenia

Author(s): Manuk Hergnyan

Sector: Tourism

Lead organization: Large domestic company

Inclusion of the poor: Producer, employee



PHOTO: TUFENKIAN

The Tufenkian Heritage hotel chain is a group of luxury boutique hotels in Armenia, located in Yerevan, Sevan, Dilijan and Lori. Tufenkian's goal is to introduce guests to the rural countryside of Armenia — an undiscovered tourist destination. Each hotel, located within a village setting, features luxurious rooms and is furnished with valuable paintings, furniture, and renowned Tufenkian carpets handcrafted by Armenian weavers. The explicit objectives driving Tufenkian are the creation of a strong, profitable brand for top quality hotel services, the development and promotion of Armenia as an attractive tourist destination and the revival of depressed rural areas through the creation of income-generating opportunities for the rural population. Tufenkian also invests in the capacity building of rural communities and continuously improves the environmental sustainability of its business operations.

The evolution of Tufenkian Heritage hotels started with a carpet weaving business founded in 1993, which employed over 1,000 Armenians in poor areas. In 2001, James Tufenkian opened his first hotel in Yerevan, which had two initial objectives — an effective sales channel for Tufenkian carpets to wealthy Armenians and tourists, and ethno-cultural tourism development. Soon after, Tufenkian opened three other hotels in remote rural provinces in Armenia. Tufenkian hotels started a new era for Armenian tourism development, contributing to the development of poor rural areas by employing local staff and by improving the areas' infrastructure, while promoting the Armenian culture.

The number of consumers averages 3,000 annually, with an average occupancy rate of 20 percent, reaching up to 80–90 percent during the busy summer season. The hotel chain employs 174 workers, out of which 108 come from rural areas (90 percent local employees). Tufenkian currently employs about 40 percent of the population of Tsapatagh and Dzoraget villages. Every month, Tufenkian infuses US\$16,000 into the rural economies by paying their employees' salaries. Tufenkian was able to attract the attention of the Government and local authorities to the potential of tourism development in rural areas.

A variety of actors — namely Tufenkian charity vehicles including Tufenkian Foundation and several charity programmes, Armenia Hotel Association, local authorities and the rural population, as well as government and international organizations — influence the development of Tufenkian hotels. Despite the number of challenges faced, Tufenkian hotels' business is continuing to grow, with plans to open hotels in several new locations in the country.

Gadim Guba: Women Weave Carpets, Expand their Independence and Help the Environment

MDGs addressed:



Country: Azerbaijan

Author(s): Jens Trummer

Sector: Manufacturing

Lead organization: Local SME

Inclusion of the poor: Employee



PHOTO: ABAD/YULIYA GUREYEVA

Azerbaijan is known for manufacturing beautiful rugs. Despite this rich tradition, rug sales have been on the decline for years, due to a lack of incentives during the Soviet period and to an influx of cheaper rugs from China and Turkey following the collapse of communism.

This case study describes the story of a woman, Humay Mammadova, who took over the Gadim Guba carpet factory in 2000. She had the dual challenge of improving its manufacturing processes while enhancing its marketing in order to attract new buyers willing to pay higher prices for its quality products.

Ms. Mammadova took part in a programme funded by USAID – the Azerbaijan Business Assistance and Development (ABAD) programme – to improve product quality and identify new purchasers and suppliers. With the help of USAID, the company returned to using natural dyes, thus improving carpet quality and authenticity, promoting age-old traditions of carpet weaving, and reducing the firm's impact on the environment by avoiding synthetic colours.

Gadim Guba is unique because the company is managed and staffed solely by women. It provides 140 women with higher wages and stable employment, from the factory floor all the way up to senior management. This in turn has a multiplier effect, injecting more cash into the local economy. Volume increased from 120 rugs a year with annual revenues of US\$12,000 in 2000 to 400 rugs with annual revenues of US\$120,000 in 2007.

Providing Affordable Health Care to the Poor: Telemedicine in Belarus

MDGs addressed:



Country: Belarus

Author(s): Alesia Krupenikava

Sector: Health / ICT

Lead organization: Large domestic company

Inclusion of the poor: Consumer



PHOTO: MTS

Cardiovascular diseases are common among the population of Belarus. Belarus lacks quick cardiac diagnostic services in many small towns and rural areas that have few, if any, medical personnel that have the necessary qualifications to provide an accurate diagnosis and treatment of cardiovascular disease, particularly in case of emergency such as a heart attack.

Telemedicine offers a solution to this problem by connecting a doctor in a local hospital with a cardiac specialist in a central hospital, who can instantly be sent test data, such as an electrocardiogram (ECG), and can then quickly provide a diagnosis and recommend a treatment. The provision of these kinds of services is also extremely valuable except for in emergency cases, as patients are not required to travel to the central hospital to receive tests, or to wait outside to receive results.

Although many of the elements to provide telemedicine were available in Belarus, provisions had never been made to connect rural hospitals to the Internet. MobileTeleSystems (MTS), the largest cell phone provider in Belarus, recognized an opportunity to both enter a new market by providing telecommunication services to hospitals, while also improving the health care of the poor. A pilot project was undertaken in 2008 by MTS, together with the UN Global Compact in Belarus and the Belarus Ministry of Health. MTS equipped a rural hospital in Ratomka, an underserved village near Minsk, with a handheld ECG device that could transmit test data digitally, as well as free Internet access and a free mobile phone specially equipped to transmit electrocardiograms. In addition, the region's central hospital was given free Internet access for a personal computer equipped with special software that could receive the data. During the first eight months of its operation, around 270 patients were diagnosed and treated locally.

As of November 2009, four more hospitals in remote areas of Belarus have started using the mobile cardiology systems for providing cardiac consultation to patients. Most of these hospitals are now paying MTS for using their services. In addition to the reduction of travel time and costs for the poor, telemedicine positively impacts the environment due to the reduction of travel-related carbon emissions.

MTS is now extending this telemedicine model to other regions of the country, including to the territories most affected by the Chernobyl accident. If most hospitals in Belarus begin using this equipment, MTS stands to profit from increased sales. According to financial projections for 2009–2013, the revenue from services and the gross profit from the sale of devices for MTS could average US\$17,182 a year.

Industrijski Otpad: Turning Waste into Opportunity

MDGs addressed:



Country: Bosnia and Herzegovina

Author(s): Mislav Ante Omazić

Sector: Waste management

Lead organization: Local SME

Inclusion of the poor: Producer, employee



PHOTO: IFC

This case study describes how one couple started a self-sustainable enterprise despite unfavourable conditions in a country still recovering from civil war. Located in Travnik, Bosnia and Herzegovina, the business Industrijski Otpad Ltd. focuses on waste management and recycling.

Industrijski Otpad began as a small backyard operation and has grown to become a regional business that collects waste, sorts it manually, presses it and packages it for further sale. Industrijski Otpad relies heavily on local labour, and as a part of its business model employs ethnic minorities and those living on the socio-economic margins, such as single mothers.

More broadly, Industrijski Otpad aims to improve the performance of the local recycling industry and raise public awareness of waste issues in central Bosnia and Herzegovina. To do so, Industrijski Otpad's business model encourages community participation while contributing to a cleaner and healthier environment.

To achieve its goals, Industrijski Otpad established strategic partnerships along its value chain. It now has approximately 70 partners in its supply chain, ranging from local shopping centres to production facilities, and has forged a strong relationship with the local government. Industrijski Otpad also received technical and financial assistance from the International Finance Corporation (IFC) and UNDP.

Industrijski Otpad's business model is labour-intensive rather than capital-intensive, bringing jobs and income to the poor. At its peak in the mid-2008, it had 18 employees and purchased recyclables from 50 individual contractors, gathering around 1,000 tons of assorted recyclables each month.

Through the cooperation with the local government, the total amount of waste to be collected decreased by about 40 percent in three years, and the number of unregulated landfills was halved.

Such strategies have helped Industrijski Otpad deliver profitable growth and long-term market leadership, while also preserving local natural resources. Despite being a small-scale enterprise, Industrijski Otpad demonstrates a successful inclusive business approach that can be replicated in municipalities across Bosnia and Herzegovina and the Balkan region.

Eco Farm Mavrović: Leading by Example – from Boxing to Organic Food Production Champion

MDGs addressed:



Country: Croatia

Author(s): Mislav Ante Omazić

Sector: Agriculture

Lead organization: Local SME

Inclusion of the poor: Producer



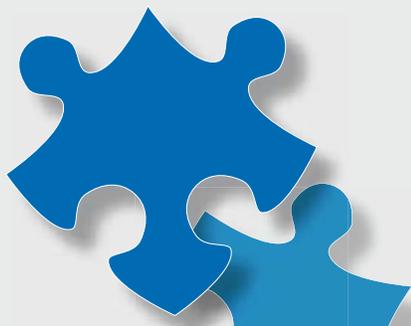
PHOTO: ECO FARM MAVROVIĆ

Eco Farm Mavrović Ltd., an organic grain and animal farm, is a small-scale enterprise located in one of the poorest and most war-affected areas in Croatia, which started with a clear vision to change the public perception of health through organic food production and consumption. It is a crucial part of an integrated business model that includes two complementary but independent entities — Eco Centre Mavrović, a research and educational centre, and Eco Mavrović, a marketing, distribution and sales firm. Together, they employ 51 people and constitute

by far the biggest local employer.

Željko Mavrović, an ex-boxing champion and a well-known public figure in ex-Yugoslavia and Europe, invested his social capital in setting up Eco Farm Mavrović. Drawing from his personal experience as a professional athlete, Mr. Mavrović decided to produce best quality organic food in an environmentally responsible way. His name serves as the brand name.

Today, Eco Farm Mavrović is not just a recognized brand and business worth over US\$2 million, but also by far the biggest organic food producer in the Western Balkan region. In just six years, it managed to build a sustainable business model for organic food production, distribution, marketing and sales. By contributing to the local economy, Eco Farm Mavrović provides the local people with economic security and higher wages than the national average for agriculture. Through different channels, they also offer, free of charge, local farmers and employees targeted knowledge and capacity building in all phases of organic food production. Eco Farm Mavrović is also a model of social inclusion that provides mental and social rehabilitation to former addicts.



Tinex: Employment for Foster Children

MDGs addressed:



Country: FYR Macedonia

Author(s): Tim Lehmann

Sector: Consumer goods

Lead organization: Large domestic company

Inclusion of the poor: Employee



PHOTO: TINEX

Tinex was founded in 1994 by Vladimir Todorovich in the Former Yugoslav Republic of Macedonia (FYR Macedonia). From a single location with 15 employees, it has grown to become the country's second largest chain of supermarkets in terms of revenue.

One of the major problems the FYR Macedonia faces is the extremely high rate of unemployment, which stood at around 33 percent in 2009. About 52 percent of the unemployed were either unskilled or low-skilled.

Mr. Todorovich spotted an opportunity to solve Tinex's staffing challenges by tapping the large number of unemployed people in FYR Macedonia, in particular marginalized groups such as foster children. Tinex started to employ former foster children of 18 years or over in its stores in Skopje.

Tinex became the first company in the FYR Macedonia that offered employment to every foster child when he or she turns 18. The company developed a diligent placement and mentoring programme for the foster children, which had a significant impact on their lives and attracted attention from the private and public sectors. Since 2004, Tinex has offered employment to 40 former foster children must be taken off, 25 of whom are currently employed.

Tinex had to overcome several constraints. It needed to encourage dedication among the foster children by offering them appropriate jobs, invest in partnerships with public agencies and NGOs, and adapt its current recruitment and mentoring practices. Increased motivation among its employees, access to a bigger pool of potential employees, and increased political and societal capital were some of its benefits.

With the FYR Macedonia having become a European Union accession candidate in 2005, Tinex realized the competitive advantage of its pioneering initiative in a liberalizing market environment. In addition to the renewal of its contracts with the Association of Foster Children and the State House for Foster Children in 2009, Tinex added more sophisticated features to the programme, such as university scholarships, and decided to streamline the hiring and mentoring processes. It is also considering hiring from additional marginalized groups.

Begeli and Elkana: BIOTiful Life through Organic Products and Biodiversity

MDGs addressed:



Country: Georgia

Author(s): Manuk Hergnyan

Sector: Agriculture

Lead organization: Local SME

Inclusion of the poor: Producer, employee



PHOTO: BEGELI

Begeli Ltd. is a Georgian commercial company that sells and promotes local organic products. It was founded in 2005 by the Georgian Fruit and Vegetable Ltd. and Biological Farming Association Elkana, a Georgian NGO. Elkana currently represents about 344 individual farmers, 12 farmer groups, four farmer associations and ten business units. The organization has been in operation since 1994 with the mission to contribute to sustainable agricultural development in Georgia. Begeli serves as a direct marketing and distribution channel for Elkana members, helping them to avoid costly middlemen. Begeli also pays them a premium for their produce to create an incentive for organic farming. Begeli thus serves as a springboard for Elkana members to gain access to local and international markets, to get involved in more efficient supply chains, to obtain knowledge of organic production and to enhance their revenue potential.

Currently, Begeli employs four people and in 2008 had a turnover of around US\$33,500. It promotes its products through TV programmes, exhibitions, food tastings, booklets as well as churches. Target consumers are mainly healthy life-style followers who have an average monthly income above US\$1,000 per capita, representing the Georgian upper-middle class and foreigners living in the country. Begeli sells its products through supermarkets and privately placed orders.

Elkana helps Begeli to achieve its goals by supporting its members in increasing sustainable production of different varieties of crops, fruits and vegetables, which were destroyed or can no longer grow following the collapse of the USSR, and providing periodical training to farmers in crop cultivation and production.

Begeli was able to change the lives of over 400 farmers by giving them income-generating opportunities, motivating them to intensify organic cultivation, and by guaranteeing sales. Begeli has achieved about 10 per cent annual growth rate during the first two years of its operation, and prospects are very promising with high double-digit growth rates. Begeli continues preserving and actively promoting over 250 types of products and seeds that were reintroduced by Elkana. Organic farming promoted by Begeli has significantly improved the quality and output of land, which increases the productivity of quality seeds, which in turn increases the health benefits of consumers.

Begeli still has many obstacles to overcome — the underdeveloped physical infrastructure in Georgian rural areas, high costs of food processing, a small domestic market as well as a restricted access to export markets. In addition, Begeli plans to diversify its product range by becoming involved in promoting tea, wine and cheese products, and gaining suppliers that can provide a steady stream of goods, which will help the company to grow and qualify for export markets.

TENGIZCHEVROIL: Boosting Small Business Development in Kazakhstan

MDGs addressed:



Country: Kazakhstan

Author(s): Jens Trummer

Sector: Financial services

Lead organization: Large domestic company

Inclusion of the poor: Entrepreneur



PHOTO: TCO

In the 20 years since the dissolution of the former Soviet Union, Kazakhstan has experienced economic setbacks and an increase in poverty during its transition to a market-based economy. As a part of that process, Kazakhstan's small business sector—a vital source of jobs and income—has also faced many hurdles, such as the lack of financing for loans.

The Central Asian nation has attracted investors, however, such as Tengizchevroil (TCO) and its subsidiary Small Business Development Group (SBD), which played a role in stimulating regional economic growth and employment. Chevron became the first major Western oil company to operate in Kazakhstan when it formed TCO in 1993. TCO then established SBD with the twin goals of incubating Kazakhstan's SMEs, while also increasing the supply chain of locally produced goods and services. As a part of this process, SBD identifies and facilitates loans at no interest to both aspiring and existing small-scale enterprises that support and include social and environmental goals.

Initially, SBD incubated SMEs through a partnership with UNDP and an international commercial bank. Between 2002 and 2008, the partnership provided SMEs with technical, legal, administrative and financial support.

More recently, SBD has helped small businesses obtain interest-free loans. For those SMEs approved for a loan, SBD pays interest rates and bank charges. This saves the SMEs the burden of managing the loan, and enables them to better focus on growth and expansion. As the programme seeks businesses that will have a beneficial impact on social and environmental issues, local communities also benefit from the increased economic and human development opportunities. At the same time, TCO benefits from having a supply chain close at hand.

Over the 12-year life of the SBD programme, more than US\$7 million has been loaned; 174 start-ups and small businesses have been funded, and close to 2,000 new jobs have been created. At least six of these businesses now supply goods and services as part of TCO's supply chain in the areas of consumer goods, printing and electrical services. Since many of the small businesses applying for these loans are selected based on the criteria of addressing social and environmental issues, the consequent growth of SMEs in the region has a beneficial impact not only on the regional economy, but also on creating jobs, alleviating poverty and addressing environmental concerns.

Creating Value for All: Community-Based Tourism

MDGs addressed:



Country: Kyrgyzstan

Author(s): Sheradil Baktygulov, Damira Raeva

Sector: Tourism

Lead organization: MSME

Inclusion of the poor: Entrepreneur



PHOTO: KCBTA

Community-based tourism (CBT), a type of tourism that is owned and managed by the local community, has emerged as a mechanism to facilitate tourism activities in many developing countries. CBT was introduced to Kyrgyzstan by the Swiss Association for International Cooperation, Helvetas, and was well supported by local communities. The first CBT group was established in May 2000 in Kochkor village (CBT Kochkor) and since then, the number of CBT organizations has grown to 18.

The main objective of CBT groups in Kyrgyzstan is to promote sustainable community-based ecotourism services that offer tourists unique experiences, generate incomes for rural families and preserve the natural and cultural heritage of the country. Among the services that CBT groups provide to tourists and tour operators are booking services for home-stays, *yurtas/jailoo* tourism⁶⁸ and trekking, guided tours of cultural and historic sights, handicraft demonstrations and sales, car rentals and miscellaneous tourist information. The provision of these services is the main source of income for individual service providers and CBT groups.

In 2003, local CBT groups formed their own umbrella organization, the Kyrgyz Community-Based Tourism Association (KCBTA), a non-profit membership organization for the further development and coordination of tourist activities within the country. The Association provides marketing and training services to its members and represents their interests at the national level.

To implement the innovative CBT business model, four major challenges had to be overcome: a lack of sufficient knowledge and skills to develop and provide adequate tourism services, limited information from potential consumers and tour operators about CBT products, a lack of financial resources among local inhabitants, in particular access to credit, and a poorly developed physical infrastructure. The strategies implemented by CBT groups included introducing various training programmes to build capacity within the local communities, undertaking marketing campaigns to increase awareness and build trust, and establishing a revolving fund to provide credit to CBT members at lower interest rates.

Currently, 350 families (approximately 1,400 people) are directly involved in CBT in Kyrgyzstan. CBT members are now thinking of ways to expand their services for tourists. CBT brings numerous benefits to the wider community by increasing the standard of living in rural areas, which helps in reducing migration to urban areas. Other businesses that provide ancillary tourism services such as cafés, restaurants, taxis, shops and groceries also benefit from CBT.

68) A *yurta* is a portable, felt-covered, wood lattice-framed dwelling structure traditionally used by nomads in the steppes of Central Asia; *jailoo* means summer pasture.

Rural Finance Corporation Moldova

MDGs addressed:



Country: Moldova

Author(s): Adrian Danet

Sector: Microfinance

Lead organization: Large domestic company

Inclusion of the poor: Entrepreneur



PHOTO: RFC

The Rural Finance Corporation (RFC) is a non-bank financial institution that has been functioning in Moldova for ten years. RFC tries to maximize profits for its shareholders and operates in a free and competitive market, with some direct and indirect support from the State.

RFC is an innovative and profitable enterprise, based on a vision that values fulfilling people's needs, whether they are employees or consumers.

Its mission is to take direct action against poverty in Moldova and promote rural development by offering favourable financial services and micro-credit (which are usually non-existent or underdeveloped in rural areas) to farmers and entrepreneurs, and indirectly by providing financial education to entrepreneurs found in these environments.

RFC was formed through a joint collaboration between the World Bank, the Moldovan Government and the first Savings and Credit Associations of Citizens (SCAs) of Moldova. The company aimed to serve as a financial facility for the SCA network, which as of 2009 accounted for 398 shareholder associations. The shareholders are also the primary consumers of RFC, and together with RFC, act as a financing system for SCA members. This system aims to both make money and retain the value created in the rural space and inside this micro-finance chain. SCAs are currently involved in providing financial assistance to 75,000 consumers (mainly members of the respective SCAs).

The company offers loans to poor people, who have a chance to invest them, usually in income-generating activities, while implementing money distribution systems that can ultimately reduce the carbon footprint (by reducing the need of people to go to the city and physically take the money). The economic results of this company are also important — after almost 12 years of operation, RFC is the Moldovan market leader in loans granted (one-quarter of the market space), accounting for almost 29 percent of the industry profits, and showing a real capacity to obtain results with fewer resources involved.

Čistoća: the First System of Selective Waste Disposal in Montenegro

MDGs addressed:



Country: Montenegro

Author(s): Minjung Shin

Sector: Waste Management

Lead organization: Local SME

Inclusion of the poor: Employee



PHOTO: ČISTOĆA

The Government of Montenegro has identified tourism as a key engine of economic growth. Tourism, however, has faced critical waste management and sanitary problems in almost every region of the country due to the increased quantities of solid waste, especially during the summer season, uncontrolled and inadequate disposal of garbage, and a lack of sanitary landfills. At the same time, there was little public awareness of the benefits of recycling, and the waste management sector did not have a cost-effective and efficient method for collecting and disposing non-industrial waste.

In order to maintain their town's popularity as a tourist destination, the municipal officials of Herceg Novi realized that they needed to preserve natural resources by reducing waste and promoting recycling. As a result, the municipality decided to re-organize Čistoća, the public waste management company, to enable it to start dealing with selective garbage disposal and recycling of aluminum, glass, iron, paper and plastic. Citizens drop off garbage and recycling materials at recycling stations and Čistoća's employees collect it. After collection, the items go through a cleaning and pre-treatment process and are sorted for disposal or retreatment to become secondary raw materials. These materials are then sold to local SMEs in Montenegro and its neighbouring countries.

In order to increase the quality of the recycling facilities and invest in new equipment and vehicles, the Municipality and Čistoća approached USAID and International Relief and Development (IRD) for financial assistance to invest in new facilities. In parallel, the company collaborated with donors and local SMEs to launch a public awareness campaign.

Only a few months after its implementation, 95 percent of the solid waste that came to Čistoća's recycling station was deposited in the correct bins and the total solid waste in Herceg Novi was reduced by 30 percent. Čistoća hired approximately 98 full-time local employees, including 32 Roma from poor communities. Čistoća's employees receive an average monthly salary of EUR426, which is higher than the national average monthly salary, and receive health insurance benefits.

Čistoća is becoming financially sustainable. The municipal budget still covers 34 percent of its operational costs and the remaining 66 percent is financed through Čistoća's own resources. Furthermore, the total revenue from the sales of collected secondary raw materials from 2004 to 2008 increased by 10 percent each year, reaching over EUR2 million in 2008.

Voronezh Oblast – Banking the Unbanked in Remote Areas of the Russian Federation

MDGs addressed:       

Country: Russian Federation

Author(s): Olga Kutuzova

Sector: Financial services

Lead organization: Non-profit

Inclusion of the poor: Customer



PHOTO: UNCDF

The Voronezh Oblast State Fund for Small Business Support (‘the Fund’) in cooperation with a multitude of partners started to provide microfinance services and mobile banking for MSMEs in 2009 in the remote regions of Voronezh Oblast.

The multi-stakeholder pilot model, which the Fund leads in its field operations, leverages innovative technologies — mobile banking and non-personalized plastic cards. The pilot was conducted in close cooperation with two national umbrella microfinance institutions (MFIs), a commercial bank, Visa International, and regional and local authorities.

The Fund was established in 1998 as a legal entity of the regional government in charge of small business development. Today, it serves as a coordinating centre for the provision of microfinance services in remote areas and has three regional branches and 17 partner-affiliated organizations.

The Fund provides people from remote areas with access to commercial capital and additional financial services. The mobile banking project is perceived as a major driver of innovative financial service instruments to serve underprivileged businesses, particularly in remote areas, where no physical banking infrastructure is in place.

The Fund has managed to overcome obstacles commercial banks usually face in remote regions. A set of strategic partnerships is orchestrating the service development, delivery and adaptation of standard microfinance products and processes, as well as educating clients in information and communication technology (ICT).

The Fund has 80 employees. In 2008, its revenues reached US\$451,500, including 68 percent from microfinance operations and 32 percent from guarantees of bank credits for small businesses. The Fund is commercially viable; its profits for 2008 amounted to US\$141,033. In 2010, the number of branches and affiliated organizations of the Fund is expected to reach 25.

Temerin Telecottage: Providing ICT Services to the Rural Poor

MDGs addressed:



Country: Serbia

Author(s): Jens Trummer

Sector: ICT

Lead organization: Startup

Inclusion of the poor: Customer



PHOTO: UNDP

As in many countries, people in Serbia lack access to the Internet, computers and related equipment, which makes it more difficult to access information (such as job advertisements), buy machinery (such as appliances and agricultural equipment), learn languages, and acquire new job skills.

Telecottage Temerin (named after its host village) was established to provide IT and related services to the rural poor. Such services include computer and Internet access at reduced rates, computer skills training, and courses on how to obtain information about jobs and micro-loans. The telecottage also offers English classes and guidance on how to cooperate with regional government agencies (the National Employment Service) and humanitarian organizations (The International Committee of the Red Cross). It creates opportunities for farmers to access capital and improve their technology; helps school children to research, write and print their assignments; and provides retired persons with the opportunity to understand their rights on healthcare and pensions.

The Temerin Telecottage was established in 2001 with the support of USAID, the Foundation for Development of Democratic Rights, and the Hungarian Telecottage Association. These partners provided the funds to purchase computers and furniture, and the resources, technical experience and knowledge to train staff to manage and run the centre.

With approximately 15,000 consumers per year, annual revenue of EUR15,000 and two full-time employees, the Temerin Telecottage remains a revenue-generating social enterprise with a sustainable business model, in spite of future challenges from increased competition (Internet cafes and greater availability of cheaper home computers).

Lending a Hand: A Bank focuses on Farmers

MDGs addressed:



Country: Tajikistan

Author(s): Jens Trummer

Sector: Agriculture and Financial Services

Lead organization: Large domestic company

Inclusion of the poor: Consumer



PHOTO: UNDP

The agricultural sector in Tajikistan – the cotton sector in particular – is the largest employer and a critical part of the country's economy. However, its development has been hindered by outdated agribusiness management skills, poor sector organization, and limited access to financial services (agricultural loans). Banks and financial institutions have been reluctant to develop lending products geared to smaller cotton farmers due to challenges in loan assessments, supervision and collateral. Therefore, cotton farmers remain poor and heavily indebted to private loan companies that provide financial packages through ginneries at high interest rates.

Potentially, cotton farming could be a very lucrative market for the banking sector. In order to increase its share of lending to the cotton industry, Tojiksodirotbank (TSB) — Tajikistan's third-largest bank — restructured its loan portfolio to more effectively target cotton farmers, providing them with financial products at more favourable rates, as well as technical assistance in addressing the major issues of inadequate collateral and unreliable harvest forecasts.

TSB was able to target cotton farmers by entering into a partnership with the International Finance Corporation (IFC). Together these two institutions could enhance the development of the cotton sector, providing real benefits for individual farm-based businesses. In March 2007, the two organizations initiated the Southern Tajikistan Cotton Lending Project, supported by funds from the Canadian International Development Agency (CIDA).

In addition to developing new financial products, the IFC-TSB partnership provided training on lending to smaller farms. It also employed the Global Positioning System (GPS) to better estimate the size of farms and crop output, and provided training on agro-techniques for farmers. A top priority was ensuring that women workers benefited from all programme activities.

Between March 2007 and December 2009, 206 loans were granted. The total value of loans disbursed by TSB is estimated at more than US\$4.2 million. As a result of the confidence gained from the strong performance of the portfolio, TSB has developed and accumulated a nation-wide cotton loan portfolio of over US\$10 million. More than 150 *dekhan* — small-scale family farms — have received loans, covering a total of 4,200 ha of land allocated for cotton production. Out of 8,400 *dekhan* farm employees, 70 percent are women. The rate of repayment has increased considerably and small-scale cotton farmers have gained access to competitive loans, helping them to reduce their indebtedness and enabling them to use the capital for investment and growth.

Turkish Trailblazer: Boosting Rural Areas through Business Investment

MDGs addressed:



Country: Turkey

Author(s): Murat Çokgezen

Sector: Manufacturing

Lead organization: Large domestic company

Inclusion of the poor: Employee



PHOTO: HEY TEXTILE

This case study focuses on a clothing business in Turkey run by a woman entrepreneur, Aynur Bektaş, who achieved success by breaking from conventional business practices and investing in poorer parts of the country. The study discusses her business and investment strategies —strategies that have boosted her company and the economic and social welfare of rural areas of the country.

Ms. Bektaş started her clothing business, Hey Textile, at the age of 38, after a successful career in banking. She opened her first production unit in Istanbul and within ten years, Hey Textile had become one of the largest businesses in Turkey's clothing industry.

Ms. Bektaş encountered several obstacles on the way to business success, however, including intense competition, an unskilled workforce in certain parts of Turkey, and elimination of global trade barriers. In response to global competition, Ms. Bektaş shifted her production units to Turkey's poorer regions, where labour costs are lower and government incentives helped spark regional development. Given the lack of skilled labour in the area, Hey Textile also financed training programmes (later funded by Turkey's State Employment Agency). With the help of government incentives, Ms. Bektaş opened four new production units in impoverished parts of Turkey in six years.

Largely because of cost reductions, Hey Textile's profits have increased by 10 percent. The facilities have created jobs, including social security premiums, for approximately 1,000 locals in rural areas. About half of the jobs created are filled by women, which has contributed to their empowerment through greater income and independence. In addition, income generated by employment at the factories is contributing about US\$120,000 to local economies each month.

Training and Production Facility Nr. 1: Creating Jobs and Opportunities for the Hearing-Impaired

MDGs addressed:



Country: Turkmenistan

Author(s): Jens Trummer

Sector: Manufacturing

Lead organization: Local SME

Inclusion of the poor: Employee



PHOTO: PTF NR. 1

Turkmenistan's post-Soviet transition to a market economy has had a considerable impact on its social protection system. One of the most notable absences in policies regarding disabilities is the lack of incentives to help integrate people with physical disabilities into mainstream social and economic life.

One of the main NGOs in Turkmenistan working with the disabled is the Deaf and Blind Society (DBS). This organization is very active in assisting and integrating the visually and hearing impaired through several centres located throughout Turkmenistan. An interesting feature of its approach is to own several manufacturing facilities throughout the country known as Production and Training Facilities (PTFs), which have the dual function of training and employing mostly hearing-impaired individuals. The training focuses on preparing participants either for employment directly with the PTFs, self-employment or employment with other manufacturers. The PTFs use the profits they generate to finance the activities carried out by the DBS.

This case study describes the PTF in Ashgabat known as PTF Nr. 1, which employs 167 hearing-impaired individuals to produce textiles and trains them in related skills and the use of its machinery, in partnership with UNDP and the European Union.

As a result of this three-year partnership initiated in 2006, PTF Nr. 1 has achieved an increase in the quality and quantities of merchandise, producing higher revenues – up to US\$42,000 per quarter – and creating a long-term and sustainable business model. Profits are in turn transferred to the DBS and used for financing its programmes throughout the country.

Vitmark: High-Quality and Affordable Fruit Products from Local Producers

MDGs addressed:



Country: Ukraine

Author(s): Olena Lazorenko

Sector: Agriculture, Food & Beverage

Lead organization: Large domestic company

Inclusion of the poor: Producer, consumer, employee



PHOTO: VITMARK

Local fruit and vegetable producers from Odessa, Mykolayev, Vinnytsya and Cherkasy regions of Ukraine are the main suppliers for the beverages produced by Vitmark-Ukraine Holding. Vitmark purchases about 40,000 tons of fresh fruits and vegetables annually from small-scale farmers and 25 large-scale domestic agricultural suppliers in these regions. Vitmark includes the poor at various points in its value chain — not only on the supply side as suppliers of local produce or as employees, but also on the demand side, by adapting its products to the needs of

low-income consumers.

Information on high quality cultivation processes and quality standards is generally lacking in Ukraine. Vitmark invests in building these capabilities among farmers, providing informal training and consultations. At the beginning of each agricultural season, up to 50 farmers participate in a free training hosted by the company and conducted by Vitmark's supply chain officers, lawyers and accountants. Farmers receive practical information about the appropriate quality and technical standards of the fruits and vegetables and their production methods. This enables the small-scale farmers, who are considered low-income producers, to become Vitmark's suppliers, thus increasing their incomes and generating employment opportunities. In addition to growing and supplying fresh fruits and vegetables to Vitmark, about 1,000 residents of Odessa and Vinnytsya, 75 percent of whom are from low-income families, are also employed by Vitmark's production plants. Vitmark invested over US\$250,000 in 2007–2008 in the improvement of working conditions, safety and training for employees. In 2008, Vitmark's total training budget was US\$74,273; over 600 personnel were trained. In general, Vitmark's average monthly salaries (US\$436.50) are around a third higher than equivalent jobs in the Odessa region.

Another aspect of the inclusiveness of its business model is Vitmark's efforts to adapt its products to the needs of lower-income people. About 5–6 years ago, the consumption of juice was limited to well-off segments of society, but Vitmark has made it affordable for almost all population segments in Ukraine. Due to Vitmark's success, several other companies entered the low-price juice market. However, as of May 2009, Vitmark accounted for 30 percent of sales in the lower-priced segment of the juice market in Ukraine.

Marap: Cultivating Sustainable Markets in Impoverished Rural Communities

MDGs addressed:



Country: Uzbekistan

Author(s): Jens Trummer

Sector: Agriculture

Lead organization: Local SME

Inclusion of the poor: Producer



PHOTO: MARAP

This case study describes a project by Marap GmbH that aims to meet global demand for its products, while also creating sustainable jobs in impoverished rural communities and protecting the environment in an emerging market—Uzbekistan.

Austria-based Marap is an importer and processor of quality organic fruits and vegetables for distribution within the European Union and the United States. Soon after its founding in 1999, Marap searched for a supplier of its chief products—fruits and nuts. Uzbekistan, with its favourable climate and geography, and long tradition of horticulture, proved to be an ideal candidate. As part of its transition to a market-based economy in the 1990s, Uzbekistan was also interested in development of agriculture and creating additional income opportunities for people in rural communities. With these factors in mind, Marap collaborated with the Austrian Development Agency (ADA), created an Uzbekistan-based subsidiary, DP Silk Road Organic Foods (DP), and partnered with several other organizations and the Government of Uzbekistan to develop its supply chain in Uzbekistan.

Through this programme, Marap is expected to increase its fruit and nut harvests from the current 2,000 tons to an estimated 5,000 tons per year by 2013. The number of full-time employees of Marap's Uzbek subsidiary and seasonal workers is expected to double to 60 and 300 by 2012, respectively. In addition to the anticipated job creation, 150 rural farmers — supporting up to 1,000 family members — now manage farm plots and organically cultivate orchards. These farmers earn on average US\$2,000 per year from the sale of fruits and nuts to DP. This income in turn brings money into rural communities and indirectly reduces the rural to urban migration. Environmentally, the planting of 150,000 fruit and nut trees on approximately 750 ha of barren hillsides represents a return to traditional orchards in Uzbekistan, and rehabilitates degraded land. This reforestation also reduces soil erosion and helps the regional micro-climate.

ANNEX 2: OVERVIEW OF ACTORS PROVIDING SUPPORT TO INCLUSIVE BUSINESS IN THE ECA REGION

There is a wide range of actors providing support to inclusive business development in the ECA region in areas such as policy support, research and advocacy, finance or capabilities. In the overview below, only actors relevant to the region, with a mandate for more than one country, are included. The full profiles of the below actors and other supporting entities including a description of their specific activities and projects can be found on the Growing Inclusive Markets website (www.growinginclusivemarkets.org).

#	Organisation	Short name	Page	Form of Support	Country	Website
1	Ashoka	Ashoka		Policy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.ashoka.org
2	Austrian Development Agency	ADA	59, 64, 68, 96	Research & Advocacy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.entwicklung.at/en/
3	Belgian Corporation for International Investment	BMI-SBI		Finance	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.bmi-sbi.be/en/
4	Belgian Investment Company for Developing Countries	BIO		Finance	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.bio-invest.be
5	Business for Social Responsibility	BSR		Policy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.bsr.org
6	Canadian International Development Agency	CIDA	68, 92	Research & Advocacy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.acdi-cida.gc.ca/index.htm
7	CDC Group	CDC Group		Research & Advocacy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.cdcgroup.com
8	Compania Espanola de Financiacion del Desarrollo	COFIDES SA		Finance	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.cofides.es/english/
9	CSR Europe	CSR Europe		Policy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.csreurope.org
10	Danish Development Agency	DANIDA		Policy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.um.dk/en
11	Deutsche Investitions- und Entwicklungsgesellschaft	DEG		Finance	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.deginvest.de/EN_Home/index.jsp
12	Development Bank of Austria	OeEB		Finance	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.oe-e-b.at/en/Pages/default.aspx
13	Deutsche Gesellschaft fuer technische Zusammenarbeit	GTZ		Policy	Albania, Armenia, Azerbaijan, Belarus, BiH, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan	http://www.gtz.de/en

#	Organisation	Short name	Page	Form of Support	Country	Website
14	Dutch Sustainable Trade Initiative	IDH		Policy		http://www.dutchsustainabletrade.com
15	European Bank for Reconstruction and Development	EBRD	66, 74, 78	Research & Advocacy		http://www.ebrd.com/
16	European Commission EuropeAid	EuropeAid		Finance		http://ec.europa.eu/europeaid
17	European Foundation for Management Development	EFMD				http://www.efmd.org/
18	Finnish Development Finance Company	FINNFUND		Research & Advocacy		http://www.finnfund.fi/en_GB/
19	FMO - Finance for Development	FMO		Finance		http://www.fmo.nl
20	Global Partnership on Output Based Aid	GPOBA				http://www.gpoba.org
21	GuarantCo Guarantees for Development	GuarantCo		Research & Advocacy		http://www.guarantco.com
22	Industrialisation Fund for Developing Countries	IFU		Finance		http://www.ifu.dk/en
23	Infrastructure Collaboration Partnership Fund	DevCo		Finance		http://www.ifc.org/ifcext/psa.nsf/Content/DevCo
24	International Business Leaders Forum	IBLF				http://www.iblf.org
25	International Finance Corporation	IFC	67-69, 72, 74, 78, 82, 92	Research & Advocacy		http://www.ifc.org/eca
26	International Labour Organization	ILO				http://www.ilo.org
27	International Relief and Development	IRD	67, 89	Finance		http://www.ird-dc.org
28	KfW Entwicklungsbank	KfW		Research & Advocacy		http://www.kfw-entwicklungsbank.de/EN_Home/index.jsp
29	Multilateral Investment Guarantee Agency	MIGA				http://www.miga.org/index_sv.cfm



BIBLIOGRAPHY

- Alam, A., M. Murthi and R. Yemtsov. 2005. *Growth, Poverty, and Inequality: Eastern Europe and the Former Soviet Union*. Washington, DC: World Bank.
- Baktygulov, S. and D. Raeva. 2010. *Creating Value For All: Community-Based Tourism*. GIM Case Study No. B058. New York: United Nations Development Programme.
- Baktygulov, S. & J. Trummer. 2010. *Marap: Reforestation and the Creation of Sustainable Jobs in Impoverished Rural Communities*. GIM Case Study No. B076. New York: United Nations Development Programme.
- Braguta, A. 2010. *Growing Sustainable Business: Wool Supply Project*. Project Description. UNDP. <http://www.undp.org/partners/business/gsb/moldova.shtml>. Accessed Aug. 2010.
- Brainerd, E. 2010. "Human Development in Eastern Europe and the CIS since 1990". UNDP Human Development Report, Research Paper 2010/16.
- Çokgezen, M. 2010. "Off The Beaten Path: Mrs. Bektaş's Journey from Çerkeş Back To Çerkeş". Case Study. UNDP.
- Comeault, J. 2008. "Manila Water Company: Improving Water and Wastewater Services for the Urban Poor". GIM Case Study No. A028. New York: United Nations Development Programme.
- Confederation of Danish Industries. 2007. *Working with the Bottom of the Pyramid: Success in Low-income Markets*. Copenhagen.
- Danet, A. 2010. "Rural Finance Corporation Moldova". GIM Case Study No. B089. New York: United Nations Development Programme.
- E+Co. 2009. *Investments: Kunming Rongxia Stove Co., Ltd.* <http://eandco.net/investments/kuming-rongxia-stove-co-ltd>. Accessed 6 Dec. 2009.
- EBRD. 2007. *Transition Report*. <http://www.ebrd.com/downloads/research/transition/TR07.pdf>. Accessed October 2010.
- EEC. 1985. *On Specific Community Action to Combat Poverty* (Council Decision of 19 December 1984). 85/8/EEC. Official Journal of the ECC, 2/24.
- Estache, A. and A. Goicoechea. 2005. "A Research Database on Infrastructure Economic Performance". *World Bank Policy Working Paper* No. 3643.
- Food and Agriculture Organization of the United Nations (FAO). 2001. *Land Reform in Eastern Europe Western CIS, Transcaucuses, Balkans, and EU Accession Countries*. Rome.
- . 2009. FAOSTAT. <http://faostat.fao.org>. Accessed 6 Nov. 2009.
- Gaye, M. 2008. "Rural Electrification in Mali: Improving Energy Accessibility to the Rural Poor". GIM Case Study No. A017. New York: United Nations Development Programme.
- Giovarelli, R. and D. Bledsoe. 2001. *Land Reform in Eastern Europe Western CIS, Transcaucuses, Balkans, and EU Accession Countries*. Seattle, Washington: FAO.
- Guillermo, P. and W. Maloney. 2007. *Informality: Exit and Exclusion*. Washington, DC: World Bank.
- Hammond, A. L., W.J. Kramer, R. S. Katz, J. T. Tran and C. Walker. 2007. *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. World Resources Institute: 114-149.

- Hatem, T. 2008. "LYDEC: Providing Electricity, Water & Sanitation to Casablanca's Shanty Towns". GIM Case Study No. A027. New York: United Nations Development Programme.
- Hergnyan, M. "Begeli and Elkana: BIoTiful Life Through Organic Products and Biodiversity". GIM Case Study No. B055. New York: United Nations Development Programme, 2010
- Hergnyan, M. 2010. "Tufenkian Heritage Hotels: Enhanced Employment Opportunities in Distressed Rural areas". Case Study. UNDP.
- IFC. 2010. *Country Profiles*. Enterprise Surveys. <http://www.enterprisesurveys.org/CountryProfiles/>.
- Ingram, M. *Background Note on Micro, Small & Medium Enterprise Database*. International Finance Corporation. [http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/Background+Note+MSME+Data/\\$FILE/09278291.pdf](http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/Background+Note+MSME+Data/$FILE/09278291.pdf)
- International Bank for Reconstruction and Development/The World Bank. 2010. *The Crisis Hits Home. Stress-Testing Households in Europe and Central Asia*. http://siteresources.worldbank.org/ECAEXT/Resources/258598-1256842123621/6525333-1259681048367/WorldBank_Crisis_Report.pdf. Accessed October 2010.
- International Finance Corporation (FC) and Ethos Institute. 2002 *Developing Value: The Business Case for Sustainability in Emerging Markets*. [http://www.ifc.org/ifcext/media.nsf/AttachmentsByTitle/Developing_Value_Full/\\$FILE/Developing_Value_full.pdf](http://www.ifc.org/ifcext/media.nsf/AttachmentsByTitle/Developing_Value_Full/$FILE/Developing_Value_full.pdf). Accessed October 2010.
- International Labour Organization. National Statistical Offices. 2007. <http://laborsta.ilo.org/>. Accessed 6 Nov. 2009.
- International Telecommunications Union. 2009. *Measuring the Information Society – The ICT Development Index*.
- . 2009. *World Telecommunication Indicators*. Geneva: ITU. <http://www.itu.int/ITU-D/ict/publications/world/world.html>.
- Interstate Statistical Committee of the Commonwealth of Independent States. 2009. *Database "Statistics of the CIS"*. <http://www.cisstat.com/eng/index.htm>. Accessed 27 Nov. 2009.
- Karamchandani, A, M. Kubzansky and P. Frandano. 2009. *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*. Monitor Group.
- Karugu, W. 2010. "Ecotact: Affordable Sanitation Services in Pleasant Surroundings". GIM Case Study No. B060. New York: United Nations Development Programme.
- Karugu, Winifred and T. Mwenda. 2008. "A to Z Textile Mills: A Public Private Partnership Providing Long-Lasting Anti-Malaria Bed Nets to the Poor". GIM Case Study No. A001. New York: United Nations Development Programme.
- Kleinova, I. and B. Duerr. 2010. "Edipack: A Paper Recycling Pioneer". GIM Caselet No. C108. New York: United Nations Development Programme.
- Kothandaraman, P. and V. Vishwanathan. 2008. "Sulabh International: A Movement to Liberate Scavengers by Implementing a Low-Cost, Safe Sanitation System". GIM Case Study No. A044. New York: United Nations Development Programme.
- Kozak, M. 2009. *Micro, Small, and Medium Enterprises: A Collection of Published Data*. International Finance Corporation, 26 Jan. 2007. <http://www.ifc.org/ifcext/sme.nsf/Content/Resources>. Accessed 6 Nov. 2009.
- Krupenikava, A. 2010. "Providing Affordable Health Care to the Poor: Telemedicine in Belarus". GIM Case Study No. B081. New York: United Nations Development Programme.
- Kutuzova, O. 2010. "Voronezh Oblast: Banking the Unbanked in Remote Areas of Russia". GIM Case Study No. B101. New York: United Nations Development Programme.
- Lazorenko, O. 2010. "Vitmark – High-Quality and Affordable Fruit Products From Local Producers". Case Study. UNDP.

- Lewis, M. 2000. *Who is Paying for Healthcare in Europe and Central Asia?* The World Bank. <http://siteresources.worldbank.org/ECAEXT/Resources/publications/healthcareinECA2000/Who+Is+Paying+text.pdf> . Accessed September 2000.
- Lehmann, T. 2010. *Tinex: Employment for Foster Children*. GIM Caselet No. C119. New York: United Nations Development Programme.
- Lerman, Z. 2009. "Land Reform, Farm Structure, and Agricultural Performance in CIS Countries". *China Economic Review* 20: 316-26.
- Limouzin, M. 2009. *Water Scarcity as an Indicator of Ooverty in the World*. University of Texas at Austin.
- Majid, N. 2001. "The Size of the Working Poor Population in Developing Countries". Employment Paper, ILO.
- Maloney, W. F. 2004. "Informality Revisited". *World Development* 32.7: 1159-178.
- Menon, R. 2010. *Aravind Eye: Infinite Vision. India Together*. <http://www.indiatogether.org/2008/jun/hlt-blindness.htm>. Accessed October 2010.
- Mitra P. 2008. *Innovation, Inclusion and Integration: from Transition to Convergence in Eastern Europe and the Former Soviet Union*. The International Bank for Reconstruction and Development/The World Bank.
- Mokhoff, N. 2005. *Russia Emerges as Tech Investment Target Despite Obstacles*, Outsourcing Russia. <http://www.russoft.org/docs/?doc=808>. Accessed October 2010. Accessed October 2010.
- Nelson, J. and D. Prescott. 2008. *Business and the Millennium Development Goals: A Framework for Action*. London: IBLF.
- NextBillion.net. 2010. "Schneider Electric Launches Solar LED Lighting Product In-Diya Newsroom". 4 Feb. 2010. <http://www.nextbillion.net/news/schneider-electric-launches-solar-led-lighting-product-in-diya>. Accessed October 2010
- Odedra, J. 2009a. *Community Involvement in Ecological Sanitation and Safe Water Supply Activities*. Changemakers. Ashoka Foundation. <http://www.changemakers.com/en-us/node/5612> Accessed 6 Nov. 2009.
- Odedra, J. 2009b. *Naandi Foundation's Community-based Safe Drinking Water Systems (CSWS)*. Changemakers. Ashoka Foundation. <http://www.changemakers.com/en-us/node/6860>. Accessed 6 Nov. 2009.
- Omazic, M. A. 2010a. "Eco Farm Mavrovic: Leading by Example – From Boxing to Organic Food Production Champion". GIM Case Study No. B059. New York: United Nations Development Programme.
- Omazic, M.A. 2010b. "Industrijski Otpad: Waste Separation for Poverty Alleviation". GIM Case Study No. B067. New York: United Nations Development Programme.
- Organization for Economic Co-operation and Development. OECD. 2009. *Glossary of Statistical Terms: Informal Sector ILO*. Web. 6 Nov. 2009. <http://stats.oecd.org/glossary/detail.asp?ID=1350>
- Oxford Poverty and Human Development Initiative (OPHI). 2010. *Multidimensional Poverty Index*. <http://www.ophi.org.uk/policy/multidimensional-poverty-index/>.
- Özcan, G.B. 2010. *Building States and Markets: Enterprise Development in Central Asia*. Palgrave Macmillan.
- Perry, G. and W. Maloney. 2007. *Informality: Exit and Exclusion*. Rep. Washington, DC: World Bank.
- Pigato, M. A. 2001. "Information and Communication Technology, Poverty, and Development in sub-Saharan Africa and South Asia". African Development Bank. Africa Region Working Paper Series No. 20
- Policy Proposals for India. 2010. "ICICI Bank: Innovations in Rural Finance". Policy Proposals for India. http://www.policyproposalsforindia.com/article.php?article_id=125&languageid=1. Accessed 21 Aug. 2010.

- Ponder, J.K. 2008. "ICT Trends in CEE and Baltic States". Presentation. International Telecommunications Union.
- Prahalad, C.K. 2010. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Upper Saddle River, NJ: Wharton School Pub.
- Pytkowska, J., A.S. Houyet and A. Mach. 2008. *Inclusive Finance: the State of Microfinance Sector in ECA*. Microfinance Centre.
- Reddy, M. 2008. "ANZ Fiji's Rural Banking Project: Banking on Social Capital and Trust". GIM Case Study No. A005. New York: United Nations Development Programme.
- Rok, B. 2008a. "Danone Poland: Affordable Milk Porridge for Low-Income Families". GIM Case Study No. A014. New York: United Nations Development Programme.
- . 2008b. "District Telephone Cooperative (DTC) Tyczyn: Partnership for Local Economic Development". GIM Case Study No. A016. New York: United Nations Development Programme.
- . 2008c. "FORUS Bank: Pursuing Social Goals in a Financially Sustainable Way". GIM Case Study No. A019. New York: United Nations Development Programme.
- . 2008d. "PEC Luban: Using Straw as an Engine for Sustainable Local Economic Growth". GIM Case Study No. A026. New York: United Nations Development Programme.
- Schneider, F. 2007. "Shadow Economies and Corruption All Over the World: New Estimates for 145 Countries". *Economics* 9.
- Sen, A. K. 2000. *Employment, Technology and Development: A Study Prepared for the International Labour Office Within the Framework of the World Employment Programme, 2000*. Oxford India Paperbacks.
- Serrano, L. 2008. "Amanco: Providing Irrigation Systems to the Rural Poor". GIM Case Study No. A003. New York: United Nations Development Programme.
- Simai, M. 2006. "Poverty and Inequality in Eastern Europe and the CIS Transition Economies". DESA Working Paper No. 17.
- Simanis, E. 2009. "At the Base of the Pyramid". *MIT Sloan Management Review*. MIT Sloan, 20 Oct. 2009. <http://sloanreview.mit.edu/business-insight/articles/2009/4/5144/at-the-base-of-the-pyramid/>. Accessed 13 Nov. 2009.
- State Secretariat for Economic Affairs (SECO). 2003. *Pamir Private Power Project in Tadschikistan: A Project Description*. Project Description. Bern.
- Suhrcke, M., R. Lorenzo, and M. McKee. 2007. *Health and Economic Development in Eastern Europe and Central Asia*. Copenhagen: WHO European Office for Investment for Health and Development.
- Trummer, J. 2010a. "Gadim Guba Carpet Weaving and its Employment of Women". GIM Caselet No. C111. New York: United Nations Development Programme.
- . 2010b. "Lending a Hand: A Bank Focuses on Farmers". GIM Caselet No. C120. New York: United Nations Development Programme.
- . 2010c. "Temerin Telecottages". GIM Caselet No. C117. New York: United Nations Development Programme.
- . 2010d. "Tengizchevroil: Boosting Small Business Development in Kazakhstan". Case Study. UNDP.
- . 2010f. "Training and Production Facility Nr. 1: Creating Jobs and Opportunities for the Hearing Impaired". GIM Caselet No. C107. New York: United Nations Development Programme.
- U.K. Parliament. Parliamentary Office of Science and Technology. 2006. *ICT in Developing Countries*. Postnote, March 2006, No. 261
- United Nations. 2010. *The MDGs in Europe and Central Asia: Achievements, Challenges and the Way Forward*. New York and Geneva.

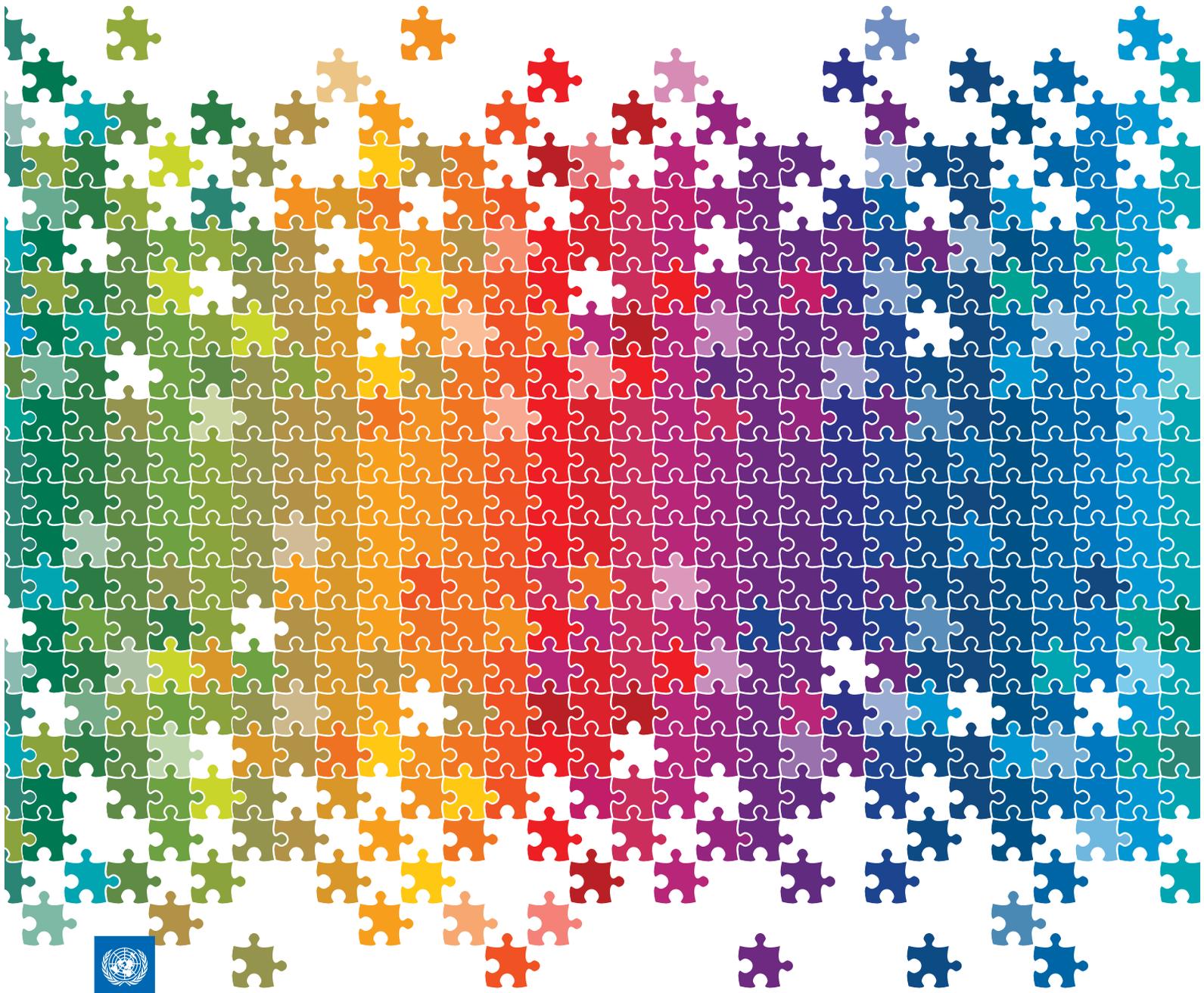
- United Nations Development Programme (UNDP). 2005. "Comprehensive Poverty Assessment in the Republic of Belarus". Minsk.
- . 2008. *Creating Value for All: Strategies for Doing Business with the Poor*. Growing Inclusive Markets.
- . "Construmex: 'Hazla, Paisano!'" Case Study. UNDP. <http://www.undp.org/gimlaunch/press/docs/feature/mexico%20construmex%20feature%20story.pdf>. Accessed October 2010.
- UNDP Regional Bureau for Europe and the Commonwealth of Independent States. 2006. *Europe and the CIS Regional MDG Report: National Millennium Development Goals – A Framework for Action*. Bratislava.
- UNESCO. Institute for Statistics Data Centre. <http://stats.uis.unesco.org>. Accessed 20 Aug. 2009.
- UNICEF. 2008. *Sustainable Elimination of Iodine Deficiency*. http://www.unicef.org/publications/files/Sustainable_Elimination_of_Iodine_Deficiency.pdf
- . *UNICEF Global Database on Iodized Salt Consumption*. Accessed 6 Nov. 2009.
- Vodafone. 2010. *Impact of mobile phones in the developing world*. http://www.vodafone.com/etc/mediablib/attachments/cr_downloads.Par.97534.File.dat/SIM_Project_download_3.pdf. Accessed October 2010
- WHO, USAID and PSP-One. 2007. *Public Policy and Franchising Reproductive Health: Current Evidence and Future Directions, Guidance from a Technical Consultation Meeting*. http://whqlibdoc.who.int/publications/2007/9789241596021_eng.pdf. Accessed October 2010.
- World Bank. 2005. "Opportunities and Options for Governments to Promote Corporate Social Responsibility in Europe and Central Asia". Working Paper.
- . 2008. *Finance for All? Policies and Pitfalls for Expanding Access*. Washington, DC.
- . 2010. <http://data.worldbank.org/data-catalog>. Accessed October 2010.
- World Bank Group. 2009. *World Development Indicators*. <http://data.worldbank.org>.
- . 2010. *Enterprise Surveys*. <http://www.enterprisesurveys.org>. Accessed 21 Aug. 2010.
- World Business Council for Sustainable Development (WBCSD). 2010. "CH2M HILL and SUEZ: Partnerships Deliver Water". <http://www.wbcd.org>. Accessed 10 Oct 2010.
- World Health Organization. 2007. *Combatting Waterborne Disease at the Household Level*. Geneva, Switzerland: WHO.
- . 2009. *The Joint Monitoring Programme: Definitions*. http://www.wssinfo.org/en/122_definitions.html. Accessed 6 Nov. 2009.



Growing Inclusive Markets

Business Works for Development • Development Works for Business

www.growinginclusivemarkets.org



United Nations Development Programme
UNDP Regional Bureau for Europe
and the Commonwealth of Independent States
<http://europeandcis.undp.org/>

Sales #: E.08.III.B.20 . ISBN #: 978-92-1-126224-7