



New Horizons

Accelerating Sustainable Development
through Inclusive Business in Kenya

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LIST OF ACRONYMS

AIDS	acquired immune deficiency syndrome
BCtA	Business Call to Action
BoP	base of the economic pyramid
DDD	Digital Divide Data
FAO	Food and Agriculture Organization of the United Nations
GDP	gross domestic product
HIV	human immunodeficiency virus
ICT	information and communication technology
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
MTP	medium-term plan
NGO	non-governmental organization
SDG	Sustainable Development Goal
SME	small and medium-sized enterprise
UNCDF	United Nations Capacity Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

FOREWORD

In recent years, Kenya has forged a reputation as a continental leader in using private sector-based innovation to improve the lives of ordinary citizens. Consider some examples quoted by President Kenyatta himself at the latest G7 meeting: Safaricom's M-Pesa; a simple mobile app that enables individuals even in the remotest parts of the country to send and receive money. Or Ushahidi, a web-based crowdsourcing platform set up to report instances of violence following the 2007-2008 elections, which was then used in the global response to the 2010 Haiti earthquake and to track the spread of Ebola in West Africa.

Examples like this demonstrate the enormous potential that lies in aligning private-sector approaches with global development goals. Nowhere is this more relevant than Kenya: with almost half the population living below the poverty line, there is both great need and great potential for businesses to include this demographic as customers, clients, employees, suppliers and more.

This is the very heart of inclusive business. It is about aligning corporate potential with human need. And it is inspiring to read the many examples in this report showing that inclusive business is gaining ground in Kenya. Jacaranda Health's model of reaching low-income women with affordable maternal care is saving lives in Nairobi, while ACRE Africa's innovative approach to insuring small-scale farmers is providing unprecedented financial security to farming families in rural Kenya.

But along with the opportunities come considerable challenges, which also emerge in this study. From a lack of access to financing and limits of regulation to poor infrastructure, it is important to acknowledge and understand them, and it is our collective duty to work to overcome them. We all have a role to play.

As inclusive business supporters, we must work with the Government to ensure that policies and regulations are flexible and can keep up with the pace of innovation in the private-sector, to ensure that inclusive models aren't slowed down by bureaucracy. As development partners, we must more actively include private sector into development planning processes so that we do not duplicate efforts unnecessarily. Education institutions need to update curricula and work more closely with businesses to ensure that students are work-ready upon graduation.

Leading companies across sizes and sectors are already seeing the potential of reaching out to people at the base of the economic pyramid through inclusive business, and scaling the impacts of these models. As outlined in this report, the true potential for change lies in collaboration. By supporting the expansion of inclusive business in Kenya, we will collectively contribute to improving the lives of Kenyan citizens.

Let's take inclusive business in Kenya to the next level to "leave no-one behind!"



Siddharth Chatterjee
UN Resident Coordinator and UNDP Resident Representative for Kenya

Aligning corporate potential with human need is at the very heart of inclusive business.

FOREWORD

Last year, the world committed to a new development framework that, if achieved, will lead to improved living, working and health conditions for all by 2030. The Sustainable Development Goals and 2030 Agenda define a bold vision, which requires the engagement of a wide range of actors from the humanitarian and development spheres as well as those outside the conventional development community – including the private sector.

At Business Call to Action (BCtA), we have long recognized the value of engaging the private sector to achieve development goals: there is enormous potential in using inclusive business models to break the cycle of poverty and create opportunities for people facing financial, educational and geographic exclusion.

There is growing evidence that inclusive business models are working. Not only are they improving people's lives, but they are generating new business opportunities and opening up new markets. Kenya is a perfect example: inclusive businesses are flourishing across the country in a range of sectors and people living at the base of the economic pyramid are being included as producers, suppliers, retailers and customers. They are working under better conditions, accessing high-quality training and skills development along with better healthcare and insurance, and establishing more sustainable sources of income. From this perspective, the link between the private sector and the Sustainable Development Goals is both natural and logical.

Inclusive businesses should be mutually beneficial to both companies and each individual included in their value chains. We can see this in the many examples highlighted in this report, including avocado oil producer Olivado, which works directly with farmers to reliably trace the quality and source of its fruit, ensuring that farmers receive a consistent income and better working conditions. Solar energy provider Mobisol is expanding its client base by providing affordable solar energy to families who could not previously afford it, enabling children to study at night and perform better at school.

These examples of inclusive business are undoubtedly inspiring. But this report also shows that the overall context needs to change to enable inclusive businesses growth – not just in Kenya, but globally. We know the demand is there.

BCtA has nearly 200 member companies globally, including 40 that have made inclusive business commitments in Kenya. All of its members have committed to improve the lives and livelihoods of millions through commercially viable business ventures that engage low-income people as consumers, producers, suppliers and distributors of goods and services. We have heard the voices of over 50 Kenya-based companies in this report. We know what is needed to support them and to encourage other companies to develop business models that are more inclusive.

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There is growing evidence that inclusive business models are working. Not only are they improving people's lives, but they are generating new business opportunities and opening up new markets.

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We at BCtA commit to do our part, continuing to work directly with companies to: (i) implement sound inclusive business management practices focused on impact measurement to improve performance and enhance social impact; and (ii) assist them in their journey towards inclusive business maturity. These efforts also help them to identify operational efficiencies, gain a better understanding of markets, inform the development of new products and services, and ultimately maximize social impact.

We urge other key actors to play their part as well.



Paula Pelaez
Business Call to Action Programme Manager



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EXECUTIVE SUMMARY

As a global advocacy and leadership platform, Business Call to Action (BCtA) challenges companies to make measurable commitments towards the Sustainable Development Goals (SDGs) through inclusive business models. If the SDGs are to be achieved by 2030, the role of the private sector cannot be underestimated: businesses are a key source of the innovations and investments needed to achieve these goals. While businesses can contribute in many ways, inclusive business models provide companies of all sizes with opportunities to tap into new markets and leverage their core businesses to fulfill the SDGs by directly impacting people living in poverty – and leaving no one behind.

This publication is the first in a series of three produced by BCtA to highlight the efforts of its members and other inclusive businesses in Kenya, the Philippines and Colombia, focusing on both the opportunities and challenges of inclusive business. It aims to encourage companies' engagement in inclusive business and contribution to the SDGs by offering examples of successful and emerging approaches, and indicating how governments and other stakeholders can support their establishment and scaling up.

Inclusive business models provide goods, services and livelihoods in a commercially viable manner to people living at the base of the economic pyramid (BoP), integrating them into companies' value chains as suppliers, employees, distributors, retailers or customers. Globally, the 4.5 billion people living at the base of the economic pyramid (BoP) are estimated to spend over US\$5 trillion per year (in terms of 2005 purchasing power parity), making this a bigger consumption segment than middle- and higher-income earners combined. In Kenya, the BoP market segment accounts for 84 percent of yearly household consumption.¹

While inclusive business represents significant opportunities in Kenya, building commercially viable and impactful businesses requires patience, collaboration and innovation to develop an attractive value propositions for people at the BoP. Inclusive businesses also benefit from a supportive ecosystem comprised of other companies, government, civil society, academia and development partners – all of whom can enable inclusive business models to reach scale and have positive social impacts.

This report highlights opportunities for inclusive business across five sectors: financial services, food and beverages, healthcare, infrastructure and skills building and education. It also shares insights gained from a survey, interviews and workshops on how inclusive business can be scaled to accelerate achievement of the SDGs by 2030.

The insights gathered from 50 companies engaging in inclusive business in Kenya for this report include the following:

- 1. Kenya has a vibrant inclusive business community that is already tapping into the BoP market and contributing towards the SDGs through core business. Scaling**

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Kenya has a vibrant inclusive business community that is already tapping into the BoP market and contributing towards the SDGs through core business.

.....

¹ Calculations based on the World Bank's Global Consumption Database.

.....

Companies engaging in inclusive business report doing so because it makes business sense, providing them with: a competitive advantage and differentiation from competitors; increased profits; and more resilient supply chains.

.....

up the impact of inclusive business holds great potential for accelerating the achievement of the SDGs.

- **Companies engaging in inclusive business report doing so because it makes business sense**, providing them with: a competitive advantage and differentiation from competitors; increased profits; and more resilient supply chains. These businesses include people at the BoP at various points along their value chains, as suppliers, distributors, consumers or employees.
 - **Inclusive businesses can easily link their impacts to the SDGs:** Companies have identified a variety of links between the impacts of inclusive business and the SDGs. Most identify with SDG 1: No Poverty in addition to sector-specific SDGs. But while the majority of inclusive businesses report that they measure the impacts of their inclusive business models, less than half report publicly on them.
 - **Accessing affordable financing is a challenge for inclusive businesses in Kenya.** A lack of access to affordable financing impacts people at the BoP as well as companies seeking to develop and scale their inclusive business models. Low consumer awareness in the BoP market also hinders success, requiring innovative marketing and distribution approaches such as leveraging mobile technologies and using shared distribution channels. Companies agreed that inclusive business is best scaled up through partnerships, and business-to-business partnerships are growing in importance.
- 2. A variety of opportunities, along with successful and emerging business models, exist across sectors.**
- **In the financial services sector**, the BoP represents 44 percent of yearly household consumption. Inclusive businesses can tap into underserved insurance markets and develop tailored financial products especially for smallholder farmers and micro-entrepreneurs.
 - **In the food and beverage sector**, the BoP represents 91 percent of yearly household consumption, and most Kenyans' livelihoods are based on agriculture. For this reason, the sector provides opportunities for building more resilient and inclusive supply chains, including by providing smallholders with better access to financing, inputs, new technologies and agricultural intelligence.
 - **In the health sector**, the BoP represents 71 percent of yearly household consumption. There are many promising opportunities in this sector for inclusive business to reach scale by leveraging technology, public-private partnerships and new financing models, and by tapping into new product lines.
 - **In the infrastructure sector**, comprised of energy, housing, water utilities and communications, the BoP represents 75 percent of yearly household consumption. Growing urbanization is increasing the demand for affordable housing, water and sanitation services among people at the BoP, and Kenya has a large off-grid population that needs access to alternative energy sources. New consumer

financing models, distribution partnerships and cross-sector collaboration to address infrastructure needs offer additional opportunities in the sector.

- **The skills building and education sector** can help Kenya's growing youth population to become its strength. Inclusive business models that engage low-income communities as suppliers and consumers of educational products and services can help to address the skills gap in Kenya.

3. To accelerate the impacts of inclusive business on the SDGs, a supportive ecosystem needs to foster dialogue and collaboration in order to lift more Kenyans out of poverty.

- **Building awareness and understanding of how inclusive business models contribute to the SDGs is the first step.** Inclusive business has the potential to help the Government to meet the SDGs and national development targets. Kenya offers plentiful examples of this impact – and strong partnerships to learn from. Existing platforms and private-sector associations can help to demonstrate this potential to the Government. Measuring the impacts and reporting on also helps to provide a sound evidence base.
- **Inclusive businesses – including the many social enterprises active in the country – should be engaged in developing policies and regulations that impact them.** For innovative approaches to succeed, regulations need to be able to adapt at a comparable pace. Business associations and development partners can include the voices of inclusive businesses in discussion roundtables, and national governments can foster collaboration when designing development projects that seek to build markets and drive prosperity.
- **Partnerships and the collaboration of several actors are needed for impacts at scale.** The public and private sector need to find new ways of working together to address development challenges; this will not happen without occasional failures. Similarly, inclusive businesses and civil society can be allies and engage in collaboration that builds markets and fosters inclusion. Collaboration and dialogue are also needed between companies and educational institutions to address the skills gap; inclusive business approaches from other countries and regions can provide examples. Business-to-business collaboration can open new distribution channels, provide better value for the BoP and advance more effective messaging. All actors have a role to play in gathering information on efforts already underway, for instance through SDG-specific platforms.

Chapter 1 of this report describes the links between inclusive business and the SDGs. Chapter 2 provides insights on Kenya's current inclusive business landscape gathered through a survey and interviews with 50 companies engaged in inclusive business. Chapter 3 introduces inclusive business opportunities in Kenya across five sectors, highlighting successful and emerging models, and links to the SDGs. Chapter 4 summarizes the recommendations from these consultations for inclusive businesses, the Government, academia and inclusive business supporters on scaling up to provide new market opportunities and access to goods, services and livelihoods.

Inclusive business has the potential to help the Government to meet the SDGs and national development targets.



1. INTRODUCTION:

Inclusive Business and the Sustainable Development Agenda



The Global Development Agenda

In 2015, nearly 200 countries agreed on the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) – a global plan to build a prosperous future for the planet, leaving no one behind. The 17 SDGs were adopted along with 169 targets across all areas of sustainable development, economic growth, social inclusion and environmental protection, calling for action in all countries. The private sector is considered an important contributor to their fulfillment.

Governments across the globe are establishing plans for meeting the SDGs in their countries. This will require investments in data collection, analysis and dissemination that contribute to national, regional and global assessments on progress towards the goals. To date, 193 governments, including Kenya, have committed to integrating the SDGs into their development plans.

Kenya's Journey Towards the SDGs

Kenya is a lower-middle-income country with a population over 46 million, most of them under 25 years old. Despite the country's ascension to lower-middle-income status in September 2014, 46 percent of its population continues to live below the national poverty line. At the same time, Kenya is considered an economic hub in East Africa, with a dynamic private sector and a gross domestic product (GDP) growth rate that is estimated to rise above 6 percent by 2019.² Key questions for the country include how to ensure that its vast population living in poverty shares in the benefits of Kenya's economic growth. This question is especially relevant for unemployed and underemployed youth, who are entering the labour market at an unprecedented pace.

Kenya's performance in meeting its national Millennium Development Goal targets was mixed: while there were significant improvements in educational enrollment, gender equality and women's empowerment, there was more moderate success in eradicating extreme poverty and hunger, reducing child mortality, combating HIV and AIDS, malaria and other key diseases, and improving maternal health.

KENYA COUNTRY STATISTICS³

Human Development Index⁴

0.555 (146th out of 188 countries)

Population (2015)

Size: 46.1 million

Growth:

2.6 percent per year

Life expectancy:

62.1 years

GDP (2015)

Annual:

US\$63.4 billion

Growth rate:

5.6 percent per year

Per capita:

US\$1,377

Poverty

(nationally, 2005)

45.9 percent

Ease of doing business rank⁵

92 (2017)

² World Bank. 2017. Kenya Economic Update: Housing – Unavailable and Unaffordable. No. 15. Washington, DC: World Bank Group.

³ World Bank. Data Bank. Accessible from <http://data.worldbank.org/country/kenya>

⁴ United Nations Development Programme (UNDP). Human Development Report 2016: Human Development for Everyone. Accessible from: http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf.

⁵ World Bank. 2016. Ease of Doing Business Data. Accessible from: <http://www.doingbusiness.org/data/exploreeconomies/kenya>.

What is Inclusive Business?

Business Call to Action (BCtA) uses the definition provided by the United Nations Development Programme (UNDP),⁶ which describes inclusive business as a commercially viable business model benefitting low-income communities by including them in companies' value chains as clients, consumers, producers, entrepreneurs or employees.

The G20 platform defines inclusive business as a private-sector approach to providing goods, services and livelihoods

on a commercially viable basis – either at scale or scalable – to people at the BoP, making them part of companies' core business as suppliers, distributors, retailers or customers.⁷

People at the base of the economic pyramid (BoP) refer to those who have low incomes and lack access to basic goods and services. 'Low income' refers to people earning US\$8 or less a day in terms of 2005 purchasing power parity.⁸

Kenya's Government is a signatory to the 2030 Agenda, participating in drafting the SDGs. The country's long-term development plan, Vision 2030,⁹ and its medium-term plan (MTP) framework are guiding the country's progress towards the SDGs. Vision 2030 aims to make Kenya a globally competitive and prosperous country with a high quality of life for all citizens. It is being implemented through five-year national MTPs and associated county integrated development plans. Kenya is currently implementing its second MTP under Vision 2030, which will end in 2017. The third MTP, covering 2018-2022, will be aligned to the SDGs, and is anticipated to increasingly engage a variety of stakeholders, including the private sector. The Ministry of Devolution and Planning has been mandated to coordinate SDG implementation in Kenya, and counties are expected to play a key role through the Council of Governors. The Kenya National Bureau of Statistics is developing national indicators for monitoring SDG progress, which county governments are expected to use for gathering sub-national data.

Inclusive Business – Creating Opportunities for All

Inclusive businesses provide goods, services and livelihoods on a commercially viable basis to people living at the BoP, including them in companies' value chains as suppliers, employees, distributors, retailers or customers. These businesses can play a key role in accelerating achievement of the SDGs by providing livelihoods and access to essential goods and services such as healthcare, water, sanitation, energy and financial services. Inclusive businesses range from large, established multinational and national companies

6 UNDP. 2008. *Creating Value for All: Strategies for Doing Business with the Poor*. New York: UNDP.

7 G20 Development Working Group. 2015. *G20 Inclusive Business Framework*. Available from: <http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf>. Note that in 2015, the G20 platform defined three distinct inclusive business approaches, each with different relationships to people at the BoP, financial return expectations and primary funding type.

8 *Ibid.*

9 Kenya Vision 2030. Accessible from: <http://www.vision2030.go.ke/index.php>.



to small and medium-sized enterprises (SMEs). For some, the entire business model is inclusive of BoP populations while for others, it operates in parallel as a separate business line or procurement approach to the company's primary business.

Inclusive business goes beyond linkages with poor or low-income populations, which often happens by default when companies operate in countries where most of the population lives at the BoP. Inclusive business is an intentional approach that seeks to include and benefit impoverished people by providing more resilient livelihood opportunities, skills development and access to goods and services while building markets, talent and more resilient supply chains for companies.

However, it can take a long time for inclusive business models to achieve profitability and reach scale. Fostering scale and impact often requires the collaboration of multiple stakeholders, from governments and development partners to academia and civil society, to build an enabling environment and ecosystems that address common challenges.

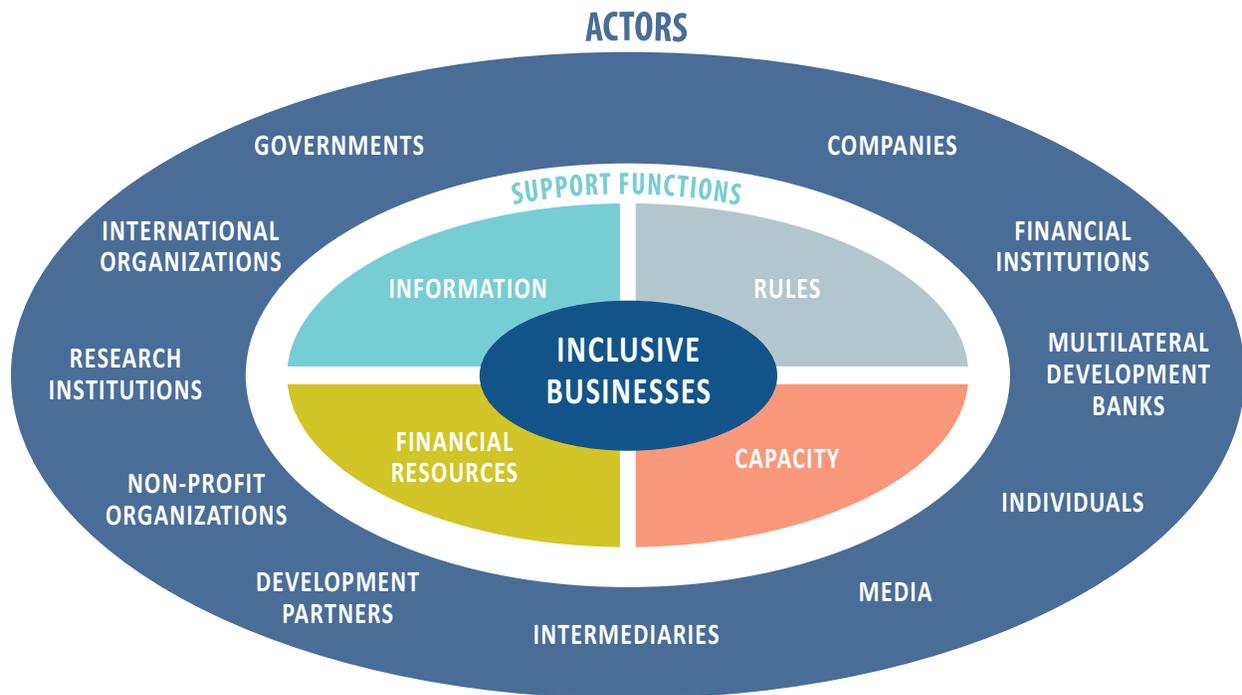
The G20 Inclusive Business Framework¹⁰ elaborates four areas where inclusive businesses frequently encounter challenges related to doing business with BoP populations:



Rules and regulations: Inclusive businesses often innovate in product development, technologies and service delivery to provide cost-effective and affordable services. Innovative solutions can be limited by either a lack of regulations or restrictive regulations. Additional challenges relate to the informal nature of the BoP markets, which can make it difficult for companies to register clients or contract suppliers. Companies' own policies might also make it difficult to justify long-term investments in inclusive business.

¹⁰ G20 Development Working Group. 2015. G20 Inclusive Business Framework. Available from: <http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf>. Note that in 2015, the G20 platform defined three distinct inclusive business approaches, each with different relationships to people at the BoP, financial return expectations and primary funding type.

Inclusive Business Ecosystem



Source: G20 Inclusive Business Framework



Financing: Inclusive business approaches may be considered too risky to justify investment by conventional financiers. Despite the rise of impact investing, many inclusive businesses report a lack of access to affordable financial services. Their BoP suppliers, distributors and clients also tend to lack access to financing, limiting the scale of inclusive businesses and often leading companies to devise their own financing schemes.



Information: Market data on BoP consumers' spending patterns and other information needed to develop tailored products for BoP markets is often unavailable, and there might not be service providers to gather these data. As a result, multiple actors may need to collaborate to gather comprehensive data, including government institutions and academia. In addition, BoP consumers tend to lack awareness of available products and services, which means that inclusive businesses must invest in building customers' awareness.



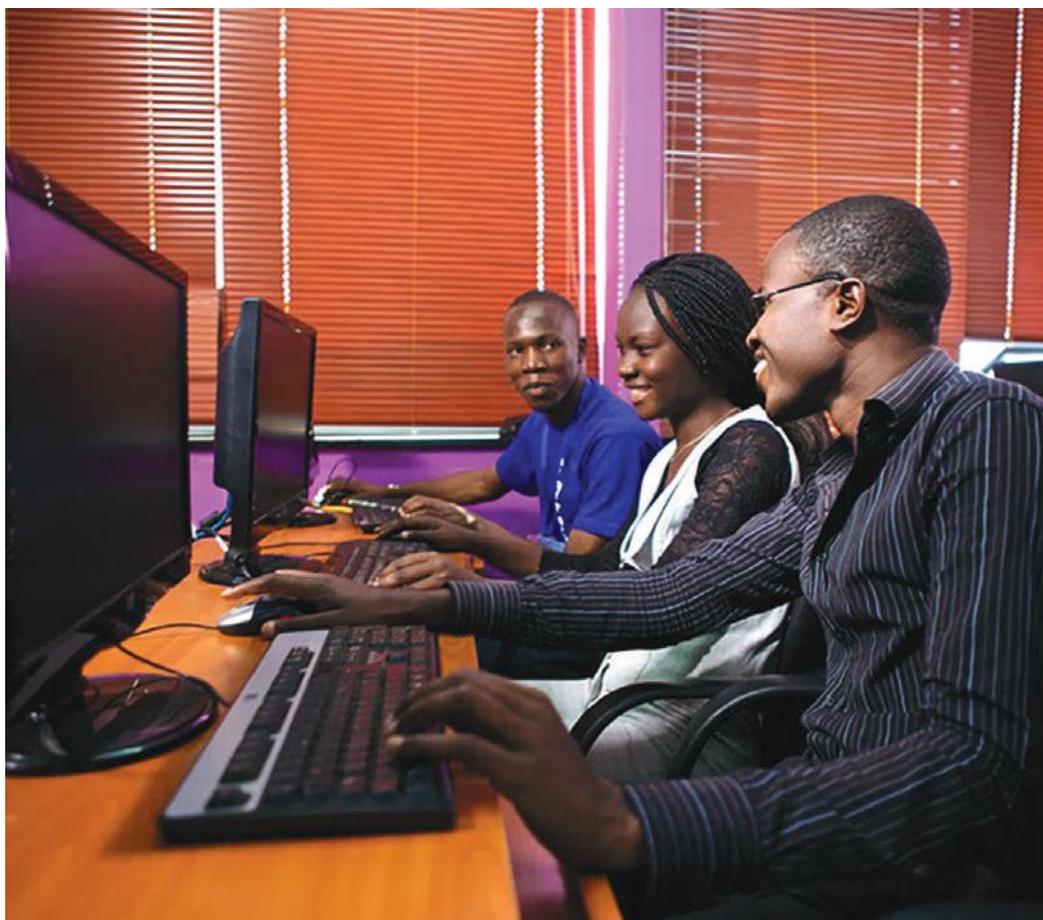
Capacity: Inclusive businesses face a broad range of capacity gaps, including insufficient or substandard infrastructure such as roads, energy and communication networks, and a lack of skills among BoP suppliers, employees and distributors. In addition, companies themselves may lack the skills to target BoP markets.

Objectives of this Publication

This publication aims to encourage Kenya-based businesses to engage in inclusive business and contribute to the SDGs, and to highlight how governments and other stakeholders can support inclusive businesses in Kenya. It highlights specific opportunities for inclusive business in Kenya in five sectors with high SDG impact, identifying market potential, examining successful and emerging inclusive business models, and providing insights into how inclusive business impacts can be scaled up.

The insights presented in the publication were gathered between November 2016 and March 2017 through a survey of over 50 organizations engaged in inclusive business, interviews with over 25 companies and four sector-specific workshops, attended by 26 companies in total.

Chapter II provides an overview of the survey results while Chapter III offers sector-specific insights on the financial services, food and beverage, healthcare, infrastructure and skills-building and education sectors. Chapter IV presents ten recommendations to support and scale up inclusive business in Kenya for various actors in the inclusive business ecosystem.





2. CURRENT STATE OF Inclusive Business in Kenya

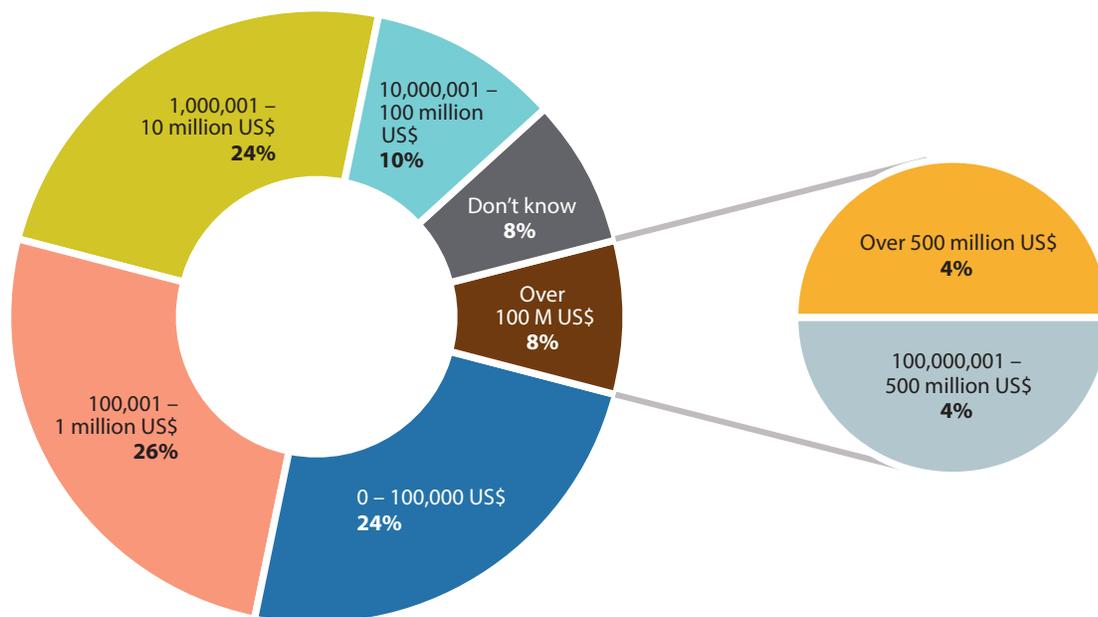
Introduction

This chapter looks at the motivations for engaging in inclusive business, links with the SDGs, obstacles faced and strategies used to scale up inclusive models. It also details the support received and still needed by inclusive businesses. Sector-specific insights are further presented in the following chapter.

The information in this chapter is based on consultations with 50 inclusive businesses in Kenya. Nearly three quarters of the companies consulted are SMEs with turnover of less than US\$10 million per year while 18 percent are large companies with turnover of over US\$ 10 million per year.

What was your company's revenue in 2015? (in US\$)

Number of respondents: 50

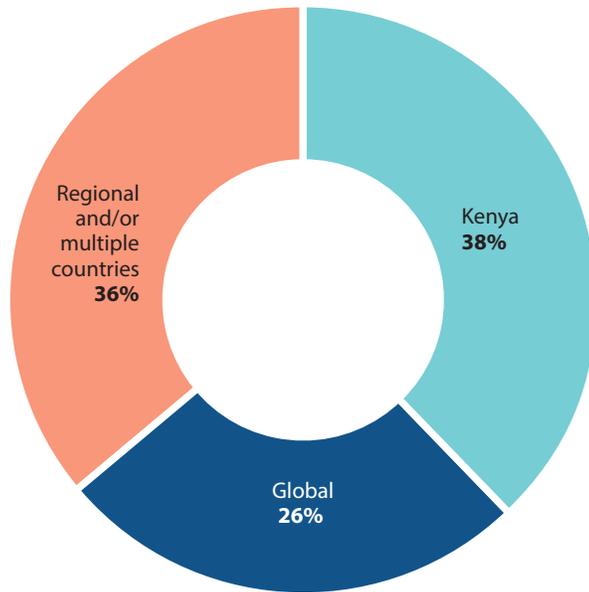


With regard to the scope of their operations, 38 percent of the companies operate only in Kenya, 36 percent operate regionally or in multiple countries, and 26 percent have global operations.

The most represented sector among respondents was infrastructure (at 41 percent), which comprised several sub-sectors including utilities (energy, water, sanitation), housing, mobile telephony and payments, and information and communication technology (ICT). The health sector was next (comprising 21 percent of respondents), followed by food and beverages (with 20 percent), financial services (with 8 percent) and education and skills building (with 2 percent). More information on respondents' backgrounds can be found in Annex 1.

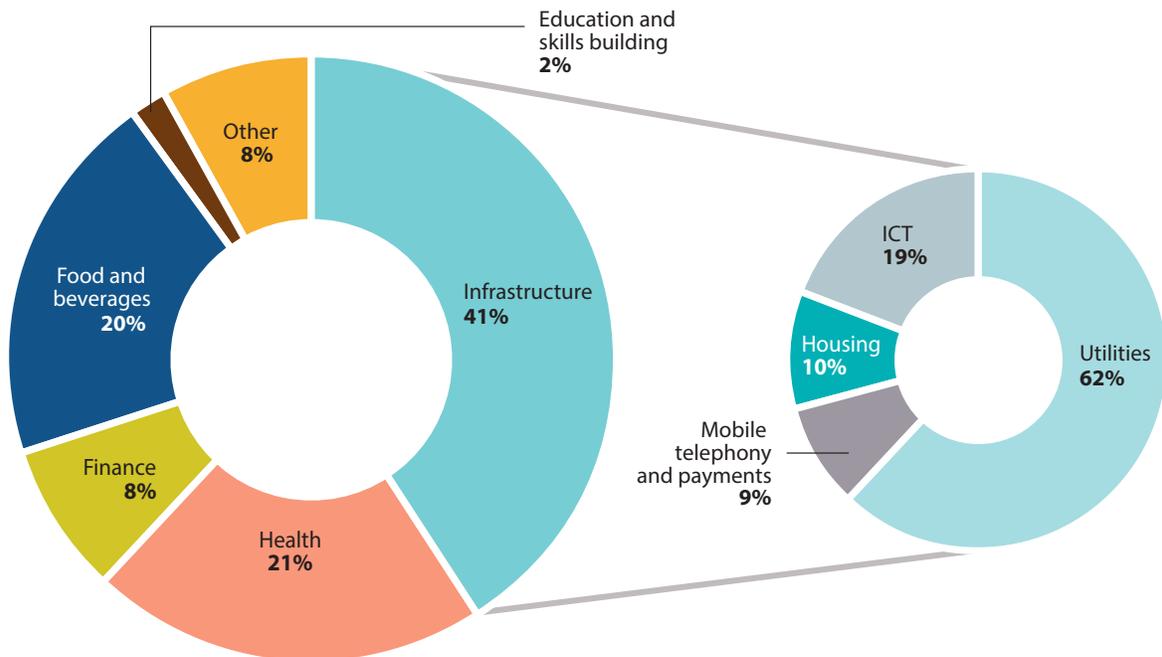
Which of the below best describes the scale of your company?

Number of respondents: 50



In which sector do you operate? If multiple sectors, in which sector is the majority of your engagement with people at the base of the pyramid?

Number of respondents: 51



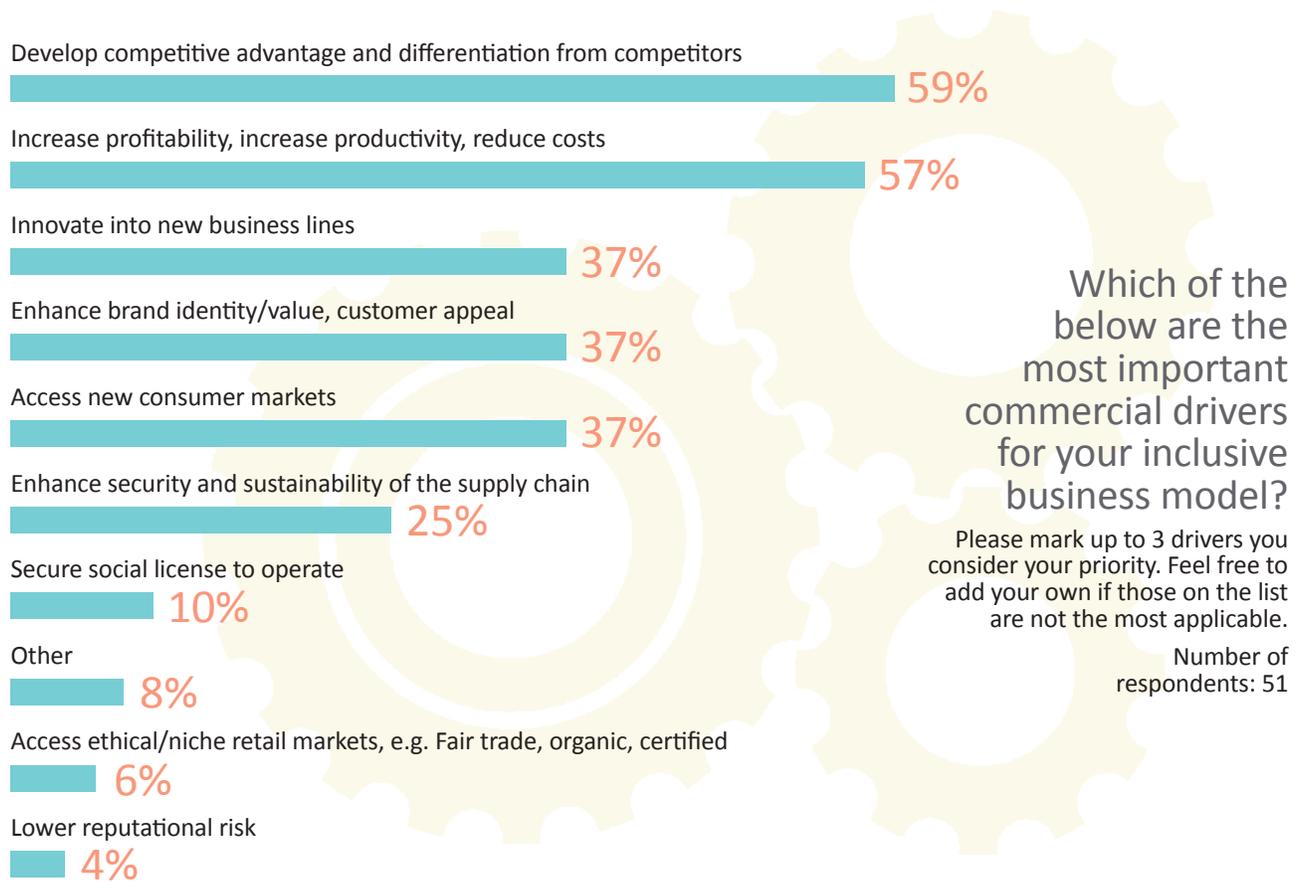
The Motivation: Why Engage in Inclusive Business?

Companies engage in inclusive business because it makes business sense: it can provide a competitive advantage, increased profitability and productivity, or reduced costs. While the most common way respondent companies include people at the BoP is as customers, the majority reported engaging the BoP at various points in their value chains simultaneously.

The most common reasons surveyed companies gave for engaging in inclusive business included: gaining advantage over competitors; increasing profits; and reducing costs. Over one third of companies also reported that the ability to expand into new business lines, enhance brand identity or access new consumer markets were driving their engagement. One quarter considered inclusive business a means to enhance the security and sustainability of their supply chains.

Respondents from SMEs tended to highlight the importance of competitive advantage and differentiation from competitors, while respondents representing larger companies saw increased profits and access to new markets as the key commercial drivers of engagement.

Commercial drivers for inclusive business



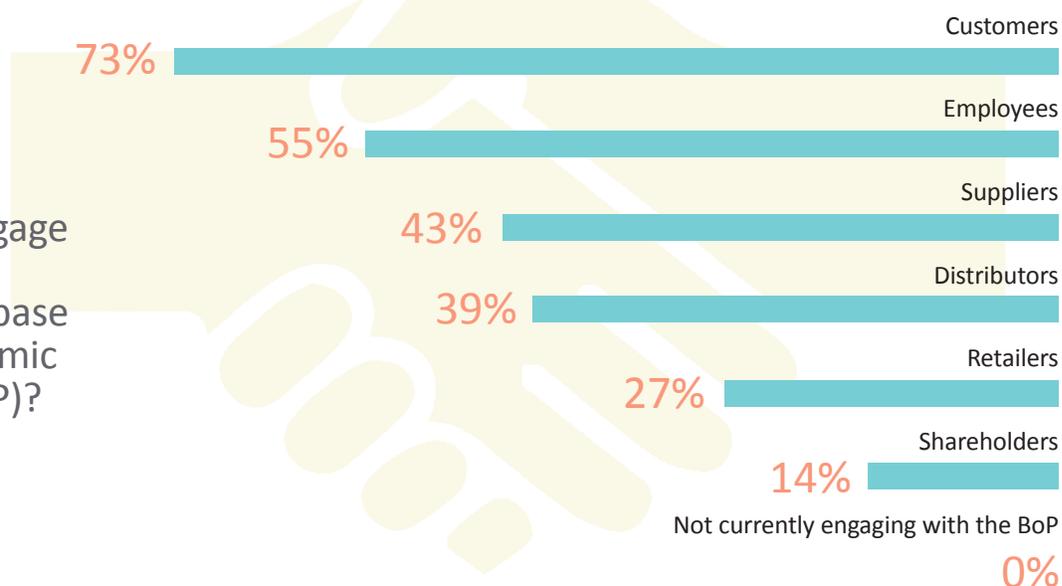
Among companies in the financial services, healthcare and infrastructure sectors, the most reported way of engaging the BoP was as customers, although in the infrastructure sector respondents also mentioned engaging the BoP to much the same extent as employees or as distributors. In the food and beverage sector, people at the BoP have been engaged most often as customers and suppliers.

Company engagement with BoP

In what way does your company engage with people living at the base of the economic pyramid (BoP)?

Multiple responses possible.

Number of respondents: 51



Linking with the SDGs: How Do Companies Align, Measure and Report Impact?

Respondents saw a variety of links between the impacts of inclusive business and contributions to the SDGs. Most identified with SDG 1: No Poverty along with sector-specific SDGs. While the majority reported that they measured the impacts of their models, less than half reported on them publicly.

All respondents were able to link their business models and impacts to the SDGs, with most seeing their models contributing to several SDGs at once. SDG 1, which encompasses sustainable livelihoods and increased incomes, access to financial services and affordable products and services, was selected by nearly all respondents. Over one third of the respondents also identify with SDG 5: Gender Equality.

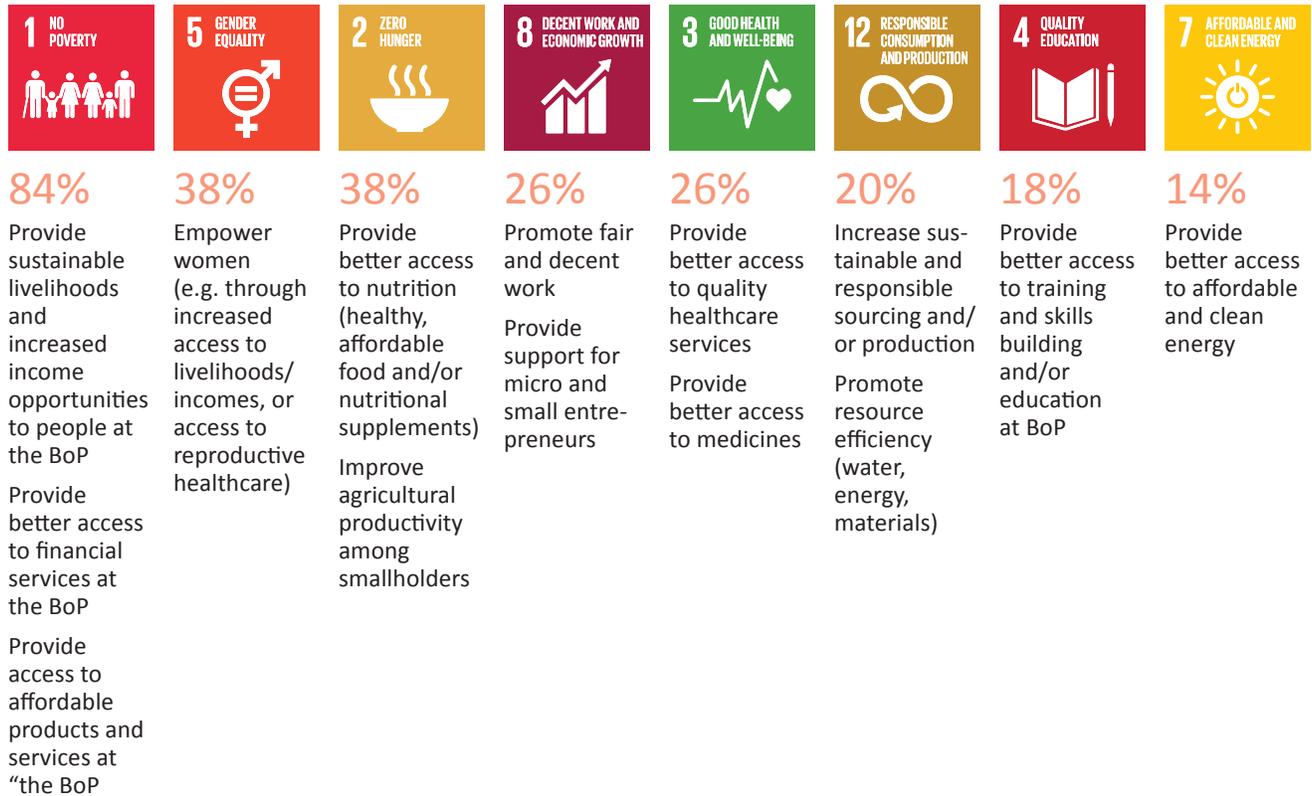
While the majority of respondents measure the impacts of their models, the extent of impact measurement varies significantly, with some companies using globally known frameworks and undertaking detailed assessments, and others limiting impact measurement to periodic interviews with BoP stakeholders.

Less than half of respondent companies publicly report on impact. Their reasons for not reporting include the perceived complexity of reporting standards and a lack of resources.

Linkages with SDGs (eight most commonly selected impact areas among respondents)

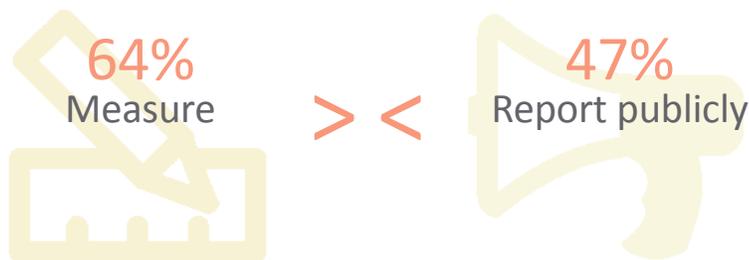
In your assessment, how does your inclusive business model contribute to sustainable development? Please select up to four (4) primary options.

Number of respondents: 50



Companies that do report publicly cited that their audiences range from customers to donors, financiers and the general public. Reasons for public reporting include stakeholder pressure to showcase transparency and accountability, requirements set by financiers or partners, and the desire to gain a competitive advantage by showcasing business models' positive impacts to customers.

Impact measurement and reporting



Number of respondents: 50 respondents answered question on impact measurement, and 49 respondents answered question on reporting impacts

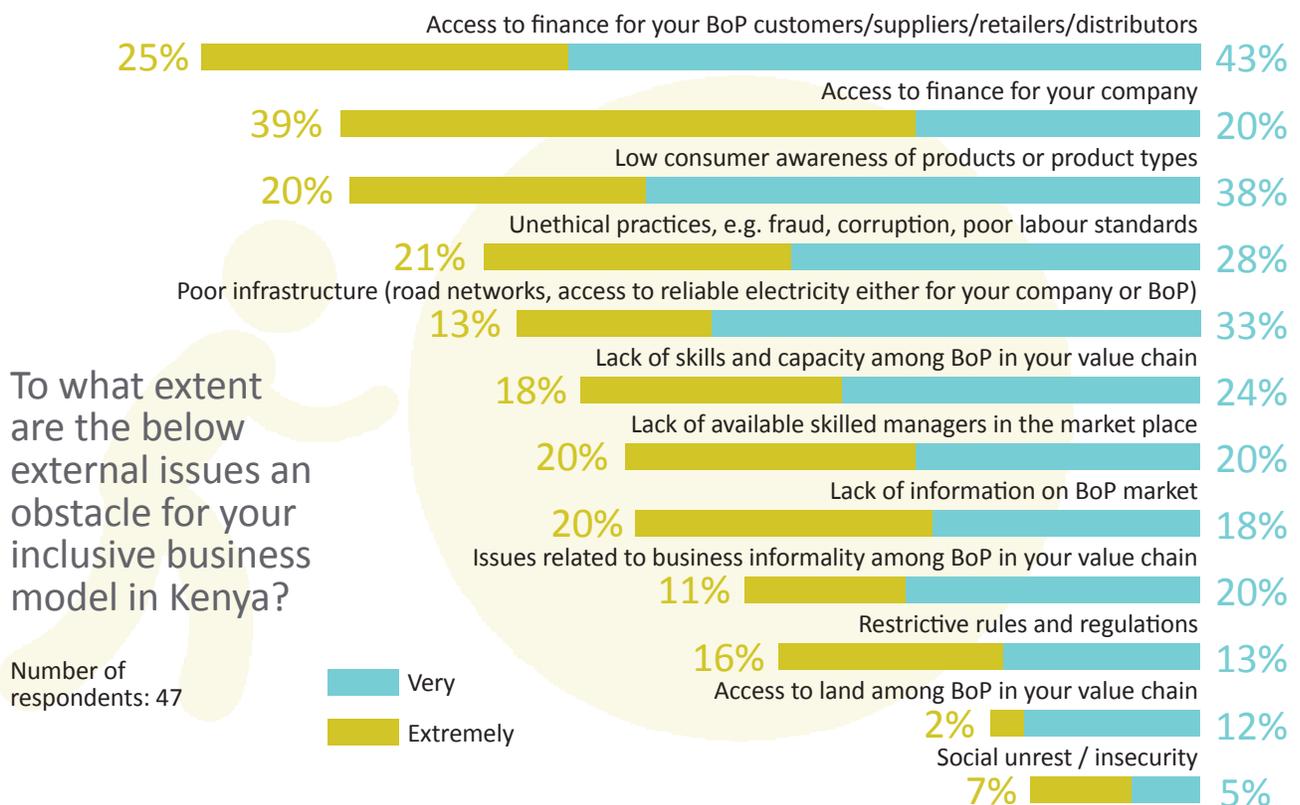
Aspiring for Success: Key Challenges and Strategies for Scaling Up Inclusive Business

Access to financing is the biggest challenge encountered by respondents – both for people at the BoP and companies. In addition, low consumer awareness among the BoP was reported to hinder success, raising customer acquisition costs. The most frequently cited strategy for overcoming challenges and scaling up inclusive businesses was establishing partnerships. Many companies also invest in raising awareness, market research and leveraging new technologies.

Access to financing for both BoP stakeholders and companies is the most pressing challenge faced by respondents in Kenya. This may be because the majority of respondents in this study were SMEs, which traditionally have less access to financial resources than larger companies.

In addition, low consumer awareness among BoP communities was reported by over half of respondents, followed by unethical practices and poor infrastructure. Many companies also brought up challenges related to a lack of skills among BoP stakeholders, missing market information and the high cost and limited availability of talented managers in Kenya. Smaller enterprises reported that hiring and keeping talented managers was difficult and costly, with bigger companies drawing away the best talent by offering higher wages and better conditions.

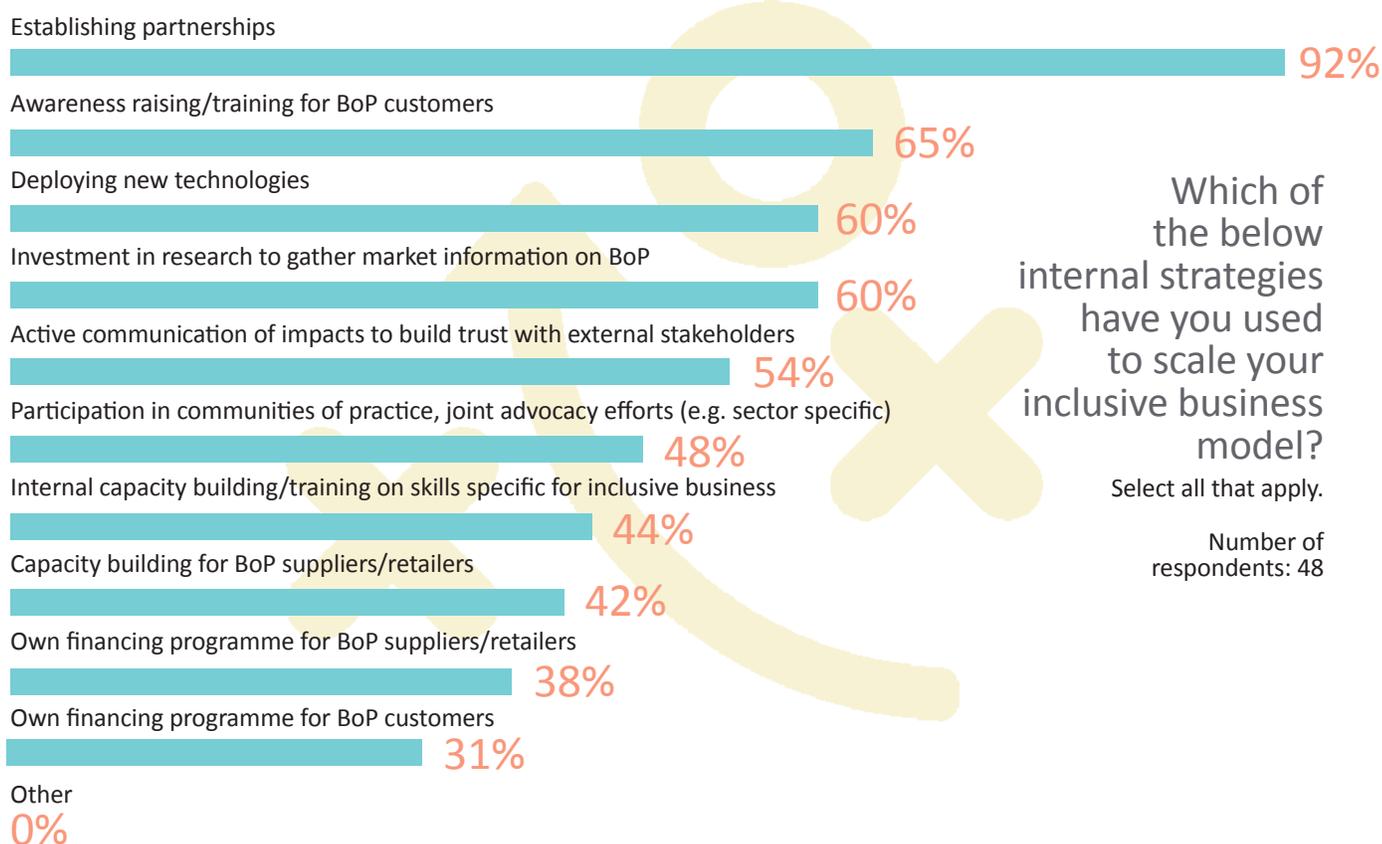
Obstacles to inclusive business in Kenya



Additional hurdles included the high volume of NGOs, which are perceived by some to distort markets. This finding highlights the need for NGOs and donors to consider the impacts of their support on the long-term market sustainability and assess whether support could be administered in ways that build local markets, such as end-user subsidies rather than providing free products or services.

The most prominent strategies for scaling up inclusive business include establishing partnerships, raising awareness among BoP clients, investing in BoP market research and deploying new technologies. Over half of the respondents also revealed that communicating the impacts of their models was important for building trust among stakeholders, and just under half had leveraged communities of practice.

Strategies to scale inclusive business



With regard to partnerships, several companies highlighted the importance of carefully assessing the value of potential partnerships. In sectors such as healthcare, partnerships with NGOs were valued for building BoP stakeholders’ awareness, whereas in sectors such as food and beverages, some felt it was difficult to build sustainable partnerships with organizations that worked in project lifecycles. However, companies in the food and beverage sector also reported successful and complementary partnerships with NGOs, including in smallholder capacity building, research and linking with producers. It was noted that NGOs and inclusive businesses often share similar goals for impact and can therefore become strategic partners by leveraging their networks, knowledge and skills to increase impacts jointly.

Several companies underscored the importance of business-to-business partnerships when companies scale up their models or reach out to new BoP markets. This includes sharing distribution channels and leveraging partner companies' BoP networks.

In terms of creating awareness, many believe that working with community leaders and showcasing products through peers is a good strategy to build consumers' trust. Some called for the services of businesses specializing in offering alternative marketing and distribution channels to reach the BoP.

Finally, some respondents mentioned the importance of measuring and communicating the impacts of inclusive business models as a precursor to scaling up. Impact measurement is also seen as a means of communicating the value of inclusive business to external stakeholders such as governments.

The Ecosystem: What Kind of Support Exists and Where Is It Needed?

More support was called upon to increase access to financing and build capacity among BoP communities and companies.

The majority of respondent companies benefitted from external support for their inclusive business models in Kenya, such as collaboration initiatives and financial incentives. However, more support was called upon to increase access to financing and build capacity among BoP communities and companies. Over half of respondent companies answered that they had interacted with government entities or business associations on inclusive business, including through collaboration on development projects, and discussions on policies and regulations.

When asked whether they had benefitted from external support, 31 companies answered that they had participated in or benefited from at least one support initiative. They had: participated in initiatives supporting collaboration; benefitted from financial incentives that encouraged them to include BoP communities in their value chains; participated in BoP information sharing; and benefitted from capacity building to reach the BoP.

Collaboration platforms include: regional sector-specific initiatives such as Lighting Africa and Power Africa; local networks such as AgriProFocus; and global platforms like Business Call to Action (BCtA). Financial incentives to include the BoP were provided by: global foundations' sector-specific support programmes for impactful business, including the Rockefeller, Gates and Conrad Hilton Foundations; impact investment programmes like the Africa Enterprise Challenge Fund; donor-supported sector-specific grant programmes; impact investors including Acumen; and national development financiers.

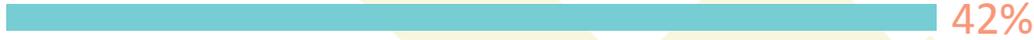
For SMEs, capacity building combined with financial support had been valuable. Capacity building from impact investors for developing business processes and professional support provided through international fellowship programmes were appreciated. Some suggested that more professional exchange programmes could be established to link SMEs and large corporations in order to provide short-term support for SMEs to build business models and processes, and for corporations to gain experience in BoP markets. Linkage and collaboration projects to learn from inclusive businesses in other countries were also considered useful approaches to support inclusive business.

Support received

Platforms/initiatives that strengthen collaboration and/or encourage inclusive business



Financial incentives by government/donors/other that encourage companies to include BoP in value chains



Initiatives to share and build information on the BoP market



Programmes sponsored by the government or other actors to enhance the capacity of inclusive businesses to reach the BoP



Programmes sponsored by the government or other actors to enhance the capacity of the BoP



Specific laws or regulations that encourage and/or enable businesses to work with the BoP



Has your company benefited from any of the below in Kenya?

Select all that apply.

Number of respondents: 31 respondents selected at least one option. Three respondents commented they had not received support and 17 respondents did not indicate receiving support.

Many respondent companies had also worked with United Nations agencies such as UNDP, the International Labour Organization (ILO), the United Nations Capital Development Fund (UNCDF) and the International Fund for Agricultural Development (IFAD) and other development partners to build BoP capacity.

When asked what kind of support was most needed to scale up inclusive business in Kenya, 31 companies responded through the survey, with most suggesting access to financing for either BoP communities or inclusive businesses was most critical. The lack



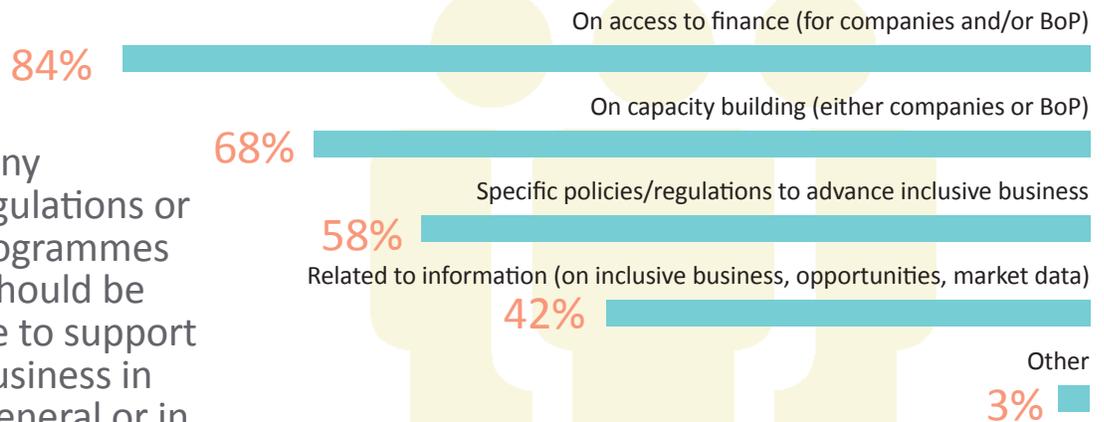


Support needed

Are there any policies/regulations or support programmes you think should be put in place to support inclusive business in Kenya (in general or in your sector)?

Kindly add suggestions per category.

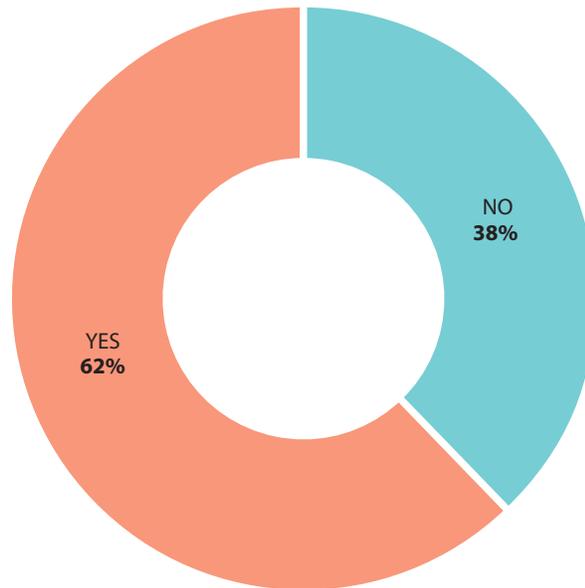
Number of respondents: 31



Engagement with government entities and business associations

Does your company interact with public sector ministry/ agency/office(s) or business associations on inclusive business projects/incentives/policies?

Number of respondents: 42



of access to financing among BoP stakeholders was a challenge for inclusive businesses of all sizes. Over half of those who responded also mentioned the need for capacity building support and new or revised policies to advance inclusive business, and just under half reported that more support for accessing BoP market information is needed. In workshops and interviews, participants mentioned that more information is needed on BoP health to develop insurance products and tailored healthcare services. Others mentioned the need for agricultural data to develop crop insurance for smallholders and information on BoP market size and spending patterns.

When asked about their engagement with government entities and business associations on inclusive business, 42 respondents answered, out of whom 62 percent had engaged with these institutions either in policy development consultations, through partnerships or under cross-sector development projects. Companies engaged with government entities at several levels, from direct collaboration with national ministries to dialogue forums facilitated by the Kenya Private Sector Alliance or other private sector associations. They also engaged with county governments and specific funds or projects in their sectors.

More dialogue was called for between the public sector and inclusive businesses to raise awareness of inclusive business and facilitate collaboration for maximum impact. Engagement of inclusive businesses in policy development and multi-stakeholder dialogue was particularly encouraged.

The next chapter takes a closer look at inclusive business in five sectors, providing examples of successful and emerging models, and insights on opportunities, challenges and recommendations for scaling up inclusive business in Kenya.



3. A CLOSER LOOK: Inclusive Business Opportunities Across Sectors

Introduction

The BoP market segment accounts for 84 percent of total yearly household consumption in Kenya.¹¹ As a result, most companies engage with the BoP inadvertently. Intentionally developing and investing in inclusive business approaches can open up new markets and help companies to differentiate, innovate and build more resilient supply chains.

The 4.5 billion-strong BoP population worldwide is estimated to spend over US\$5 trillion per year (in 2005 purchasing power parity), making it a larger consumption segment than the middle- and high-income earners combined. The BoP segment outspends higher-income earners in the food and beverage and energy sectors, and spends approximately as much as higher-income segments on housing, education, health and water.¹²

Because of its size and spending power, the BoP consumer segment represents a huge market for inclusive businesses with products and services tailored to the BoP. This publication features inclusive business opportunities across five sectors which present proven, successful, and innovative emerging inclusive business models, and provide market opportunities. These sectors are also considered to offer high potential for contributing to the SDGs: financial services, food and beverages, healthcare, infrastructure and skills building and education.¹³

Most of the Kenyan population belongs to the lowest- and low-income market segments, with daily consumption below US\$8.44 (in terms of 2005 purchasing power parity per capita). However, it is estimated that this consumer segment is responsible for 84 percent of the country's total consumption (the middle- and high-income segment accounted for 16 percent of yearly consumption in 2010). In the food and beverage sector, the BoP segment comprises 91 percent of overall consumption; in the infrastructure sector, it comprises 75 percent; in the health sector, it comprises 71 percent; and in the financial services sector, it comprises 44 percent.¹⁴

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Intentionally developing and investing in inclusive business approaches can open up new markets and help companies to differentiate, innovate and build more resilient supply chains.

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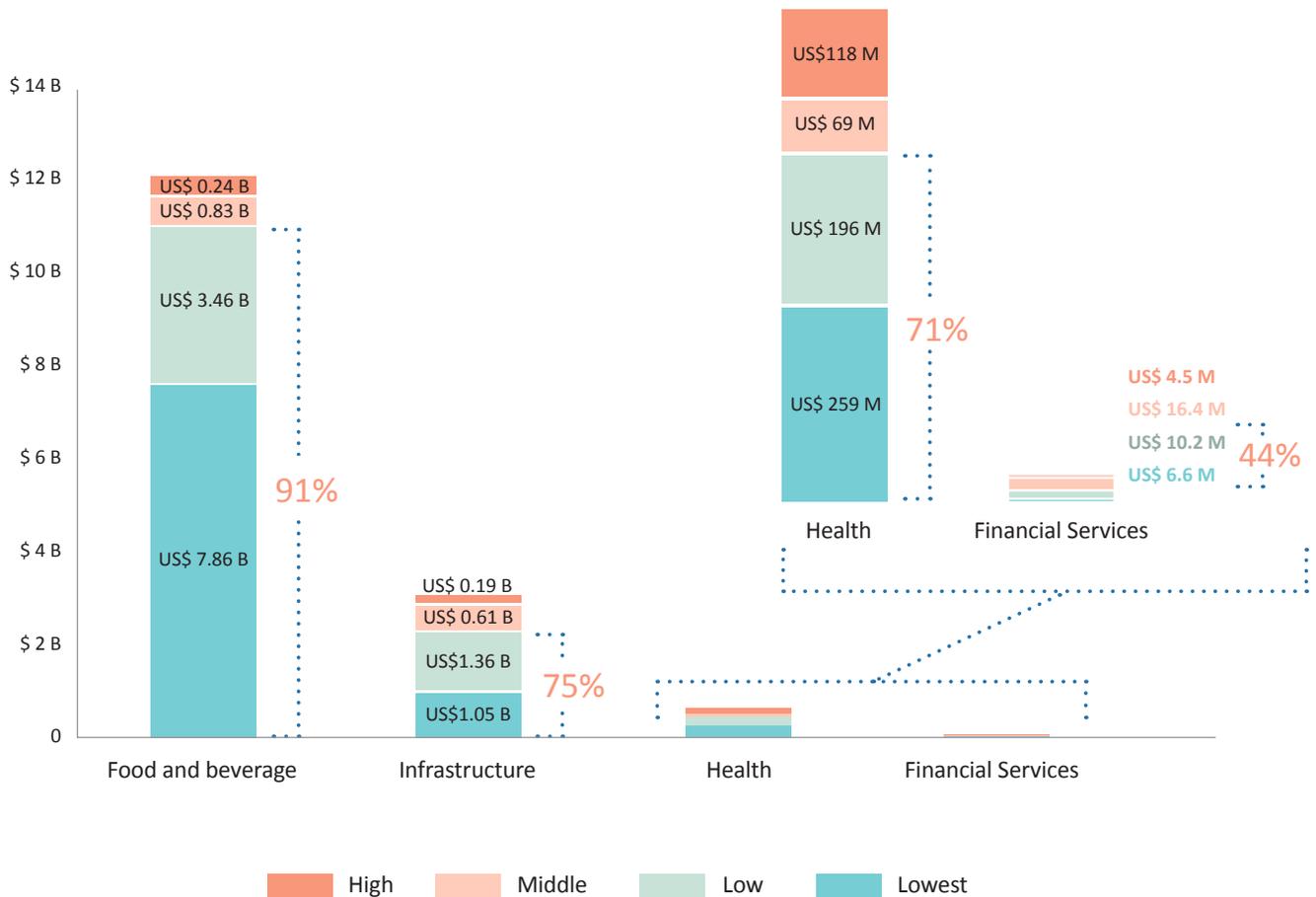
11 World Bank. Global Consumption Database. Available from: <http://datatopics.worldbank.org/consumption>. Calculation are based on yearly household consumption figures from 2010 using average 2010 exchange rates. Estimates are based on sample surveys, noting that the sample size in some consumption segments may be too small to be representative. Data on the education sector are unavailable for Kenya.

12 *Ibid.*

13 UNDP. 2016. Uncharted Waters. Blending Value and Values for Social Impact Through the SDGs. New York: UNDP.

14 Calculations based on the World Bank Global Consumption Database data.

Kenya annual household consumption per income segment (2010)



While inclusive business represents significant opportunity in Kenya, building commercially viable and impactful businesses requires patience, collaboration and innovation – and benefits from a supportive ecosystem. This chapter profiles both promising models from Kenya-based companies and those from other countries that have the potential to be replicated in Kenya. It also provides recommendations based on company consultations for scaling up inclusive business and showcases how companies in these sectors are contributing to the SDGs.

The insights introduced in this chapter represent the views of company representatives, and do not encompass all the opportunities available in each sector. Specifically, opportunities noted in the financial sector focus on insurance due to the higher share of insurance-based companies consulted. Since there were few respondents in the skills building and education sector, this section is relatively short; however it does provide examples of inclusive business models with great potential to address Kenya’s skills gap.

Financial Services



In Kenya, the BoP represents a 44 percent share of the US\$38 million total yearly household consumption in financial services.¹⁵ Inclusive businesses can tap into the largely underserved insurance market and develop tailored financial products especially for smallholder farmers and micro-entrepreneurs.

As a result of the country's lead in adopting mobile money services, 75 percent of Kenya's population – 50 percent more than ten years ago – have access to some form of financial services.¹⁶ Safaricom, Kenya's largest mobile network operator and provider of the M-Pesa mobile money service, remains the dominant player in the market. However, the sector is witnessing new developments including the establishment of the country's first virtual mobile network operator, Equitel. Running on Airtel's network, Equitel is owned by Equity Bank through its subsidiary Finserve. Its 'thin-sim' technology enables customers to place an Equitel SIM card on top of their current provider's SIM card, making it easy for customers to try the company's mobile money services.¹⁷ Visa also recently launched mVisa, a smartphone-based payment service that requires users to have a bank account.¹⁸

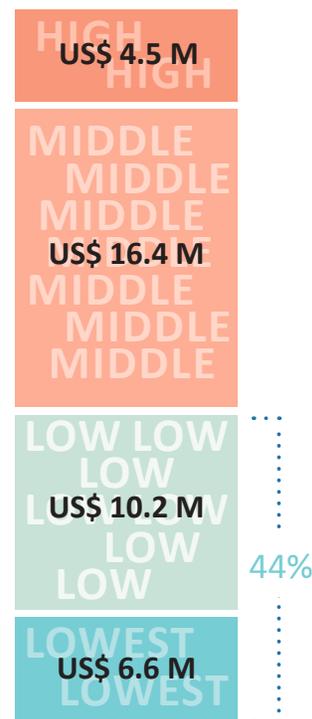
Despite these developments, many Kenyans, especially in rural areas, still lack access to financial services tailored to their needs, including affordable credit, savings and insurance. Only 34 percent of adults have at least one type of credit instrument at their disposal, and the most important sources of financing for agriculture include farmers' own savings (88 percent), buyers (12 percent) and relatives (12 percent). While 71 percent of Kenyans use mobile financial services, they are still mostly used for transferring money between friends and family, with only 42 percent of users making livelihood-related payments, interacting with financial institutions or paying for goods and services. Over 90 percent of people making a living from agriculture, casual labour or from their own businesses still receive payments in cash. Insurance coverage in Kenya is also low, with only 21 percent of Kenyans covered by the National Hospital Insurance Fund, and just 6 percent using other kinds of insurance. The main reasons include a lack of knowledge (41 percent of those not insured) and an inability to afford it (35 percent).¹⁹

Kenya aspires to become a regional financial hub and the Government has played a key role in advancing financial inclusion. For example, through the Financial Sector Deepening Initiative, several stakeholders including the Central Bank, government agencies, development partners and financial institutions are working together to increase financial access, provide BoP market information and advance enabling policies. While the financial services sector is well developed, there is still scope for providing better and more affordable access to financial services to the country's BoP population, including its smallholder farmers.

MARKET SIZE IN KENYA

Annual household consumption 2010

Financial services



¹⁵ The World Bank. Global Consumption Database. Available from <http://datatopics.worldbank.org/consumption>.

¹⁶ Central Bank of Kenya, Financial Sector Deepening Initiative and Kenya National Bureau of Statistics. 2016. FinAccess Household Survey 2016.

¹⁷ Available from <http://www.equitel.com/terms>.

¹⁸ Financial Times. September, 14, 2016. Visa Plots Kenya Payments Rival to M-Pesa.

¹⁹ Central Bank of Kenya, Financial Sector Deepening Initiative and Kenya National Bureau of Statistics. 2016. FinAccess Household Survey 2016.



Opportunities for Inclusive Business in Financial Services

The following opportunities in Kenya's Financial Services sector were highlighted during consultations conducted for this publication:

- **Leverage technology, alternative distribution channels and flexible payment plans to deliver insurance to BoP markets:** Inclusive businesses are increasingly leveraging mobile technology to collect premium payments, using alternative distribution channels such as mobile network operators to provide micro-insurance products and offering flexible payment plans, including coverage scales tailored to BoP consumers' spending behaviours.
- **Develop insurance products that build smallholders' resilience to climate risks and increase their access to credit:** Many smallholder farmers still rely on informal sources of financing and few have crop insurance. Increased access to livestock and crop insurance, including weather-based index insurance²⁰ can increase smallholder farmers' resilience, simultaneously reducing the risk of lending to smallholders if insurance is leveraged as collateral. Kenya's Government is working with development partners and the private sector to increase access to agricultural and livestock insurance, including through the Kenya Livestock Insurance Programme and the Kenya Agricultural Insurance and Risk Management Programme.²¹ Technological advancements in collecting weather data, using agricultural intelligence and location mapping offer more opportunities for inclusive businesses to meet farmers' needs and develop financial services that leverage insurance products as collateral. Collaboration among several actors is needed to develop these models further, build commercial viability and monitor their impacts.
- **Advance public-private collaboration to increase access to health insurance:** Public-private collaboration has the potential to increase health insurance coverage, for example by delivering government-subsidized health insurance products to the informal sector. Expanding the microinsurance market can provide new opportunities for insurance technology companies and insurers (see also the section on health for more information).
- **Tailor mobile-enabled savings and credit products to the BoP:** Inclusive businesses still have many opportunities to develop innovative products that match BoP spending patterns and meet Kenyans' savings and credit needs. Many actors are leveraging mobile wallets, including Carepay, which developed the mHealth wallet for saving, insuring and paying for healthcare. The mHealth wallet also enables donors and development partners to track the use of funds, specify where funds can be used and incentivize savings.²²

Inclusive businesses have many opportunities to develop innovative products that match BoP spending patterns and meet Kenyans' savings and credit needs.

20 Weather-based index insurance uses deviations from historical weather data determine payouts (unlike traditional insurance products, which look at observed losses). The use of weather data rather than on-the-ground observations enables a cost efficient and objective assessment of loss, quick payout and transparency. However these models are still being developed and face challenges related to data accuracy.

21 World Bank. Kenyan Farmers to Benefit from innovative Insurance Program. (Press release). Accessible from: <http://www.worldbank.org/en/news/press-release/2016/03/12/kenyan-farmers-to-benefit-from-innovative-insurance-program>.

22 <https://www.carepay.co.ke>



Inclusive Business Models in the Financial Services Sector

Business model & approach	Inclusive Business example
Agent banking	Equity Bank⁹ is a Kenyan financial institution that leverages agent banking to reach the BoP populations in rural areas. The bank contracts third-party retail networks as agents offering basic financial products and services. This allows the bank to extend its reach and provide services to BoP customers close to home, without the need to travel long distances.
Asset financing	Juhudi Kilimo is a social enterprise that provides Kenya's rural smallholder farmers with loans and training. Unlike traditional micro-finance institutions, which primarily provide loans for working capital, Juhudi finances specific agricultural assets that increase farmers' incomes. The loans are used to procure dairy cows, poultry, irrigation equipment and other income-generating assets.
Agentless insurance, 'freemium', mobile-enabled services, shared channel distribution and bundling of products	MicroEnsure is a UK-based microinsurance specialist with a subsidiary in Nairobi that has developed a range of tailored life and health insurance products through an inclusive model for delivering its low-cost solutions to those in need. Not a traditional insurer, the company partners with insurance and reinsurance companies that can underwrite risk, and mobilizes distribution partners equipped to deliver its products to low-income customers. These include mobile network operators, microfinance institutions, banks and NGOs. The company is known for developing a 'freemium' health insurance model that is offered through mobile network operators (MNOs), including Airtel in Kenya. MicroEnsure provides the MNOs with indirect revenue by increasing customer loyalty. Simultaneously the free insurance is an easy product to try out in BoP markets, and caters to consumer education without the need for an agent network since customers get to see how the product works first hand. Once consumers are educated through the freemium model, the company can build value by selling additional complimentary products to the consumer base.
Mobile money, mobile-enabled microcredit and savings	Safaricom⁹ , a communications company, provides the BoP in Kenya with access to mobile money services through its M-Pesa mobile money transfer service. M-Pesa has grown from a simple service that enables customers to send money home to one that provides wide-ranging cashless payment services that are leveraged among others by microentrepreneurs and clients of pay-as-you-go solar solution providers. The company also enables the provision of several complementary services in collaboration with partners such as mobile-enabled microcredit and savings service M-Shwari in partnership with the Commercial Bank of Africa (CBA). M-Shwari users can open and operate a M-Shwari bank account through their mobile phones via the M-Pesa service, access microcredit and open an interest earning savings account.
Housing loans	Mahindra Rural Housing Finance Ltd.* provides home loans to low-income families in rural India. Most of its customers are ineligible for loans from regular banks since they lack proper documentation and proof of income. Microfinance does not cater to the home loan market, and informal financing from money lenders in rural areas carries high interest rates and fees. Mahindra currently operates in 12 Indian states, serving hundreds of thousands of home loan borrowers. The company's loans are secured by the property and used for construction, repairs, purchase of new property and modernization or extension of existing homes.

Note: Companies marked with * are BCTA members that do not currently work in Kenya. Companies marked with ⁹ operate in Kenya but are not BCTA members. All other companies are BCTA members with active inclusive business models in Kenya. More information on BCTA members' inclusive business models can be found at: www.businesscalltoaction.org and through case studies and publications produced by BCTA.



How Inclusive Business Contributes to the SDGs in Financial Services

The financial services sector enables the achievement of several SDGs. It plays a key role in advancing SDG 1: No Poverty, which seeks enhanced financial access for all and increased resilience to climate change-related events. Companies in this sector can advance financial access through savings, credit and insurance services tailored to BoP markets. This sector also acts as an enabler for SDG 2: Zero Hunger, by expanding access

to financing for smallholder farmers to invest in new technologies and high-quality inputs; SDG 3: Good Health and Well-being, through health insurance services tailored to the BoP; and SDG 8: Decent Work and Economic Growth, by offering business loans to small entrepreneurs. By fostering the inclusion of women and enabling their access to financial services, the sector also advances SDG 5: Gender Equality.

Case Study: ACRE Africa, offering small holder farmers protection against climate-change risks and increasing access to financial services

Smallholder farmers are the backbone of East African agriculture, yet are the most vulnerable to climate-related events because they often lack the funds to access insurance. One bad season can set farmers back for several months, keeping them in a cycle of poverty as they try to recover their losses while struggling to support their families.

In June 2014, *Kilimo Salama* (Swahili for Safe Farming) transitioned from a five-year Syngenta Foundation for Sustainable Agriculture project to a for-profit social enterprise using the trade name ACRE Africa.

An insurance surveyor, ACRE Africa has innovated new ways to facilitate BoP farmers' access to insurance, making them and their families more resilient to climate change shocks, and helping them to avoid slipping further into poverty. In the process, ACRE is working towards SDG 1: No Poverty and SDG 13: Climate Action.

By the end of 2016, over 1 million farmers in Kenya, Tanzania and Rwanda had purchased insurance through ACRE Africa, including crop, livestock and weather index insurance. In this way, ACRE is significantly contributing to meeting SDG Target 1.5: Build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events.

With low-income consumers in mind, ACRE adapts products and services to its target market in terms of affordability, packaging, technology, and culture.

The company piggybacks on services that farmers are already familiar with, such as mobile network operators and agro dealers. ACRE saves money by investing in research to understand how to reach target audiences and increase its customer base.

Since many of ACRE's weather towers have been installed in schools, there are opportunities for students to learn about the impact of weather on agriculture, contributing to SDG Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change.

"It has a huge impact. Children can grow up knowing what weather stations are for and that they are providing solutions. We even have other schools visiting schools where the weather stations are so their students can learn about them", explained Rahab Kariuki, ACRE Africa's Managing Director.

Many of ACRE's insurance products are index based, which means that payouts are determined by comparisons to historical regional rainfall patterns, rather than being indemnity based like other products. This innovative approach means that farmers do not have to file claims, which can be incredibly difficult in remote areas. When rainfall deviates from historical norms, farmers automatically receive payouts. Making it easier for farmers to access payouts enables them to recover more quickly from crop failure, contributing to SDG Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.



ACRE Africa's Impacts on SDGs

SDG	ACRE Africa's impacts	
<p>1 NO POVERTY</p> 	<p>SDG 1: End poverty in all its forms everywhere</p> <ul style="list-style-type: none"> Target 1.4: Ensure that all men and women have access to financial services Target 1.5: Build resilience of the poor and reduce their exposure and vulnerability to climate-related extreme events, shocks and disasters 	<ul style="list-style-type: none"> Index-based insurance delivered to 1 million smallholder farmers in East Africa to mitigate climate-related risks. With insurance coverage, farmers are better able to access financing as risks for financiers' decrease. In 2016, 76 percent of farmers insured by ACRE Africa received loans linked to their insurance.
<p>2 ZERO HUNGER</p> 	<p>SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <ul style="list-style-type: none"> Target 2.3: Double agricultural productivity and incomes of small-scale food producers, including through access to financial services 	<ul style="list-style-type: none"> Through increased access to financing and better risk coverage, ACRE is safeguarding smallholders' incomes and contributing to increased productivity. Since 2014, investments worth over US\$52 million have been insured.
<p>13 CLIMATE ACTION</p> 	<p>SDG 13: Take urgent action to combat climate change and its impacts</p> <ul style="list-style-type: none"> Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 	<ul style="list-style-type: none"> ACRE's index-based insurance products strengthen smallholders' resilience to climate-related hazards and natural disasters. In 2016, US\$185,000 worth of claims were paid out to insured farmers.
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>SDG 17: Revitalize the global partnership for sustainable development</p>	<ul style="list-style-type: none"> By working with development partners and governments to develop an East African index insurance market and share experiences, ACRE is promoting collaboration, knowledge exchange and partnerships in its sector.



Recommendations for Scaling Up Inclusive Business in Financial Services

Recommendations include engaging inclusive businesses in the development of regulations, providing end-user subsidies for BoP insurance, investing in data gathering and collaborating to raise awareness and build financial literacy at the BoP.



Rules and regulations

Engage inclusive businesses in developing regulations and address regulation gaps to facilitate innovation: Many respondents advised that the Government needs to increase its engagement with inclusive businesses in the development of regulations. It was noted that financial institutions were not sufficiently engaged in the development of the 2016 Banking Amendment Act, which some fear may adversely impact financial access for SMEs and the BoP.²³ Specifically, respondents asked the Government to develop the microinsurance regulation further to boost insurance coverage among the BoP, including by: (i) revising the current microinsurance license fee rates and base capital requirements, which some considered high; (ii) expanding companies' ability to utilize non-conventional distribution points for insurance sales such as agricultural input shops; and (iii) relaxing limitations on insurance agent compensation.

Push for interoperability and a level playing field for mobile payments: While M-Pesa is a strong payment channel that has enabled the delivery of a range of services at the BoP, there were concerns about the dominance of a single company in the market. Some see the need for regulators to push more strongly for increased interoperability among mobile payment channels in order to lower payment fees for the BoP and SMEs. Regulations currently allow for operators to advance voluntary market-led interoperability, and there are strong indications it is moving ahead in Kenya.^{24, 25}



Financing

Improve the delivery of government subsidies for BoP insurance, including through public-private partnerships: The Government was called on to provide additional subsidies for BoP insurance, especially in health and agriculture (where it already supports market development for livestock and agricultural insurance). It was suggested that the National Hospital Insurance Fund could scale up subsidized health insurance to the informal sector more efficiently through private providers with capacity to deliver products to the BoP. In India the state-run insurance company Rashtriya Swasthyan Bima Yojana offers a national health insurance

23 The 2016 Banking Amendment Act caps interest rates at 4 percent of the base rate set by the Central Bank of Kenya, and caps minimum deposit rates at 70 percent of the Central Bank's benchmark lending rate to commercial banks.

24 Interoperability: Kenyan Mobile Operators to Set Up Mobile Cash Exchange. Financial Technology. Accessed from: <https://www.financialtechnologyafrica.com/2017/05/18/interoperability-kenyan-mobile-money-operators-to-sets-up-mobile-cash-exchange/>.

25 Maina, S. Cross-Network Mobile Money Transfer Could Reach Kenyans Sooner Than we Thought. Techweez. 8 May 2017. Accessed from: <http://www.techweez.com/2017/05/08/mobile-money-interoperability-kenya>.



scheme that is delivered including through private-sector providers that receive premium payments at the local level.²⁶

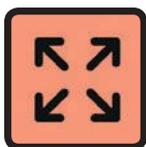
Customize financial products for the BoP: Financial institutions are called upon to develop more tailored products for the BoP by harnessing ICT services, such as alternative credit scoring and using mobile money platforms to lower credit costs and dependency on assets for accessing credit. Leveraging new insurance products as collateral for credit will require collaboration between insurance technology firms, insurance companies and banks.



Information

Invest in research and data gathering to develop insurance products:

There is a need for multi-stakeholder collaboration to gather data that enable insurance technology firms and insurance providers to develop better products and services for BoP markets. Respondents also called for investments in new technologies such as location mapping.



Capacity

Collaborate to raise awareness in BoP markets of insurance and financial services, and build financial literacy and management skills:

Companies, NGOs and other stakeholders need to collaborate on raising awareness of financial products and building financial management skills at the BoP. Awareness of insurance products is especially low, and the Government could support awareness raising including through schools. Some companies reported that there is duplication in BoP financial management capacity building, replicating the same training with the same groups. It is therefore important for all actors to share information on what stakeholders are raising awareness, which audiences are being reached and the capacity gaps.

²⁶ G20 Inclusive Business Platform. 2016. Research Note on Insurance Schemes. Accessed from: <http://www.g20inclusivebusiness.org/sites/default/files/reference-attachments/Insurance%20Schemes%20Final.pdf>.

**MARKET SIZE
IN KENYA**

Annual household
consumption 2010

**Food and
Beverages**

US\$ 0.24 B

US\$ 0.83 B

LOW LOW
LOW
LOW
US\$ 3.46 B
LOW
LOW LOW

LOWEST
LOWEST
LOWEST
LOWEST
US\$ 7.86 B
LOWEST
LOWEST
LOWEST
LOWEST

91%

Food and Beverages



The BoP represents a 91 percent share of the US\$12.4 billion total yearly household consumption in Kenya’s food and beverage sector,²⁷ and most Kenyans make a living from agriculture. The sector provides opportunities for building more resilient and inclusive supply chains, including better access to financing, inputs, technologies and agricultural intelligence for smallholders.

Agriculture is one of the key growth sectors in Vision 2030 and the second largest contributor to the country’s GDP.²⁸ It accounts for 65 percent of exports and 60 percent of foreign exchange earnings, and provides 70 percent of rural jobs.²⁹ Agricultural production in Kenya is dominated by smallholder farming with limited productivity as a result of a lack of access to financing, technologies, quality inputs and information about good agricultural practices.

It is estimated that food production needs to increase by 70 percent by 2050. Greater productivity is needed to ensure food security and spur economic growth.³⁰ The need to increase smallholders’ productivity provides inclusive businesses in the food and beverage sector with opportunities to build more resilient supply chains. At the same time, consumers in affluent countries are increasingly interested in sustainably sourced products, providing opportunities to tap into premium markets.

The food and beverage sector can play an important role in building more sustainable livelihoods, especially for women farmers; and adding value through investing in local processing.

Opportunities for Inclusive Business in Food and Beverages

The following opportunities within Kenya’s food and beverage sector were highlighted during consultations with inclusive businesses:

- **Provide new technologies, improved inputs and capacity building for smallholder farmers:** Inclusive business can build the resilience and quality of supply chains by improving smallholder farmers’ access to climate-smart technologies such as drip irrigation and greenhouses, and improved inputs such as hybrid seeds. Inclusive business can also build capacity for good agricultural practices, including best practices for dealing with water shortages. Business-to-business partnerships can

27 The World Bank. Global Consumption Database. Available from: <http://datatopics.worldbank.org/consumption/>.

28 Agriculture’s added value was 33 percent in 2015, making it the second largest contributor after services, with 48 percent. Source: World Bank Databank, Kenya. Available from: <http://databank.worldbank.org/data/reports.aspx?source=2&country=KEN>.

29 World Bank. 2015. Kenya Agricultural Risk Assessment. Agricultural Global Practice Note. Available from: <http://documents.worldbank.org/curated/en/380271467998177940/pdf/100299-BRI-P148139-PUBLIC-Box393227B-Kenya-Policy-Note-web.pdf>.

30 Food and Agriculture Organization of the United Nations (FAO). 2009. How to Feed the World in 2050. Background document. High-Level Expert Forum, 12-13 October 2009. Rome: FAO.



be useful in marshaling new technologies, inputs and intelligence to benefit smallholder farmers.

- **Provide agricultural intelligence services:** More comprehensive agricultural data and intelligence are needed to build better insurance products and provide sound advice to smallholder farmers. New technologies are needed to collect weather, soil and water data, along with services to translate the data into agricultural intelligence.
- **Develop alternative energy models for agriculture:** Developing more comprehensive production models for agriculture, including biogas for energy production, can control waste and the costs of energy, making business models more viable even with raising energy costs (see also the case study on Olivado below).
- **Leverage insurance products to increase smallholders' access to financing:** A major challenge faced by smallholders is a lack of access to financing for modern farming technologies and quality inputs. As mentioned in the financial services section, inclusive businesses can provide tailored insurance products that can be used as collateral for credit to reduce financing risks. Collaboration between insurance companies and financial institutions is needed to provide comprehensive solutions.

Inclusive Business Models in the Food and Beverage Sector

Business model & approach	Inclusive Business example
Procurement models	
Direct procurement/trade; capacity building	Vava Specialty Coffee is a social enterprise whose direct and fair trade model brings specialty grade micro lot coffees to roasters, consumers and importers who pay fair, premium prices. By directly linking smallholder coffee farmers to markets for ethically sourced, traceable micro-lot coffee, the model provides the farmers with sustainable livelihoods. Vava also provides training on sustainable agricultural practices and financial management, and access to credit, enabling farmers to purchase organic farm inputs.
Direct procurement; capacity building	Equator Kenya is a food processing company that directly procures Bird Eye Chilies from smallholder farmers on Kenya's Northern Coast. Equator offers farmers export market access and works to increase the quality of their supply by providing credit at subsidized rates so that farmers can purchase climate-smart drip irrigation kits, bio pesticides and fertilizer blends. Equator's model is designed to reduce the crop risks posed by climate change, improve crop yields and quality, and sustainably increase farmers' incomes. The company focuses on providing women farmers with opportunities to supplement their existing incomes by planting chilies.
Input provider	
Affordable quantities; multi-channel distribution; demonstration farms	Kenya Highland Seed Co. Ltd supplies open-pollinated and hybrid seeds to East African farmers. The company establishes demonstration farms to build smallholders' capacity, share information on new farming technologies and showcase the disease tolerance and productivity of its seeds. The company also offers small-sized seed packages to smallholders and uses multiple distribution channels including agro-dealers and government extension workers.

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Inclusive Business Models in the Food and Beverage Sector

Business model & approach	Inclusive Business example
Food and beverages for the BoP	
Local processing; micro-distribution	AACE Foods* is a Nigerian food processing and distribution company that sources raw materials from smallholders across the region to increase local consumption of domestically sourced processed foods. The company uses semi-automated manufacturing processes to transform raw materials into spices, spreads, sauces and complementary foods. Through its innovative packaging, competitive pricing strategy and distribution approach, AACE is gradually displacing imports and creating a new market among the low-income farmers. Using local fruits and vegetables to displace imported fortified foods, it supports the Nigerian Government's efforts to find home-grown solutions to malnutrition. The company's Our Mama programme complements these efforts by providing nutrition and business skills training to women.
Mobile-enabled services	
Weather data; agricultural intelligence software	aWhere is an agricultural intelligence company that provides aggregated agronomic weather data and agricultural intelligence to smallholders through last-mile mobile operators such as iShamba in Kenya. aWhere's combined weather and agronomic data help farmers to determine the best way to manage their crops and provides researchers and public institutions with information on how the changing climate is impacting food crops. The company collects data from satellites, radar drone operators and weather aggregators, makes recommendations and relays the information to last-mile service providers, who send it to client farmers via mobile applications.
Agricultural information and intelligence service provider; m-commerce platform	ESOKO Networks Limited⁹ is a holding company with two independent businesses: Tulaa and Inyst. Tulaa uses mobile technology to provide smallholders with access to financing, inputs, buyers and agricultural information through a virtual marketplace, while driving business for input dealers, financial service providers and off-takers. Inyst is a data collection company that offers customizable Android-based surveys and deployment capabilities to gather information from smallholders.
Contract farming management platform	eProd⁹ offers an out-grower management system that enables companies to manage their supplies from smallholders, including deliveries, payments, input loans and repayments, farmer communication (via text messaging) and training. eProd was developed to address the management challenges experienced by aggregators and processors while sourcing from large numbers of small-scale suppliers. It can accommodate different value chains simultaneously along with different quality grades. Soft- and hardware solutions can be integrated into the platform to enable quality-based payment or information distribution, including weather data. In addition, the data gathered through the system on smallholder incomes can be used to showcase income history.

Note: Companies marked with * are BCtA members that do not currently work in Kenya. Companies marked with ⁹ operate in Kenya but are not BCtA members. All other companies are BCtA members with active inclusive business models in Kenya. More information on BCtA members' inclusive business models can be found at: www.businesscalltoaction.org and through case studies and publications produced by BCtA.



How Inclusive Business Contribute to the SDGs in Food and Beverages

Inclusive businesses in the food and beverage sector can impact SDG 2: No Hunger by increasing smallholder farmers' productivity. They can also contribute to SDG 1: No Poverty by improving livelihood opportunities in their value chains, and SDG 5: Gender Equality by supporting women farmers.

By providing nutritious products, companies in the sector can help to achieve SDG 3: Good Health and Well-being. By advancing good agricultural practices and environmental protection, they can play a key role in achieving SDG 12: Responsible Consumption and Production.

Case Study: Olivado, increasing market access, building capacity and establishing stable livelihoods for smallholders

Adopting a business model that contributes to achieving the SDGs does not always have to be a purely altruistic move. For New Zealand-based avocado oil production company Olivado, inclusive business made good business sense.

According to Olivado Group CEO Gary Hannam, "The Sustainable Development Goals for us are integral to the company, and there is a very basic commercial reason for it. For us, the small farmers are the core of our business. To develop a stable base for our business, we must have productive, enthusiastic farmers as a central part of our value chain".

Olivado expanded into Kenya in 2007 to find another source of avocados for oil production. The result is a smallholder programme supplying organic, fair trade avocados of high quality. An essential part fair trade certification is knowing where your product comes from, so it was crucial for Olivado to build strong and reliable relationships with farmers. To optimize the quality of its avocados, Olivado also invests in agricultural training for farmers.

Through its work in Kenya, Olivado is contributing to SDG 1: End Poverty; SDG 2: End Hunger; and SDG 5: Gender Equality. By employing women along the value chain as farmers, factory workers and administrators, the company is providing women with consistent work that enables them to save, invest, pay for their children's education and gain financial independence.

By agreeing to buy at least 95 percent of each farmer's yearly avocado crop, Olivado guarantees farmers a regular income, which is helping to meet SDG Target 1.4: Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources.

Every farmer who sells organic avocados to Olivado joins the company's certified organic and social fair trade programme. And since Olivado guarantees a steady market by supplying a branded and certified product to supermarkets, payment is not linked to supply and demand (for the company, continuity of supply is more valuable than paying less for avocados in a season of high supply). This certainty is good for farmers and the company.

By ensuring its farmers have a reliable income and are provided training, Olivado is contributing to SDG Target 2.3: Double the agricultural productivity and incomes of small-scale food producers, in particular women. This approach is also helping Olivado to achieve its own commercial goals.

To conserve energy costs, the company has built its own biogas plant in Kenya, which will supply all the factory's energy requirements within three years, reducing energy costs by 95 percent (currently, Olivado's energy expenses make 20 percent of its production costs). This initiative will have the dual impact of reducing production costs while contributing to SDG 7: Affordable and Clean Energy.

Olivado's Impacts on SDGs

SDG	Olivado's impacts	
<p>1 NO POVERTY</p> 	<p>SDG 1: End poverty in all its forms everywhere</p> <ul style="list-style-type: none"> • Target 1.2 Reduce at least by half the proportion of people living in poverty • Target 1.4: Ensure that all men and women have equal rights to economic resources • Target 1.5: Build resilience of the poor and reduce their exposure and vulnerability to economic, social and environmental shocks and disasters 	<ul style="list-style-type: none"> • By integrating small farmers into Olivado's value chain, the company is providing stable incomes to reduce poverty among smallholders and building families' resilience. These changes can be seen in the new houses, wells, water tanks, cows, goats, and new crops cultivated within grower communities.
<p>2 ZERO HUNGER</p> 	<p>SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <ul style="list-style-type: none"> • Target 2.3: Double agricultural productivity and incomes of small-scale food producers 	<ul style="list-style-type: none"> • Olivado is providing access to markets and stable incomes for 1,500 smallholder farmers – helping to build farmers' skills through training in organic farming methods and increasing their incomes. • By providing advances and timely payments, the company is ensuring that farmers can access inputs and obtain stable prices for the crops they produce.
<p>5 GENDER EQUALITY</p> 	<p>SDG 5: Achieve gender equality and empower all women and girls</p> <ul style="list-style-type: none"> • Target 5.5: Ensure women's full and effective participation, and equal opportunities for leadership at all levels of decision making in political, economic and public life 	<ul style="list-style-type: none"> • Women comprise 43 percent of Olivado's contracted farmers (when women and men who contract together are included, the proportion of women increases to 55 percent). The company also expects to continue employing women as pickers, factory workers, administrators and managers, contributing to women's economic empowerment.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all</p> <ul style="list-style-type: none"> • Target 8.5: By 2030, achieve full and productive employment, and decent work for all women and men 	<ul style="list-style-type: none"> • Olivado requires a motivated workforce that is committed to self-improvement. Many employees have come from lower-paid jobs to be trained in new skills. Olivado does not see the premiums paid for organic and fair trade as a bonus or 'special' consideration: they are considered to be suppliers' rights for delivering high-quality products.
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>SDG 17: Revitalize the global partnership for sustainable development</p>	<ul style="list-style-type: none"> • The Olivado value chain connects small farmers with supermarkets in 33 countries. Organic avocado – sold as both fresh fruit and avocado oil – gives small farmers an international competitive advantage: organic avocado can only be grown successfully on a small scale and not in plantations.



Recommendations for Scaling Up Inclusive Business in Food and Beverages

Recommendations for scaling up inclusive business in the food and beverages sector include increased engagement of inclusive businesses in policy development and project implementation, increasing access to affordable financing, investments in data and agricultural intelligence, and continued awareness raising on new technologies and good agricultural practices.



Rules and regulations

Engage and consult inclusive businesses at the county level: It was noted that some county-level development projects in the sector were designed without sufficiently involving the private sector, increasing the risk of inadequate investments. For example, produce collection centres may not provide the level of traceability and quality required for international fair trade and organic certifications, and thus fail to connect farmers to premium markets. Dialogue among different stakeholders, including businesses providing market access, would help to address the roadblocks to this sector's development.

Tackle land ownership and inheritance issues to encourage women's inclusion and empowerment in the sector: In rural areas, women often do not inherit land titles, which constrains their access to credit. The Government was called on to address land rights issues, encouraging women's land ownership to support their inclusion in the sector.

Provide end user subsidies for key inputs – including insurance, drip irrigation and quality seeds: End-user subsidy schemes were requested from the Government, especially for increasing agricultural insurance coverage and supporting smallholders' access to technologies such as drip irrigation and high-quality seeds.



Financing

Build financial institutions' capacities to provide financing for agriculture: Awareness raising and advocacy with the financial sector were called for to update credit policies that some respondents felt do not adequately assess the risks of agricultural lending to SMEs and smallholders. Financial institutions are called upon to develop innovative, tailored models that reduce the dependence on assets for accessing credit. Additional measures include increasing support for the development of crop and livestock insurance products to reduce lending risks; this includes building the agricultural index insurance market.



Information

Increase investments in weather, soil and water data for insurance product development and agricultural intelligence: Respondents reported that investments in gathering better weather, soil and water data are needed to develop the agricultural index insurance market and tailored insurance products. Government extension workers can be engaged in data collection. Increased data would also support agricultural intelligence companies in providing advice to smallholders on optimal planting times and pesticide and fertilizer use.

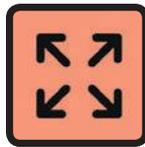
Investments in gathering better weather, soil and water data are needed to provide advisory services and develop tailored insurance products.



Provide information to smallholders on markets, new technologies, input varieties and good practices: Concerted efforts by public extension officers and other actors were considered needed to build smallholders' awareness of new technologies, inputs and practices for increasing productivity. It was also noted that companies providing technologies need to provide better after-sales service and advice on maintaining equipment.

Push for awareness of value-chain responsibility: International advocacy organizations should push for more transparency regarding the division of premiums from certified and fair trade products. Some producers reported that supermarkets in affluent countries keep an unfair share of premiums, leaving little for the producers who have invested in acquiring these certifications.

Support collaboration and experience sharing across the value chain: Workshops and events that enable agricultural value chain actors to share experience are needed to establish networks among actors, including both the public and private sectors.



Capacity

Engage businesses in capacity building: Companies felt that smallholders needed more capacity building, but some believed NGOs should better engage with and leverage the private sector when supporting training to ensure that the trained farmers have access to markets. Investments in the capacities of local ecosystem actors within the agricultural value chain, including nurseries, are also needed.





Healthcare

In Kenya, the BoP represents 71 percent of the US\$642 million total yearly household consumption in the health sector.³¹

Opportunities for inclusive business in this sector involve leveraging technology, public-private partnerships, new financing models and tapping into new product areas.

Most Kenyans lack access to quality, affordable healthcare because of: a lack of income, awareness and availability of health insurance; poor health-seeking behaviours; the sub-optimal quality of healthcare providers; and the long distances required to reach clinics.

Healthcare in Kenya is provided by the public sector, the private sector, NGOs and faith-based organizations. While the public sector is the largest healthcare provider, accounting for 61 percent of total health expenditure, it cannot sufficiently cover the needs of the BoP population. Public facilities lack reach, capacity and quality of care, and suffer from a shortage of health workers, especially in rural areas. With total spending on health at 6 percent of GDP, Kenya is behind its neighbors Uganda and Sudan, and the country's US\$78 per capita health expenditure remains lower than the average (US\$90) for lower-middle-income countries.³²

In the coming years, the Government is expected to increase healthcare spending to manage the high burden of communicable diseases, upgrade healthcare facilities, ensure access to primary care and address the burden of non-communicable diseases, which are projected to exceed communicable, maternal, perinatal, and nutritional diseases as the most common causes of death by 2030 in Africa.³³ It is also acknowledged that health-sector improvements will not be possible without private-sector collaboration, including public-private partnerships.³⁴

Kenya's private health sector is vibrant and several innovative inclusive business models cover healthcare provision, pharmaceuticals and distribution. Healthcare financing solutions, including micro-insurance and health-savings wallets are also increasingly targeting people at the BoP.

Opportunities for Inclusive Business in Healthcare

The following opportunities in Kenya's health sector were highlighted during the consultations for this publication:

31 World Bank. 2010. Global Consumption Database. Washington DC: World Bank Group. Calculation are based on yearly household consumption figures.

32 World Bank Database, Kenya. Available from <http://data.worldbank.org/country/kenya>.

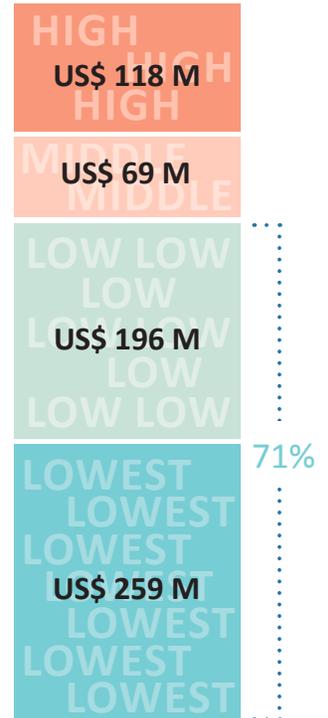
33 According to the World Health Organization 2010 Global Status Report on Non-communicable Diseases, non-communicable disease prevalence is projected to exceed that of communicable, maternal, perinatal, and nutritional diseases as the most common cause of death in Africa by 2030. Available from: http://www.who.int/nmh/publications/ncd_report_full_en.pdf.

34 Kenya Ministry of Medical Services and Ministry of Public Health and Sanitation. 2017. Accelerating Attainment of Health Goals: The Kenya Health Sector Strategic and Investment Plan July 2013-June 2017 – Second Medium Term Plan for Health.

MARKET SIZE IN KENYA

Annual household consumption 2010

Healthcare





To bring healthcare to off-grid areas, inclusive businesses can utilize remote diagnosis and deploy tailored diagnosis and treatment equipment.

- **Provide treatment for non-communicable diseases and develop models for specialized care:** The need for timely diagnosis and treatment of non-communicable diseases such as diabetes, chronic respiratory diseases and cancer is growing in the country, offering new opportunities for inclusive business approaches that provide awareness, diagnostics and care. Global pharmaceutical companies such as Novartis and Novo Nordisk have already invested in building awareness of these diseases among the BoP and are working with the public sector to increase access to affordable treatments. Inclusive business models in specialty areas such as eye care and dentistry can also extend access to services at the BoP, and cross-border replication of models tested in other African countries, Asia and Latin America can open new markets.
- **Establish quality, low-cost clinic networks or leverage cross-subsidy models:** BoP customers' needs for high-quality, low-cost care can be met by utilizing cross-subsidy models in hospitals or establishing clinic networks. New actors such as Equity Bank, through its foundation, are also entering the market by establishing health clinics through a franchise model.³⁵
- **Develop remote diagnostic and treatment services, tailored equipment for rural and off-grid use, and leverage 'paraskilling' approaches and M-health solutions:** In order to bring healthcare to off-grid areas, inclusive businesses can utilize remote diagnosis and deploy tailored diagnosis and treatment equipment. Companies can also implement approaches that build skills and mitigate the shortage of health workers, such as 'paraskilling' – training low-skilled employees to provide basic screening, diagnostics and treatment. M-health services, offering remote call-based consultations with doctors and experts, and health advice by text messaging are also gaining ground as added-value components to health-financing products.
- **Develop new health financing models and BoP health insurance:** Out-of-pocket spending on healthcare remains high in Kenya, comprising 67 percent of private healthcare spending. This figure highlights the low coverage rate of health insurance, especially among people at the BoP.³⁶ Several market actors are employing innovative models ranging from agentless microinsurance to mobile health savings wallets in order to develop commercially viable approaches for meeting healthcare needs at the BoP.
- **Innovate for last-mile distribution:** Reaching larger markets requires innovations in the distribution of healthcare products and services, including through mobile technology – and even drone technologies.³⁷ Innovative distributors focusing on BoP markets can tap into these opportunities. Companies such as Solarkiosk, Africaqua and Nairobi Tech Pharm are providing distribution channels for other inclusive businesses to reach BoP communities in Kenya.

35 Business Daily. March 2, 2015. Equity Group to Help Open Chain of Health Clinics. Accessed from: <http://www.businessdailyafrica.com/Corporate-News/Equity-Bank-set-to-open-chain-of-health-clinics/-/539550/2639582/-/ho3ke1z/-/index.html>.

36 World Bank Database, Kenya. Available from: <http://data.worldbank.org/indicator/SH.XPD.OOPC.TO.ZS?locations=KE&view=chart>.

37 Gavi. October 14, 2016. Rwanda Launches World's First National Drone Delivery Service Powered by Zipline (Press release). Accessed from: <http://www.gavi.org/library/news/gavi-features/2016/rwanda-launches-world-s-first-national-drone-delivery-service-powered-by-zipline/>.



Inclusive Business Models in the Healthcare Sector

Business model & approach	Inclusive Business example
Healthcare delivery and diagnostics	
Micro-clinics; standardization of care	Access Afya is a Kenya-based social enterprise that provides primary health care in informal settlements in Kenya using digital health tools, on-demand and mobile care, a chain of micro-clinics and process and procedure standardization to lower the price point of conventional primary care. These features are coupled with rigorous clinical quality and outcomes monitoring, and customer care. The company has a strong focus on customer engagement, including through outreach, events, and even movie nights.
Cross-subsidization model; standardization of care; health camps	City Eye Hospital provides low-cost quality eye care through a cross-subsidy model that relies on high standardization of services. This model enables the company to offer eye care and cataract surgeries at a discounted rate to low-income customers by utilizing the expertise of doctors that simultaneously serve patients requesting premium services at a sister facility. Developed in 2015 with lessons learned from India's well-known Aravind Eye Care model, City Eye Hospital also organizes health camps to provide cost-free examinations in low-income communities, and offers free cataract surgeries to camp patients.
mHealth (mobile-enabled diagnosis and care); paraskilling	ClickMedix* is a global mobile health social enterprise dedicated to increasing the capacity of physicians and health organizations to serve more patients through leveraging mobile technology. It enables community health workers to screen, diagnose, treat and offer follow-up care for diseases such as ear infections. ClickMedix minimizes the time needed to access medical specialists for targeted disease care and patients save on consultation and transportation fees and benefit from the early detection of diseases. Physicians can increase revenue from patient retention and telemedicine consultations.
Microfranchising, mobile clinics	Sorridents* is a franchise network of dental clinics operating in Brazil. Its franchise clinics provide accessible, affordable dental care on the outskirts of large and mid-sized cities, where real estate is more affordable and most low-income people live. While a new clinic requires a modest investment and franchise fee, the company provides rigorous training on all aspects of starting and managing a clinic. Sorridents also assists franchisees with site location, rent negotiation and training of direct employees and partner dentists. By taking advantage of the economies of scale and other cost cutting measures, Sorridents can offer high-quality dental care to low-income customers. The company also runs a mobile clinic to provide dental care and education to underserved communities, as well as a program to provide care to schoolchildren in need.
Micro-distribution; capacity building; paraskilling	Essilor International* is a global ophthalmic optics company whose inclusive business division, 2.5 New Vision Generation division runs several inclusive business models and other initiatives to make vision care available at the base of the pyramid. The company's models include the Eye Mitra program (currently only in India) that trains local youth to set up small optical stores in their communities and the Vision Ambassador model, that supplements the incomes of existing micro-entrepreneurs by training them to provide basic vision correction services. The company has also developed a range of attractive ready-to-clip eyeglasses, which allow customers to be equipped on the spot as opposed to waiting several days for their eyeglasses.
Telemedicine/virtual clinics	Accuhealth* is a Chilean healthcare company that utilizes virtual clinics and remote patient monitoring to save money and improve the management of non-communicable diseases. It provides remote care management with emphasis on prevention and close monitoring of patients, particularly in hard-to-reach areas without access to traditional hospitals. Accuhealth leverages an evidence-based telehealth monitoring service with big data, predictive modelling and data-mining allowing hospitals and clinics to increase the geographical coverage of specialists.

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Business model & approach	Inclusive Business example
Pharmaceuticals, sanitary products and distribution	
<p>Differential/ tiered pricing; public-private partnerships; health camps</p>	<p>Novartis, a global healthcare company based in Switzerland, launched its Novartis Access Program in 2015. Novartis Access aims to fight key chronic non-communicable diseases such as cardiovascular diseases, diabetes, respiratory illnesses and breast cancer. Kenya was the first country to benefit from a portfolio of 15 affordable medicines which is being offered to the Kenyan government, non-governmental organizations and other public-sector healthcare providers at an ex-factory price of US\$1 per treatment, per month. Beyond the portfolio, Novartis Access has joined forces with the Christian Health Association of Kenya, the Kenyan Conference of Catholic Bishops and the Kenyan Red Cross Society to build capacity to diagnose and manage chronic diseases in local facilities across the country. In addition, the company also runs the Healthy Family programs (Familia Nawiri in Kenya), a social venture that works with locals, NGOs and outreach workers to expand access to community education, improved infrastructure and affordable healthcare products for people living at the bottom of the pyramid.</p>
<p>Differential/ tiered pricing; public-private partnerships; health camps</p>	<p>Novo Nordisk is a global pharmaceutical company working with the Kenyan Ministry of Health and faith-based organizations to establish an effective supply chain to deliver affordable diabetes drugs to patients. The company is partnering with local actors to build capacity to diagnose and treat diabetes and has implemented a grassroots awareness campaign that educates community leaders, healthcare workers and peer educators on diabetes risk factors, the importance of early detection and proper treatment of diabetes. The awareness campaign builds on the company's successful effort to limit price mark-ups of insulin products. Globally, the company also offers differential pricing to the world's least-developed and low-income countries.</p>
<p>Local generic pharmaceutical production</p>	<p>Universal Corporation Limited is a Kenya-based generic drug manufacturer offering over 100 formulations of human medicines. This company aims to scale up its business throughout sub-Saharan Africa to address child mortality, maternal health issues and communicable and non-communicable diseases. By having its manufacturing plant in a township outside the capital, Nairobi, and through providing comprehensive training to its employees, the company is incorporating local people into the production and distribution of its medicines.</p>
<p>Local rural-based production</p>	<p>AFRIpads is a social enterprise that manufactures and distributes low-cost reusable sanitary pads. AFRIpads are made from high-performing textiles designed to last a minimum of one year and cost a fraction of the equivalent supply of disposable pads. The pads are designed to be comfortable, cost-effective and environmentally friendly. From its offices in Uganda, Kenya and Malawi, AFRIpads currently supplies its products across the African continent. By manufacturing its products in rural Uganda, AFRIpads has built a local industry and created gainful employment for over 150 people, 90 percent of them women. The company is currently developing its distribution model in Kenya to accelerate the availability of its products to end-users.</p>
<p>Micro-franchising; pooled procurement</p>	<p>Nairobi Tech Pharm operates Pharmnet, a franchise network of licensed private pharmacies in Kenya. The company utilizes pooled procurement to provide high-quality affordable medicines through its franchisees to low-income Kenyans. It also provides its franchisees with pharmaceutical technologist training in quality standards, provides them with an audit tool to ensure compliance to franchise requirements and offers business-skills training to help them build and run their pharmacies profitably.</p>
<p>Affordable sizes; trained direct sales force</p>	<p>Phillips Healthcare Services Limited is an importer, distributor and marketer of pharmaceutical, surgical and diagnostic equipment. Through its micronutrient power initiative, the company employs a trained sales force to distribute single-dose packets of low-cost micronutrient powder that can be sprinkled onto any ready-to-eat food. The company aims to ensure commercial viability through high distribution volumes, and partners with NGOs and other organizations to raise awareness about nutrition.</p>

Note: Companies marked with * are BCtA members that do not currently work in Kenya. All other companies are BCtA members with active inclusive business models in Kenya. More information on BCtA members' inclusive business models can be found at www.businesscalltoaction.org.



How Inclusive Business Contribute to the SDGs in Healthcare

Inclusive businesses in the healthcare sector contribute to SDG 3: Good Health and Well-being. In addition, by offering services tailored to the BoP for early diagnosis and timely access to quality care and treatment, inclusive businesses also ensure that people can hold on to their livelihoods, contributing to SDG 1: No Poverty and SDG 2: Zero Hunger. By paying special attention to the healthcare needs of women, these companies contribute to SDG 5:

Gender Equality. Like all inclusive businesses, their efforts facilitate the achievement of SDG 10: Reduced Inequalities by providing more equal access to important products and services. In addition, many health-focused inclusive businesses work across sectors with governments, development actors and academia to advance healthcare at the BoP, supporting the achievement of SDG 17: Partnerships for the Goals.

Case Study: Jacaranda Health, advancing access to affordable, quality maternity care through standardization and continuous innovation

Every day, approximately 800 women around the world die from preventable complications of pregnancy and childbirth. More than half of these occur in sub-Saharan Africa and most are caused by preventable problems like high blood pressure and delivery complications. SDG 3: Good Health and Wellbeing marks a global commitment to reduce this ratio to less than 70 per 100,000 live births worldwide.

In Kenya, Jacaranda Health is working towards this commitment by providing high-quality maternity care at a fraction of the cost of other private hospitals, adopting innovative approaches and tools commonly used in developed countries. Through its mobile health network and maternity hospitals, over 20,000 women and children have received care, and more than 2,600 healthy babies have been delivered. Since 2011, the company has logged over 50,000 outpatient visits, a 100 percent maternal survival rate and a 99 percent newborn survival rate for its patients.

In early 2017, Jacaranda was awarded Level 5 certification from SafeCare, an internationally accredited healthcare standards assessor that certifies quality against international standards. It is among only three hospitals in Africa with this level of certification.

Jacaranda aims to scale up these results by providing 100,000 low-income women and children with comprehensive maternal and child care at its maternity hospitals, and pilot innovative healthcare delivery models in 25 partner public facilities. With the aim of reaching over 500,000 women and children by 2019, it is contributing to SDG 3 Target 3.1: Reduce global maternal

mortality ratio, and Target 3.2: End preventable deaths of newborns and children under 5 years of age.

Many of Jacaranda's clients pay for services with the M-Pesa mobile-based money transfer service and use mobile financing options to pay hospital bills. Its hospitals also use technology to create electronic medical records and send women educational SMS text messages during key points following childbirth, which has been shown to promote critical healthy behaviours. In addition, technology is at the core of the company's impact measurement.

"We think about health impact through three lenses," says Nick Pearson of Jacaranda Health. "First, we track client outcomes within our hospital through our own data systems. Second, we collect client feedback through regular calls and third, we partner with academic institutions to create rigorous evaluation of our results and impact."

Jacaranda recognizes that the biggest opportunity in maternal health lies in improving the quality of public health facilities. As a result, the company is collaborating with the Government in order to adapt its approach to public hospitals. Starting with two government hospitals in 2015, it now works with nine. In one of these hospitals, there has been a 69 percent reduction in suspected maternal infections and a 58 percent reduction in suspected newborn infections since the partnership was established. Jacaranda is now reaching five times the number of women through these government partnerships than it did through its private facilities.



Jacaranda Health's Impacts on SDGs

SDG	Jacaranda Health's impacts	
<p>1 NO POVERTY</p>	<p>SDG 1: End poverty in all its forms everywhere</p> <ul style="list-style-type: none"> Target 1.4: Ensure that all men and women have access to basic services 	<ul style="list-style-type: none"> Jacaranda is providing maternal care to low-income populations in Kenya, advancing equal access to basic services.
<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>SDG 3: Ensure healthy lives and promote wellbeing for all at all ages</p> <ul style="list-style-type: none"> Target 3.1 Reduce global maternal mortality ratio Target 3.2: End preventable deaths of newborns and children under 5 years of age Target 3.8: Achieve universal health coverage, including access to quality essential health-care services 	<ul style="list-style-type: none"> Access to quality, low-cost maternal care provided to 20,000 women in Nairobi. Over 2,600 healthy babies delivered since 2011. Jacaranda is sharing its expertise with the Kenyan public healthcare facilities through a collaboration that has provided training to nine public facilities.
<p>5 GENDER EQUALITY</p>	<p>SDG 5: Achieve gender equality and empower all women and girls</p> <ul style="list-style-type: none"> Target 5.6: Ensure universal access to sexual and reproductive health 	<ul style="list-style-type: none"> Through its services, Jacaranda is contributing to universal access to reproductive healthcare.
<p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>SDG 17: Revitalize the global partnership for sustainable development</p>	<ul style="list-style-type: none"> By partnering with development financiers and the Kenyan Government to build maternal health care capacities in the public sector, Jacaranda is promoting collaboration and partnerships.



Recommendations for Scaling Up Inclusive Business in the Health Sector

Recommendations to scale inclusive business in the healthcare sector include increased engagement of inclusive businesses in policy development, addressing low insurance coverage at the BoP in collaboration with the private sector, boosting investments in health market data and updating educational curricula to foster new talent.



Rules and regulations

Engage inclusive businesses in developing regulations and address regulation gaps to enable product and service innovation: Inclusive businesses developing innovative products and services often encounter situations in which standards and regulations have not yet been developed. Companies called on the Government to engage inclusive businesses in identifying and addressing regulation gaps, especially in the health and sanitation sectors. Some respondents pointed to the need to collectively design new ways for the public and private sector to collaborate on health, including through public-private partnership models of healthcare provision at the BoP.

Ensure a fair playing field for inclusive actors through regulation enforcement and transparent public procurement: The healthcare and pharmaceutical market in Kenya is considered to suffer from unfair competition from sub-standard providers and counterfeit medicines – and from a lack of transparency in public procurement. In order to create an enabling environment for inclusive businesses to scale up, effective regulation enforcement and transparent public procurement practices were called for. Penalties for non-compliance should also be enforced more strictly by the Ministry of Health.

Provide incentives to support inclusive businesses and local employment: Some respondents reported that tax and other incentives such as preferential procurement rules are needed to support inclusive businesses in creating local employment, especially in the pharmaceutical sector. A comprehensive assessment of regulations was also considered important. For example, it was noted that local pharmaceutical manufacturers find it hard to compete with international manufacturers since they are required to pay custom levies for importing material, while many ready products brought into the country are tax exempt.

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Respondents pointed to the need to collectively design new ways for the public and private sector to collaborate on health

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Financing

Address the lack of insurance and increase investment in healthcare and health facilities: Greater collaboration is called for to increase the insurance coverage at the BoP – especially with the National Hospital Insurance Fund and private-sector insurance providers. Innovative technologies and approaches can be marshalled by these actors to reach BoP populations across the country. Many also await increased public investments in healthcare and health facilities to open new markets for inclusive businesses with innovative service offerings through public-private-partnerships.

Consider market impacts when supporting non-profits and increase NGOs' awareness of the private sector' work: Respondent companies called for more comprehensive



evaluations of the market impacts of development actors' support to non-profits. In some cases, these projects can inhibit sustainable market development in the health sector. More productive and complementary collaboration was called for between NGOs and inclusive businesses to boost complementarity and avoid duplication.

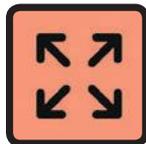
Promote access to financing across the business life cycle and target funding for strengthening health systems: Respondents noted the need for increased seed funding for innovations, including through challenge funds and at the county level, and for affordable long-term financing. More funding is also needed to support innovations aimed at developing health systems – as opposed to the current focus on specific communicable diseases.



Information

Invest in collecting and sharing health information: The Government and development actors are called upon to invest in health data collection, analysis and dissemination at both the national and county levels, enabling companies to develop better solutions to local challenges. The Government should present these data in an aggregated and clear manner, and establish a central point for stakeholders to access up-to-date information. Research collaboration between academia and industry could also help to produce needed data, and companies should collaboratively invest in joint data gathering.

Collaborate to address the lack of awareness of products and services at the BoP: In the healthcare and sanitation sectors, there is a significant lack of awareness in BoP communities about crucial products and services, including insurance. Companies have stressed that collaboration is needed among inclusive businesses, the Government and other stakeholders to increase awareness of impactful products and services.



Capacity

Upgrade curricula and build academia-industry collaboration to address skills gaps: The Government is asked to invest in developing the skills of medical practitioners and upgrading training curricula. There is room for increased collaboration between educational institutions and the private sector to ensure that skills development meets the health sector's needs.

Infrastructure



In Kenya, the BoP represents a 75 percent share of the US\$3.2 billion total yearly household consumption in the infrastructure sector, comprised of energy, housing, water utility and ICT.³⁸ Growing urbanization is increasing the demand for affordable housing, water and sanitation services among BoP communities. Kenya has a large off-grid population, which needs access to energy. New consumer financing models, distribution partnerships and cross-sector collaboration on infrastructure offer a range of opportunities for inclusive businesses in this sector.

Access to affordable energy, improved sanitation, clean water and improved shelter remain a challenge for low-income Kenyans: 64 percent of the population does not have access to electricity; 70 percent to improved sanitation; and 37 percent to clean water.³⁹

With growing urbanization, Kenya is facing a huge housing deficit, and a lack of affordable housing is pushing lower-income residents into informal settlements, where 61 percent of urban residents live.⁴⁰ Cross-sector collaboration and public-private partnerships are needed to upgrade informal settlements and address housing, sanitation, water and electricity needs in urban areas.

Only 13 percent of people in rural areas have access to electricity and 57 percent can access clean water⁴¹ Innovative off-grid energy solutions, decentralized water services with distribution models tailored to rural populations' needs and sanitation solutions are needed.

Opportunities for Inclusive Business in Infrastructure

The following opportunities were highlighted during the consultations for this publication:

- **Provide access to affordable housing:** The low-cost housing market is still largely untapped in Kenya. Inclusive business models utilizing alternative building technologies and construction materials combined with innovations in consumer financing hold great potential. However, more investments, cross-sector collaboration within the water and sanitation sector, and public-private partnerships are needed to respond to the need for affordable housing and home financing in Kenya, including at the county level.
- **Provide off-grid solar energy and solar home systems:** With only 13 percent of Kenya's rural population accessing the electricity grid, solar energy solutions are needed. The market for solar energy solutions is also vibrant. New consumer financing models such as mobile-enabled pay-as-you-go services are gaining

MARKET SIZE IN KENYA

Annual household consumption 2010

Infrastructure



38 World Bank. 2010. Global Consumption Database. Washington DC: World Bank Group.

39 World Bank Database, Kenya. Accessible from: <http://databank.worldbank.org/data/reports.aspx?source=2&country=KEN>.

40 World Bank. 2017. Kenya Economic Update: Housing – Unavailable And Unaffordable. Kenya Economic Update 15. Washington, DC: World Bank Group.

41 World Bank Database, Kenya. Accessible from: <http://databank.worldbank.org/data/reports.aspx?source=2&country=KEN>.



ground in Kenya, where mobile subscribers account for 81 percent of the population.⁴² These services are enabling the BoP population to access a comprehensive range of solar energy products.

- Address water and sanitation needs: There is increasing interest in private sector-based approaches to water and sanitation, including sanitation facilities in informal settlements and community water-management models. Several donors have established support programmes focused on market-based water and sanitation provision, including the World Bank’s Selling Sanitation initiative and the Kenya Integrated Water, Sanitation and Hygiene Project supported by the United States Agency for International Development (USAID).

Inclusive business models in the infrastructure sector

Business model & approach	Inclusive Business example
Solar Energy	
Micro-distribution; capacity building; cross-subsidies	Little Sun is a Germany-based company that provides clean and affordable solar lighting to people at the BoP in Africa while bringing livelihood opportunities and training to local micro-entrepreneur distributors. Its unique inclusive business model brings affordable energy to off-grid areas by selling lamps and solar-powered phone chargers in the global North to subsidize the units it sells in BoP market.
Water and sanitation	
Decentralized water provision; micro-franchising; micro-distribution	AfricaAqua , a social enterprise focused on innovative solutions for clean water, provides Kenyans with access to safe drinking water through a network of water outlets. These water hubs employ young adults as distributors and offer entrepreneurship opportunities to community members selling related products and services. These community water hubs not only provide safe, treated water, but provide space for pharmacies, solar, health and hygiene products.
Micro-franchising; capacity building	Sanergy is a social enterprise that provides access to safe and affordable sanitation in informal settlements through a franchise network of facilities owned and operated by local residents. Sanergy offers its operators ongoing marketing, business and maintenance support to ensure that their businesses are successful and that the toilets stay clean and safe. The company also ensures that human waste is safely removed from the community, treated and converted into organic fertilizer and animal feed for Kenyan farmers.
Affordable Housing	
Assisted community-building; alternative building techniques and materials; community financing	¡Échale! a Tu Casa* is a Mexico-based affordable home builder that provides alternative housing technology and materials through assisted-community building model to Mexico’s vast market of working low-income families. The company combines self-build assistance and community participation with innovative financing. At the core of the model is the Terrapress technology – which combines the use of compressed earth blocks (called Adoblocks), on-site production and social mobilization. Made from earth and other natural materials, Adoblocks do not pollute or create construction waste. The company provides self-build kits, which are used by local communities to build or improve homes – providing a valuable source of temporary employment. ¡Échale! has also designed customized affordable credit products to finance the self-build kits.

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42 World Bank Database. Accessed from: <http://data.worldbank.org/indicator/IT.CEL.SETS.P2>.



(continued)

Inclusive business models in the infrastructure sector

Business model & approach	Inclusive Business example
<p>Public-private partnerships for low-cost housing</p>	<p>Phinma Property Holding Corporation* is a Philippines based-housing developer that partnered with the Quezon City government to construct the city’s largest socialized housing community in 2012. The project has already improved the lives of thousands of underprivileged beneficiaries, including informal settler families. To reduce construction costs, time and manpower costs, Phinma utilized cast-in-place reinforced construction technology. The Quezon government was in charge of acquiring the land for the PPP project and provided subsidies for the land development, for opening of a right-of-way, financial assistance to informal settlements, funding for the construction of a retaining wall, multi-purpose hall, improved drainage system and covered expenses on permits and licenses. Low-income families are able to purchase these new homes with affordable loans provided by partner financial service providers, with low monthly installments and payment terms of up to 30 years. Phinma together with the Quezon City government also established estate management for administration, maintenance and community development.</p>
<p>Distribution models</p>	
<p>Solar-kiosks; pooled procurement and logistics</p>	<p>SOLARKIOSK empowers the sustainable economic development of BoP communities in Sub-Saharan Africa by delivering clean energy services. The company operates solar-powered autonomous business hubs that provide rural off-grid communities with sustainable energy and related services such as mobile phone charging, refrigeration and printing. The business-hub structure is a modular and expandable kit-of-parts that can be easily transported and deployed in remote off-grid areas. SOLARKIOSK employs and trains local operators to run the hubs and provides centralized procurement of goods, services and logistics for hub operators.</p>
<p>Membership-based retail platform; employee benefits programme</p>	<p>iCare Benefits* provides factory workers in Asia with access to education, health, and home appliance products through a retail platform and innovative financing. The platform is provided to workers with over 12 months’ experience in the form of an employee benefits programme: workers can purchase products via workplace-based “iCare Centers” and online, and can pay with cash or through interest-free deferred repayment. A salary-withholding agreement supports iCare members in making timely payments and the company reinforces responsible spending with a monthly payment limit of no more than 30 percent of gross salary. The model reduces low-income workers’ reliance on high cost black market borrowing. In addition, iCare Benefits engages a range of partners to create a global education platform for workers and their families. By 2018, the platform will provide access to critical knowledge such as financial literacy, health, basic language skills, digital literacy, and occupational education, including safety and workers’ rights.</p>

Note: Companies marked with * are BCtA members that do not currently work in Kenya. Companies marked with ² operate in Kenya but are not BCtA members. All other companies are BCtA members with active inclusive business models in Kenya. More information on BCtA members’ inclusive business models can be found at: www.businesscalltoaction.org and through case studies and publications produced by BCtA.



How Inclusive Businesses Contribute to the SDGs in the Infrastructure Sector

The infrastructure sector includes inclusive businesses working towards the achievement of SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 9: Industry, Innovation and Infrastructure; and SDG 11: Sustainable Cities and Communities. In addition, companies across this sector contribute to SDG 1: No Poverty by providing access to affordable essential services, and often

create entrepreneurship opportunities linked to SDG 8: Decent Work and Economic Growth. Businesses in the sector also seek collaboration with the public sector and civil society to provide infrastructure, housing and telecommunications for BoP communities, contributing to SDG 17: Partnerships for the Goals.

Case Study: Mobisol, Powering businesses and homes through solar power systems

By providing solar power to rural Kenyans, solar energy provider Mobisol is not only improving the living conditions of off-grid communities, it is reducing reliance on environmentally harmful fossil fuels and empowering small businesses and local communities, contributing to SDG 1: No Poverty, SDG 7: Affordable and Clean Energy, and SDG 8: Decent Work and Economic Growth.

Over 50 percent of Kenya's population lives without access to electricity. This lack of access is most pronounced in rural areas, where Kenya's poorest communities are located. Mobisol's Solar Solutions for Kenya initiative bridges this gap by providing a comprehensive package of solar equipment including high-powered solar panels, solar batteries, in-home remote monitoring systems, highly efficient LED light bulbs and home appliances. By 2020, it aims to provide 800,000 people and 50,000 small businesses with reliable access to solar energy. This commitment has the potential to transform families' lives since access to power means that children can study at night, food can be refrigerated and businesses can become more productive.

In contrast to other companies specialized in off-grid lighting in Kenya, Mobisol focuses on large solar home systems, which serve more than just the need for

lighting. With the average Mobisol system, customers can run several appliances for the entire day.

Directly addressing SDG 7, Mobisol provides training on solar power to increase understanding of solar technology and the importance of alternative energy for future generations. By promoting its solar energy systems as an alternative to fossil fuels, the company aims to reduce greenhouse gas emissions by 100,000 tons each year in Kenya alone.

Having already electrified over 70,000 households and small businesses in East Africa, Mobisol is responding to the huge demand for affordable off-grid energy in low-income communities with a flexible three-year payment plan that utilizes mobile money for payments. Its products are accompanied by a three-year warranty, free installation and maintenance, and a toll-free service hotline.

The company's East African value chain comprises 500 contractors made up of local salespeople and technicians trained at the Mobisol Akademie, its in-house education institute. With over 700 full-time employees in Kenya, Tanzania and Rwanda, Mobisol plans to open several new retail outlets across Kenya, providing valuable jobs and contributing to SDG 8: Decent Work and Economic Growth

Mobisol's Impacts on SDGs

SDG	Mobisol's impacts	
<p>1 NO POVERTY</p> 	<p>SDG 1: End poverty in all its forms everywhere</p> <ul style="list-style-type: none"> Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services 	<ul style="list-style-type: none"> Mobisol has provided 70,000 solar systems in Kenya, Rwanda and Tanzania. Since September 2016, the company has opened eight shops in Kenya and plans to open another 20 the end of 2017, targeting thousands of customers throughout the country.
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p> <ul style="list-style-type: none"> Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix 	<ul style="list-style-type: none"> The initiative aims to prevent 100,000 tons of CO² equivalent from entering the atmosphere.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <ul style="list-style-type: none"> Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 	<ul style="list-style-type: none"> To date, 1,500 people have been trained, with a focus on solar technology, sales and distribution services. In Kenya alone, 80 full-time jobs have been created and the company has more than 700 full-time staff internationally. Approximately 500 small businesses have been provided with energy. Ten schools have been powered in the Western and Rift Valley regions.

Recommendations for Scaling Up Inclusive Business in Infrastructure

Recommendations for scaling up inclusive business in the infrastructure sector include increased engagement of innovators in developing regulations, development of consumer financing models and support for building talent.



Rules and regulations

Develop regulations faster, ensure their enforcement and engage inclusive businesses more: Regulations need to be developed more quickly, especially in areas such as prefabricated, affordable housing.



The Government was also called upon to improve regulation enforcement in the housing sector and curb corruption. Increased dialogue and engagement among regulators and innovators is also needed to scale up impacts in this sector at the BoP.



Financing

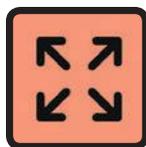
Assess implementation and impact: While several companies in the solar sector have received support for establishing and scaling up their models, some believe that direct donor support for companies and non-profits can cause market distortion. As a result, there is a need to better assess the impacts of this support and how it can be channeled in more sustainable ways, including to end-user subsidies. Some also expressed that non-profits would be better off working on systemic issues with the Government rather than providing direct access to infrastructure. Public-private partnerships are needed, especially for upgrading informal settlements, and outcome-based models can support more sustainable market development.

Increase support for consumer financing models: With promising consumer financing models such as mobile-enabled pay-as-you-go services in the solar sector emerging, more support from government and development actors, and innovation from businesses is needed to address the lack of financing at the BoP. It was also noted that insurance and financial services need to be better connected to build innovative financing products. Establishment of government solar credits for BoP consumers was one suggested response to BoP communities' lack of access to financing.



Information

Invest in BoP market data: Investments by the Government and development actors in better BoP market data were called for to enable inclusive businesses to tailor their business models and assess market opportunities, including in the underserved affordable housing market.



Capacity

Review the education system and respond to industry needs: A review and upgrade of Kenya's education and vocational training sector was called for in order to better respond to industry needs. Solar maintenance and repair skills needed by the industry are lacking, along with construction skills. More collaboration between the private and public sectors is required to fill this gap.

Leverage alternative and shared distribution channels: To reach the BoP more effectively, greater collaboration between companies in reaching the last mile is required through alternative distribution channels and business-to-business shared distribution channels.

Skills Building and Education



Kenya's growing youth population can become its strength – if equipped with relevant skills. A variety of inclusive business models that engage the BoP as suppliers and consumers of education and training could help to address the skills gap in Kenya.

Kenya is facing a youth bulge: between 2009 and 2013, 3 million youth came of working age and the country's working population is expected to grow from 25.5 million in 2015 to 39.2 million by 2030.⁴³ At the same time, 22 percent of youth between 15-24 years are unemployed,⁴⁴ often lacking the skills and capabilities needed by growth industries such as the services sector and construction. Since the informal sector remains the largest source of employment, many young people end up working informally in hospitality, trade or manufacturing. Building skills to support them in increasing their incomes is particularly important.⁴⁵

Kenya's education system has several deficiencies, including a lack of flexibility to respond to labour market needs and limited capacity. To address the youth unemployment challenge, priorities include: improving access to vocational training, especially for poor people; more targeted support for entrepreneurship; and improved design of training programmes to meet employers' needs.⁴⁶

Companies across sectors mentioned the need for the Government and development partners to work with the private sector on upgrading curricula and ensuring that the educational system better prepares youth for work. Collaboration with the private sector can help to address the skills gap through work-and-study models, additional training and internships. Some companies suggested that the Government could provide tax incentives in key industries for companies to invest in capacity building.

While both inclusive businesses and corporate foundations such as the Mabati Rolling Mills Trust and the Housing Finance Foundation are working to upgrade skills and provide opportunities for low-income youth, there is a lot of room for new approaches to meet education and training needs in Kenya.

Since there were relatively few survey respondents with inclusive business models in the skills building and education sector, no workshop was organized to discuss this sector's unique opportunities and challenges. However, this chapter highlights inclusive business approaches addressing early childhood education, vocational training and industry-specific demand-led training to offer ideas that might be replicable in the country.

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Collaboration with the private sector can help address the skills gap through work-and-study models, additional training and internships.

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43 World Bank. 2016. Kenya Country Economic Memorandum: From Economic Growth to Jobs and Shared Prosperity. Washington, DC: World Bank Group.

44 World Bank Database, Kenya. 2016. Available from <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=KE>.

45 World Bank. 2016. Kenya Country Economic Memorandum. From Economic Growth to Jobs and Shared Prosperity. Washington, DC: World Bank Group.

46 *Ibid.*



Emerging Inclusive Business Models in the Skills Building and Education Sector

Business model & approach	Inclusive Business example
Vocational training provision	
Private vocational training courses	Centurion Systems Ltd , a technology-transfer firm serving East Africa’s manufacturing sector, offers students industry-relevant, competency-based courses including intensive hands-on technical training and exposure to equipment used in industry. The five-day modular programme is delivered both at Centurion Systems’ training facility and on site at factories. The model aims to increase their chances of young people’s gainful employment. In addition, Centurion is planning to integrate a life-skills and employability component into its technical training programmes. While these programmes are open to all young people with a background in electrical and mechanical engineering, disadvantaged youth are prioritized.
Private vocational degree through corporate foundation	Mabati Technical Training Institute⁹ is a private vocational training institute operated by Mabati Rolling Mills. It provides training to disadvantaged youth in Kenya’s coastal region in response to local industry needs. Established in 2004, the Institute is funded by a trust that receives donations from local industry and corporates, NGOs and individuals. Its areas of training are certified by the National Industrial Training Authority. In partnership with the Ministry of Devolution and Planning, Government social workers and the Children’s Office make recommendations for admission to MTTI based on set criteria for the youth under the Street Families Rehabilitation Trust Fund program. The courses are free or subsidized.
Demand led vocational training; public-private partnerships	Empower Pragati[*] is an India-based social enterprise specializing in livelihood skill development to empower India’s disadvantaged youth. The company focuses on meeting the needs of impoverished young people lacking education and opportunities. Empower works closely with the National Skills Development Corporation of India, which is an initiative of the Ministry of Finance, and invests in private sector providers to fulfil demand for skilled workers in key areas. Many state governments have contracted private providers, such as Empower, to deliver a range of comprehensive specialized trainings aligned with the National Skills and Qualifications Framework. Empower Pragati has implemented vocational training courses in 25 schools under the NSQF as part of an agreement signed in 2014, with the Department of Higher Education, in the state of Himachal Pradesh.
Demand-led complementary training	EPAM Systems,[*] a global provider of product development and software engineering solutions, is closing the ICT knowledge gap among students across the globe, with a focus on disadvantaged youth in Belarus, Russia, Ukraine, Kazakhstan and Hungary. Through its university programme, EPAM equips students with the competitive skills they need to contribute to the global IT sector, both locally and internationally, after graduation. EPAM offers cutting-edge, industry-relevant training at 35+ universities that are often lacking this type of education and then provides opportunities for employment with EPAM. To date, more than 6,300 former students have been hired by the company.

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Business model & approach	Inclusive Business example
Early childhood education	
Micro-franchising; education kits	<p>PUPA* is a Brazil-based education company that offers early childhood education to low-income children through a micro-franchise model, employing and training low-income women as caregivers. The model responds to low-income communities' lack of access to daycare centers and preschools. A training and certification programme for parents and caregivers is offered in remote and low income urban areas where children have no access to day care. The company has been successful in reaching low-income populations that traditionally do not have access to the educational early-childhood development tools. It offers caregivers educational kits including play activities, songs, Lego kits, books, toys and facilitator guides to stimulate cognitive development.</p>
Micro-franchising, standardized learning modules	<p>biMBA AIUEO* is an Indonesian company operating early education centres through a franchise network. Its inclusive model generates profit through the payment of franchise fees, royalty sharing and sales of branded products such as learning modules, t-shirts and magazines. In addition to covering operating costs, profits are used to scale up the franchise and to fund research and development. This franchise system does not require extensive investment: education fees are affordable and operating costs are low. In fact, many franchisees operate in their own houses or backyards. While providing graduation tuition fees based on need (including full payment, half scholarship and full scholarship), biMBA actively seeks children from poor communities to fulfil the 15 percent of spots it reserves for fee-free education.</p>
Other models	
Capacity building models	See page 47 for Essilor International and page 56 for Mobisol.
Impact sourcing; work-and-study model	See page 62 for Digital Divide Data

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How Inclusive Businesses Contribute to the SDGs in Skills Building and Education

The skills building and education sector can address the capacity gaps faced by many people at the BoP by providing complimentary education and vocational training; advancing the public sector's reach; and contributing to SDG 4: Quality Education. Inclusive businesses in the sector are also working to achieve SDG 8: Decent Work and Economic Growth by

providing needed skills for entrepreneurs and for sectors with employment potential. They can help to achieve SDG 10: Reduced Inequalities by providing more equal access to the skills needed for gainful employment, and SDG 5: Gender Equality by focusing on the inclusion of women at the BoP.

Case Study: Digital Divide Data, providing skills, training and employment for youth through impact sourcing and a work-and-study model

Digital Divide Data (DDD) Kenya, a social enterprise providing business process outsourcing services to clients worldwide, works to integrate underserved populations into companies' value chains as suppliers and employees. Among its team of 400 staff in Kenya providing these services, most are youth from low-income families, thus directly contributing to SDG 1: End Poverty, SDG 8: Decent Work and Economic Growth, SDG 5: Gender Equality and SDG 10: Reduced Inequalities.

DDD's inclusive impact sourcing business model recruits youth from Nairobi's low-income areas and provides long-term work experience along with higher education scholarships, leading to professional careers. To qualify, applicants must be between 18 and 24, have completed secondary education and have received good grades in an undergraduate university programme. Half the recruits are women and 5 percent are people with disabilities, contributing to SDG 10, Target 10:2: Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability; and SDG 5, Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. By providing economic opportunities to individuals who would otherwise lack access to education and jobs, DDD is helping young people and their families to break the cycle of poverty.

The company has partnered with small-scale lending platform KIVA and Kenya's Higher Education Loans Board to enable students in its work-and-study programme to obtain education assistance in addition to DDD's own higher education scholarship. This partnership is crucial to DDD's goal of achieving long-term positive impact. In the process, the company is nurturing a highly capable talent pool at the forefront of technological know-how that can drive Kenya's economic development.

In 2016, DDD Kenya generated sales of US\$2.6 million by providing digital content, data, and research solutions to local and global clients in publishing, academia, retail, and the public sector. The company's unique structure leverages revenue and philanthropic investment for sustainability and growth: in 2014, earned revenue covered 80 percent of its operating costs and it is expected to fund all costs by 2018.

To monitor and evaluate impact, DDD evaluates the skills, personal and career development, and incomes of DDD graduates each year, comparing these data to high-school graduates from similar backgrounds. These assessments not only measure the scale and impact of DDD's programme, but help the company to identify areas for improvement.

Digital Divide Data's Impacts on SDGs

SDG		Digital Divide Data's impacts
1 NO POVERTY 	SDG 1: End poverty in all its forms everywhere <ul style="list-style-type: none"> Target 1.2 Reduce at least by half the proportion of people living in poverty 	<ul style="list-style-type: none"> By early 2017, 200 youth from low-income backgrounds had graduated through DDD's work-and-study programme, gaining the skills to lift their families out of poverty.
4 QUALITY EDUCATION 	SDG 4: Ensure inclusive and quality education for all and promote lifelong learning <ul style="list-style-type: none"> Target 4.4: Increase the number of youth and adults who have relevant skills for employment and entrepreneurship 	<ul style="list-style-type: none"> By offering low-income youth an income and combining study and work, DDD is enabling its employees to complete higher education. In July 2016, there were 235 young people enrolled in a degree programme (133 women and 102 men). Through on-the-job training, DDD has helped 550 youth to develop relevant skills for employment and entrepreneurship, allowing them to increase their incomes.
5 GENDER EQUALITY 	SDG 5: Achieve gender equality and empower all women and girls <ul style="list-style-type: none"> Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life 	<ul style="list-style-type: none"> DDD guarantees that half of its recruits are women to in order promote women's equal access to education and work. In addition, a high percentage of youth in DDD's work-and-study programme are women.
8 DECENT WORK AND ECONOMIC GROWTH 	SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all <ul style="list-style-type: none"> Target 8.5: Achieve full and productive employment and decent work for all women and men Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation 	<ul style="list-style-type: none"> DDD is providing productive employment, and contributing to building the talent pool in Kenya. Long-term employment of youth enables them to move their families and communities out of poverty, obtain a university degree and find better opportunities in the labour market.
10 REDUCED INEQUALITIES 	SDG 10: Reduce inequality within and among countries <ul style="list-style-type: none"> Target 10.2: Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status 	<ul style="list-style-type: none"> In order to promote the economic inclusion of promising youth irrespective of disability, DDD ensures that 5 percent of its recruits in Kenya are persons with disabilities.
17 PARTNERSHIPS FOR THE GOALS 	SDG 17: Revitalize the global partnership for sustainable development	<ul style="list-style-type: none"> DDD partners with the public sector to secure stipends for its employees' studies, building bridges for public-private collaboration.



4. MOVING FORWARD:

How to Scale Up Inclusive Business Impacts on the SDGs in Kenya

Inclusive businesses should be engaged in policy formulation both at the national and county levels. Engagement and dialogue can help all actors to design and implement smart subsidies for targeted high-impact products and services, invest in gathering data that enables inclusive businesses and address capacity needs at the BoP to strengthen livelihoods.

This chapter provides ten cross-sector recommendations for scaling up the impacts of inclusive business models on the SDGs. They are based on insights gathered from businesses that participated in the survey, interviews and workshop discussions.



Rules and regulations

1. *Engage inclusive businesses in the development of regulations and policies*

There is a need for greater awareness and understanding of inclusive business models, and their potential to advance the SDGs and Kenya's development plan. To increase awareness among the public sector and other stakeholders, including development partners, more dialogue is needed at the national and county levels. Inclusive businesses can also provide important insights into policy making and the design of sustainable development interventions that do not distort markets.

Inclusive businesses provide innovative products, and many encounter situations where regulations do not yet exist. Many companies called for active and responsive development of regulations, and the Government was urged to address gaps in current regulations concerning new products and services. In addition, better regulation enforcement can create a level playing field for companies offering quality products – and facing unfair competition from sub-standard and illegally operating competitors.

2. *Consider targeted incentives to support the impact of inclusive business on the SDGs*

The Government has the power to incentivize inclusive business models and support their scaling up. Incentives can range from tax breaks to sector-specific exemptions. Establishing a legal standard for administering incentives aimed at socially driven enterprises was also suggested. If incentives are provided, the application process should be clear and streamlined.

While all actors can promote dialogue and collaboration, the following actors have particularly important roles to play:

Engagement and dialogue can help all actors address capacity needs at the BoP to strengthen livelihoods.

Targeted subsidies were called for to support the BoP in purchasing high-impact goods and services, including health and agricultural insurance, agricultural inputs and solar energy products.



➤ **National and county-level governments** can provide critical support to ensure that rules and regulations have positive impacts on inclusive businesses and the SDGs. They can request support to enhance their understanding of inclusive business and share knowledge with other countries.



➤ **Private-sector apex bodies** such as the Kenya Private Sector Alliance, the Kenya Chamber of Commerce, the Kenya Manufacturers' Association and the Kenya Federation of Employers have a role in facilitating dialogue and integrating the inclusive business agenda into their work. They can also share knowledge and experiences with incentives and models used in other countries to promote inclusive business models in Kenya.



➤ **Sector-specific associations** can drive dialogue and collaboration between their members and public institutions to ensure that the private sector is included in policy development and that development projects are linked to private-sector initiatives.



➤ **Development partners** can support the inclusion of the private sector when advising on policy development and funding development projects. They can also support the measurement of inclusive business models' impacts in order to build an evidence base as the foundation for enabling policies and incentives.



➤ **Inclusive businesses** can collaborate for advocacy and provide information on their work and impacts to stakeholders.



Financing

3. Provide end-user subsidies for BoP customers in key sectors with high impact potential

Targeted subsidies were called for to support the BoP in purchasing high-impact goods and services, including health and agricultural insurance, agricultural inputs and solar energy products. Because of their low incomes and lack of awareness, BoP consumers in Kenya lack access to essential products and services that are beneficial to livelihoods and health. End-user subsidies could help to build markets and increase access to essential products and services at the BoP. Insurance services are particularly crucial since they enable people at the BoP to build resilience and access financing and healthcare.

4. Increase the availability of affordable financing for inclusive businesses, including for innovation

Many companies mentioned a lack of access to affordable financing for inclusive businesses in Kenya, especially in agriculture. They would benefit from a reduction in the cost of financing as well as access to specialized funds and guarantee schemes in key sectors administered through financial institutions. Increased funds to support innovation – including at the county level – were also considered needed.

While all actors can promote dialogue and collaboration, the following have critical roles:



- **National and county-level governments** can assess the need for and impact of subsidy schemes, and provide additional support to increase access to essential products and services through the private sector. They can also support innovation through challenge funds and other modalities.



- **Sector-specific associations** can advocate for subsidy schemes and facilitate dialogue with respective government agencies, including by sharing best practices from other countries.



- **Development partners** can continue providing credit guarantee schemes in key sectors to ensure access to affordable credit. They can also continue supporting innovation through challenge funds.



- **Inclusive businesses** can innovate to provide the BoP with new consumer financing models and insurance products, and leverage technological innovation for alternative credit scoring.



Information

5. Invest in gathering BoP market data and share it centrally

A variety of data are needed to design and tailor products and services that are better aligned with needs at the BoP. Again, increased dialogue among the Government, academia and inclusive businesses can help to prioritize data needs. It was noted that when data do exist, they are often scattered and must be aggregated from several different sources. Given the upcoming work on gathering data to measure county- and national-level SDG progress, a freely accessible unified data bank could serve as a one-stop-shop for key development and BoP market data. With regard to business and academia, respondents advocated for increased dialogue and collaboration on research.

6. Collaborate to improve awareness of quality products and services offered by inclusive businesses

Awareness of important products and services such as insurance, agricultural inputs, healthcare and nutritional products was considered to be low at the BoP, requiring companies to invest in consumer awareness raising and training. Respondents called for support from the Government and in some sectors, such as healthcare, guidance on appropriate messaging.

7. Increase advocacy to raise awareness of how inclusive businesses are contributing to the SDGs

It was suggested that an SDG platform be established to showcase the contributions of inclusive business to the SDGs. Also, more information is needed on the impacts, efforts and capacity-building activities of companies, NGOs and development partners to support collaboration. Cross-sector or sector-specific information platform could help organizations to learn from each other, find partners and foster collaboration, reducing duplication of efforts.

It was suggested that an SDG platform be established to showcase the contributions of inclusive business to the SDGs.

While all actors can promote dialogue and collaboration, the following have particularly important roles to play:



➤ **National and county-level governments** can assess data needs and take the lead in coordinating data. They can also develop guidance for awareness raising on insurance, nutrition and agricultural inputs, and use their networks to share information with BoP communities. This can be done through public health facilities, community health workers and agricultural extension officers. Finally, the Government can take the lead in establishing an SDG platform that provides information on the private sector's contribution to the goals, feeding into national reporting on progress and providing a better understanding of private sector's integral role.



➤ **Sector-specific associations** can foster collaboration among their members on gathering data and raising awareness. They can also advocate for support and investments to ensure that relevant data is available for their members. In addition, they can provide sector-level insights on the private sector's contribution to the SDGs.



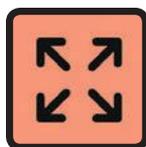
➤ **Development partners** can support government efforts to gather data, share experiences and best practices across countries, and raise awareness at the BoP.



➤ **Inclusive businesses** can also help to establish SDG platforms documenting the private sector's contribution to the SDGs or work through existing platforms fostering sustainable business practices. They should increasingly seek collaboration and work together on data gathering and raising awareness at the BoP.



➤ **Academic institutions** can play a key role in addressing the need for data and other information in collaboration with the private sector. They could also coordinate data-gathering projects funded by multiple stakeholders. Through their research, they can provide information on the private sector's contributions to the SDGs and collaborate with the private sector on measuring the impacts of different approaches.



Capacity

8. Build capacity at the BoP and foster partnerships between the private sector and academia to ensure that students are ready for work upon graduation

As a result of the lack of capacity at the BoP, inclusive businesses must invest in training BoP suppliers, employees, distributors and customers. Respondent companies called for support to BoP capacity-building efforts and greater collaboration on capacity building in response to specific needs. Companies in the health and infrastructure sectors brought up the need to revise educational curricula and for the educational sector to better respond to industry needs. This should involve collaboration between the education

sector and companies, and could also involve government tax incentives for companies that build needed skills.

9. Engage inclusive businesses in private sector-related development projects and establish more public-private partnerships

Companies called for development actors and the Government to engage the private sector (especially inclusive businesses) in planning and implementing development projects to ensure that they do not distort markets and actively include beneficiaries by building skills and ensuring market access. They also called for more innovation in developing, testing and learning from public-private partnerships. Some noted the lack of support for innovations addressing systemic challenges such as in healthcare delivery, while the majority of funding is focused on specific illnesses.

10. Support capacity building within inclusive businesses and create linkages across countries

Many smaller inclusive businesses mentioned the valuable support they had received from development partners and impact investors in the form of seconded short-term professionals. Cross-country linkages between inclusive businesses were considered useful to encourage peer-to-peer learning and replicate successful models.

While all actors can promote dialogue and collaboration, the following have a critical role:



- **National and county-level governments** can engage with inclusive businesses to jointly provide capacity building at the BoP and collaborate with companies when designing and implementing private sector-related development projects, including through public-private partnerships. They can also utilize lessons learned from other countries to establish public-private partnerships for innovation and build their capacities to work with the private sector more effectively.



- **Private-sector apex bodies** can share best practices on collaboration between the private sector and educational institutions to address industry needs and advocate for government support.



- **Sector-specific associations** can advocate for revisions to educational curricula and support collaboration in their sectors.



- **Development partners** can share information and learn from other countries on approaches for upgrading skills and collaborate with inclusive businesses on capacity building.



- **Inclusive businesses** can support each other, share their experiences and develop or replicate business models addressing Kenya's skills gap.

Kenya has a vibrant and innovative private sector, and inclusive businesses already serve its vast BoP population. These businesses, ranging from small innovators to large national companies and multinational corporations, have lot to offer in accelerating the achievement of the SDGs.

More innovation was called for developing, testing and learning from public-private partnerships.

Through this publication, it is hoped that the insights and suggestions from companies already engaged in inclusive business can provide a starting point for conversations on how inclusive approaches can be scaled up to expand their impacts and inspire other initiatives. Many actors – from government entities to corporate platforms and development partners – are working to advance responsible and inclusive business in Kenya, and to link it with the national development agenda and the SDGs. It is a strong base from which to aim higher, addressing bottlenecks by listening to all stakeholders, facilitating innovation to reach markets faster, ensuring that companies providing quality solutions are successful and piloting new approaches to cross-sector collaboration.

Above all, we hope that the examples featured will motivate an increasing number of companies to develop business models that advance the SDGs – lifting people out of poverty and providing them with access to essential goods and services.

ANNEX 1:

Methodology and Background on the Survey

To gather information and insights for this publication, BCtA and Sustainable Inclusive Business Knowledge Centre conducted a survey and interviews with companies engaged in inclusive business in Kenya between 7 November 2016 and 30 January 2017.

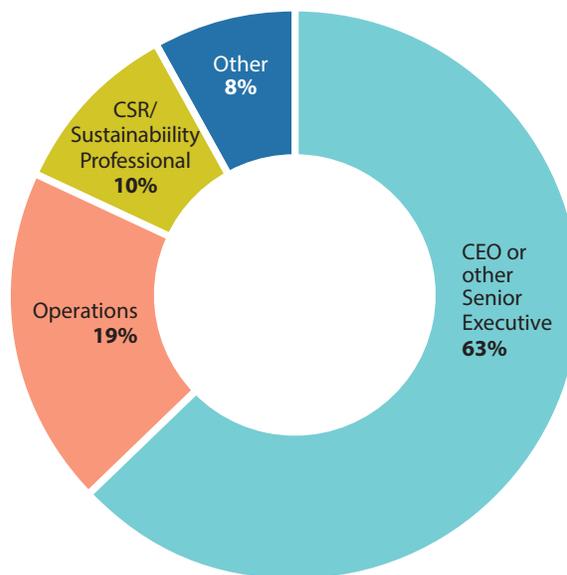
Survey and interview requests were sent to companies known to engage in inclusive business approaches in the country. Altogether, 51 responses were gathered, either by companies completing an online survey, answering the survey questions during an interview or a combination of the two. Survey answers were complimented with more detailed insights gathered during the interviews. The initial findings were discussed during sector-specific workshops in March 2017 in Nairobi covering four of the five sectors featured in this publication. No workshop focused on the skills building and education sector was organized since there was a limited number of participating companies from this sector.

All respondents confirmed that the entities they work for engage with BoP communities. One of the organizations participating was a non-profit closely linked with a for-profit entity.

The majority of respondents (63 percent) were chief operating officers or senior executives, while 19 percent worked in operations, 10 percent were corporate social responsibility or sustainability professionals, and 8 percent fulfilled other functions.

What function best describes your role?

Number of respondents: 51



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