



Growing Inclusive Markets in Latin America and the Caribbean **March 4, 2010 – Bogotá, Colombia**

The conference gathered representatives from 20 UNDP Country Offices in the region, and about 100 representatives from government entities, civil society organizations, private companies, foundations and other stakeholders in the field of inclusive markets.

Introduction



The conference was opened by the **UNDP Resident Representative in Colombia**, Mr. Bruno Moro, who emphasized that there is a need to exchange experiences on policies, both successes and failures, and to discuss problems and concerns for countries to achieve the MDGs. Private sector should contribute to promote public policy and eradicate imbalances. "Latin America is a continent that has the research, financial, intellectual and technical capacity to meet the MDGs." But this challenge requires a collective and participatory process, where private sector plays a strategic role of mobilizing initiatives that generate economic inclusion.

Mr. Henry Jackelen, the Director of the **UNDP Private Sector Division**, emphasized that the objective of the event was to promote knowledge about the concept of inclusive markets but also to promote alliances with all other actors in attendance. This is the first seminar of this type in the region, and it can serve as the initiation of a dialogue that will continue to grow in the coming years to consolidate investments and actions that will promote the type of work for substantial change in the region.

Key Note Speaker



Mr. Juan Pablo Córdoba Garcés, President of **Bolsa de Valores de Colombia**, Colombia Stock Exchange, gave an overview of the situation in Colombia and the work of the Stock Exchange. In reducing poverty in Colombia, Mr. Cordoba recommended the following measures:

1) *Generating formal employment to secure Colombia's welfare system:* The high engagement in the informal sector is a main concern for the country. Colombia has one of the most inclusive health systems in the world with higher income people subsidizing lower income people to have access to health care services. With only 43% of the working population engaged in formal employment supporting the rest of the population through their taxes is not sustainable in the long run. Generating formal employment is also crucial to ensure democratic development and security.

2) *Private sector needs to become part of the solution.* There has been a positive evolution in respect to philanthropy, corporate social responsibility (CSR), and charity. Participating in CSR is in fashion and Mr. Córdoba hopes that all companies will be open to CSR investments.

3) *Promoting entrepreneurs and business owners.* In Colombia there has been a shift; student these days do not think of only becoming employees but to become entrepreneurs and business owners.



Overall, the Colombia Stock Exchange is focusing on two major areas: 1) increasing investments of the Colombian population in the capital market (target of 15% of households) as a means to contribute to wealth creation and improve living conditions; 2) promoting entrepreneurship development and facilitating access to finance for SMEs.

Mr. Córdoba mentioned three main challenges going forward: 1) to increase the development of economically, socially and environmentally sustainable business models; 2) to promote the convergence of actors and development of partnerships that would guarantee the success of inclusive businesses and maximize their impact; and 3) to share relevant experiences from different Latin American countries.

State of the Art for Private Sector Contribution to Development



To set the stage, the first session started with an overview of how the private sector can contribute to development inviting three panellists presenting different approaches. Federico Restrepo Posada, CEO of **Empresas Públicas de Medellín (EPM)**, demonstrated how the public utilities company he heads (the second largest in Colombia) provides electricity to poor communities through a prepaid system, and discussed how to provide more poor communities with water, electricity and ICT services. Mr. Restrepo also stressed the importance of articulating the role of different actors, from community to academia, private sector, public sector

and NGOs.

Maria Lucia Roa, Director of **Ashoka** in Colombia, a civil society organization based on a network of 2,800 social entrepreneurs worldwide with presence in all continents and regions. It presented its “Full Economic Citizenship” programme, currently active in Colombia, Brazil, Mexico, Uruguay, Peru, Argentina, India and Egypt. It is based on a “hybrid value chains” model, which enables a win-win-win between private company, social entrepreneur’s organization and low-income community. Private companies know nothing about low-income communities but social entrepreneurs do and are able to negotiate on an equal basis with companies. The trust issue is therefore fundamental. She stated that this model has the potential to really transform society.

Sahba Sobhani, Programme Manager of the **UNDP Growing Inclusive Markets (GIM) Initiative**, framed the situation that led UNDP to look at the role of inclusive markets in contributing to the human development agenda and the MDGs by including the poor as suppliers, consumers and entrepreneurs. He also presented the GIM Initiative, its multi-stakeholder and empirical approach and the evidence it has drawn from its first round of 50 case studies in terms of opportunities, constraints and solutions from a business perspective, and mentioned the importance of South-South sharing of experiences, to which the GIM Initiative is contributing.

International experiences

On the international arena, the panellists introduced the work of their respective organizations in the area of inclusive markets. Manuel Cadarso Galarraga, Head of the Entrepreneurial and Economic Cooperation Division in the **Spanish Agency for International Development Cooperation (AECID)**, mentioned that Spain has taken a strong bet in support to private sector, with 500 million Euros dedicated to cooperation instruments. The Spanish Government is also supporting UNDP in reaching the MDGs with more than US\$6 million non-reimbursable financial investments in the form of loans, seed capital, and support to funding. However, he cautioned that we should not be ahead of ourselves and that regulation is required. In Mr. Galarraga’s opinion this conference is a learning experience and opening up new opportunities.

Eduardo Somensatto, Director of the **World Bank** in Colombia, pointed to the differences in explaining the concept of inclusion. He stressed the importance of markets to reduce poverty, and especially of institutional structures. The concept of inclusion should be thought not only at the local but also at the global level, as globalization is key to ensure that inclusive markets benefit all. Given the high number of organizations



working in that space, it is important to define competencies and responsibilities. Although profit remains companies' main objective, they must operate with distinctive objectives and criteria. However, a company cannot operate properly without an enabling environment that is conducive to their growth and participation. Both demand and supply should be strengthened, and it is important to build the capacity of everyone to participate in economic activity.

Philippe Schneuwly, Head of the South America Hub of **Swisscontact, the Swiss Foundation for Technical Cooperation**, presented Katalyst, a US\$50 million multi-donor pro-poor market development project impacting about 1 million farmers in Bangladesh. Mr. Schneuwly mentioned that one way to guarantee outreach and sustainability is to identify partners with whom to co-invest in order to overcome risk-based obstacles to investing in delivering new services.

Julio Mariscal presented **Dalberg's** experience, a consulting company working with large companies and foundations in the area of economic development. Dalberg has worked around the world with leading BOP thinkers, practitioners, and doers to better understand the field of BOP or inclusive business models, in the areas of access to finance, agriculture, health, energy and private investment. Three themes are of particular importance for Dalberg's clients: 1) the need for an evidence-based vision of the inclusive market models to distinguish those that have the potential to provide sustainable impact at scale for the poor from those that do not; 2) the need to quantify and identify the barriers to scale and viability and a way to address them; 3) the expansion of labor markets to build up higher income opportunities for the poor.

Regional experiences

Paulo Rocha, from **AVINA** in Brazil, a foundation that contributes to sustainable development in Latin America with more than 100 employees in 16 countries and 4,500 partners, mentioned that inclusive markets and inclusive business have improved the lives of millions of Latin Americans, and generated wealth in a fast and sustainable way. AVINA's inclusive markets strategy rests upon three strategic axes: 1) development of markets and enabling environment; 2) communication and awareness raising for a paradigm change; and 3) development of high potential business models. Mr. Rocha mentioned some of the challenges for the development of inclusive markets in the region, such as the lack of entrepreneurs with viable business plans, the lack of triple bottom line vision, the lack of linkages between large investors, intermediaries and businesses, the confusion between CSR and inclusive markets, the limited technical capacities of the low-income population, the limited knowledge that large companies have about the real needs of the low-income communities, the lack of focus on self-sustainability and the difficulty to scale up.

Sergio Rengifo, from **CECODES**, the Colombian chapter of the World Business Council for Sustainable Development (WBCSD), mentioned CECODES' work with 35 large enterprises, accounting for approximately 40% of the Colombian Gross National Product, and its partnership with SNV, the Netherlands Development Organization. Mr. Rengifo presented some of the results of the CECODES-SNV Alliance in Colombia, such as the creation of a national committee on inclusive business, a publication of inclusive business in the country, the development of tools for the development of inclusive businesses, and a company mapping for 14 countries.

Ezequiel Reficco, Professor at the Universidad de los Andes was representing the **Social Enterprise Knowledge Network (SEKN)**, a joint venture for research between 10 leading universities in Latin America, INCAE from Costa Rica, Harvard Business School and ESADE from Barcelona, which has many academic publications and with the objective to build intellectual capital and mainstream inclusive businesses. Mr. Reficco mentioned that there is a large diversity of views, hence the need to build a conceptual framework based on reality. The focus must be on the 'pull' (from low-income community) rather than the 'push' (from donors' agendas). Profit can be an instrument of social transformation but instead of reformulating the poor's environment, inclusive business models must adapt to it. He also mentioned that the private sector had discovered the value of civil society for developing its business models.



Case Studies from the Latin American and Caribbean Region



Rolando Lemos, from **Fundação Getulio Vargas**, presented a research financed by the International Development Research Centre (IDRC) from Canada on “Technology and emerging music markets in LAC: from free markets to free culture”, which covered Brazil and other 3 LAC countries. In Brazil the “techno kitsch” music industry, Tecnobrega, sells music legally through street vendors without the need for IPR, and makes money through massive popular parties and concerts done with state of the art powerful sound systems. Supply chain consists of: artists/djs – studios – distributor/street vendors – public. They use social media activities

to promote their music. This model has been set up in other countries such as Angola, Surinam, Colombia, South Africa, Ivory Coast, and Argentina.

Eduardo Dinitz, from **Fundação Getulio Vargas**, presented how correspondent agents are instrumental in providing banking services to the poor in Brazil. The research was also financed by the International Development Research Centre of Canada (IDRC). In 2000 1,600 municipalities out of 5,600 were not attended by banking services while in 2003 all cities were covered and by 2008 there were more than 108,000 correspondent agents which employed between 400,000 and 500,000 people, have contributed to the opening of more than 15 million new bank accounts and to local economic development. The business model includes the bank, intermediary agent, and network managers who make the connection between banks and stores. With the national social programme Bolsa Familia, more than 80% of the funds are distributed through correspondent agents. It is estimated that 40 million people are being covered by the correspondent network.

Rosa Alegria presented a programme from **Federação das Industrias do Estado do Parana** based on a “collaborative network for change” between over 5,000 companies, UNDP, universities, government (national, local and district) and society with the goal to meet the MDGs by 2010 in the State of Parana. Preliminary results show that between 1991 and 2004 the percentage of “paranaenses” below the poverty line dropped from 40% to 19.9% of the population.

Melanie Richards presented the UNDP GIM case study **Denmor Garments**, a Guyana-based textile manufacturer company that employs women from low-income communities and provides them with literacy and skills training, information on social issues (e.g. HIV/AIDS), transportation from and to the factory, and other benefits. Denmor’s clients include top US brands Victoria’s Secret, Russell Athletics, Wal-Mart and JC Penny. Since July 1997, Denmor has grown from 250 to over 1,000 employees, and is currently being replicated and scaled up.

Case Studies from Colombia

The two Colombian companies featured in this panel have been documented as case studies in the upcoming GIM Report in Colombia (to be launched in May 2010). Rubén Dario Lizarralde, CEO of **Indupalma**, presented his palm oil producer company as “an ambitious, capitalist company that does not believe in wealth distribution but in wealth generation through work, land and capital”. Farmers needed education and training so they can feel different and empowered. In turn, Indupalma realized it could not achieve its goal alone and needed partners, such as investors and farmers. Indupalma developed a win-win model based on the collective property by low-income population, a model where cooperative entrepreneurs, previously day laborers, are now 100% autonomous. The model is currently benefiting about 1,300 families. This population which lives in what was a dangerous area, subject to violence and insecurity has become a barrier and buffer zone based on the economic and social inclusion provided by Indupalma.



Clara Hidrón Botero, from AMICHOCO (‘Friends of Chocó’ Foundation), and José Aristarco Mosquera, from ASOCASAN (local community council) of an afro-descendent population, presented the work of **Oro Verde**, an initiative from traditional mining families in the Chocó region, which is recognized for its biodiversity sustained by the local population, that has created the basis for the world’s first local certification scheme for precious



metals (gold and platinum) and has propelled a worldwide fair-trade movement around responsible small-scale mining. Responsible jewelers in international markets are willing to pay higher prices for precious metal extracted sustainably without cyanide and mercury, a premium that is reinvested in the programme and local community. The model is based on community councils who represent local mining communities, own the programme and implement it, while AMICHOCO is linking local and international efforts in mining and, with other partners, it seeks out international buyers. Oro Verde is currently setting up a network so that the model can be replicated internationally, and is in the process of certifying nine other pilot programmes in Colombia, Peru and Ecuador based on the Oro Verde experience.

Way Forward: A Vision for Inclusive Markets in LAC

Following the different sessions, several issues were raised by the audience, which need to be addressed when continuing the agenda of inclusive markets in the Latin American and Caribbean region. These included strengthening public policy, the role of the state and institutions; sharing experiences, especially from the South; promoting partnerships and a regional GIM network; building the required capacity for scalable and sustainable initiatives; and managing risks.

- There is need to **strengthen public policy and the role of the State**, noting that several cases could not exist without government intervention. The State needs to be the linkage between wealth creation and low-income populations. UNDP can be a very important platform to give a voice to very local initiatives and influence needed changes in legislation. As the large majority of actions from governments or international cooperation regarding inclusive markets are done through sectors or regions (or micro-regions), there is need to generate appropriate public policies in those areas. It is important to remember that private companies cannot replace the State in its responsibility but can complement it, hence the importance of coordination among actors. Public companies also have an important role to play, but contrary to private enterprises they provide basic public services to the population as a whole, which requires developing policies adapted to purchasing powers and thus sacrificing part of the company's profitability.
- The importance of **sharing experiences through South-South cooperation** has been emphasized, as well as the importance of local but also national, regional and international interventions. There is a need for disseminating best practices and showing through concrete examples that things work.
- **Promoting partnerships** between government, private sector, international cooperation, foundations, civil society and low-income communities is fundamental since inclusive market development cannot be the responsibility of a single actor. The audience expressed its willingness to strengthen this regional inclusive markets network, in part by leveraging existing platforms, such as the Inclusive Business Network in Latin America: www.negociosinclusivos.org.
- **Building the required capacities** for developing inclusive business initiatives, which to some extent are similar to doing business in general (i.e. leadership, access to information, partnerships) but require a change in mindset from the private sector. The importance of entrepreneurship education has been emphasized, as well as the need to have exit mechanisms with a view that low-income communities graduate from pro-poor initiatives (e.g. microcredit) to general markets.
- Some **risks and challenges** related to inclusive markets take account of the risk to promote private sector engagement in public goods delivery (e.g. health, education) without assisting the State to grow and occupy that space. It is also important to be wary of potential risks of inclusive business models, such as providing low-income communities with products/services that are not beneficial from a human development perspective, and using social entrepreneurs as companies' sales agents. Another challenge identified is the difference of timing between the private sector on the one hand and civil society and government on the other hand and the need for patient capital and impact investing.

Alejandro Rausch, Consultant, Poverty, Human Development and MDGs Cluster, UNDP Regional Bureau for Latin America & the Caribbean, also mentioned the idea of a regional GIM Report for Latin America & the Caribbean, as well as the organization of multi-stakeholder and policy dialogues with national and sub-national governments.



A workshop was organized on Day 2 for UNDP Country Offices' representatives to discuss how to operationalize the concept of inclusive markets, what is UNDP's added value in that space, and share experiences and lessons learnt among country offices.

Luis Felipe Lopez Calva, Chief Economist, UNDP Regional Bureau for Latin America & the Caribbean, mentioned the need to complement the private sector's vision with the poverty lens. The role of UNDP in growing inclusive markets should focus on preconditions (e.g. institutions, competency), gaps identification, and how to include the poor in existing markets rather than create parallel ones. Alejandro Rausch also mentioned that UNDP's strength was not in the implementation of inclusive businesses but in policy dialogue, stakeholders convening, advocacy, experience and knowledge sharing.

Sahba Sobhani presented the example of a successful UNDP-supported financial inclusion project in Fiji (ANZ Bank), which has been turned into a regional programme and scaled up to expand access to financial services to 80% of the region's population across 15 Pacific countries. He also presented the new Inclusive Market Development programming approach and the UNDP Private Sector Guidelines. UNDP is working with the private sector in promoting four key priorities: 1) Establishing the Policy and Institutional Infrastructure; 2) Facilitating Integrated Value Chains and Investments in Pro-Poor Goods and Services; 3) Fostering Inclusive Entrepreneurship; and 4) Encouraging CSR in support of Inclusive Market Development and the MDGs. To achieve this, UNDP supports Inclusive Market Development programmes that aim at a broader systemic impact through: facilitating market players to lead sustainable changes; addressing relevant constraints in an integrated way to make a given market sector more inclusive and competitive, whether at micro, meso or macro levels; ensuring participation and partnership, as well as ownership and leadership by market players; and playing a facilitative role in terms of capacity building, coordination and policy advice.

A number of **UNDP Country Offices** then presented their respective programmes and projects:

- UNDP Colombia presented its inclusive economic development strategy and projects, based on both policy work and private sector alliances, including the upcoming Colombian GIM Report, based on 13 national case studies and new analytical tools.
- UNDP Dominican Republic presented its MDG Achievement Fund programme around strengthening the banana value chain through inclusive market development.
- UNDP El Salvador presented its MDG Achievement Fund programme on low income housing and productive integrated urban settlements, and the recently launched report on access to water and health microinsurance.
- UNDP Uruguay presented its private sector strategy, focused on value chain integration, pro-poor goods and services, and CSR for human development. Specific activities include launching a local Global Compact network, mapping firms to be oriented in their social investment, identifying GIM cases to be systematized and testing hypothesis from the GIM Strategy Matrix.
- UNDP Trinidad & Tobago presented its current collaboration with the Ministries of Planning, Housing, and Environment, private companies (e.g. Atlantic LNG), chambers of commerce and private sector associations to develop CSR and GIM projects.
- UNDP Paraguay presented some of its activities, such as supporting the establishment of a microfinance network, a local Global Compact network, and enterprises incubators, and the documentation of successful private sector case studies.
- UNDP Costa Rica presented its MDG Achievement Fund programme on competitiveness in the tourism and agribusiness sectors, with focus on the creation of green and decent jobs, and the support provided to the National Committee on Social Responsibility.
- UNDP Brazil presented its strategy of economic justice as a means to meet the MDGs at the local level, by promoting social inclusion, creating opportunities for women and the youth, supporting sustainable businesses, and promoting environmental sustainability.