

TWO HANDS TO HEAL

How health inclusive businesses have collaborated with governments during the COVID-19 pandemic



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Disclaimer

BCtA recognizes the potential risks of market distortion associated with innovation processes. Its work on inclusive innovation incorporates certain essential elements that are intended to prevent these unintended consequences. Operating at the level of the local ecosystem and helping to bridge the gap to Government are market-generating (as opposed to market-distorting) because they influence local entrepreneurs to engage in development directly and prioritise serving under-served populations. Furthermore, the organizing objective of this work is to stimulate the co-production of public goods that support governments, at the country level, to hasten the creation of strong innovation ecosystems.

LIST OF ABBREVIATIONS

AGFund	Arab Gulf Program for Development
B2B	Business to Business
BCtA	Business Call to Action
BIC	Benefit and Interest Society
BIMS	BCtA Impact Measurement Services
BMZ	German Ministry for Economic Cooperation and Development
BoP	Bottom of the Pyramid
BPP	Business Partnership Platform
CCPF	Chipatala Cha Pa Foni
CHMI	Center for Health Market Innovations
CoP	Community of Practice
DFAT	Department of Foreign Affairs and Trade
DFI	Development Finance Institution
EC	European Commission
GIIN	Global Impact Investing Network
GRI	Global Reporting Initiative
IBAN	Inclusive Business Action Network
ICT	Information Communication Technology
ID	Identification/Identity
IDIA	International Development Innovation Alliance
IFC	International Finance Corporation
IICPSD	Istanbul International Center for Private Sector in Development
IMP	Impact Measurement Project
JICA	Japan International Cooperation Agency
KDDA	Kenya Defeat Diabetes Association
KPI	Key Performance Indicator
LMIC	Low and Middle-Income Country

MaGIC	Malaysian Global Innovation and Creativity Centre
MENA	Middle East and North Africa
mHealth	Mobile Health
MinBuza	Dutch Ministry of Foreign Affairs
MSE	Micro and Small Enterprise
MSH	Management Sciences for Health
NCD	Noncommunicable Disease
NGO	Non-Governmental Organization
NPD	National Planning Department
PPE	Personal Protective Equipment
R4D	Results for Development
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SEA	Social Enterprise Accreditation
SIB	Social impact bond
SIDA	Swedish International Development Cooperation Agency
SOP	Standard Operating Procedure
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations International Children's Emergency Fund
VHT	Village Health Team

AT A GLANCE

CHALLENGE

LESSONS LEARNT FOR IBS

RECOMMENDATIONS TO GOVERNMENTS AND DONORS



AWARENESS

Show capacity to be innovative, pivot and adapt

Find formats to identify innovative inclusive businesses



EVIDENCE

Align your vision, mission and activities with government priorities and provide evidence for how you can achieve it

Support inclusive businesses to create evidence for the impact they can achieve



CAPACITY

Partner with others to build a relationship with government actors

Ease requirements on capacity, support building capacity, or take ownership for the solution



FINANCING

Find innovative solutions for financing challenge

Reduce the financial risk of inclusive businesses in partnerships with governments



REGULATION

Work within regulatory system or shape it together with government actors

Engage in a dialogue with inclusive businesses about policies and regulations

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A black and white photograph of a woman in a sari standing next to a bicycle on a dirt path in a rural area. The woman is smiling and looking towards the camera. The background shows a dirt road and some trees.

INTRODUCTION

COVID-19 caused a systemic disruption in the delivery of essential services. The pandemic has highlighted the importance of effective health care systems and drawn particular attention to the vulnerability of those who lack access to basic healthcare. Prior to the pandemic, 4.4 billion people globally (70% of the world's population) were already living on USD\$10 or less a day¹, half of the global population lacked access to essential health services² and nearly half lacked access to the internet³. With approximately ten years left to the SDG horizon in 2030, global health spending continued to increase, amounting to nearly US\$7.8 trillion in 2017. Public spending represented about 60% of global spending on health, having grown at almost 4.3% a year over the past 20 years. Across low-income countries, average annual health spending per capita was only US\$41, whereas the figure for high-income countries was more than 70 times higher at US\$2,937.⁴



Over the years, inclusive businesses have come up with innovative solutions to tackle the healthcare delivery gap. Often, they leverage new technologies and tools such as mobile apps, online platforms, telemedicine, digital diagnostic devices, artificial intelligence or drone delivery to address unmet healthcare needs. However, the majority of inclusive businesses face difficulties when it comes to scaling up and replicating their business models on their own.



Governments could play an important role in supporting inclusive businesses to scale up. By acting as a service provider to governments or integrating their services into the public health system, inclusive businesses could acquire the volumes needed to make their business models financially sustainable. At the same time, government actors would benefit from innovative and inclusive solutions for crossing the last mile and achieving sustainable health outcomes.



However, collaborating with government actors can be challenging for inclusive businesses. As many are small players, they have difficulties finding the right entry points within large and complex government structures, sitting out long payment periods or gathering enough evidence upfront to be able to convince governments to enter into a partnership.



The COVID-19 crisis has created new avenues and accelerated collaboration between government actors and inclusive businesses. The pandemic created a sense of urgency, requiring governments to come up with innovative and effective solutions in the shortest possible time. Almost overnight, governments found themselves having to create awareness about COVID-19, for example, or to screen the entire population for symptoms. The fact that inclusive businesses were already serving the last mile came as a blessing. Many already had advanced digital solutions in place to identify and track patients, or could offer telemedicine solutions to provide ongoing treatment and care. This was a great opportunity for them to demonstrate their ability to adapt to changing needs and position themselves as valuable partners to governments.



There is no orchestrated approach in place to connect impact-driven start-ups with governments effectively. An ecosystem in which governments can position themselves as market-builders for market-proven solutions that benefit society, and in which inclusive businesses can play a central role in empowering governments as agents of innovation and solution developers, is lacking. Yet governments could benefit from alliances with inclusive businesses to set the direction of innovation and shape market solutions, rather than limiting their role to fixing market failures.

The Business Call to Action (BCtA) member companies interviewed for this paper are already serving more than 32 million low-income individuals in 19 different countries. The adoption of an orchestrated approach involving government and inclusive businesses would raise these numbers and permit the delivery of effective solutions to vulnerable populations on a larger scale over a wider geographical area.



The lessons learnt from the pandemic could have a lasting effect on collaboration between inclusive businesses and governments. Governments could continue to benefit from inclusive business models in co-creating and delivering tailored solutions to low-income populations on a large scale well beyond the current crisis. Conversely, the integration of inclusive businesses into the public health system would enhance their capabilities to collaborate effectively with government, address development priorities on a wider scale, reach untapped markets and be considered for public assignment. What is missing is way of connecting these two players in a transparent, fair and effective manner.

Box 1: What type of collaboration?

It is possible to distinguish three main types of collaboration between inclusive businesses and governments:

Service Delivery

In the case of service delivery, the inclusive business provides services or products under a formal contract entered into directly with the government or with another organization that already has a contract with the government. The business implements a specific solution, providing last-mile services on the ground. The government usually either provides financial resources – for example, by paying the inclusive business as part of the contract – or makes the necessary infrastructure available for the inclusive business to leverage.

Policy Dialogue

Inclusive businesses can also be involved in government discussions regarding policies, national guidelines and regulations. The businesses can play a number of roles such as convening the private sector and acting as advisors based on their practical experience. The focus is not on services or products but on shaping policies that will enable future service delivery. Many inclusive businesses also engage in policy dialogue to position themselves as valuable partners for governments and lay the foundations for potential future collaboration.

Incubation and Adoption

This type of collaboration aims to pass a solution incubated by an inclusive business on to the government, so that it can be scaled up using the government's resources, infrastructure and network. The inclusive business and government actors collaborate closely to ensure the smooth adoption of the novelty. The transition needs to be well prepared and usually requires a long timeline as well as support from both sides. Ideally, the government will already have been involved in the development of the solution in question and draws on the existing know-how and capacities of the inclusive business to come up with innovative procedures.

Sources: Interviews with inclusive businesses

Worsham, E., Langsam, K., and Martin, E. (2018). Leveraging Government Partnerships for Scaled Impact. Innovation Investment Alliance, Skoll Foundation, and CASE at Duke.

OBJECTIVE AND TARGET GROUPS

This paper seeks to derive lessons from existing cases of collaboration between inclusive businesses and governments in order to improve the provision of health services in low- and middle-income countries.

The primary target group consists of inclusive businesses. These businesses will be able to learn from the experiences of their peers when assessing opportunities for collaborating with government, designing collaborations or overcoming difficulties within existing collaborations.

The secondary target group consists of government actors and development partners. These entities will be able to learn about the potential for collaborations with inclusive businesses and the ways in which they can facilitate them. The recommendations are based entirely on the input we received from inclusive businesses and will therefore contribute to a better understanding of their perspectives and needs.

The insights gathered in this paper will thus inform both of the collaborating partners as well as other relevant stakeholders. Collaborating with providers of market-proven solutions that have already been replicated and adapted to different markets can reduce the risks which governments face when pivoting innovative solutions rapidly for crisis response and early recovery. Ultimately, this will contribute to better access to health, especially for low-income populations, and more efficient use of public resources.

METHODOLOGY

The paper is based on the hands-on experience of BCtA member companies engaged in the community of practice (CoP) on telehealth with experience in collaborating with governments in different parts of the world who regard governments as partners for scaling up their business models. Additional input was received from Essilor, another BCtA member working in the health sector, and from Healthy Entrepreneurs, which cooperates with CoP member ClickMedix.

Insights were gathered in three stages: Following the CoP workshops on telehealth (see Box 2), we conducted semi-structured in-depth interviews with selected inclusive businesses. The findings of the interviews then served as a basis for a process of peer-to-peer exchange conducted during the CoP meetings with a view to involving inclusive businesses in the development of the recommendations. Expert reviewers provided additional input.

Box 2: Business Call to Action (BCtA)

Launched at the United Nations in 2008, Business Call to Action (BCtA) aims to accelerate progress towards the Sustainable Development Goals (SDGs) by challenging companies to develop inclusive business models that engage people at the base of the economic pyramid (BoP) – people with less than US\$10 per day in purchasing power in 2015 US dollars – as consumers, producers, suppliers, distributors of goods and services, and employees. BCtA is a unique multilateral alliance of donor governments and agencies including the Arab Gulf Fund (AGFund), the Dutch Ministry of Foreign Affairs (MinBuza), the Swedish International Development Cooperation Agency (SIDA) and the Swiss Agency for Development and Cooperation (SDC), with the United Nations Development Programme hosting the secretariat.

To date, 280 companies spread over 82 countries have responded to BCtA by committing themselves to improving the lives and livelihoods of millions of people in developing communities by providing them with access to markets, financial services, affordable healthcare, quality education and other critical services. BCtA member companies are market leaders that offer notable examples of successful, profitable, and scalable models for reaching poor communities and contributing to global development.

Eligibility criteria for member companies

To be eligible for a BCtA membership, companies need to meet the following criteria. They must:

- Engage low-income populations in low and middle-income countries (LMICs) in their core business activities – for example, as employees, producers, suppliers, retailers, entrepreneurs and/or customers.
- Operate in one of the following sectors: Agriculture, Health, Connectivity, Skills Development, Financial Services and Climate Resilience.
- Demonstrate the potential to take highly innovative business models to scale and replicate them within or across new markets.
- Be registered as for-profit organizations, with commercially viable revenue models that have reached break-even point, and not be dependent on grants or external funding to meet inclusive business targets.

The BCtA CoP on telehealth

The CoP on telehealth was established to build a peer-to-peer learning network that can co-create solutions and share insights into the use of innovative health models in responding to COVID-19. The programme includes nine BCtA member companies and addresses the four primary areas in which healthcare-related businesses surveyed by BCtA requested support – namely, (1) extending access to investment, (2) connecting businesses with UNDP country offices, (3) connecting businesses with other companies operating in the same regions, and (4) communicating the achievements of BCtA member companies in tackling poverty via UNDP platforms. The CoP benefited from three facilitated sessions focused on themes relevant to its members, discussions with health practitioners and impact investors, and a peer-to-peer exchange of knowledge. Moreover, CoP members had the opportunity to increase their visibility on the world stage at a dedicated session of the BCtA's 2020 Annual Forum held on the sidelines of the United Nations General Assembly. The establishment of the CoP was also an opportunity to set the basis for BCtA's new programme based on the replication of innovative inclusive business models, and to communicate BCtA's approach, knowledge, and tools for Impact as a strategy for attracting investment and validating companies' social impact.

Table I: The collaborations between inclusive businesses and government actors on which this paper is based

Inclusive Business	Description of collaboration with government actors
<p>Sevamob</p>	<p>Sevamob has been engaging directly and indirectly with government actors in India at the national, state and district levels. This collaboration takes four different forms: (1) Sevamob works with quasi-government agencies such as Indian Oil, the National Highway Authority of India and Airport Authority India, mainly to perform on-site screening and consultations for vision-related issues. (2) Sevamob engages in public private partnerships with government actors, either directly or NGOs. (3) Sevamob partners government in governmental schemes targeting bottom of the pyramid (BoP) patients. For example, Sevamob works with the local government of the Indian state of Andhra Pradesh to provide last-mile consultation and screening services. (4) Sevamob takes part in indirect collaborations where other organizations have a contract with the Indian government and Sevamob becomes involved through subcontracts.</p>
<p>Medtronic Labs</p>	<p>Medtronic Labs has been engaging directly with government actors in India, Ghana and Kenya at the national, state and district levels. The inclusive business currently offers three programmes: Prerna, Shruti (both in India) and Empower Health (in Kenya and Ghana). As part of its Shruti program, Medtronic Labs has been working with the state government in West Bengal to pilot the provision of screening devices, messages and counselling in eight districts. Similar arrangements are in place in the state of Kerala. No collaboration with government actors has yet taken place under the Prerna programme. Under its Empower Health programme, Medtronic Labs has worked closely with government health entities at the national, district and community levels, notably on the delivery of healthcare services for non-communicable diseases (NCDs).</p>
<p>Essilor</p>	<p>Operating worldwide, Essilor has an established inclusive business that is experienced in working with local entrepreneurs, hospitals, NGOs, development institutions and government actors around the world. Examples of government collaboration include working with the state government of Telangana, India, to provide spectacles and reading glasses to its citizens. Another example is Essilor's recently initiated three-year migrant workers vision care program to provide 300,000 migrants living in dormitories in Singapore with free eye care, thereby supporting a key workforce with good vision and responding to the critical needs of the nation during Covid-19.</p>

Inclusive Business	Description of collaboration with government actors
ClickMedix	ClickMedix collaborates directly with government actors in several countries, mainly at the national level. In Pakistan, for example, the inclusive business has been working with the national government, in collaboration with another BCtA member company, and providing protocols to improve telemedicine workflows. During the pandemic in South Africa, ClickMedix has worked against a backdrop of rapidly-changing government policies to adjust screening protocols, support the contact tracing of workers showing symptoms and prepare reports for the government on overall numbers of cases, contact tracing efforts and similar vital issues. Together with Healthy Entrepreneurs, ClickMedix helped the Ugandan government set up its telemedicine policies.
iKure	iKure's collaboration with governments has been mainly indirect so far, with other entities serving as intermediaries between government actors and itself. In this way, iKure has been able to support government activities at the national and state levels in India, and is currently also expanding its services to Middle East and North African (MENA) countries. For example, the inclusive company has a contract with an international agency to upgrade government health facilities in the Indian state of Orissa as part of the Indian Government's Ayushman programme. It also has a contract with Microsoft Research Labs to support India's national digital health mission and provide an ID for every citizen in the country. Along with other parties, iKure is taking part in discussions surrounding the data privacy framework.
Healthy Entrepreneurs	Healthy Entrepreneurs works directly and indirectly with government actors in Uganda, Kenya, and Tanzania. As part of its business model, the inclusive business enables health workers that have been trained and certified by the local government to work as independent health workers. Healthy Entrepreneurs' collaboration with government actors at the national level has accelerated markedly during the pandemic. The inclusive business expanded its call centre service to encompass questions about COVID-19, with the national government as the supporting implementation partner. It also worked with ClickMedix to support the Ugandan government in setting up its telemedicine policies.



BENEFITS OF COLLABORATION

Collaboration between inclusive businesses and governments brings benefits for both parties:

From a business perspective, collaboration with governments can be an essential strategy for inclusive businesses to scale up their business models and achieve impact. Governments provide valuable assets for closing the health delivery gap, such as infrastructure and networks, or knowledge about a population's health needs.⁵ For example, they set up primary health clinics, or establish networks of community health workers. They are therefore a crucial partner for inclusive businesses to achieve impact over the long-term and can be considered the consumers of the products, services and systems provided by the private sector.⁶

From the government's perspective, inclusive businesses offer innovative solutions and new approaches to existing challenges that can help them achieve their development objectives. As opposed to more traditional public-private partnerships – for example, with NGOs – inclusive businesses have the advantage of being set up for financial sustainability.⁷ Furthermore, such business models offer a means to funnel private-sector investments towards the development of poor communities.⁸ Finally, inclusive businesses offer market-proven solutions that are financially sustainable, having tested and adjusted their business models while scaling up their solutions. This mitigates the risk inherent in innovation for governments.

Nevertheless, collaborations of this kind can lead to market distortion, and there is a need to consider the adoption of active measures to counter this risk. Such measures include actively crowding-in other commercial players at the country level, involving competition authorities and expertise, and making relevant information publicly available. Open calls will need to be made for originators and adopters to participate in the replication of innovations, and solutions successfully tested and piloted will be required to participate in government procurement processes alongside other commercial players.

CHALLENGES OF COLLABORATION

While collaboration between governments and inclusive businesses makes sense in theory, it is not widespread. Based on the input we received from the BCtA members, we have identified seven key challenges that stand in the way of successful collaboration:



AWARENESS

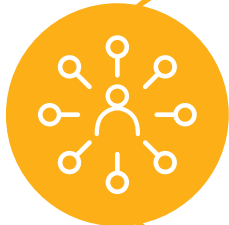
Government actors rely on innovative ideas that have the potential to transform health care delivery. While inclusive businesses have tailored solutions to offer, government actors are often unaware of their existence and potential benefits. Even when they understand the benefits, they lack procedures for identifying the right partner. Inclusive businesses, on the other hand, find it difficult to identify an entry point with governments and lack opportunities to showcase the potential of their innovative solutions.

EVIDENCE

Government actors have limited appetite for risk and need to select the partners they work with carefully. Inclusive businesses often lack the evidence they need to demonstrate the results their solutions can achieve. Gathering evidence is costly and time-consuming and places a heavy burden on the resources of inclusive businesses, especially smaller businesses with a short track record.



CAPACITY



While inclusive businesses are a valuable partner for government actors, they are often too small to deliver results on the scale needed by governments, or to work under the conditions that governments set, such as payment terms. One way for inclusive businesses to work around capacity challenges is to partner with larger players, but finding the right partner and engaging in a partnership can be difficult.

FINANCING

Inclusive businesses typically operate in contexts where they have to make up for missing infrastructure with few market enablers. As a result, they face a higher level of financial uncertainty. For government actors, it is important to spend resources wisely and to focus on outcomes. Partnerships with government actors often require inclusive businesses to make large investments upfront – for example, by conducting pilot schemes to prove that the envisaged results can be attained. Long payment terms mean that inclusive businesses must have a substantial working capital buffer to be able to bridge payment gaps.



REGULATION



While implementing their solutions, inclusive businesses need to comply with existing regulations. However, rigid governmental regulations may slow down innovative processes. Inclusive businesses frequently offer innovative solutions, such as the use of artificial intelligence in health systems, or telemedicine. New regulations may therefore need to be introduced or existing regulations adapted, all of which takes time.



LESSONS LEARNT FOR INCLUSIVE BUSINESSES

Inclusive businesses have come up with innovative ways of dealing with the challenges that are inherent to collaborating with governments. The following chapter will address each of the challenges in more detail and offer lessons learnt and concrete examples of how successful inclusive businesses have overcome these challenges.



SHOW CAPACITY TO BE INNOVATIVE, PIVOT AND ADAPT

A key challenge in delivering health care to low-income patients is to find solutions that are available and affordable to them.⁹ Often, this is only possible if the solutions are rolled out on a large scale – a process which can be complex and challenging.¹⁰ Governments face resource constraints, particularly when having to juggle several priorities at the same time, and may well lack the innovative capabilities required to reach the last mile, and disrupt the status quo^{11,12}. Inclusive businesses that have developed tailored and innovative solutions to solving healthcare challenges can be attractive partners for governments. Particularly during the pandemic, inclusive businesses have been able to prove their ability to pivot and adapt their solutions to changing needs.

DISRUPT HEALTHCARE DELIVERY TO PROVIDE ACCESS FOR ALL



We are continuously looking at the gaps and how we can bring disruption in the space

– Sujay Santra, iKure

Inclusive businesses develop innovative solutions to bring healthcare to the most vulnerable. Digital interventions have allowed them to overcome many obstacles to creating access to healthcare for all, such as the scarcity of medical staff and diagnostic services. Patients who would normally have to travel long distances, or miss out on treatment entirely, now benefit from affordable telemedicine solutions. Innovative devices combined with artificial intelligence solutions can make it possible to screen for diseases at the point of care, improve triage and bring down costs (see also Case Study 1).

ADAPT TO CHANGING NEEDS



During the lockdown, all of our operations were put on hold [...]. COVID-19 helped us to take a step back and reflect upon our business model

– Prateek Ahuja,
Medtronic Labs

The ability of inclusive businesses to pivot and adapt their innovative solutions quickly in the face of changing needs makes them an attractive partner for governments. This has been especially relevant during the pandemic. In the circumstances, government priorities have changed almost overnight and much effort has been put into creating capacities to address the crisis. While some inclusive businesses were able to fast-track existing processes to partner with government, others perceived the situation as an opportunity to reassess and adapt their businesses to meet the specific needs created by the pandemic.

In the case of Medtronic Labs, the pandemic forced the inclusive business to reflect on its business model and find ways to adapt each of its programmes to the new situation. This included thinking about alternative delivery options as face-to-face interactions were no longer possible (see also Case Study 2).



▲ Temperature screening in rural India

© SevamobHome

Case Study I: Sevamob – India

Sevamob is a social enterprise delivering primary health and dental care to customers at the bottom of the income pyramid. Launched in 2014, Sevamob's initial business model combined on-site pop-up clinics and telehealth. By leveraging mobile technology, Sevamob was able to provide services such as point-of-care diagnostics, treatment and nutrition counselling on a subscription-basis.

Sevamob is always on the lookout for ways to improve the services it offers. Over the years, it has added more types of diagnostics to its portfolio. Today, Sevamob offers an artificial intelligence (AI)-enabled healthcare platform for primary healthcare in rural areas: Through AI-based triage, health workers or their pop-up clinics can deliver services such as proprietary point-of-care screenings of blood, vision, urine and sputum that would normally require specialists. Complementing the on-site service, the telehealth system enhances the availability of doctors in remote areas and low-income communities.

The inclusive business operates a B2B business model, currently serving more than 90 customers in several states across India, the US and Africa. Its main customers are governments, NGOs, health insurance companies, employers, pharmaceutical companies and hospitals. A key factor in Sevamob's success, particularly in partnering with governments, is its focus on offering a comprehensive

solution that provides not only the technology but also the services needed to go the last mile and deliver health outcomes on the ground.

Sevamob adapted its services quickly in response to the spread of COVID-19. It expanded its telehealth services to reduce transmission risks and added new services related to COVID-19 such as prevention campaigns, the distribution of personal protective equipment (PPE), COVID-19 pre-assessment and screening, and the tracking of patients and clusters using its patient data management capacities. Sevamob also developed a low-cost, fully portable health kiosk which offers full protection to health workers and reduces PPE costs by up to 90%.

The inclusive business added its new COVID-19 services to all its existing contracts with governments. In the case of the Indian state of Rajasthan, for example, Sevamob received the approval of the local government to operate mobile medical units carrying out activities such as screening the population for symptoms and distributing protective equipment in several different locations. This collaboration was forged by the urgency of the pandemic, as the government needed a fast solution. Its success has paved the way for similar arrangements in other Indian states.

Sources:

Interview with Shelley Saxena, Sevamob

Sevamob Website, available at <https://www.sevamob.com/gaon/index.jsp>

Startup Info (2020). Transforming Primary Healthcare in Under-served Areas via Artificial intelligence. Available at <https://startup.info/shelley-saxena-sevamob/>. (retrieved January 2021)

Business Call to Action. Sevamob: Using Mobile Technology to Healthcare in India. Available at <https://www.businesscalloaction.org/member/sevamob>. (retrieved January 2021)

Village Capital (2020). Crisis and Innovation: Sevamob is opening pop-up health clinics in rural India. <https://newsandviews.vilcap.com/posts/sevamob-shelley-saxena>. (retrieved February 2021)

Case Study 2: Medtronic Labs – India, Ghana and Kenya

Medtronic Labs is a social business with the overarching mission of providing access to health care to under-served communities across the globe so as to reduce the burden of non-communicable diseases (NCDs). With locations in India, Kenya, Ghana and the USA, Medtronic Labs produces innovative technology-enabled delivery models that have the potential to overcome existing barriers to healthcare. In doing so, it takes a design and co-creation-led approach which brings in all relevant stakeholders.

Medtronic Labs focuses mainly on non-communicable diseases (NCDs) such as diabetes and hypertension, along with ear diseases and hearing loss. It is currently implementing three programmes, each of which addresses specific conditions through specific interventions in a given geographical location. Shruti and Prerna are being implemented in India and Empower Health in Ghana and Kenya. Through these programmes, Medtronic Labs aims to reduce the burden of chronic diseases on patients by providing services such as point-of-care diagnostics, tele-medicine and social interventions in the form of group-based coaching sessions. With the onset of the pandemic, Medtronic Labs was forced to reflect on its current business model and to test the abilities of its programmes to adapt to the new situation. All field operations had to be put on hold since face-to-face engagement with the patients was no longer possible. At the same time, there was an increased need to support patients suffering from chronic diseases – at least remotely – as they belonged to one of the COVID-19 risk groups and needed to minimize the risk of infection while simultaneously still managing their conditions. Consequently, Medtronic Labs had to come up with innovative ideas for each of its programmes in order to go on reaching its patients. As part of the adaptation process, new standard operating procedures

(SOPs) incorporating COVID-19 safety practices were put in place for all three programmes. For Prerna and Empower Health, which were both highly dependent on face-to-face group interventions, Medtronic Labs started testing alternative delivery channels such as WhatsApp, tele-health platforms, text messages and voice calls. Additionally, both programmes placed a new emphasis on forming partnerships to reinforce their abilities to reach affected members of under-served communities physically. In the case of Empower Health, this included creating 300 physical support groups in partnership with Novartis Social Business, Management Sciences for Health (MSH), and Kenya's Ministry of Health as part of the Afya Dumu Programme. This programme, run in conjunction with the Kenya Defeat Diabetes Association (KDDA), aims to provide end-to-end solutions for the management of non-communicable diseases (NCDs) in the counties of Makueni, Kakamega, and Nyeri. For the Shruti programme, Medtronic Labs created an online hearing solution which enables patients to run a hearing screening test via the Internet and puts them in touch with partner locations.

Through all these adaptation measures, Medtronic Labs was able to showcase its innovative and flexible mindset. It was this mindset that helped the inclusive business to react quickly and adjust to the changing environment. Government responses were favourable, particularly in the case of Empower Health, resulting in a formal request to Medtronic Labs to expand their updated tele-counselling services to include lower-risk COVID-19 patients quarantining at home. The inclusive business also collaborated with the ministries of Health and other partners to introduce safety protocols and the use of personal protective equipment (PPE) for training activities and screenings of NCD patients during COVID-19.

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ALIGN YOUR VISION, MISSION AND ACTIVITIES WITH GOVERNMENT PRIORITIES AND PROVIDE EVIDENCE OF HOW YOU CAN ACHIEVE THEM

Government actors aim to minimize the risk of their interventions, while ensuring their sustainability and positive impact. When it comes to selecting partners, this results in a limited interest in experimentation with partners that cannot provide a positive track record.¹³ In order to partner successfully with governments, inclusive businesses need clear and convincing strategies for positioning themselves as trustworthy partners who deliver.

Over the years, there has been a shift in governments' thinking, and they have become more open to partnerships with new private sector organizations, rather than predominantly partnering NGOs in their development efforts.¹⁴ However, governments are still hesitant when it comes to collaborating with social for-profit entities. Inclusive businesses need to show that they are mission-driven entities with objectives well-aligned with government priorities, and that their for-profit status is actually an advantage when it comes to creating proven, market-sensitive solutions that are financially sustainable.

ALIGN YOUR ACTIVITIES WITH GOVERNMENT PRIORITIES



To effectively cooperate with governments, we have to align our activities with their priorities and show that we can achieve multi-pronged impact

– Anurag Hans, Essilor



We try to make governments understand that our mission is 100% aligned. We try to pay respect to their competences and what they want to achieve, and position ourselves as a true partner.

– Sujay Santra, iKure

While a common mission creates the foundations for a partnership, the activities of inclusive businesses also need to be aligned with government priorities at any given point in time. During the pandemic, in particular, this also implies having the capabilities to adapt rapidly to shifting government priorities. The ability to address multiple objectives at the same time makes for an even stronger case.

One example is Essilor's prompt adaptation of their priorities during COVID-19 to meet the government's needs. During the pandemic, Essilor realized that more holistic approaches need to be designed to align vision care programs with the priorities of the government. For instance, in Singapore, Essilor launched a three-year vision care program to provide 300,000 migrant workers – a key workforce in Singapore – with good vision by offering free education on eye care and glasses. The program aims to not only provide comprehensive vision care services to those in need but also reduce workplace accidents and improve migrant worker well-being – a critical priority area for the nation during Covid-19 (see also Case Study 3).¹⁵

SHOW EVIDENCE OF THE IMPACT YOU CAN ACHIEVE, AND USE IT TO ADVOCATE FOR YOUR CAUSE

Governments want to ensure that they invest in solutions that are sustainable, can be taken to scale and achieve the intended impact. They therefore look for evidence on multiple levels, from evidence of positive impact on a reasonable scale to proof of cost-effectiveness, as well as evidence of being a credible partner.¹⁶

Inclusive businesses aiming to collaborate with government actors need to have proof of the outputs and outcomes they are delivering. This requires them to gather data early on, to explore different channels for publishing data, and to cooperate with independent partners to increase their credibility.

Healthy Entrepreneurs financed their proof of concept as well as additional research through donor grants. For example, Erasmus University Rotterdam and Makerere University in Kampala conducted a study of Healthy Entrepreneurs' role in improving reproductive health care in rural communities.¹⁷ The research was funded by the Dutch NGO Aidsfonds with a further contribution from Erasmus University Rotterdam. The results helped the inclusive business to convince the government of Uganda to work with them.

LEVERAGE YOUR TRACK RECORD AND EXPERIENCE WORKING WITH LOW-INCOME POPULATIONS



Although there were large players in the pipeline, we won the contract. One of the reasons was our experience and understanding of populations beyond the major cities

– Sujay Santra, iKure

Various actors in the health system have the ability to provide innovative healthcare solutions that are affordable and can be taken to scale. Unlike other private healthcare providers, however, inclusive businesses can leverage their experience in catering to the needs of the most vulnerable, who often require solutions that are adapted to the difficult conditions in low-income markets.

One example of this is the success of iKure in a public procurement process for the upgrading of state-run health facilities in the state of Nagaland in India as part of India's COVID-19 emergency response programme. While the selection process was highly competitive, iKure set itself apart with its track record and existing network in rural areas.



▲ Essilor strives for improving the sight of low-incomes communities

© Essilor

Case Study 3: Essilor – India and Singapore

Essilor International is the world's leading ophthalmic optics company with a mission to help everyone in the world see *more, be more and live life to its fullest*. Essilor provides glasses through direct sales to suppliers of government tenders, NGOs and social enterprises, works with hospitals to provide mobile vans that conduct vision screenings in remote areas and supports vision micro entrepreneurs through financial mechanisms. Essilor's inclusive business models are based on its strategy of continuous innovation and the belief that good vision is a basic right for everyone.

Before the COVID-19 pandemic, the cooperation with government actors was centred around the issue of improving vision care. An example of this is the partnership with the state of Telangana in India, where Essilor has provided 4.5 million pairs of glasses to those in need of vision correction. However, communicating vision care as a significant health condition that people face would start requiring a different approach.

In the countries Essilor operates, the pandemic shifted government agendas and priorities in the healthcare sector to become centred on COVID-19 prevention and control, moving other types of health conditions, such as vision care to a second plan. Nevertheless, the need for eye care in rural areas shot up as a significant number of people moved away from urban centres.

At an early stage during the pandemic it became clear to Essilor that improving the vision of its populations wouldn't be on top of the list of priorities for governments dealing

with a health crisis. In order to effectively cooperate with the government, Essilor had to align its own activities with the government's priorities, while showing that its impact not only improves people's eyesight but creates a ripple effect that can re-generate rural livelihoods.

Showing government actors that a company's activities are aligned with its priorities needs to be evidence-based, with credible research and data collection that can objectively support the company's claim of alignment. In order to ensure governmental support, Essilor uses data from pilots to show outcomes that go beyond eye care (improved livelihoods, female empowerment, improved road safety, increased school performance and reduced work hazards due to improved eyesight are some examples). This shows that the government's public health investment is worthwhile as it is having a multidimensional socio-economic impact on its population.

For example, in Singapore, Essilor launched a 3-year program to provide vision care solutions for 300,000 migrant workers, that can help showcase the correlation between work accidents and poor eyesight. This program thus has a twofold impact: improving the eyesight of migrants and improving migrant worker safety and wellbeing, the latter being a key focus area for the nation during Covid-19. For Essilor, the pandemic has forced it to take a more a multi-dimensional approach when designing programs such that are holistic, cost-effective and aligned with the priorities of the governments.

Source:

Interview with Anurag Hans & Kartikye Aggarwal, Essilor

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PARTNER WITH OTHERS TO BUILD A RELATIONSHIP WITH GOVERNMENT ACTORS

Partnering with other organizations such as development agencies, corporations, large NGOs and other inclusive businesses can help inclusive businesses to collaborate with government actors. Such partnerships are particularly beneficial for small inclusive businesses as it requires time and capacity to build a relationship with governments. Moreover, small inclusive businesses often face capacity constraints – for example, when it comes to working within the timelines and on the payment terms that governments set, meeting the criteria for public procurement processes or delivering results on the required scale. Due to these constraints, such businesses may not qualify to enter into partnerships with governments directly. Partnerships with other organizations can help them to initiate and accelerate relationships with governments in several ways, among them facilitating pilot schemes, expanding networks, bringing the right entry points to light and building credibility.

PARTNER TO GAIN CREDIBILITY AND RECOGNITION



Having a name such as BCtA attached to the impact study helped showcase our results to the government.

– Prateek Ahuja,
Medtronic Labs

While governments are used to working with NGOs, for-profit entities with an impact mission are regarded as new and unusual partners. Partnering with already established players can help pave the way towards getting governments to buy in.

In 2017, Medtronic published a joint study with Business Call to Action as one of a series of case studies on BCtA Impact Measurement Services (BIMS).¹⁸ The value added was twofold: First, the study allowed Medtronic to showcase the results of one of their programmes to the public. Secondly, by partnering with a United Nations (UN) initiative, Medtronic demonstrated to governments that it is a credible partner with an effective monitoring and evaluation (M&E) system that can feed into the evaluation processes employed by governments.

PARTNER TO REPLICATE IN NEW COUNTRIES OR STATES



For a small organization like us it can become very time-consuming to find the right entry point. The existing processes in other countries are not transparent or straightforward.

– Shelley Saxena, Sevamob

Replicating a business model in other countries or states often means starting to build relationships with governments from scratch. Adaptation processes and adjustments may also be needed in order to replicate successfully.

When replicating a business model in another country, inclusive businesses have encountered country-specific differences such as differences in the structure of government. For example, a more decentralized government structure may result in higher transactional costs due to the need to access different stakeholders inside the government and collect information from them all.

In such instances, having a local partner that knows the terrain, offers a track record and/or already has a contract in place with the government will enhance the ability to respond to rapidly to the needs of the local population in a crisis.

For many inclusive businesses, identifying the correct entry point for implementing their B2G model in new countries has also proved quite challenging because existing processes were not transparent or straightforward enough. As a solution, some inclusive businesses have started looking for local partners in countries where they wish to replicate their activities. These could then become franchises. Such partners needed to be registered and operating already, and to have the ability to carry out business development with government actors. When the partners successfully win a government contract, the inclusive businesses come in with their services and technology. However, the partners have to be carefully screened and selected, often through a process of trial and error.

PARTNER TO MEET REQUIREMENTS FOR PUBLIC PROCUREMENT PROCESSES

Governments are open for collaboration with the private sector and regularly issue requests for proposals. However, these requests for proposals are often hard to comply with, particularly for new entrants. The criteria set – such as being registered in the country, being able to provide a successful track record, and already having an established network of partners – make it impossible for new players to achieve high scores. Building a consortium with another partner can help an inclusive business to meet the requirements and increase its chances of selection during the public procurement process. The partnership between ClickMedix and Apollo Hospitals is a case in point. As an established hospital chain in India, Apollo Hospitals already had a track record of working with the government. Jointly, the two organizations were able to answer a request for proposals issued by the Indian government (see also Case Study 4).

USE YOUR PARTNERSHIP WITH THE GOVERNMENT TO GET ENDORSEMENT FOR FUTURE WORK



The government does not pay us for running the call centre but endorses our solution.

This rose awareness for our work and helped us forge new partnerships or get access to grants.

– Janharmen Drost,
Healthy Entrepreneurs

An effective collaboration with government makes it easier for an inclusive business to raise awareness about its work and demonstrate the relevance of its business model in addressing development priorities. It also lays the foundation to new partnerships and can create new opportunities to access capital from private sector investors.

Existing partnerships with government are particularly important for establishing the reputations of inclusive businesses as credible partners when they are still in their early stages. For example, partnerships with government helped Healthy Entrepreneurs to launch discussions on potential partnerships with local offices of UN agencies like UNICEF and UNFPA as well as other country-level implementing partners, and to enter into conversations with donors on access to finance.



▲ ClickMedix's mobile clinic

©clickmedix

Case Study 4: ClickMedix – Uganda, South Africa, India and Pakistan

ClickMedix is a social business specializing in mobile health (mHealth) services that aim to provide people living in under-served regions with affordable health care. To date, the business has deployments in more than 20 countries and a network of more than 2,000 trained health professionals worldwide. ClickMedix's mHealth platform aims to increase the reach of doctors in remote areas. Using a health application, community health workers acting as primary agents on the ground insert patients' data into the system so that it can then be viewed by health experts for further diagnoses. The platform also facilitates the remote training of staff using mobile phones and tablets.

The pandemic accelerated many of ClickMedix's collaborations with governments. In several cases, ClickMedix benefited from partnerships with other players. In Uganda, ClickMedix's system is being used by a nursing call centre run by Healthy Entrepreneurs to screen and document COVID-19 symptoms as well as to address immediate healthcare needs. Collectively, the two businesses supported the government in reviewing its telemedicine policies and in revising disease protocols and adjusting them for COVID-19 symptoms. ClickMedix was mainly concerned with providing the technology while Healthy Entrepreneurs conducted the screening and triage of the patients.

In South Africa, ClickMedix helped the Sibanye-Stillwater company, a large employer, to comply with the government's COVID-19 regulations. A high proportion of the employees came from neighbouring countries. ClickMedix developed a prescriptive COVID-19 protocol, conducted screenings, and supported the contact tracing process. The inclusive business also generates government-mandated reports on employee data.

In India and Pakistan, ClickMedix works with a network of telemedicine doctors, providing them with a COVID-19 screening mobile app and telemedicine features so they can help address the needs of symptomatic patients. The contract with the government in Pakistan came through a collaboration with two other BCtA members that already had track records and partnerships with the government. These companies provided the telemedicine services, and ClickMedix supported them by extending existing protocols and improving workflows to help people manage the disease. In India, ClickMedix formed a consortium with a number of health organizations to address public health needs along with the Ministry of AYUSH. The health organizations were already affiliated with the government but did not have the technology solutions themselves. ClickMedix came in as a complementary technology partner to address needs that had arisen during the pandemic.



FIND INNOVATIVE SOLUTIONS FOR FINANCING CHALLENGES

When partnering with governments, companies are often required to pre-finance their activities. Once a contract is secured, complex decision-making structures and lengthy processes can result in long periods without payment which inclusive businesses have to sit out while already providing their services. This means that businesses need to have extensive reserves of working capital in order to be able to take on government contracts. Alternatively, they must rely on finding ways of working around this problem and reducing the financial risks and implementation challenges posed by the scale that is inherent to government contracts. That said, the first financing challenge for inclusive businesses arises even before they begin to approach governments, when they are still conducting pilot operations and gathering evidence about the impact they can achieve. Pilot operations require extensive upfront investments which small inclusive businesses in particular tend to struggle with.

PARTNER WITH OTHERS TO FINANCE PILOT OPERATIONS



Irrespective of what is the development cause you are chasing, it makes more sense to join forces, deliver the impact from different angles, and share the investment

– Anurag Hans, Essilor

One way to bypass challenges related to financing pilot operations is to enter into partnerships with other organizations, such as donor agencies and corporates. In India, ClickMedix partnered with Medtronic, which was already an established player and had the resources to partner with the government. The two inclusive businesses initiated an ear screening pilot in 2013 as part of Medtronic's Shruti programme.¹⁹ They began their activities in Delhi and later extended them to Hyderabad, initially targeting private hospitals, since these provided the necessary monetary incentives.²⁰ These pilot operations led to state endorsement, which resulted in even higher volumes of work. Eventually the government purchased the technology and programme, which were then rapidly scaled up throughout India.

Essilor has worked with international agencies in the past to fund their pilots. Examples include co-funding by DEG, a Germany-based development finance institution and the Australia Department of Foreign Affairs and Trade to provide affordable vision care to low-income communities under the Eye Mitra ("friend of the eye") program in India and Bangladesh respectively. The program aims to train young people to set up micro vision care enterprises in rural villages that include activities such as the detection of vision issues and the disbursement of affordable vision products. Now, in order to scale the program, Essilor is also formulating co-funding partnerships with other corporate foundations who can support the program from other development issues, aside from vision care, like financial inclusion and female empowerment.^{21,22}

CREATE REVENUE THROUGH UPSELLING STRATEGIES

In some instances, the government may help to scale up a solution by making its infrastructure and networks available, but the partnership may not generate any revenue for the inclusive business straight away. In such cases, businesses need to create alternative revenue streams. One option is to offer core services for free and make money by leveraging upselling opportunities once the project with the government has gained enough momentum.

ClickMedix, for example, partners with community health organizations and their health workers as a vehicle for generating upselling opportunities. Using a “freemium” business model, the trained health workers offer initial health screenings for free. Fees are generated through additional services such as consultations and the sale of healthcare or nutrition products. The health workers in the field offer bundled prices for a combination of medication and doctor’s consultations and the fees are paid either by the patients themselves or by health organizations that take part in the operations as subsidiaries.²³



You get adoption, but you may not get paid. The idea is to start charging later after the pandemic. Inclusive businesses especially have to look for upselling opportunities afterwards.

– Ting Shih, ClickMedix

Healthy Entrepreneurs pursues a similar model in Uganda. The social enterprise works with government-trained community health workers. Community health workers are already trained on health-related topics and linked to the public health system. The inclusive business provides additional training to help them become micro-entrepreneurs. As such, they sell a range of health-related products, such as products for personal care and sexual and reproductive health, nutritional supplements or medicines for infectious diseases, such as malaria. With these activities, they can top-up the monthly stipend they receive for their volunteer work by earning a 35% margin on the products they sell.²⁴

TAKE A STEP-BY-STEP-APPROACH TOWARDS SUCCESS



Don’t go for large contracts that can make your company go bankrupt.

– Shelley Saxena, Sevamob

Some inclusive businesses adopt a step-by-step approach to partnerships with government by only taking on smaller projects to begin with. This may involve working with governments at the district level rather than the state or national level. At the local level, processes may move somewhat more rapidly as fewer layers of approval are required. As a result, a shortage of working capital can be avoided in the first place and increasingly larger projects can be undertaken successively.

Some inclusive businesses in the health sector have deliberately turned down governmental contracts due to their size and the financial risks involved. iKure for example, turned down a request to roll out their solution in the Indian state of Uttar Pradesh. To upgrade a significant number of health facilities with their solution, iKure would have had to pre-finance its services before getting paid. The inclusive business felt unable to carry such a financial burden, so they decided that the offer was too risky and rejected it. To avoid such financial challenges, iKure has started working with donor agencies and with private organizations that already have contracts with government actors (see also Case Study 5).



▲ iKure works in delivering healthcare services to remote areas in India

© Ikure

Case Study 5: iKure – India

iKure Techsoft leverages the power of ICT to deliver primary healthcare, wellness and prevention services to communities in rural and urban areas. As a technology-driven social enterprise, it provides solutions to governments by upgrading state-run health facilities and providing telehealth services. iKure supplies the necessary technologies and devices, and trains health workers and doctors to operate the telehealth services.

iKure deploys a user-friendly, end-to-end service app that enables remote communication between doctors and patients. The app allows health workers to enter the patients' data into the system and set up doctor's consultations for them via the app. This model has proven especially useful during COVID-19, as patients have continued to be able to reach out to doctors remotely for consultations. Based on the patient data captured in the app, iKure is able to create dashboards and community disease profiles which then can be used to provide the government with very valuable insights for planning the use of its resources and similar purposes. iKure is also making use of artificial intelligence technologies to insert

patient data automatically into the system without the risk of human error. Finally, iKure has set up a call centre to facilitate the communication between doctors and patients further.

As a start-up, iKure was looking to upgrade public health clinics through partnerships. It began to collaborate with government by working with donor agencies and private organizations. Within 25 days of launching its programme in the Indian state of Nagaland in June 2020, iKure had rolled out solutions to 85 government health facilities with plans to expand to other provinces as well. Other intermediaries with which iKure has partnered in order to collaborate with governments include the United Nations Development Programme (UNDP) and the Philips digital care cohort.

The work with donor agencies as the intermediary between iKure and the government of India has proven very successful for iKure for developing initial pilot projects and proof-of-concept.

Source:
Interview Sujay Santra, iKure



WORK WITHIN THE REGULATORY SYSTEM OR SHAPE IT IN CONJUNCTION WITH GOVERNMENT ACTORS

The provision of health care is always dependent on various governmental regulations and policies. While inclusive businesses have the good intention of delivering healthcare solutions to the most vulnerable, they still need to comply with national rules and regulations. This includes only using and selling government-approved products, acquiring an operating license and following the national data privacy policies. Working within the regulatory system from the beginning can help to avoid difficulties and costly delays. In some instances, however, policies and rules may not yet have been established. This provides an opportunity for inclusive businesses to shape the system in collaboration with the government. Such opportunities have arisen more frequently during the pandemic as new processes have had to be developed and solutions rolled out quickly, leaving limited time to put regulations and policies into place.

MAKE USE OF EXISTING PROTOCOLS TO FACILITATE COLLABORATION



It helps to align with the country's quality and regulatory standards [...] navigating through government systems for newer inclusive businesses can be challenging

– Prateek Ahuja, Medtronic

Making use of the protocols which already exist, and building on these, can help to speed up the processes of scaling up and adoption by governments. Ideally, inclusive businesses should comply with existing regulations from the beginning to avoid difficulties later on. This may also turn out to be the competitive advantage that leads to a government contract. In the case of Sevamob, the inclusive business focuses solely on protocols that are easy to replicate. For example, they only offer initial screenings and refer patients to clinics for proper treatment. Offering further services would require additional approvals that require time and effort to obtain. In addition, the inclusive business only provides generic medicines that are sourced locally. By carefully picking and choosing their services and products, Sevamob has established a business model that is easily replicable. Healthy Entrepreneurs works with government-trained entrepreneurs and takes care only to sell products that the entrepreneurs are allowed to sell (see also Case Study 6).



▲ Healthy Entrepreneurs trains the next generation of health community leaders

© Healthy Entrepreneurs

Case Study 6: Healthy Entrepreneurs – Working within the regulatory system

Healthy Entrepreneurs strives to provide basic and affordable health care to people living in rural areas via end-to-end distribution. The business model is based on a network of community health entrepreneurs, who are carefully selected and trained to set up mini pharmacies in their communities. The entrepreneurs are equipped with basic health products and a solar-powered tablet, through which they can advise and educate rural customers and order new stock from the Healthy Entrepreneurs warehouse. This model allows Healthy Entrepreneurs to bridge the last mile while maintaining its core goal of the self-empowerment of communities. Healthy Entrepreneurs started its operations in Uganda and has been able to replicate the model in Tanzania, Kenya, Ghana, and Haiti. It now has a total network of some 4,000 entrepreneurs in these five countries. More recently, Healthy Entrepreneurs launched a Doctor at a Distance operation and a call centre to digitalize and streamline their service further. This makes it possible for patients to consult with a doctor without having to travel to the nearest city. For example, the entrepreneurs can send test results to doctors who can then provide advice and prescribe medication from a distance.

Source:

Interview with Janharmen Drost, Healthy Entrepreneurs

Healthy Entrepreneurs (2016). Annual Report, 2016. Available at

<https://www.healthyentrepreneurs.nl/wp-content/uploads/2018/02/Annual-Report-Foundation-2016.pdf>

Healthy Entrepreneurs has learnt some important lessons while replicating its business model and collaborating with governments in different countries. While every country comes with its individual challenges, the inclusive business is convinced that collaboration with the government and working within existing government regulations is crucial to success. Healthy Entrepreneurs complies with existing regulations in two main ways. Firstly, it takes care only to sell products that community health workers are allowed to sell on the ground. Secondly, Healthy Entrepreneurs selects its entrepreneurs with the support of the government. In Uganda for example, the inclusive business recruits Village Health Team (VHT) workers for its programme. These workers are volunteers within the public health system and are not paid by the government. Healthy Entrepreneurs' programme makes it possible for them to earn a living from their health work. The inclusive business provides the necessary training and the health workers are then co-assigned by district health officers as entrepreneurs for Healthy Entrepreneurs.

TO GOVERNMENTS AND DONORS

This chapter aims to make recommendations to governments and donors on how they can facilitate collaboration between governments and inclusive businesses. The recommendations are primarily based on the input received from the inclusive businesses interviewed, and do not take the perspectives of all stakeholders into account. The recommendations seek to address each of the five challenges identified in this paper and to offer concrete examples of how to facilitate collaboration with inclusive businesses. Collaboration between inclusive business and governments has proven to be a viable way of serving low-income populations in least developed countries in many different ways – for example, by delivering health services to the last mile, by strengthening the capacity of health agents, and by disseminating reliable information about procedures and protocols. The lessons learnt from this process form a basis for efforts to determine how such collaboration can be orchestrated in future, making it possible for governments to shape markets that address their development priorities.



FIND WAYS OF IDENTIFYING INNOVATIVE INCLUSIVE BUSINESSES

The systemic disruption caused by the COVID-19 pandemic has underlined the importance of multi-stakeholder collaboration in delivering healthcare to the last mile. Governments increasingly acknowledge the relevance and value of inclusive businesses in reaching their development objectives. They are now more open to partnerships with inclusive businesses and to leveraging innovative solutions and private sector investments in order to make progress on the development agenda at the country level.²⁵ At the same time, the pipeline of global health innovations has been expanding over the years, making the market rather opaque and difficult to navigate.²⁶ Governments need to find effective ways of identifying the innovative inclusive businesses with which they could potentially collaborate. Governments can facilitate this process by introducing suitable formats, structures or processes that permit innovators and government representatives to collaborate in an orchestrated manner that stimulates a supportive ecosystem and at the same time provides for the development of appropriate mechanisms for reducing risks and preventing market distortions. Donors can support governments in this endeavour both by supporting the development and implementation of structured frameworks that make this process of collaboration more effective, efficient and transparent to the benefit of the under-served populations and by making financing mechanisms available that enable best practices to be systematized and applied in different countries and regions.

LAUNCH FORMATS THAT ALLOW FOR GOVERNMENTS AND INCLUSIVE BUSINESSES TO MEET

Governments or donors could usefully organize showcasing events which bring representatives of businesses and government actors together. Such events could focus on a specific sector like the health sector, or even on a specific sub-topic such as innovative primary care. The benefit of a sectoral approach is that it contributes to the understanding of sector-specific bottlenecks and opportunities, which can then be addressed in a more pragmatic way. Showcasing events can help to promote dialogues between all relevant stakeholders and end-users about how the private sector can work with governments for the benefit of society. Such occasions may provide inclusive businesses with opportunities to find out about the priorities of the government and the pre-requisites for collaboration, and help them to identify potential entry points. On the government side, showcasing events can help raise official awareness about existing innovative inclusive businesses.

As an example, the German Federal Ministry for Economic Affairs and Energy organizes Start-up Nights to enable innovators, entrepreneurs, corporations, industry associations and potential investors to meet with one another. Organized around specific sectors or regions, the start-up nights are an opportunity for innovators and entrepreneurs to pitch their products and ideas and network with other actors including government representatives. Similar events could be held by governments in Africa, Latin America or Asia at the national or even regional level to identify inclusive businesses, facilitate partnerships with them and bring them together with potential business partners and investors.

Box 3: Transparency as a requirement for collaboration

Collaboration between governments and inclusive businesses should be organized transparently. The selection of the right companies to work with governments should incorporate a sensitive and clean approach to data management and protection. In this sense, transparency is important as it allows for information quality processes, shaping organizational performance.

Moreover, institutional quality and transparency are key to the effective delivery of public services and to building a business climate that incentivizes investment and supports private sector development. Hence, collaboration between the two sectors should stem from the need of governmental institutions to learn from innovators, and, simultaneously, from the interest of private organizations in understanding the challenges of the public sphere and acting as solution-providers. If partnerships are to emerge from public-private synergies, then transparent procurement services are required.

However, challenges persist in finding appropriate mechanisms for making information available, especially in terms of leveraging the private sector's existing knowledge and experience to serve low-income and vulnerable populations, while maintaining a close dialogue with governments. Despite the difficulties in finding clear instruments that would make the engagement of mission-driven companies with governments a robust and transparent process, there are already some relevant initiatives worth highlighting.

For example, the Infrastructure Transparency Initiative (CoST) is the leading global initiative for improving transparency and accountability in public infrastructure. CoST works with government, industry and civil society to promote the disclosure, validation and interpretation of data about infrastructure projects, helping to inform and empower citizens and enabling them to hold decision-makers to account. Its approach is focussed on four core features: multi-stakeholder working, disclosure, assurance and social accountability. These features foster the synergies and dialogue across stakeholder groups from government, private sector and civil society who have different perspectives and backgrounds, contributing to the flow and availability of information. The CoST assurance process guarantees an independent review of disclosed data by assurance teams appointed by CoST national programmes, who look at the data published through the disclosure process and identify key issues of concern, gaps in the data and areas of good practice. They put technical jargon into plain language, turning data into compelling information. This allows social accountability stakeholders to understand the issues easily and hold decision-makers to account.

The data generated in initiatives where governments cooperate with inclusive businesses from the health sector should be treated analogously. For instance, health services protocols and procedures should be the starting point of the dialogue between national healthcare systems, private companies and health agents. This multi-stakeholder approach would contribute to the flow and accessibility of information within healthcare systems. Also, disclosed data related to healthcare should be reviewed by assurance teams in order to enable health agents to identify industry gaps and relevant research opportunities.

Sources:

Infrastructure Transparency Initiative. Available at <https://infrastructuretransparency.org/> (retrieved May 2021).

Public-Private Partnerships to Promote Transparency. Inter-American Development Bank. Available at <https://publications.iadb.org/en/public-private-partnerships-promote-transparency>. (retrieved May 2021).

LAUNCH COMPETITIONS TO IDENTIFY INNOVATIVE SOLUTIONS FOR SPECIFIC CHALLENGES

Government actors or donors could organize competitions to identify innovative solutions for specific challenges. Such competitions can be used to identify innovators that are mission-driven and motivated to bring these solutions to the government level.

For example, the Swedish International Development Cooperation Agency (SIDA) has introduced Challenge Funds that provide funding opportunities for small social enterprises. The enterprises are invited to submit proposals related to pre-defined challenges. The businesses that possess the most suitable innovative solutions for the challenge in question are identified as a result of these competitions. In addition to financial support, the winning social enterprises also receive technical assistance to strengthen their capacities further.²⁷

In early 2020, in response to the global COVID-19 pandemic, the German Ministry for Economic Cooperation and Development (BMZ), launched the #SmartDevelopmentHack initiative in collaboration with the European Commission (EC), other EU member states, European tech companies and civil society. The initiative called for innovative digital solutions that would help tackle the challenges posed by the pandemic in low- and middle-income countries.²⁸ Over 1,000 solutions were submitted, and the best 20 teams were pre-selected to refine their solutions and adjust them to country-specific contexts at a two-day workshop. Nine winning teams then received further support to finalise their project concepts.²⁹

CREATE ENTRY POINTS

Inclusive businesses often struggle to find entry points within government structures. This process could be facilitated by setting up an initiative or programme within the Ministry of Health to act as a focal point. Such focal points could articulate government programmes and select and invite ecosystem stakeholders to present best practices on the basis of open calls. Various donor institutions have set up private sector departments that help facilitate engagement with the private sector for development and act as a key point of entry for companies.³⁰ These departments could attract companies through dedicated programmes such as matching funds.

In 2015, for example, the Australian Department of Foreign Affairs and Trade (DFAT) established a Business Partnership Platform (BPP) that matches funding with commercial projects that help advance Australia's development priorities.³¹ In 2011, UNDP created the Istanbul International Center for Private Sector in Development (IICPSD), in partnership with the Government of Turkey, which supports the private sector to become transformative partners in development through research, advocacy for inclusive business, and facilitation of public-private dialogue and multi stakeholder-partnerships.

CREATE LEAN FORMATS TO EXPERIENCE THE BENEFITS OF COLLABORATION

Governments can benefit greatly from the capacities of inclusive businesses to pivot and adapt their solutions to changing needs. One way to identify appropriate inclusive businesses and encourage collaboration would be to combine challenges like those above with joint pilot implementation schemes, so that government representatives can experience the benefits of collaboration at first hand.

The Government of the Netherlands, for example, has developed a "Start-up in Residence Programme" that brings entrepreneurs and local administrations together to work on concrete solutions for specific challenges (see also Case Study 7).



▲ Startup in Residence challenges startups to create solutions for local governments

© UNDP

Case Study 7: Startup in Residence Programme

The *Startup in Residence* programme is a joint accelerator initiative of *Startup Amsterdam* and the Chief Technology Office of Amsterdam inspired by the *Entrepreneur in Residence* programme of San Francisco. The overarching goal is to bring start-ups and local government together to work on sustainable solutions that can be used in the long term. Start-ups are invited to develop innovative solutions for specific urban and social challenges in the city. The municipality then pilots these solutions and, if they prove viable, invests in them. Some of the main themes addressed are energy, climate-proofing the city, food and sustainability.

Sources:

Startup in Residence. Bringing startups and governments together. Available at <https://startupinresidence.com/>. (retrieved March 2021).
 Amsterdam. Startup in Residence. Available at <https://www.iamsterdam.com/en/business/startupamsterdam/initiatives/startup-in-residence>. (retrieved March 2021).
 Towards the Human City. Startup in Residence, Amsterdam, The Netherlands Connecting startups with key social and urban challenges. Available at <https://towardsthehumancity.org/initiative-13-startup-in-residence/>. (retrieved March 2021).

The *Startup in Residence* programme is described as a six-month programme during which participants receive intensive training that equips them with essential knowledge and access to the municipality's network. The programme has been successfully replicated in other Dutch cities, including The Hague, Utrecht, and Groningen, in provinces and in national government ministries, offering start-ups a great opportunity to propose concrete solutions for governments to try out and scale up.



SUPPORT INCLUSIVE BUSINESSES IN GENERATING EVIDENCE ABOUT THE IMPACT THEY CAN ACHIEVE

Both governments and donors could provide inclusive businesses with support in order to strengthen their capacities to measure the impact they are making for purposes of proof and disclosure. Impact measurement and management can be an extremely important instrument for inclusive businesses, given that their key distinguishing feature is the transformative change which they bring about in the lives of the low-income people they serve. Such businesses need to be able to use empirical data as evidence of the outcomes of their activities and of the benefits that have accrued to the wellbeing of their customers. Governments and donors can also play an important role in publishing such results and disseminating them to a wider audience.

DEFINE HOW TO MEASURE IMPACT BY BUILDING ON EXISTING STANDARDS

Measuring impact requires indicators that define how it can be measured, and standards that allow it to be comparable across regions and sectors. Various donors have supported the creation of global benchmarking systems. Such initiatives seek to establish indicators and standards that create a common understanding of how companies can manage their impact effectively. One example is the IRIS+ system that was released by the Global Impact Investing Network (GIIN) in 2019. Developed with inputs from impact professionals from around the globe, the IRIS+ system is a widely accepted impact accounting system.³² Similarly, donors from Europe, the US and Asia have set up the Impact Measurement Project (IMP) in order to build a global consensus on measuring impact on sustainability issues. With a practitioners community of over 2000 members, this forum aims to mainstream impact measurement around the world by providing companies and investors with coherent guidelines.³³

Governments would do well to follow and build on these existing standards so that inclusive businesses and other organizations can align their impact measurement activities to them instead of having to use different indicators for each country. Governments can signal which key performance indicators (KPIs) are most important to them and communicate how they are defined and measured.

In 2020, UNDP and BCtA launched the SDG Corporate Tracker in partnership with the Government of Colombia. This is a multi-stakeholder platform that measures the contribution that the private sector is making to the realization of the SDGs. It helps to map and analyze the influence of the private sector, identify best practices and contribute to public policy discussions and decision-making processes concerning the role of the private sector in development. UNDP intends to distribute the analysis reports that arise from the use of the Tracker, thereby embedding UNDP as a thought leader in this space. For companies, the Tracker offers a means of showcasing contributions to sustainable development at lower cost and a reduced risk of duplication. Developed in collaboration with the Colombian National Planning Department (NPD), the Tracker uses standards developed by the Global Reporting Initiative (GRI) to assess contributions. It is now set to be expanded to other countries, employing the same methodology to position the private sector as a major contributor to the 2030 Agenda by identifying where and how it impacts people's lives and in which thematic areas it is most influential, and by equipping inclusive businesses with tools to measure impact.

Governments or donors could equip inclusive businesses with tools to measure their overall operational performance and impact. For example, UNDP's BCtA Initiative, supported by the Swedish, Swiss and Dutch governments, offers Impact Measurement Services (BIMS) to its inclusive business members and creates communities of practice focused on impact management capacity building (Impact Champions Programme). This includes technical expertise on how to set up analytical frameworks and how to carry out data collection in the field for successful impact measurement. The data collected primarily helps inclusive businesses to track and improve their performance. Since the data is also disseminated to external stakeholders, inclusive businesses can showcase their impact (see also Case Study 8 UNDP BCtA support for measuring impact at Bive in Colombia).³⁴

AGGREGATE EVIDENCE TO SHOWCASE THE VALUE OF INCLUSIVE BUSINESSES MODELS

Gathering hard evidence and impact data is costly, and not every inclusive business has the necessary resources and skills. At the same time, many similar inclusive business models exist in different countries and regions, such as primary health clinics leveraging telemedicine, or community health workers improving triaging with the help of technology.

Donors could play an important role by financing the generation of independent data on inclusive business models. Through activities such as documenting and assessing inclusive business models, they could contribute towards the identification and understanding of business models that work.

In its report *Reaching the Last Mile*, for example, the World Bank Group decided to capture the main features of common innovative business models across seven sectors, ranging from education to health. For this purpose, more than 300 inclusive business models were analysed. The report identifies the main features of each business model and discusses the main challenges and benefits that arise when these solutions are scaled up. It gathers together the existing evidence on each business model and develops recommendations to governments on how to foster the replication of such models in their own countries. This systematic assessment of inclusive business models helps to highlight their value and disseminate an understanding of the outcomes they can achieve.³⁵

Another example of a donor-financed initiative is the Million Lives Club, set up to celebrate innovations that have improved the lives of at least one million people living in poverty.³⁶ This multi-donor initiative was launched by members of the International Development Innovation Alliance (IDIA). The Center for Health Market Innovations (CHMI) was established by Results for Development (R4D) in 2010 with the aim of gathering reliable, up-to-date information on health innovations around the world. With support from the Bill & Melinda Gates Foundation, the Rockefeller Foundation, and UK aid, the CHMI platform is a free, collaborative online resource that brings information on health businesses, NGOs, public-private partnerships and country policies all together in one database.^{37,38} In this way, it promotes practices and policies that support private organizations in making health care solutions affordable and accessible to everyone.³⁹



▲ Bive is supporting low-income women through access to healthcare services in Colombia's rural areas

© Healthy Entrepreneurs

Case Study 8: UNDP BCTA support for measuring impact at Bive in Colombia

According to the 2019 census conducted by Colombia's National Department of Statistics, 95% of Colombian families are covered by healthcare insurance. Nevertheless, there are still some parts of the country, particularly in places with lower standards of living or a high incidence of armed conflict, where families are not receiving adequate healthcare. For example, while 52% of women between the ages of 40 and 69 living in cities have had a mammography, this figure falls to 26% in rural areas. In addition, rural families face delays due to paperwork and the added difficulty of having to travel to urban areas for healthcare services.

Bive is a social enterprise that aims to overcome the barriers that limit access to healthcare services for rural communities. Bive establishes partnerships with farmers' associations in low-income communities to provide rapid access to high-quality health services that reduce preventable morbidity and mortality and support the proper diagnosis and treatment of diseases. Over the last eight years, Bive has provided more than 21,000 low-income individuals in rural areas with access to healthcare services through low-cost membership programmes which allow them to access a network of 220 service providers for fees up to 70% lower than the average market price.

As part of its participation in BCTA's Impact Champions Programme, Bive conducted an extensive impact assessment of its "Mujer Bive tu Salud" (MBS) project. Bive's capabilities for measuring social impact were already well developed, but it joined the programme in order to improve its data collection in ways that would support

its decision-making and the scaling-up of its initiatives to deliver effective results and more evidence-based solutions. Impact data is essential to Bive's stakeholder relations: it reinforces advocacy and communications with policy-makers while consistent feedback from users help to drive improvements in services.

Bive collected data over a six-month period and conducted a survey with 1,025 out of the 1,066 women who participated in the MBS project. The survey found that 95% of the women gained a better understanding of risk prevention measures and 79% acquired greater knowledge of how to incorporate self-care practices into their lives. For transparency, Bive published the results online together with recordings of testimonials from patients and healthcare providers.

With BCTA assistance, Bive was able to map its impact theory of change and provide a holistic view of the effects of its business activities on beneficiaries, the community and the SDGs. The services provided by the MBS project yielded outcomes in connecting women to the health system, ensuring the adoption of self-care practices, strengthening the knowledge of first-level health professionals for the prevention and diagnosis of breast cancer and promoting the encouragement of healthy lifestyles by community health leaders.

As well as quantifying its social impact, Bive made use of graphic tools to communicate it – a vital step in sharing learning and good practices and attracting new partners so as to scale up its projects and programmes.



EASE CAPACITY REQUIREMENTS, SUPPORT CAPACITY BUILDING OR TAKE ON OWNERSHIP OF SOLUTIONS

Inclusive businesses are important partners for governments in serving the poor. At the same time, collaborating with government actors is a great way for inclusive businesses to build their capacity and increase the scale of their activities. However, these businesses often lack the capacity to undertake large government contracts or fail to meet all of the criteria required in public procurement processes. Governments interested in exploring the innovative potential of inclusive businesses could help here by revising public procurement processes to improve the competitiveness of smaller companies, and particularly of mission-driven enterprises. As an alternative, they could look for ways to integrate innovative solutions incubated by inclusive businesses into their own processes and structures and scale them up accordingly. Donors, meanwhile, can help inclusive businesses to enhance their capacities by matching them with investors or by brokering partnership with actors that already possess the necessary capacity, such as larger corporations or large NGOs.

ADAPT PUBLIC PROCUREMENT SCHEMES

Standard procurement processes often come with rigid requirements that are predominantly designed for conventional organizations rather than for smaller inclusive businesses, discouraging inclusive businesses from participating.⁴⁰ Governments could therefore facilitate collaboration with inclusive businesses by developing tailored public procurement mechanisms that favour businesses that serve low-income populations.⁴¹

Common preferential procurement strategies include, but are not limited to, setting aside a fixed quota of procurement spending specifically for businesses that meet certain criteria, awarding additional points to businesses that engage low-income populations in their value chain, or revising procurement processes in ways that facilitate the participation of inclusive businesses.⁴²

Malaysia, for example, recognises and validates impact driven businesses through its Social Enterprise Accreditation (SEA) scheme, an initiative of the Malaysian Global Innovation and Creativity Centre (MaGIC).⁴³ The scheme is open to companies that proactively create a positive impact, contribute their resources to a social or environmental mission and are financially sustainable. Accredited companies enjoy several benefits such as listing on a public directory, access to funding and support, and tax reductions.⁴⁴ The businesses are also included in MaGICs “Buy-for-Impact” campaign, which seeks to encourage both the public and the private sector to channel more spending towards social issues and hence to increase their involvement in social procurement.⁴⁵

Another example of inclusive public procurement is India’s Public Procurement Policy for Micro and Small Enterprises (MSEs), which was first approved in 2012 and then updated in 2018. The policy obliges all central ministries to procure at least 25% of the goods and services they purchase from MSEs.⁴⁶ It also sets rules for bid price quotations in tenders and calls for transaction costs for MSEs to be reduced by, for example, providing them with tender documents free of charge.⁴⁷ The aim of the policy is to improve MSEs’ access to markets and build their competitiveness via increased government purchases.^{48,49} A similar approach could be adopted to encourage and facilitate procurement from inclusive businesses.

One more initiative worth highlighting is the “Buying for Social Impact (BSI)” project launched by the European Commission. Through this initiative, contracting authorities in the EU are incentivized to pursue social goals through public procurement, thus encouraging social economy enterprises to access new markets. The project has stimulated exchanges of knowledge on the transposition of new EU public procurement directives into the practices of member states through awareness-raising and training events. It has also mapped the capacities of social economy enterprises to access markets.

INCENTIVISE COLLABORATION AMONG INCLUSIVE BUSINESSES FOR ENHANCED CAPACITY

Public procurement processes could also be used to encourage inclusive businesses to form consortia, thus increasing their capacities to address complex development challenges, including last-mile situations where more than one service or element of infrastructure may be lacking. Some requests for proposals require two or more organizations to collaborate. An example is the request for proposals issued for the appointment of a Quality Assurance (QA) Partner Agency for UMANG (the Unified Mobile Application for New-Age Governance) in India, which calls for collaboration between private entities and the government in developing digital solutions. Similar proposals could be developed in other areas to benefit from the solutions of inclusive businesses.

Donors could also encourage and facilitate partnerships that help inclusive businesses and governments to build new capacities and/or to develop interoperable solutions that ultimately serve patients better. For example, donors could design challenges that require more than one organization to come together to develop an integrated solution that addresses key challenges in delivering services to a low-income population. Donors could support the process by creating financial incentives, providing funding for partnerships or organizing matchmaking events that help potential partners to meet up.

Such matchmaking events need to be well organized in order to be successful. Ideally, they would focus on a concrete challenge – such as the digitalization of primary care. Businesses are more likely to participate in events that have been thought out all the way through from the screening of partners and curated matching to pilot implementation and follow-up. One matchmaking initiative that integrates follow-up activities is the TechEmerge Programme of the International Finance Corporation (IFC) which connects technology companies around the world with leading organizations in developing countries (see also Case Study 9).



▲ Initiatives such as TechEmerg contribute to increased access to healthcare services

© UNDP

Case Study 9: TechEmerg – Fostering collaboration among partners to build capacity

TechEmerg is a matchmaking programme launched by the International Finance Corporation (IFC) with the ambition of bringing cutting-edge technologies to emerging markets. TechEmerg connects technology firms from around the world with local organizations to form partnerships that can implement innovative and technology-driven solutions in critical sectors.

For example, the TechEmerg Health programme launched in India in 2015 aimed to develop and implement healthcare solutions that improve healthcare delivery and patient outcomes. The programme comprised four phases: an assessment of the local needs, the sourcing and screening of the technology companies, curated matchmaking, and finally the launch of local pilot projects. For the sourcing and screening of the technology companies, a global call for health technologies was launched. The programme received applications from 330 technology firms from 29 different countries. After a first pre-selection round, 55 companies were selected based on the relevance of their technologies to the needs of the Indian health care system. In the curated matching phase, shortlists of the firms were shared with

healthcare providers, which then were able to choose the innovators they wanted to meet in person. The selected technology firms were invited to present their technologies to the healthcare providers in India at a two-day Innovation summit in 2016, which was attended by more than 200 people and included opportunities for one-on-one meetings at which participants could discuss solutions and how to pilot them. In the last phase of the programme, the organizers followed up by requesting participants to submit joint proposals for pilot projects in the field. A total of 42 proposals were received. Following an assessment of the feasibility, quality and potential impact of these proposals, 22 pilot projects were selected to be rolled out in the field and receive financial and advisory support during a 3–10-month implementation phase. Overall, the programme successfully matched 17 innovators with 15 healthcare providers to roll out and test health innovations in areas like patient engagement, remote monitoring, patient safety, point of care issues, telemedicine and operational efficiency. Looking ahead, TechEmerg aims to diversify its partners further and adapt its model for the public sector as well, so as to include government actors in the process.

Sources:

TechEmerg Website, available at <https://www.techemerge.org/country/tech-emerge-india>. (retrieved March 2021).

IFC (2019). TechEmerg India Health Impact Report. Available at <https://www.ifc.org/wps/wcm/connect/8cfa9dfb-fecf-4ed2-96dc-764d5c41ea30/201909-TechEmerg-Health-India-Impact-Report.pdf?MOD=AJPERES&CVID=mQBKPCX>

TRANSITION SOLUTIONS INCUBATED BY INCLUSIVE BUSINESSES INTO GOVERNMENT

As already noted, inclusive businesses have the capacity to develop innovative solutions and quickly adapt them to changing needs, but often face difficulties in bringing these solutions to scale due to resource constraints. Partnerships with governments are often essential if such solutions are to have a long-term impact, as governments possess the valuable infrastructure, networks and resources that are needed to implement them and scale them up. For this reason, another solution to the capacity challenge could be for governments to integrate solutions incubated by inclusive businesses into their own processes. The role of the inclusive businesses would be to develop innovations to solve important problems identified and prioritized by governments and to reduce the risks associated with these innovations by demonstrating that they can work. Governments might help co-develop solutions but would only take over full ownership of a solution once it has been proven and is ready to be taken to scale.⁵⁰

In 2011, the international non-governmental organization (NGO) VillageReach, worked with the Malawi Ministry of Health to introduce a health hotline called Chipatala Cha Pa Foni (CCPF) or Health Centre by Phone. The hotline was initially developed as a source of information on maternal and child health information serving the rural district of Balaka.⁵¹ However, over the years VillageReach expanded its service to include all health topics, partnered with the telecommunications company Airtel to make the calls free of charge, and extended the service nationwide. Due to the success of the solution and the partnership, the Malawi Ministry of Health decided to embed the service within their own system and VillageReach worked with the government to plan and carry out the transition. Today, VillageReach has successfully passed on its solution to the Malawi Ministry of Health, which has taken on full ownership and even adapted the service to fit the government's COVID response needs.⁵² The roll-out of the Malawi health hotline is a successful example of an NGO transitioning its solution to the government. Other inclusive businesses and governments could follow this example.



REDUCE THE FINANCIAL RISK OF INCLUSIVE BUSINESSES IN PARTNERSHIPS WITH GOVERNMENTS

Many inclusive businesses have come up with innovative solutions to work around the financial challenges of working with governments, including long payment terms and high initial investment costs. However, governments which want to attract innovative inclusive businesses would do well to adjust their conditions for partnership to the realities of small businesses. They could also develop new financial solutions or support their development.

REVIEW PAYMENT TERMS FOR SMALL, MISSION-DRIVEN ENTERPRISES

Some inclusive businesses are too small to take government contracts on their own due to the financial risk involved. Government actors interested in partnerships with these innovative players could change their payment terms by offering larger upfront payments or shorter payment cycles.

SHARE INFORMATION ABOUT EXISTING FINANCIAL OPPORTUNITIES

Access to (working) capital from private providers could also be made easier by addressing information asymmetries. Donors could contribute to the availability of information by maintaining a database of capital providers. For example, the Angel Investment Network is a UK-based organization that brings together entrepreneurs and investors in over 80 countries worldwide. The network supports businesses that are looking for investments by training them on how to pitch for investors, providing contacts and creating a space for interaction.⁵³

FACILITATE ISSUES OF SOCIAL IMPACT BONDS

Social impact bonds (SIBs) are contracts under which a government pays for certain social outcomes, such as improved access to education or health care. They are known as a type of pay-for-success financing mechanism. They involve three parties: governments or donors, service providers and investors. The investors supply the initial capital and cover operational costs, thus taking the financial risk off the governments. The governments only pay once the social outcomes have been achieved and delivered as agreed in the contract. The Portuguese government recently launched a social impact bond aimed at financing innovative projects in high-priority areas of public policy against the delivery of pre-agreed measurable social outcomes. If these previously agreed outcomes are achieved, the social investors will be fully reimbursed.⁵⁴ It has to be added that SIBs are only a viable option for larger inclusive businesses. Smaller inclusive businesses tend to be restricted by limited track records and their low capacities to respond to certain contractual requirements – particularly their ability to achieve social outcomes on a large scale and within a given timeframe.^{55,56} Furthermore, SIBs are generally complex instruments and a successful issue requires time, technical expertise and the commitment of several stakeholders.⁵⁷ An example of a social impact bond is the New Development Bank bond issued in the China Interbank Bond Market in March 2021 under the UNDP Sustainable Development Goals Impact Standards for Bonds (UNDP SDG Standard) and the SDG Finance Taxonomy (China). The proceeds of the bond will be used to finance a RMB7 billion Emergency Programme Loan to the People's Republic of China for Supporting China's economic recovery from COVID-19. The bond is aligned with SDG#8 – Decent Work and Economic Growth.⁵⁸

OFFER FINANCING SOLUTIONS OR FACILITATE THEIR DEVELOPMENT

One option for a government contemplating partnerships with inclusive businesses subject to financial constraints would be to create a working capital fund accessible to small, mission-driven enterprises which have won government contracts. The fund could provide guarantees for loans provided by commercial banks, helping inclusive businesses to take on larger contracts which require them to finance their own initial investments. For example, the Brazilian entity for SME support, SEBRAE, helps small businesses to access credit lines through its credit guarantee fund. The fund was created in partnerships with financial institutions and provides complementary guarantees that make it possible for more small businesses to access the credit they need.⁵⁹ The Colombian government has assisted socially and environmentally conscious companies by providing them with preferential access to credit lines, among other benefits (see Box 4). Such preferential credit lines could also be provided by private investors. A government guarantee scheme that covers a share of the loan risk would act as an incentive.⁶⁰ Through guarantees of this kind, governments can actively de-risk loans for inclusive businesses.

Donors as well as government entities could help inclusive businesses to access finance. As an example, they could support innovation funds specifically for start-ups that are partnering governments in addressing development priorities in fragile or crisis-hit locations.

Box 4: Creating a conducive enabling environment for inclusive businesses

Governments can support inclusive businesses in general by creating a business environment that benefits them. For example, governments can adopt business policies that encourage companies to include the poor in the value chain. This may include, but need not be limited to, providing information on low-income markets, establishing supportive regulatory frameworks or introducing fiscal incentives such as tax reductions and other financial benefits. In other words, governments can actively support and incentivise mission-driven companies by creating certain benefits for them within the regulatory system.⁶¹

Example: Collective benefit and interest companies (BIC) in Colombia

One example of a supportive mechanism is Colombia's legal framework on the collective benefit and interest society (BIC), which was adopted in 2018 to encourage companies to become more socially and environmentally conscious. The collective benefit and interest society (*Sociedades Comerciales de Beneficio e Interés Colectivo*) is made up of companies that have goals that go beyond economic gain and that voluntarily contribute to societal and environmental change. Any for-profit company can obtain the status of a BIC member by adjusting its business practices in accordance with the United Nations Sustainable Development Goals. The companies must be able to demonstrate how they balance economic, social and environmental goals by clearly articulating them in the company's mission statement, declaring the activities which they carry out towards these goals and reporting on the impact of those activities. To encourage companies to join, the Government of Colombia provides BIC members with benefits like preferential access to credit lines, additional points in public tenders and reduced taxes and registration fees. Since the BIC was launched in 2018, a total of 323 companies have been registered as members.

Sources:

Ministry of Commerce, Industry & Tourism. Sociedades BIC Empresas con propósito. Available at <https://www.mincit.gov.co/minindustria/sociedades-bic/ebook-sociedades-bic-02dic.aspx>

Ministry of Commerce, Industry & Tourism. Regulating companies of general interest ("benefit corporations"). PROGRESO. Available at <http://www.fundacionmicrofinanzasbbva.org/revistaprogreso/en/%E2%80%A2regulating-companies-of-general-interest-benefit-corporations/>. (retrieved March 2021).



ENGAGE IN DIALOGUE WITH INCLUSIVE BUSINESSES ABOUT POLICIES AND REGULATIONS

Government actors may ease regulatory constraints on inclusive businesses offering innovative solutions. This could be done by developing new policies or adjusting existing regulations. Furthermore, governments could be open to taking specific account of innovators' needs when shaping policies for innovative products and services

ENGAGE IN POLICY DIALOGUE WITH DIFFERENT STAKEHOLDERS

Governments could be more closely engaged in multi-stakeholder dialogues concerning regulatory needs and challenges in specific areas. Such multi-stakeholder dialogues should be held on a regular basis. Special care should be taken to include mission-driven businesses to ensure that their innovative perspectives and specific needs are understood. Dialogue could be conducted by means of working groups that work collaboratively on new policies, advisory groups that provide feedback and advice on policy drafts or larger committee gatherings that meet on a regular basis to discuss broader topics. With regards to the health sector, the participating stakeholders would need to include companies, investors, end customers and representatives from development financial institutions (DFIs) as well as patient and doctor associations. Besides further increasing governmental awareness of the importance of inclusive businesses, the process of dialogue could help create an understanding of their specific needs and of how, for example, tailored public procurement procedures or tax benefits could act as additional incentives.

ALLOW FOR INNOVATION TO LEAD REGULATORY PROCESSES

Innovative inclusive businesses regularly disrupt markets with new technology-driven products and services to tackle social challenges. In addition, urgent needs for innovation may arise due to crises such as the COVID-19 pandemic. In both cases, policies and regulations may need to be shaped in parallel with the implementation of innovative solutions. In this context, governments could be more open to listening to the needs of innovators and to paying due attention to innovation processes in their regulatory frameworks.

SUMMARY

The table below summarizes the ways inclusive businesses have found to address the challenges identified in this report, and what government actors and development partners could do to support them:

Table 2: Summary of Lessons Learnt and Recommendations

CHALLENGE	LESSONS FROM...		RECOMMENDATIONS FOR...
	...Inclusive Businesses	...Governments	...Donors
AWARENESS 	<ul style="list-style-type: none"> • Disrupt healthcare delivery to provide access for all • Quickly adapt your solutions to changing government needs 	<ul style="list-style-type: none"> • Introduce suitable formats, structures or processes that allow for innovators and government representatives to meet (e.g., showcasing events, competitions) • Combine challenges/competitions with joint pilot implementation schemes to experience the benefits of collaboration • Create entry points within the Ministry of Health that can facilitate collaboration 	<ul style="list-style-type: none"> • Support governments in developing and implementing suitable formats or in financing them
EVIDENCE 	<ul style="list-style-type: none"> • Align your activities with government priorities • Show evidence for the impact you can achieve 	<ul style="list-style-type: none"> • Define how to measure impact by building on existing standards • Help inclusive businesses in publishing and disseminating results to a wider audience • Follow and build on existing measuring standards, to allow for better alignment • Signal most important KPIs and communicate how they are defined and measured 	<ul style="list-style-type: none"> • Finance the generation of independent data on inclusive business models

CHALLENGE	LESSONS FROM...		RECOMMENDATIONS FOR...
	...Inclusive Businesses	...Governments	...Donors
<p>CAPACITY</p> 	<ul style="list-style-type: none"> • Partner with others to gain credibility and recognition • Partner with others to find an entry point within governments • Partner with others to replicate in new countries or states • Partner with others to meet requirements for public procurements 	<ul style="list-style-type: none"> • Revise procurement processes to improve the competitiveness of smaller, mission-driven enterprises • Create public procurement schemes that are tailored to mission-driven companies • Create incentives for partners to collaborate • Integrate solutions incubated by inclusive businesses 	<ul style="list-style-type: none"> • Match inclusive businesses with investors, or broker partnerships with actors that help inclusive businesses gain capacity • Incentivise and facilitate partnerships that help inclusive businesses build capacity
<p>FINANCING</p> 	<ul style="list-style-type: none"> • Partner with others to finance pilot operations • Use your partnership with the government to get endorsement for future work • Create revenue through upselling strategies • Take a step-by-step-approach towards success 	<ul style="list-style-type: none"> • Develop or support the development of new financial solutions • Review payment terms • Create a working capital fund that is accessible for small, mission-driven enterprises who have won a government contract • Offer social impact bonds 	<ul style="list-style-type: none"> • Provide greater transparency about financial opportunities by maintaining a database of capital providers
<p>REGULATION</p> 	<ul style="list-style-type: none"> • Make use of existing protocols to facilitate collaboration 	<ul style="list-style-type: none"> • Engage in policy dialogue with different stakeholders • Be more open to listen to innovators' needs and pay due attention to innovation processes in regulatory frameworks 	

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