



Corridors for Shared Prosperity

Spotlight on India-Africa
Inclusive Business Transfer

MAIN REPORT

This assessment was conducted and document written for the International Finance Corporation (IFC) by Intellectual Capital Advisory Services (Intellectap).

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For more details about this study, please write to Pallavi Shrivastava (pshrivastava1@ifc.org)

Foreword

Many development issues are common in emerging economies as are many of the solutions delivered by inclusive businesses. Rather than “re-invent-the-wheel”, cross-border transfer of established inclusive and innovative business models is a pragmatic approach to catalyze delivery of development solutions, especially to the underserved at the base of the pyramid. Evidence suggests that there is a high transfer potential of successful Indian Inclusive Businesses in regions such as Sub Saharan Africa and South Asia and vice-versa.

World Bank Group, with its global presence, places importance in facilitating South-South knowledge exchange and in transfer of business models. In South Asia, the joint IFC-World Bank regional program on Inclusive Business has been working to facilitate scale and transfer of high impact inclusive businesses.

Given the different geographical and cultural contexts, a systematic approach is needed to transfer business models sustainably. It is imperative that businesses do an internal readiness assessment before they consider cross-border expansion. At the same time, understanding the nuances of the target market is critical. Thus there is much to gain from an exchange of evidence, expertise and experience on how to transfer successfully to achieve scale and thereby contribute to tackling development challenges.

The intent of this report is to contribute to building a shared understanding of successful approaches and challenges in business transfer. It draws critical insights from the experiences of inclusive businesses that have successfully transferred across Indo–African borders. These insights and views of knowledgeable persons have also resulted in a Business Transfer Toolkit for entrepreneurs to act as a guide in the transfer process. We are indebted to inclusive businesses and stakeholders who shared their insights and perspectives and to Intellect for their partnership in putting this report together and disseminating the Toolkit. We will continue to fine tune the Toolkit and build on our knowledge based on experience and feedback.

We hope that entrepreneurs and others in the ecosystem will find this useful and that it will promote collaboration and transfer of knowledge across regions. We look forward to continuing to working together with the inclusive business ecosystem to further this important agenda.

Anil Sinha

Regional Head - Inclusive Business, South Asia

World Bank Group

Acknowledgements

This report is the product of a study carried out by the International Finance Corporation (IFC), a part of the World Bank Group, and Intellectap. It seeks to inform systematic transfer of Indian inclusive business models to other developing countries, with a specific focus on African countries.

We are deeply indebted to Indian inclusive businesses that shared their successes and failures in transferring to new markets, as well as to private and public sector organizations in India and Africa that shared their insights and perspectives on this issue.

Our special thanks to Anil Sinha, Regional Head of South Asia Inclusive Business, World Bank Group for his direction, guidance and advice.

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Limitations

The Inclusive Business Transfer Framework is specifically designed for small and medium inclusive businesses and is less relevant for other types of business models. It is intended to be an early guide for businesses that are considering transfer to Africa, but given the wide variety of business contexts in India and Africa – this report should only be treated as a broad guide. It is recommended that inclusive businesses validate all insights garnered from this report through their own research and efforts as well. Finally, owing to the lack of reliable and granular data in many of the African countries considered in this report, it relies on qualitative insights from industry experts and inclusive businesses, and hence the insights and recommendations should be treated as broad indicators.

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Executive Summary

Inclusive business models that use market-based approaches to solve challenges of social inequity, and create affordable access to basic needs such as food, healthcare and education, have gathered momentum in India over the past decade. Of an estimated 2000 such businesses in India¹, 220 have raised \$1.6 billion in risk capital financing, showing potential to grow and scale². From a sectoral standpoint, most activity was in the financial inclusion space, followed by agriculture, healthcare and renewable energy.

There are several similarities in the socio-economic contexts of India and other developing countries – especially those in South and South East Asia and Sub-Saharan Africa. Inclusive businesses that thrive in India can potentially be adapted and transferred to these countries to solve developmental challenges. However, successful transfer is challenging given the nascent state of markets and infrastructure in most developing countries. More awareness is needed around ‘what works’.

This study by International Finance Corporation and Intel-lecap seeks to address this need-gap by building a framework for systematic transfer of Indian inclusive business models to other developing countries, with a focus on Africa as a destination market.

The study analyzes the demand for inclusive business models in Africa in three high-impact focus sectors for transfer: agriculture, healthcare and renewable energy, and discusses key drivers of transfer of inclusive models from India to Africa. Eleven inclusive businesses were selected to assess the

potential of transferring Indian inclusive business models to other developing countries and to gather empirical evidence on ‘what works’. Their experiences were investigated to create a wealth of insights. These businesses faced some critical choices during the transfer process, such as how to prepare, which market to focus on, and which format to choose. Analysis suggests that three key decision-drivers (figure 1) dictate these choices, which form the foundation of the transfer framework that resulted from this study. This framework is also informed by insights from over 44 industry practitioners.

Intent

Understanding business objectives that drive transfer, and organizational preferences with respect to risk, degree of strategic control and openness to adapting the business model.

Capacity

Management strength, financial and operational readiness to transfer to the target market while ensuring business continuity in India.

Dependencies

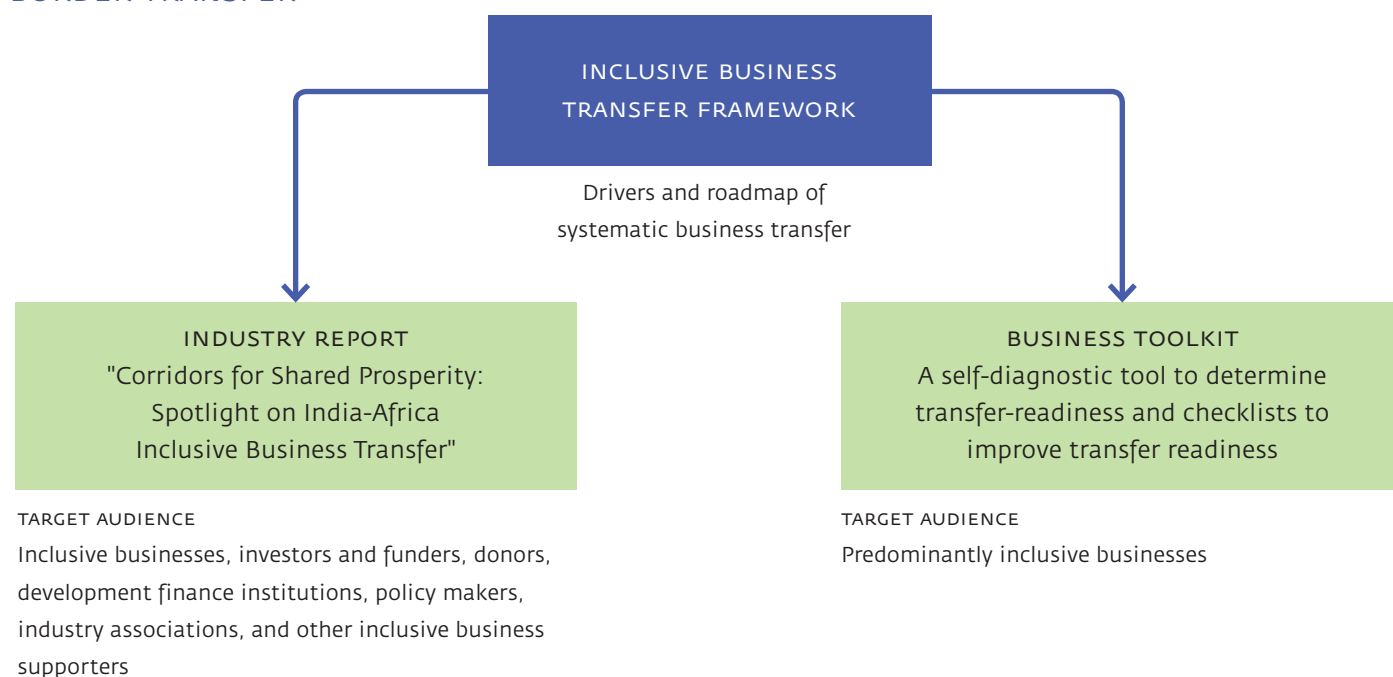
Understanding different ways in which the inclusive business model relies on its external market environment to thrive, and using this information to make choices about entry markets and transfer formats.

Each decision-driver was broken down into interlinked choices that work together. This resulted in a seven-step transfer roadmap: (i) identifying transfer objectives, (ii)

FIGURE 1
DRIVERS OF SYSTEMATIC BUSINESS TRANSFER



FIGURE 2
KNOWLEDGE RESOURCES TO GUIDE CROSS-
BORDER TRANSFER



validating need or demand in new markets, (iii) understanding critical business dependencies, (iv) selecting entry markets, (v) building internal organizational capacities, (vi) adapting the business model for a new market, and (vii) choosing appropriate transfer and partnership formats.

These steps are explained in more detail through this study. Nuances in applying this framework and roadmap are brought out through in-depth case studies published in a companion guide to this report. Finally, a downloadable toolkit will help inclusive businesses understand these choices in the context of their own models. The toolkit includes a Microsoft Excel-based self-diagnostic tool to guide businesses towards transfer insights, as well as implementation resources in the form of checklists (figure 2).

As it progresses, this work will grow to include insights on bi-directional transfer. The sectoral and geographic focus of this resource will be expanded to make it relevant to a larger audience.

The exercise of developing a transfer framework also highlighted the need for concerted efforts to build a corridor for transfer of innovative inclusive business models. While over half the businesses in the sample group were supported in the transfer process by funding from donors and impact investors,

only three had access to advisory and business support for planned transfer. A multi-stakeholder approach is needed to identify models, signpost opportunities, and provide financing and technical assistance if transfer of such models is to be scaled up. Programs such as the Millennium Alliance, UKaid's Innovative Ventures and Technologies for Development (INVENT), and USAID's India-Africa Agriculture Innovation Bridge as well as patient capital providers such as Bamboo Finance and Acumen Fund are already pioneering such transfer. This can be scaled up to a stage where it is commercially driven and sustainable with greater participation from other private sector actors. *Corridors for Shared Prosperity* and its companion resources are intended as the first step of achieving such a vision.

1. Stimulating an enabling policy environment for first generation entrepreneurship promotion in India. British High Commission and Intellectap.2012.
2. Invest, Catalyze, Mainstream: The Indian Impact Investing Story. Intellectap.April 2014.

The case for Transfer of Indian Inclusive Business Models

SECTION 1

EMERGENCE OF INDIA AS AN INCLUSIVE BUSINESS HUB

Inclusive business models that use market-based approaches to solve social and environmental challenges have gathered momentum in India over the past decade.

Of an estimated 2000 such businesses in India³, 220 have raised \$1.6 billion in risk capital financing⁴, showing potential to grow and scale.

From a sectoral standpoint, most activity was seen in the financial inclusion space, followed by agriculture, healthcare and renewable energy.

India is home to one-third of the world's poor⁵, and ranked sixth in the list of nations with most dollar billionaires⁶. The country's staggering contrasts of poverty and prosperity create a unique test-bed for new approaches to social development. Over 800 million people at the base of the economic pyramid (BoP) represent a huge unmet need for public sector investment in basic necessities such as food, shelter, and healthcare. Yet, the very same population also represents a cumulative disposable income of over \$358 billion⁷.

Spurred partly by the inadequacy of public resources and partly by market opportunities in serving the poor, India emerged as a global hub for market-based social innovation over the past decade. It witnessed unprecedented interest from private sector actors such as businesses, investors, banks and others working in tandem with government and donors to solve deeply-entrenched social and environmental challenges. These efforts take many forms, ranging from policy improvements

to large-scale development programs to commercially-driven business models. Of these, the impact created by inclusive business models⁸ is particularly significant given their ability to blend development impact with commercial promise.

Inclusive business models emerged in the late 1990s and early 2000s. At the time they largely comprised microfinance-focused businesses. However, the industry took off in earnest in 2005-06, with particularly high growth in agriculture and renewable energy⁹. Backed by 'patient capital' (funding with high risk appetite, low return expectations, and the ability to stay invested for longer durations), high-quality local and international talent, and support institutions such as incubators, accelerators, and technical assistance facilities, this nascent space has since maintained its upward growth trajectory.

FIGURE 3

INDIAN INCLUSIVE BUSINESS MODELS THAT HAVE SEEN IN-FLOW OF RISK CAPITAL FINANCE SINCE 2000

AGRICULTURE	HEALTHCARE	RENEWABLE ENERGY
<ul style="list-style-type: none">■ Agri-warehousing■ Post-harvest processing■ Farm-to-market linkages■ Farm productivity and ICT solutions	<ul style="list-style-type: none">■ Hospital chains focussed on smaller towns and cities■ Technology-enabled primary healthcare clinics■ ICT and low-cost product innovation	<ul style="list-style-type: none">■ Off-grid solar - primarily pico solar products■ Agri-waste based biomass plants

Source: Invest, Catalyze, Mainstream: The Indian Impact Investing Story. Intellectap. April 2014.

Credit: Dimagi



Today, there are over 2000 such businesses in India,¹⁰ ranging from small-sized startups to large multinational corporations. Since 2000, \$1.6 billion has been invested in 220 inclusive businesses in the country – of which 70 percent was follow-on funding – showing the potential of scale and sustainability

of these business models¹¹. Healthcare, agribusiness and renewable energy have emerged as leading sectors apart from financial inclusion; attracting investments of over \$341 million (see figure 3)¹².

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3. Stimulating an enabling policy environment for first generation entrepreneurship promotion in India. British High Commission and Intelicap.2012.
 4. Invest, Catalyze, Mainstream: The Indian Impact Investing Story. Intelicap.April 2014.
 5. The state of the poor: Where are the poor and where are they?. The World Bank.April 2013.
 6. Forbes List of Billionaires.2014.
 7. McKinsey Global Institute. Global Insight EIU.
 8. Inclusive businesses are commercially viable and replicable models that include low-income consumers, retailers, suppliers or distributors in core operations.
 9. On the Path to Sustainability and Scale. Intelicap.April 2012.
 10. Stimulating an enabling policy environment for first generation entrepreneurship promotion in India. British High Commission and Intelicap.2012.
 11. Invest, Catalyze, Mainstream: The Indian Impact Investing Story. Intelicap.April 2014.
 12. Invest, Catalyze, Mainstream: The Indian Impact Investing Story. Intelicap.April 2014.

SECTION 2

TRANSFERRING INCLUSIVE BUSINESS MODELS FROM INDIA TO OTHER DEVELOPING COUNTRIES

There are several similarities in the socio-economic contexts of India and other developing countries – especially those in South and South East Asia and Sub-Saharan Africa.

Inclusive businesses that thrive in India can potentially be adapted and transferred to these countries; this can shorten innovation cycles and amplify the impact of limited capital that flows into development of market-based approaches.

However, successful transfer is challenging given the nascent state of markets and infrastructure in most developing countries. More awareness is needed around 'what works'.

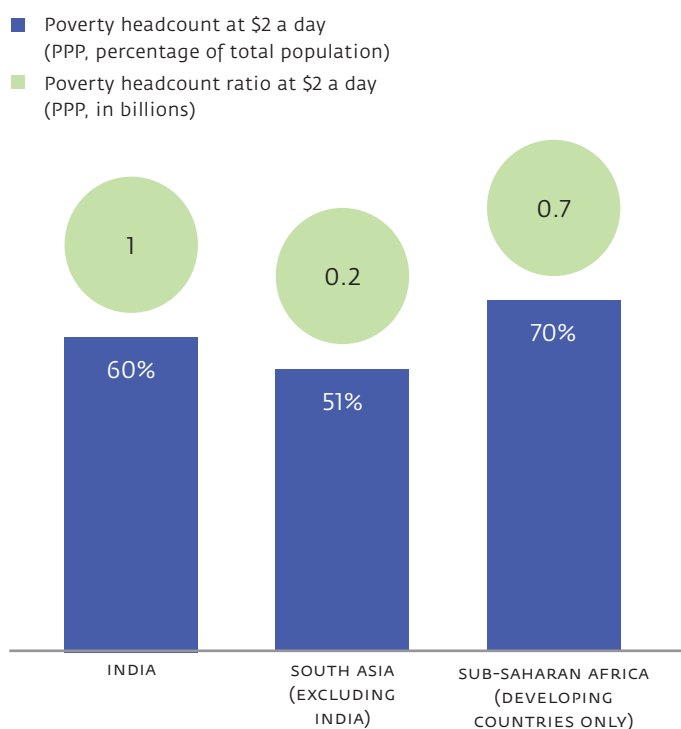
India's socio-economic context is similar to that of other developing countries

India and other developing countries may have vastly different local cultures, but share similar socio-economic challenges that exclude large sections of the population from benefiting from macro-level growth and progress. These include **inequity, resource-constrained public sectors, and poor business environments and investment climates**. As a result, markets in these countries are inefficient in serving poor and low income communities at the base of the economic pyramid (BoP), even though these communities represent a sizable disposable income. This is because building sustainable business models for the BoP necessitates innovative approaches to reach a high enough volume of customers – expertise that private sector firms can take many years and high investment to develop. Hence, mainstream and single-bottom line oriented businesses are seldom incentivized to design products and services for low-income communities in developing countries and include them in market value chains, leading to a vicious cycle of poverty entrapment.

Inequity

Over half the population in India and South Asia, and nearly two-thirds in Sub-Saharan Africa lives on less than \$2 per day. In stark contrast, these regions are home to some of the world's wealthiest corporations and individuals (see figure 4). In fact, this inequity may remain unchanged despite rapid economic growth. The Gini Index has remained at 33 percent over the past decade in India and at 48 percent in Kenya. Similar trends prevail in South Asia and Sub-Saharan Africa¹³.

FIGURE 4
SHARED CHALLENGE
OF POVERTY AND INEQUITY



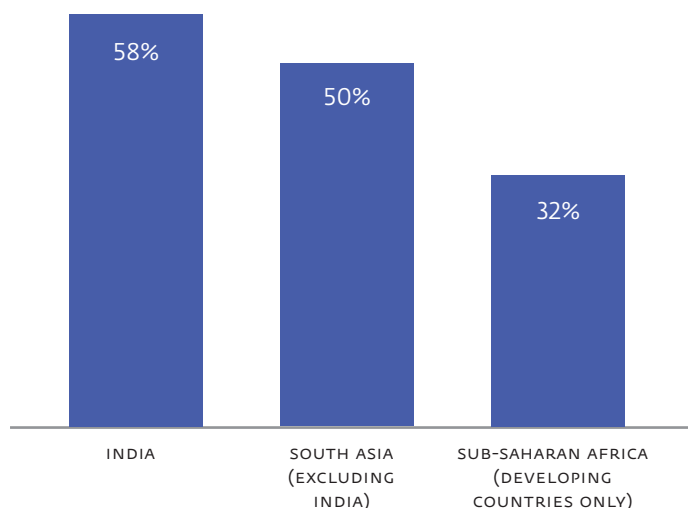
Source: World Bank Development Indicators Database. Accessed in November 2014.
Note: Median data taken for South Asia

Resource-constrained Public Sector

Governments in developing countries are often highly resource-constrained. This limits their ability to invest in social welfare. As a consequence, critical areas that drive human resource development and quality of life – such as access to education and vocational training, food security, and healthcare – are neglected. In such a scenario, poor and low income communities are forced to turn to expensive private sector products and services that are designed to serve a higher-income segment. For instance, out-of-pocket private

FIGURE 5
HIGH OUT-OF-POCKET
PRIVATE EXPENDITURE

■ Out-of-pocket private expenditure on healthcare
(as percentage of total healthcare expenditure), 2012



Source: World Bank Development Indicators Database. Accessed in November 2014.
Note: Median data taken for South Asia

expenditure on healthcare in developing countries can range from 32 to 58 percent of total healthcare spending, which can represent four to five percent of the annual consumption of a low income family (see figure 5)¹⁴. On the flipside, the out-of-pocket private expenditure in regions like the European Union is only 13.7 percent.

Poor business environment and investment climate

Inadequate investments in infrastructure, volatile regulatory regimes, high incidence of informality, and nascent capital markets combine to create challenging business environments and investment climates in many developing countries including India. Specifically, many of the necessary conditions for business growth – such as access to finance and electricity – are scarce and prohibitively expensive (see figure 6 for a list of common challenges across developing countries). This leads to scarce private sector activity. Further, even this limited private sector activity tends to focus on lower risk sectors such as infrastructure and real estate, and on higher-income segments that are able to afford higher prices. Since over half the population in developing countries comprises poor and low-income communities, they are often excluded from markets and struggle to access affordable yet high-quality goods and services.

FIGURE 6
COMMON CHALLENGES
OF DOING BUSINESS

RANK	INDIA	SOUTH ASIA (EXCLUDING INDIA)	SUB-SAHARAN AFRICA (DEVELOPING COUNTRIES ONLY)
1	Electricity	Electricity	Access to finance
2	Tax rates	Political instability	Electricity
3	Corruption	Access to finance	Practices for the informal sector
4	Tax administration	Corruption	Tax rates
5	Access to finance	Access to land	Corruption

Source: World Bank Enterprise Surveys

Given the shared socio-economic contexts, Indian inclusive businesses can adapt to thrive in other developing countries

Indian inclusive business models are particularly relevant for transfer and adaptation to other developing countries; they are inherently structured to work even in the face of the systemic inadequacies and market inefficiencies described in above sections. Such transfer can shorten innovation cycles, and amplify the impact of limited capital in early stages of development of an inclusive business model. The spread of microfinance and mobile money are good examples of this – both of these inclusive business models were tested and refined in a few developing countries with donor capital, and later spread across the developing world.

Some key innovations in Indian inclusive models that make them suitable for transfer include: employing lean operational models, engaging local communities in solution design and distribution, and building partnerships to meet critical business dependencies (see spotlight 1).

¹³. World Bank Development Indicators Database. Accessed in November 2014.

¹⁴. IFC consumption database. Accessed in November 2014.

SPOTLIGHT 1

EXAMPLES OF INNOVATIVE APPROACHES ADOPTED BY INDIAN INCLUSIVE BUSINESSES¹⁵

Employing lean technology and process-driven operational models to lower cost structures

Aravind Eye Care – a chain of 10 eye hospitals that provides affordable eye care to prevent blindness – has developed an operational model which allows it to deliver cataract surgeries at \$10 per surgery. This model is based on a set of well-documented processes and systems. Aravind Eye Care transferred its model to over 300 eye hospitals in 30 countries by sharing knowledge, tools and workflows to implement it.

Engaging local communities in solution design and distribution to overcome lack of market intelligence and difficulty in reaching the last mile

Greenlight Plan designs, manufactures, and distributes affordable solar lights. Its flagship product, the Sun King solar light was researched and designed after close analysis of BoP market needs and preferences. As a result, the product has several advantages over competitor products including longer shelf life, brighter light, and rugged plastic casing suitable for use in rural areas. Greenlight also roped in thousands of village-level direct sales agents to sell products at the last mile. This expertise played a role in helping it adapt the model for Kenya and Uganda. By 2014, Greenlight sold 3 million solar lights through direct and indirect sales channels in 35+ countries.

Building partnerships to meet critical business dependencies in cases where public or market infrastructure is inadequate

Shree Kamdhenu Electronics Pvt. Ltd. (SKEPL) manufactures and distributes automated milk collection systems to dairy farmers in rural areas, a customer segment that is highly expensive to reach and service. SKEPL developed a value proposition for dairy cooperatives that partner with it and help to build reach to dairy farmers. Over time, SKEPL developed systems and processes to build and manage partnerships with these cooperatives through lean teams. Today, over 90 percent of its paying customers comprise such cooperatives. The firm adapted this expertise when it transferred its model to Nepal where it works with a large local cooperative as a strategic partner to reach out to farmers as well as other local cooperatives. Over 5300 SKEPL units have been sold till date, improving farmer incomes by up to 40 percent and reducing time spent on milk collection by 70 minutes a day.

Inclusive businesses and their supporters are increasingly interested in transferring successful models across developing countries

Over 44 investors, donors, development finance institutions, inclusive businesses, advisory firms and others (see annexure for complete list) were consulted during this study to gauge industry interest in taking Indian inclusive business models to other countries (see figure 7). Nearly two-thirds of these stakeholders had either directly or indirectly participated in the transfer of inclusive business models or had considered undertaking such transfer. The rest were open to evaluating the opportunity of transfer. Practitioners tended to view

transfer of inclusive business models as comprising four broad categories – technology, products, business and operating models, and knowledge and expertise. Of these, technology and product transfer were driven by licensing intellectual property or through trade partnerships. Business models and knowledge were transferred through partnerships between Indian businesses and local partners (ranging from non-profits to commercial firms to governments) or by full-scale expansion of Indian businesses into developing countries.

A review of existing initiatives reveals significant traction in transfer – both among businesses as well as funders and other supporters. This increasing interest can be attributed to

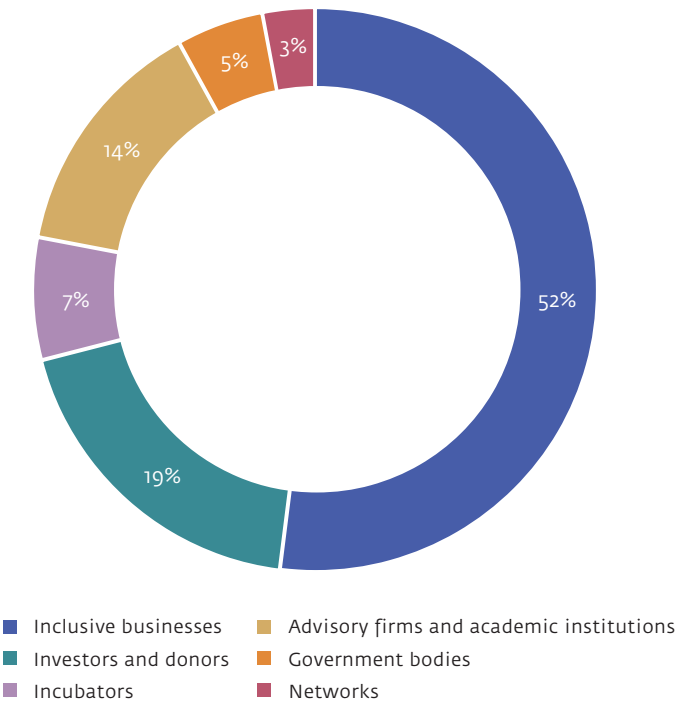
three key reasons: (i) increasing maturity of Indian inclusive businesses, (ii) growing competition and market saturation in India which is leading to revenue pressures and decline in market share, and (iii) catalytic incentives and support from donors and development finance institutions (DFIs). In some specific instances, particularly among renewable energy companies, policy instability in India is one of the factors pushing inclusive businesses to look towards more attractive international markets.

Over 20 such business models across agriculture, healthcare and renewable energy have already transferred to countries in South Asia and Sub-Saharan Africa. Further, over the past couple of years, four to five programmatic interventions – such as the Millennium Alliance, USAID’s India-Africa Agricultural Innovation Bridge Program, and DFID’s Innovations Knowledge Exchange Facility – have been launched to encourage transfer. DFIs and investors, including IFC, Acumen Fund, and Bamboo Finance, have also channeled risk capital financing to support such transfer.



Credit: Mohammad Rakibul Hasan

FIGURE 7
PRACTITIONERS CONSULTED TO
GAUGE INDUSTRY INTEREST
IN BUSINESS TRANSFER



Source: Intellectap, 2014

While the overall sentiment around transfer seemed to be positive, practitioners also echoed the need for careful planning and preparation ahead of transfer, especially since the market environments in many developing countries are even more challenging than in India.

Transferring Indian inclusive business models to other developing countries is challenging and calls for a systematic approach

Despite the potential, adapting and transferring an inclusive business model to a new market can be a daunting and resource-intensive exercise, especially for small and medium inclusive businesses (see spotlight 2). Many inherent strengths of inclusive models, such as lean operations and low profit margins can in fact limit their ability to invest heavily in market building and survive long gestation periods in new markets.

15. From primary interviews conducted during the course of this study between August and October 2014

SPOTLIGHT 2

KEY CHALLENGES IN

INCLUSIVE BUSINESS TRANSFER

Given the nascent state of markets in many developing countries, factors such as Information, Investment, and Implementation partners, that help create an enabling environment for transfer may be inadequate.

Information

Market intelligence about regulatory regime, sectoral growth trends, competitive landscape, and consumer behavior is often inadequate or absent in developing countries. As a result, it is tough to make informed decisions about which specific geographies to target, how to adapt a business model, and what transfer formats to work in. Traditionally, large commercial/mainstream businesses overcome this hurdle by investing in extensive market research – often by hiring specialized research firms, and by hiring senior level local talent. These approaches are not entirely feasible for small and medium inclusive businesses.

Investment

Debt and risk capital remains scarce in most developing countries, even for mainstream commercial businesses. The challenge of accessing finance can multiply manifold for Indian inclusive business models transferring to a new market; they do not fit traditional risk assessment frameworks nor do they have relationships with financiers in these new markets. The higher cost of doing business in new markets and effort required to build market share increases their break-even period. This drives up need for investments while decreasing the attractiveness of the business model for financiers, such as banks and private equity funds. Large and mainstream businesses working in such markets find a work-around by tapping into internal capital reserves or raising financing from international markets. However, strategies such as these are less easily adopted by small and medium inclusive business without external advisory support or access to patient seed capital.

Implementation partners

Private sector activity is scarce in developing countries, especially in sectors that many inclusive business models focus on: agriculture, healthcare, and renewable energy. Consequently, transaction systems, distribution and sourcing channels, marketing and communication services, and small business support facilities are inadequate. This creates market entry barriers for Indian inclusive business models as they rely on firms that focus on such activities and can potentially act as local implementation partners. While large and commercial businesses have the wherewithal to invest in building such facilities in-house, small and medium inclusive businesses do not.

Lean and unconventional approaches can help garner local insights, acquire customers, and capture market share. However, information on systematic and lean approaches is limited.

Eleven inclusive businesses were studied to build empirical evidence on ‘what works’ in inclusive business transfer. These businesses operated in high impact sectors of agriculture, healthcare, and renewable energy and had transferred to other developing countries. Their experiences were analyzed in detail (figure 14). Insights from these helped create a framework that will allow businesses to systematically evaluate the

transfer of inclusive business models to low-income countries. While the framework is useful to inform transfer to developing countries in general, it also needs greater local nuance and context. For this study, Sub-Saharan Africa was selected as the focus geography for the framework. Subsequent sections of this report focus on India-Africa inclusive business transfer. However, there is scope to customize the framework to other geographies such as South and South East Asia, and Latin America.

Deep-dive into India-Africa Inclusive Business Transfer

SECTION 1

OPPORTUNITY FOR INDIAN INCLUSIVE BUSINESS MODELS IN AFRICA

There is a unique opportunity for Indian inclusive business model transfer to Africa. The improving macro-economic environment has lowered the risk of doing business, while continuing inequity and resource-scarcity call for market-based solutions.

Such transfer can benefit from the growing momentum around trade and bi-lateral cooperation between India and many African countries.

Indicative opportunities for transfer between the two regions exist in agriculture, healthcare, and renewable energy sectors; particularly in technology transfer, expertise sharing, and trade in mass-market goods.

Africa has a new growth narrative and is emerging as one of the most attractive investment destinations in the world

Africa has shown impressive economic growth and improvement in investment climate over the past few years. The continent's gross domestic product (GDP) growth is expected to reach 5.2 percent in 2014, making it one of the fastest growing regions in the world.¹⁶ It is home to six of the world's fastest growing economies, a trend expected to continue in the near future.¹⁷ The World Bank estimates that foreign direct investment of \$100 billion and equity capital of \$43 billion is likely to flow into Africa over the next three years.

The image of an aid-reliant Africa is changing, with the continent attracting more commercial investment than donor funding in the past decade. While anecdotal, Angola providing aid to its former colonial power Portugal is a powerful example of the type of shifts that the region is undergoing. Remittances are expected to grow to more than \$40 billion by 2016¹⁸ and a growing African middle-class represents over 34 percent of the total population, adding up to nearly 350 million people.¹⁹

Infrastructural improvements and social and political stability encourage growth of private sector activity in the region (figure 8). According to the African Private Equity and Venture Capital Association (AVCA), the aggregate value of African deals doubled to \$3.2 billion in 2013, from \$1.6 billion in 2012. This also includes capital channeled into small and medium enterprises (SMEs) in Africa.²⁰

These macro-trends have had a trickle-down effect; poverty rates have declined from 40 percent in 1980 to less than 30 percent in 2008, and are expected to fall to 20 percent by 2020.²¹ Household incomes are rising, and consumer spending is expected to grow to \$1.4 trillion by 2020.²² According to Standard Bank, one of South Africa's largest financial services group, around 60 million Africans have an annual income of \$3000 and an estimated 100 million will get there by 2015.

16. Africa's Growth Set to Reach 5.2 percent in 2014 with strong investment growth and household spending. World Bank. April 2014.

17. Realizing Africa's Wealth. UNDP. May 2013.

18. Migration and Development Brief. World Bank. 2014.

19. The Middle of the Pyramid. AfDB. 2011.

20. Private Equity Roundup Africa. Ernst and Young. 2014.

21. The Dynamic African Consumer Market: Exploring growth opportunities in Sub-Saharan Africa. Accenture. 2011.

22. Lions on the move – the progress and potential of African Economies. McKinsey Global Institute. 2011.

FIGURE 8
AFRICA GROWTH OUTLOOK

ECONOMIC GROWTH	INFRASTRUCTURE GROWTH	SOCIAL GROWTH
<ul style="list-style-type: none"> ■ GDP : 5.2 percent ■ GNI per capital : \$1615 ■ Estimated FDI inflow : \$100 billion in next three years ■ Estimated equity capital inflow : \$43 billion in next three years ■ 16 new stock markets in last four years 	<ul style="list-style-type: none"> ■ Port Infrastructure : Significant investments of \$1.3 billion ■ Air Transport : Improvement in Intra-Africa transport ■ Energy Infrastructure : Setting up planned, decentralised grids in rural areas, capitalizing on biomass ■ Telecom Infrastructure : High mobile and internet penetration 	<ul style="list-style-type: none"> ■ Political environment : Stabilized over the last decade ■ Social infrastructure : Better housing, hospitals and educational infrastructure ■ Risk of doing business : Comparable to that of countries in South Asia

Source: Africa Economic Outlook

Impressive as this growth is, it is inequitable and the region is faced with critical challenges

Seven out of ten Africans still live on less than \$2 a day.²³ They struggle to access basic necessities such as food and nutrition, healthcare, and energy that determine quality of life (see figure 9). Public investment in social welfare is dismal when compared to developed economies and is largely aid-funded. The World Bank has emphasized the implications of continued aid reliance: “aid, particularly when delivered in a weak institutional environment by large numbers of donors with fragmented projects and requirements, can weaken institutional capacity and undermine accountability.”²⁴

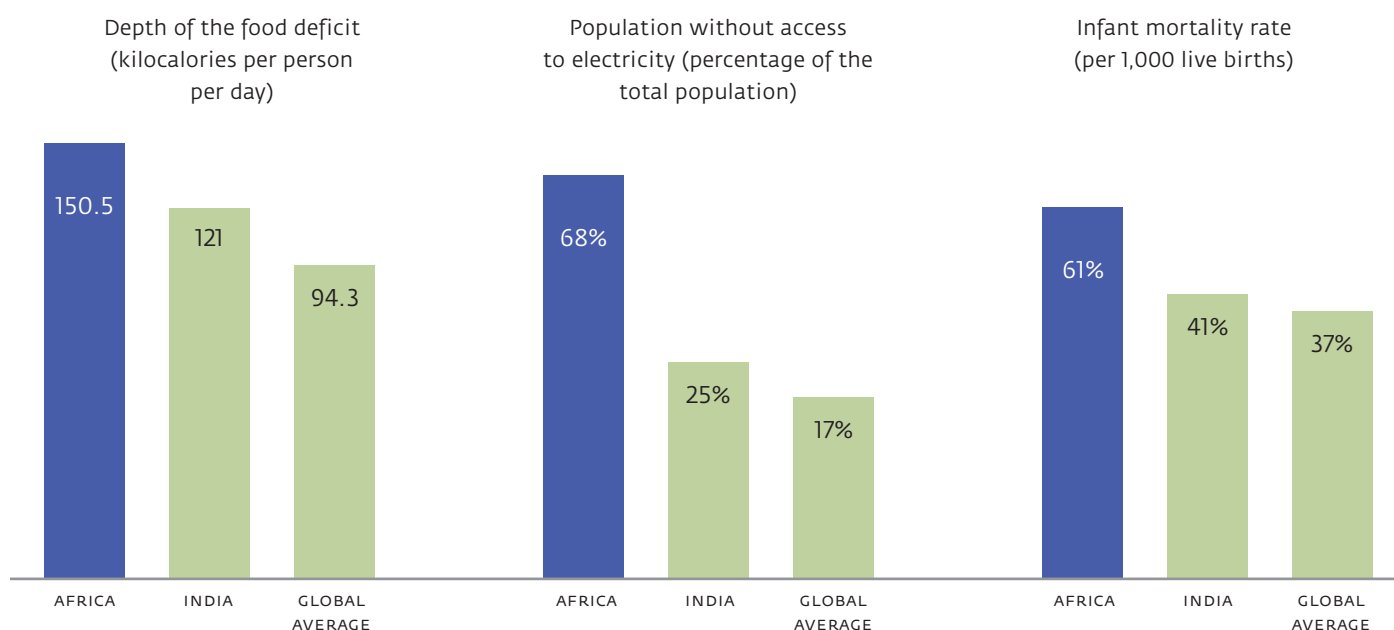
African countries are growing prosperous. This prosperity is even trickling down to some extent. However, the time-frame of socio-economic change can take several decades in the absence of active intervention (as witnessed even in the case of developed countries). The challenge of inequity in Africa is further compounded by the fact that the region is on the cusp of a demographic dividend with over 550 million young people entering the workforce at a time when the rate of youth unemployment is nearly 14 percent. Failure to create gainful employment for these young people poses the threat of further growth in inequity, and could create related social and political risks.



Credit: Ayush Goyal

FIGURE 9

CHALLENGES IN FOOD SECURITY, HEALTHCARE AND ENERGY ACCESS IN AFRICA



Source: World Bank Development Indicators Database. Accessed in November 2014.

Note: Africa refers to developing countries of Sub-Saharan Africa.

Hence, African inequity is a significant challenge, and an urgent one that must be tackled through multi-pronged approaches that extend beyond traditional development programs and government schemes.

Macro-level economic growth and continuing inequity combine to create an opportunity for Indian inclusive business models to transfer to Africa

The twin-scenarios of rapid economic growth and continuing inequity in Africa are comparable to the dynamics in India that give rise to many successful inclusive business models. As such, with adaptation and customization to serve local needs; Indian inclusive business models can potentially be transferred to African countries.

The present time is especially opportune for transfer because the practice of inclusive business is on the rise in Africa, especially in agribusiness, energy, financial services, information and communications technology (ICT), and health sectors. Interestingly, a number of these inclusive businesses are small and medium-sized. A recent survey of 400 inclusive businesses carried out by Growing Inclusive Markets found that 50 percent could be classified as MSMEs.

India-Africa inclusive business transfer can build upon growing trade and bi-lateral cooperation

India has emerged as an important investor and development partner in African countries, a trend that is driven by government interest and private sector initiatives (spotlight 3). India-Africa trade in 2011-12 was valued at \$68 billion and overall trade is targeted to grow to \$100 billion by 2015.²³ Bilateral trade grew at 32.4 percent during 2008-2011 and was largely focused on telecommunications, information technology, energy and automobiles sectors.²⁴ Indian exports to Africa grew by 26 percent CAGR over the past five years, with most activity focused on East Africa (figure 10).

23. Statistic represents poverty data for Sub-Saharan Africa (developing countries) only. World Bank Development Indicators Database. Accessed in November 2014.

24. Can Africa Claim the 21st Century?. World Bank. March 2000.

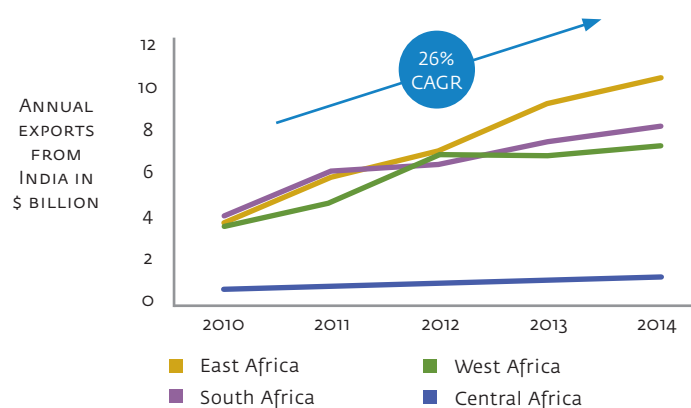
25. African Economic Outlook. AfDB, OECD and UNDP. Accessed in November 2014.

26. India-Africa Report. WTO. 2013.



Credit: Rolly Villanueva

FIGURE 10
GROWTH IN ANNUAL INDIAN EXPORTS
TO SUB-SAHARAN AFRICA



In addition to private sector efforts, the public sector also contributes towards improving the business environment and investment climate. India has committed nearly \$1 billion towards improving education, vocational training, and research and development infrastructure across Africa. Soft loans worth \$5 billion were extended towards regional integration and other objectives. India also hosts over 3000 African public sector leaders ranging from parliamentarians to bureaucrats for knowledge exchange and capacity-building each year.²⁷

Source: Dept. of Commerce, Ministry of Commerce and Industry, Gov of India

SPOTLIGHT 3

SELECT INDIAN PRIVATE SECTOR INITIATIVES FOCUSED ON INDIA-AFRICA COLLABORATION

EXIM Bank Lines of Credit: The Export-Import Bank of India has extended lines of credit worth \$6.4 billion to African countries, which serve Indian exporters by providing non-recourse financing. In 2014, the bank announced plans to set up a project development company in Africa to finance infrastructure projects undertaken in partnership with Indian firms. It also contributed to building momentum for India-Africa trade and collaboration by supporting the India-Africa conclave, an annual conference and exhibition, and undertaking studies such as the "East African Community (EAC) : A Study Of India's Trade And Investment Potential".

India-Africa Connect - A knowledge portal run by the Indo-Asian News Service that focuses on providing information on on-going business and cultural collaborations between the two regions, as well as highlighting opportunities for further engagement.

IndiaAfrica: A Shared Future - A platform supported by the Public Diplomacy Division, Ministry of External Affairs, Government of India; it engages young people in India and Africa through contests, fellowships, collaborative projects, internships, events, and cultural exchanges.

Source: EXIM Bank corporate presentation.2014; India-Africa Connect Website, Accessed in November 2014; IndiaAfrica: A Shared Future Website. Public Diplomacy Division, Ministry of External Affairs, Government of India and IdeaWorks. Accessed in November 2014.

Agriculture, healthcare, and renewable energy sectors offer attractive opportunities for transfer

Agriculture, healthcare, and renewable energy are closely linked to inclusive economic growth and improved quality of life for low-income communities, and hence a priority for inclusive business models.

Agriculture contributes 32 percent of GDP across the African continent, providing jobs and livelihoods to over 65 percent of the labor force²⁸. The International Food Policy Research Institute says, "In most African countries, agriculture is the engine of economic growth, and agricultural growth is the cornerstone of poverty reduction".

Similarly, the state of healthcare has a critical indirect impact on GDP growth; it determines quality and longevity of life of people and, as a result, labor productivity. Africa is increasingly faced with the specter of a "double disease burden", that is, economic and social detriment resulting from communicable diseases such as diarrhea, malaria, and HIV/AIDS, as well as the rise of non-communicable diseases such as diabetes, cancer, and ischemic heart disease.²⁹ This challenge is compounded as seven in ten Africans³⁰ often do not have the wherewithal to access expensive private healthcare and penetration of healthcare infrastructure in rural areas is ineffective.

Two out of three people in Africa lack access to energy for lighting and cooking.³¹ Businesses report annual revenue losses of up to 6.7 percent³² due to frequent power failures. Energy demand in the region may grow as much as 80 percent by 2040, and each dollar invested in power infrastructure could lead to an economic growth of \$15³³.

27. IndiaAfrica: A Shared Future. Public Diplomacy Division, Ministry of External Affairs, Government of India and IdeaWorks. Accessed in November 2014.

28. World Bank Development Indicators Database. Accessed in November 2014.

29. The Global Burden of Disease. World Bank.2013.

30. Poverty headcount at \$2 per day (PPP), World Bank Development Indicators Database. Accessed in November 2014.

31. Africa Energy Outlook. International Energy Agency.2014.

32. World Bank Enterprise Surveys. Accessed in November 2014.

33. Africa Energy Outlook. International Energy Agency.2014.

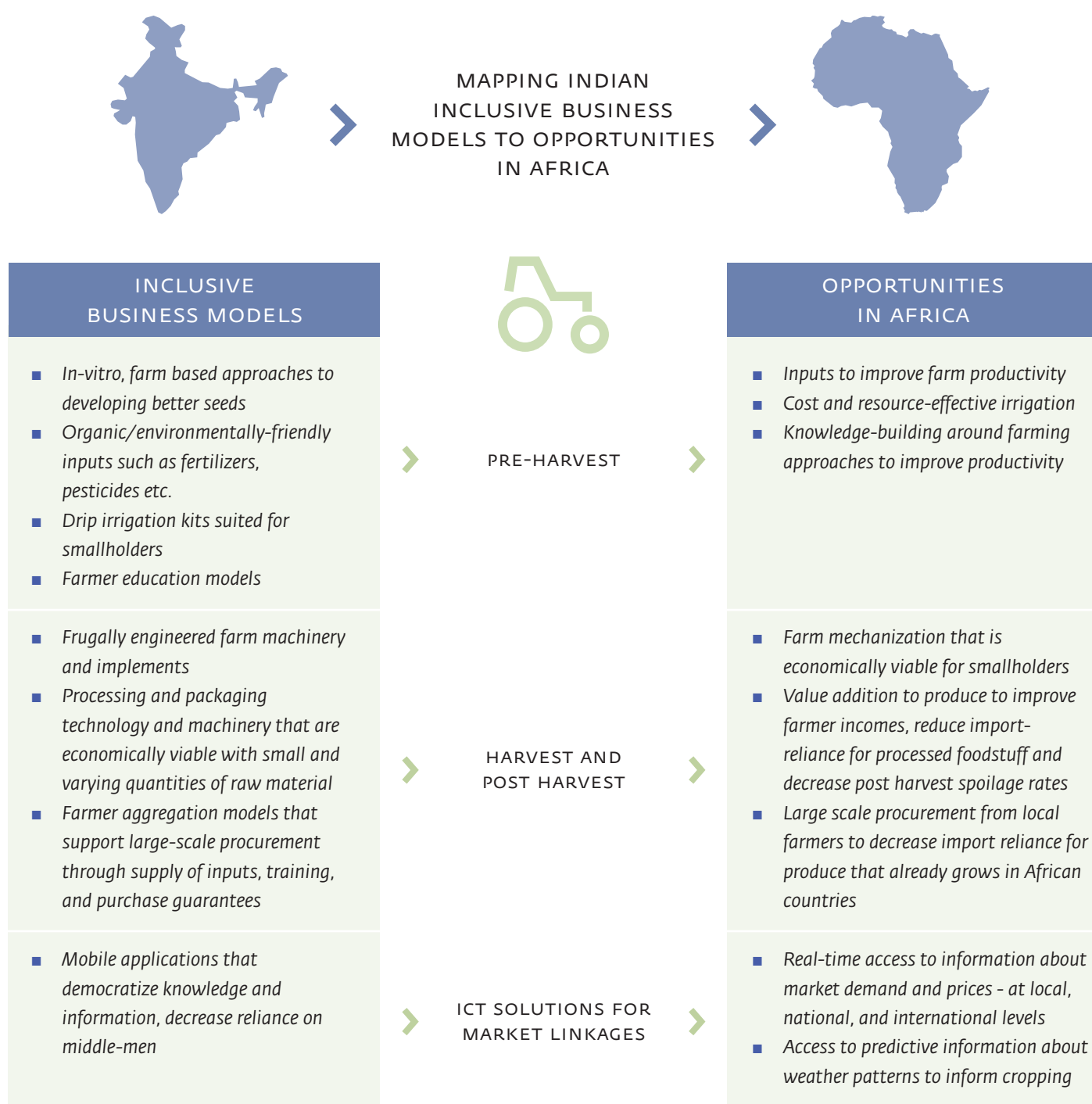
Indicative opportunities for transfer in agriculture in Africa

The agribusiness market in Africa is expected to grow to \$1 trillion by 2030³⁴, thanks to opportunities across the value chain from pre-harvest to post-harvest. However, as in most developing countries, the sector is affected by market inefficiencies such as fragmented land-holdings, inadequate know-how

about and access to improved inputs and techniques, limited post-harvest value-addition, and information asymmetry between farmers and buyers which puts excessive power in the hands of middle-men. This interplay of a large market opportunity and significant challenges creates a perfect test bed for Indian inclusive business models, many of which have been devised to tackle similar challenges in India (figure 11).

FIGURE 11

INDIA-AFRICA TRANSFER OPPORTUNITIES IN AGRICULTURE



Source: Intellect research focused on India and Sub-Saharan Africa (with a specific focus on Nigeria, Ghana, Kenya, Tanzania and Uganda), 2014

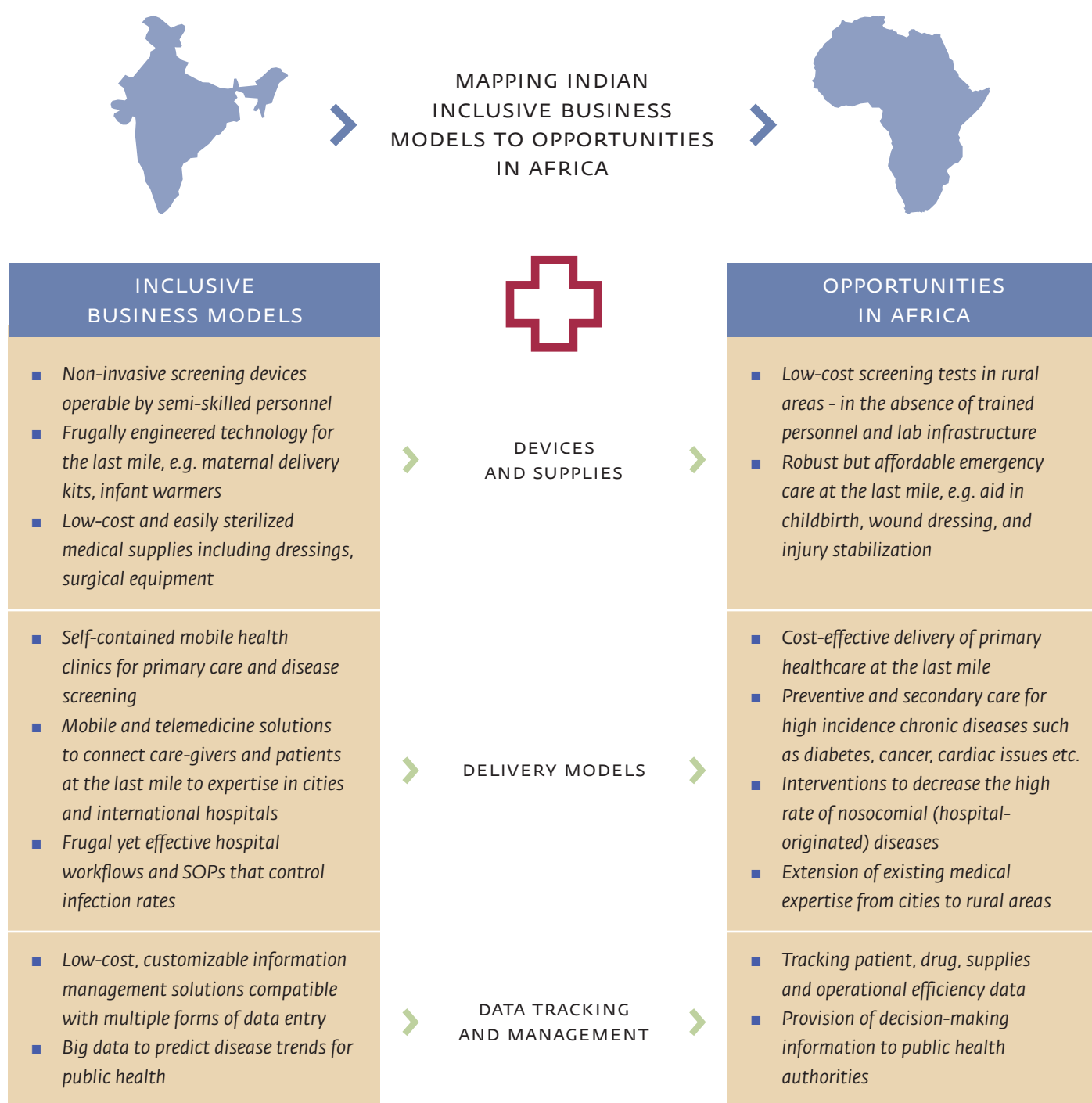
Indicative opportunities for transfer in healthcare in Africa

As in most developing regions of the world, the healthcare sector in Africa is characterized by low public sector investments and high out-of-pocket private expenditure. Many countries in Africa are witnessing an increase in the number of high-end hospitals in larger cities, but the peri-urban and rural markets

are still underserved, and affordable healthcare is unavailable. This scenario presents opportunities for inclusive business models from more mature markets such as India (figure 10). IFC (a member of the World Bank Group) estimates that Africa needs investments totaling \$25-30 billion in hospitals, primary clinics, warehouses to store and manage inventory of medical supplies, and low-cost technology innovations.

FIGURE 12

INDIA-AFRICA TRANSFER OPPORTUNITIES IN HEALTHCARE



Source: Intelicap research focused on India and Sub-Saharan Africa (with a specific focus on Nigeria, Ghana, Kenya, Tanzania and Uganda), 2014

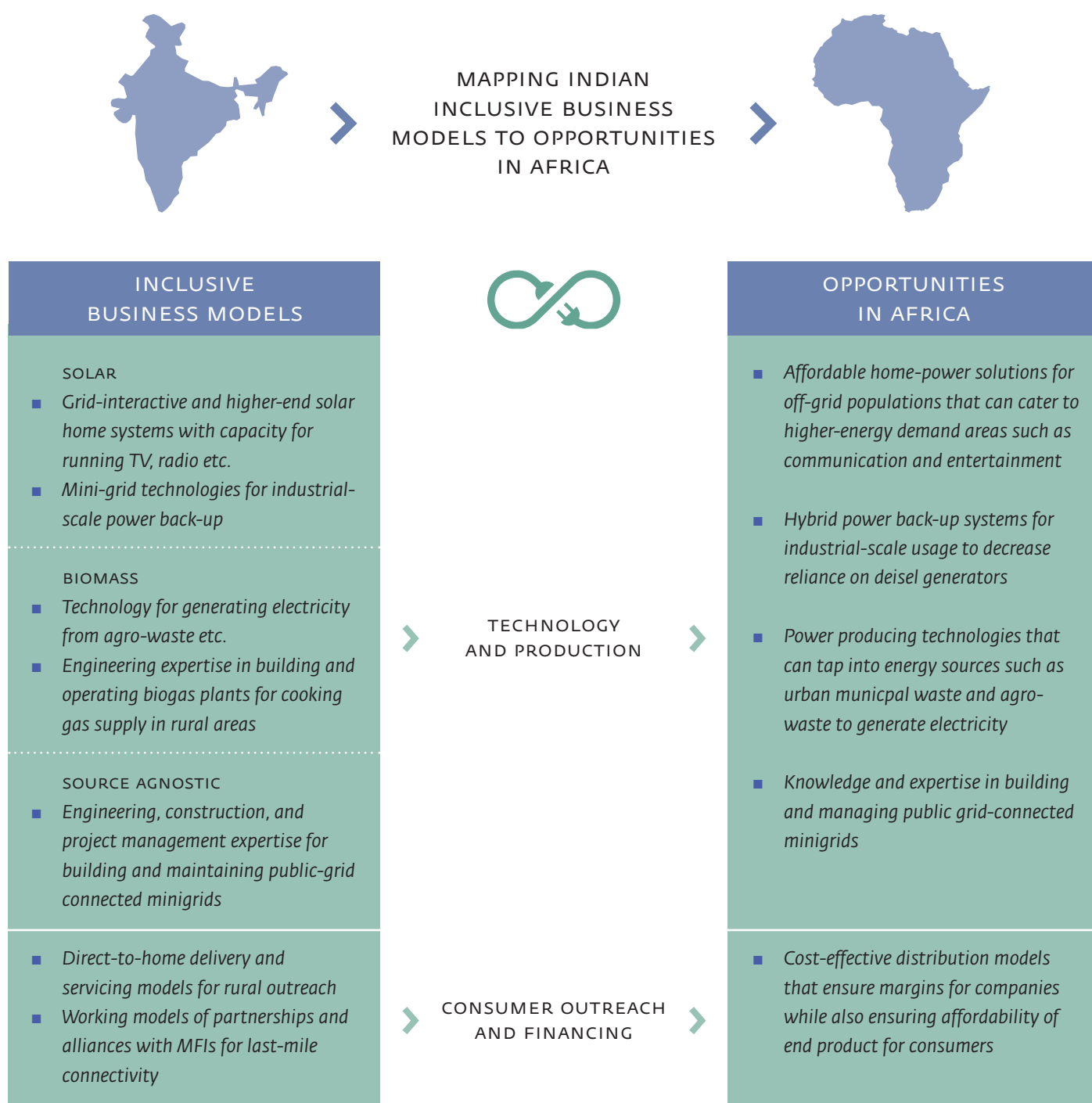
Indicative opportunities for transfer in renewable energy in Africa

With over 589 million people lacking access to electricity³⁵ and a \$1 billion/year market for expensive and pollution-causing paraffin lamps,³⁶ the region presents a significant market opportunity for Indian renewable energy innovations in off-grid energy – particularly in pico-solar (figure 13). There

is also a significant opportunity in to make power affordable for SMEs, which are growth engines of most economies in Africa. Inadequate power production coupled with huge distribution losses result in several days of power outages in a month, leading to loss of four to five percent of annual sales for SMEs. As a result, nearly half of SMEs in the region own or share diesel-powered generators.³⁷

FIGURE 13

INDIA-AFRICA TRANSFER OPPORTUNITIES IN RENEWABLE ENERGY



Source: Intelicap research focused on India and Sub-Saharan Africa (with a specific focus on Nigeria, Ghana, Kenya, Tanzania and Uganda), 2014

SECTION 2

LESSONS FROM EXPERIENCES OF TRANSFER TO AFRICA

To determine 'what works' in transfer, nine inclusive businesses that transferred their models to Africa and two that transferred to South Asia were analyzed.

Their experiences throw light on common challenges in doing business in developing countries, as well as the specific challenges of transfer to Africa. The key challenges include: (i) higher cost of doing business, (ii) dearth of infrastructure and private sector activity in peri-urban and rural areas, and (iii) difficulty in hiring and retaining mid to senior-level talent.

Understanding ways in which businesses tackle these challenges brings out several effective strategies to transfer, such as systematic preparation, lean cost structure, local partnerships, and low-risk phased approaches. These insights were used to build a framework to inform and guide systematic India-Africa inclusive business transfer.

This study draws on a wealth of insights from inclusive businesses that have already transferred from India to other developing countries

Over 20 Indian inclusive business models have already transferred to developing countries in Africa and South Asia. From this group, a set of 11 business models across agriculture, healthcare and renewable energy were selected for deeper analysis (referred to as the “sample set” in this study; see figure 14) to understand common trends in inclusive business transfer and garner insights on drivers for successful transfer. Of these eleven businesses, nine transferred their models to Africa, while two transferred to South Asia. Contrasting their experiences is helpful in understanding the nuances of successful transfer to Africa (which is the focus of this section).




34. Growing Africa: Unlocking the Potential of Agribusiness. World Bank, 2014.
35. Lighting Africa Market Trends Report, International Finance Corporation, 2012
36. Lighting Africa Market Trends Report, International Finance Corporation, 2012.
37. World Bank Enterprise Surveys Database. Accessed in September 2014.



Credit: Rolly Villanueva

FIGURE 14

TRANSFER CASES OF INDIAN INCLUSIVE BUSINESSES ANALYZED IN OUR STUDY

SECTOR	INCLUSIVE BUSINESS	TRANSFER FORMAT	COUNTRY/REGION
	Manasa Agro	Public-Private Partnership	Malawi
	Digital Green	Set up own operations	Ghana, Ethiopia
	GEWP	Trade Partnership	Kenya
	SKEPL (Intra Asia)	Trade Partnership	Nepal
	Aravind Eye Care	Knowledge sharing	Sub-Saharan Africa
	Dimagi	Set up own operations	West and South Africa
	Arogya Parivar: Novartis	Set up own operations	Kenya, Vietnam
	Operation ASHA (Intra Asia)	Own operations, alliance	Cambodia, Uganda
	Astonfield Solesa	Joint venture	East Africa
	SKG Sangha	Set up own operations	East and South Africa
	Greenlight Planet	Set up own operations	Sub-Saharan Africa



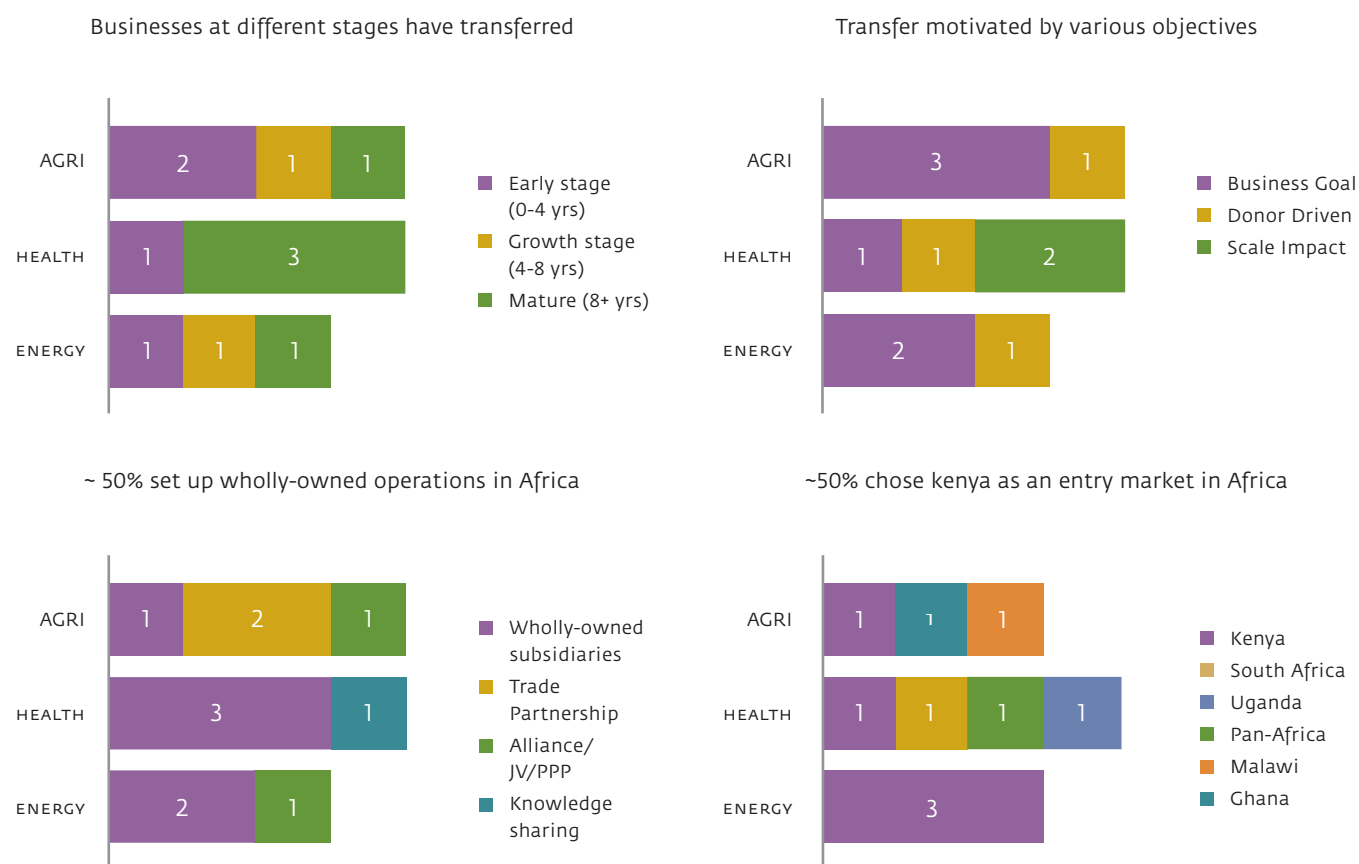
Credit: Digital Green

A broad analysis of the sample set of inclusive businesses that have transferred to Africa throws up some interesting trends (figure 15). While businesses have transferred at various points in their development cycle, one-third of the transfers comprise early-stage businesses, while the rest are growth and mature businesses. Half the businesses were motivated by business objectives, while the others were encouraged to transfer either by donors and funders or to scale the impact of their models.

The sample set showed common themes in terms of choices of transfer formats and entry markets. 50 percent chose to set up their own operations in Africa, driven by firm-level preferences for greater control over operations in new markets and difficulty in finding the right local partners. One in two businesses decided to transfer models to Kenya, because of its positioning as an East African business hub, wide use of English, and geographic proximity to India.

FIGURE 15

TRENDS FROM A SAMPLE OF INCLUSIVE BUSINESSES THAT HAVE TRANSFERRED TO AFRICA



Source: Intelicap analysis, 2014. Note: Energy in these charts refers exclusively to "renewable energy" sector.

Key Challenges in Transfer to Africa

There are several common challenges of doing business in developing countries as described in Section B.1, such as inadequate infrastructure and poor investment climates. These challenges also exist in Africa, though the specific impact that they have on the ease of doing business and cost of operations can vary significantly from India. Inclusive businesses can benefit from early understanding of these challenges to adapt and customize their models to markets in Africa.

The key challenges include: (i) higher cost of doing business in Africa, (ii) dearth of infrastructure and private sector activity in peri-urban and rural areas, and (iii) difficulty in hiring and retaining mid-to-senior level talent.

The overall cost of doing business in Africa can be four to five times as expensive as India, creating a negative impact on margins and sustainability

Cost structures are higher in Africa due to a weak local manufacturing sector leading to import reliance, poor state of

transportation and logistics infrastructure, expensive talent, and lower population density which makes it difficult to bring in scale-efficiencies. Rural-focused businesses also face challenging conditions in rural areas, which demand higher investments in building last mile channels and infrastructure, and better quality products and technologies than needed in India. These factors combine to drive up the cost of doing business in Africa to four to five times that in India.

Dearth of last-mile delivery infrastructure can demand longer gestation periods and diversification to integrated service and product delivery

Due to the dearth of private sector activity in smaller towns and cities, and rural areas of Africa, there is a scarcity of last-mile product or service-delivery intermediaries such as retail stores and financial infrastructure (MFIs and insurance providers). In this scenario, reaching customer segments outside of capital cities and major commercial centers can be costly and challenging, often necessitating development of distribution

channels from scratch. Even if there is willingness to make large investments in building distribution channels, the poor state of road infrastructure, inadequate telecom connectivity, and difficulty in hiring talent in peri-urban and rural areas can render this strategy unviable for large parts of Africa.

Also, delivering stand-alone products or services with the expectation that complementary firms can provide related support and post-sales servicing is usually not feasible in rural Africa. As a result, businesses may need to make high upfront capital investments to adapt their models to provide end-to-end services.

Further, developing countries of Africa have a population density of only about 40 people per square kilometer, nearly one-tenth that of India.³⁸ Communities outside major cities tend to be more dispersed and expensive to reach than in India. Hence, investments made in building last-mile infrastructure take much longer to show returns because the addressable market opportunity is small.

Hiring and retaining mid to senior-level talent is expensive, especially for small and medium-sized businesses

Small and medium-sized businesses can face significant challenges in hiring and retaining talent because they compete with mainstream commercial firms and development sector organizations for access to skilled talent. The weak educational and vocational training infrastructure in Africa combined with scarcity of private sector activity has resulted in a situation where the pool of skilled talent (citizens and expatriates) is quite small. This leads to skewed demand-supply dynamics and very high market benchmarks for salaries and incentives.

Large and commercially-oriented multinational corporations have deeper pockets and are able to meet these market expectations because they can afford to take a longer-term view on return-on-investment. Salaries that donors and DFIs offer can be as high as those offered by mainstream firms and often have added advantages such as tax subsidies. Small and medium inclusive businesses are not well-positioned to effectively compete for talent in such a market scenario.

This illustration from the healthcare sector puts things in perspective. WHO reports that Africa bears 25 percent of the global disease burden but only has 2 percent of the world's doctors. This means competition for hiring and retaining doctors is intense, not only among private sector hospitals and clinics but also among development sector organizations. As such, inclusive businesses that rely on access to doctors either have to find ways to pay market salaries or adapt business



Credit: Zahir Hasan

models to decrease reliance on doctors. Talent-related challenges are further compounded outside regional hubs like Nairobi in East Africa and Lagos in West Africa.

Customer financing can be challenging given lower penetration of financial inclusion in African markets

Product and services that require upfront payment of more than 5-7 percent of a household's monthly income may need to facilitate consumer financing through microfinance institutions (MFIs) or donor and government subsidies, and hence require partnerships with local entities. Such partnerships take time to establish, and inclusive businesses which this dependency have generally taken longer to reach commercial viability. Further, given the prevalence of mobile money in East Africa, inclusive businesses may also need to adapt their payment structures to better fit existing customer preferences and behavioral patterns. There are pros and cons to making such adaptations. For instance, digital finance models, based on the "pay as you go" approach, decrease the use of cash in field operations. While this leads to cost efficiencies, they also necessitate significant amount of working capital to aid cash flows.

³⁸. World Bank Development Indicators Database. Accessed in November 2014.

Key Insights on “What Works” in Successful Transfer

Empirical evidence from the sample set of businesses covered in the study, as well as primary interviews with stakeholders in India and Africa point towards seven key insights for successful transfer (figure 16).

FIGURE 16
KEY INSIGHTS ON SUCCESSFUL
INCLUSIVE BUSINESS TRANSFER



1 Product and technology-based models are easier to transfer, as are those focused on urban customer segments

Product and technology-based companies are typically easier to transfer because they have higher margins than services-based models, and are able to better absorb the higher costs of doing business in Africa. As a result, their gestation period tends to be shorter and operations more sustainable. Also, it is possible to expand these models to new markets through formats such as trade partnerships and licensing which are low-risk and require less operational involvement.

Urban-centric business models are also easier to transfer. This is because population density in urban and peri-urban areas

is much higher than rural areas in Africa and market support such as networks of suppliers and distributors is more readily available, making it easier to acquire customers in cost-effective ways.

2 Business objectives of transfer drive long-term sustainability

Business transfer decisions can be triggered by an organization's internal goals and motivations, or external influences such as availability of funding. An organization's internal imperatives could be positive in nature such as revenue growth and international expansion-related ambitions, as well as negative such as domestic market slow-down and unfavorable regulatory regime in India. Inclusive businesses with pure-play commercial models are typically driven to make transfer decisions based on growth opportunities offered by newer markets. In several cases, access to donor funding has motivated organizations to explore new markets. Such transfers are typically biased in favor of impact-first inclusive business models and knowledge transfer.

Data from the sample set evaluated for this study suggests that internal business motive-driven transfer shows sustainability and scale much faster than transfer incentivized by access to grants. It is not grant funding per se that has a negative impact on sustainability, but specific uses of it. Business transfer has demonstrated success in cases in which donor funding was used as seed capital to make investments in assets such as talent and infrastructure, or for initiatives to scale revenue streams. However, transfer was less successful in cases where grant funding was used for operational expenses that did not contribute towards long-term sustainability.

3 African markets are challenging and call for systematic preparation ahead of transfer

Inclusive businesses that systematically prepared ahead of going to Africa have seen more success. This explains why even early stage firms have succeeded in transfer. By investing time in well thought-out capacity-building, these businesses were able to sustain and grow operations in India, while simultaneously nurturing their businesses in new markets.

Inclusive businesses create management readiness by identifying Africa leads from within their in-house talent pool

Inclusive businesses that allocated senior-level resources to

lead international transfers on a full-time basis saw more success, especially in cases where the leads had existing context or local relationships in Africa. Such resources were most often laterally hired from within in-house talent pools or were co-founders or part of the core leadership teams. This approach seems better suited for small and medium inclusive businesses than hiring new team members because information flow and strategy co-creation is more seamless and effortless. Further, the learning curves of such individuals are shorter and more focused on garnering know-how about new markets instead of the businesses themselves. Most businesses have selected and exposed Africa leads to new markets over a period of time; investing in country visits and knowledge-building activities to help these leads formulate transfer plans.

Most businesses raise capital in India or from international markets before moving to Africa

There is a dearth of capital for small and medium businesses in African markets. This is due to investor wariness of the high costs and risks associated with investing in such models, as well as low levels of investment-readiness among businesses. Both equity and debt funding are difficult to access in the region, and SMEs responding to the World Bank's Enterprise Survey from the region consistently reported "access to finance" as the biggest obstacle to doing business.³⁹ Given this challenge, most businesses that accessed external capital for transfer sourced funding from Indian or international markets; most often from funders such as UKaid, USAID, Bamboo Finance, and Acumen Fund that operate in both geographies. Many chose to incorporate holding companies in the U.S. or Mauritius, raise capital through them, and then pass on funding to local subsidiaries to optimize taxation liabilities and compliance processes.

Businesses focus on streamlining processes and systems and adapting decision-making models to new markets

The operating model of an inclusive business — especially to acquire and engage with customers, build and deliver products and services, and manage its workforce — can be prepared for transfer ahead of moving to a new market. This is beneficial in ensuring that a local partner or a newly hired team in Africa is able to deploy the operating model to achieve similar results as in India, and customize process as needed.

As a general trend across the sample set, businesses transferred more successfully when organizational decision-making was not contingent upon specific individuals (such as the founder or the CEO) but instead relied on systems and processes that were easily adopted by senior leaders in Africa. Additionally,

businesses had scaled and stabilized their operational models in India to the extent that they show healthy rates of asset utilization. In services-oriented business models, over two-thirds of employees were directly engaged in revenue generation, and strong training programs were in place to enhance their skills. Most product-oriented business models owned their own manufacturing facilities, which operated at near-full capacity, and had track records of delivering to distributors and retailers on schedule.

While the operational strengths described above are seen across nearly all successful cases of transfer, some businesses also deployed other strategies to enter new low-income markets including: (i) documenting systems and processes and preparing them for adoption by new teams through training curricula, guides, and technology platforms, (ii) leveraging technical strengths such as sectoral knowledge, R&D, and manufacturing to adapt operational models to deliver products and services in new markets, (iii) enhancing their competitive edge by bringing in significant value addition to products/services that existing alternates and substitutes do not provide, thus encouraging customer loyalty.

4

Choosing the right markets can determine viability and scalability of the model in Africa

Business dependencies such as access to raw materials, presence of suppliers and distributors, competitive landscape, need for market building, type of customer segment, customer acquisition model, and need for customer financing are key considerations for inclusive businesses while choosing entry markets in international regions. Of these, considerations such as customer acquisition and need for financing can often necessitate reliance on local partners. Depending on the degree of reliance, the availability of local partners alone is a powerful driver of country choices. This study is focused on the agriculture, healthcare, and renewable energy sectors, which see significant involvement from the government. Consequently, regulatory regimes and their support for private sector activity is an important determinant of entry market selection.

Interestingly, many businesses take a regional approach to transfer, instead of a country-specific approach. Due to lower population densities and sparse SME segments in individual countries, businesses are often unable to find viable addressable markets within individual countries and hence a regional approach is preferred. This trend is also echoed by investment decisions made by large-scale private sector companies and funds, and is encouraged by regional trade blocs such as



Economic Community of West African States (ECOWAS) and Common Market for Eastern and Southern Africa (COMESA), which ease the process of doing business across borders. In keeping with this trend, two-thirds of the businesses we studied chose Kenya as an entry market, with a view to tap into the East Africa region. Lean approaches to transfer are evident in this set, with most basing offices and a full-time teams in Kenya, and developing business in neighboring markets such as Uganda, Tanzania, and Rwanda by traveling as needed and in partnership with local firms. East Africa seems to be particularly interesting as a transfer destination for Indian businesses due to its improving macro-economic environment and investment climate, widespread use of English as an official language, geographic proximity to India, and presence of a large Indian expatriate community.

5

Business models that adapt distribution models, offerings, target customer segments, and cost structures in light of new market realities are more successful in transfer

None of the businesses in the sample set employed a “lift-and-shift” approach in transfer. Instead, they studied their entry markets and business dependencies in depth to identify requisite adaptations to various aspects of their business models. Some of the more common adaptations include identification of different customer segments than that targeted in India, customization of products or services to meet local consumer

preferences, shifts in distribution strategies, and adoption of cost-cutting measures to counter the increased cost of doing business. Most adaptations were made over a period of time, using insights from local partners and early pilots. In fact, businesses continued to make tweaks and changes to their models even while expanding within a new country or moving from one country to another.

6

Strong local partnerships provide an entry-point to access customers and market intelligence

Partnerships with local organizations are central to success of business transfers. The two broad types of partnerships seen in the sample set were transaction-based commercial partnerships for sale of goods and services, and strategic collaborations with local firms to achieve common goals. Partnerships in Africa are critical because they offer access to customers and market intelligence in short time-frames without requiring high investments. They also serve as a medium to create local identities for inclusive business models. In several African countries, local partners are necessary to register a business or acquire fixed assets such as land and real estate. While business partnerships are important in early-stages, establishing such relationships can strain financial resources. As a result businesses may prefer to tap into existing relationships and networks for their initial set of local partners. This trend was confirmed in the sample set of inclusive businesses evaluated.



7

A phased approach to transfer can allow market validation while decreasing upfront investment and risk

Due to the high risks and costs involved in transferring inclusive business models to new markets, several businesses choose to take a phased approach. They initiate exploration of market opportunities by first trying to secure paying customers in Africa by operating out of India and traveling as needed. The typical transfer formats are trade partnerships for product companies and strategic alliances for services companies. Once a market opportunity is validated, businesses go ahead and invest in building full-scale Africa operations. Typically, support from Indian operations in the form of funding and senior management oversight is tapered off and the Africa team begins to operate more independently.

Indian inclusive businesses are also aware that competition in African markets will only increase over the next five to six years. Hence, they focus on deeply entrenching themselves in the market and consolidating operations over the next few years. Most take a regional approach to growth and consolidation, building headquarters in regional hubs such as Kenya and Nigeria, and leveraging expansion expertise to build satellite offices in adjacent countries. In addition, they also invest in improving operations and delivering value-addition to customers. Some key focus areas in improving operations include building own customer engagement channels to reach customers, entering into exclusive partnerships with local firms, and strengthening regional positioning. Additional investment areas explored include after-sales service infrastructure, and enhancing affordability by bringing in digital financing mechanisms such as mobile money and “pay-as-you-go” technology. Product-based firms also evaluate investments in local manufacturing or assembly vis-à-vis import of finished goods from India or China.

Apart from mitigating financial risk, this approach gives senior management time to understand the nuances of doing business with African customers and adapt business models to serve their needs better. Greenlight Planet, which manufactures and retails affordable solar lamps, took this approach to transfer as described in spotlight 4.

Inclusive businesses often tend to work with different types of partners in Africa than they are accustomed to in India. In India, most inclusive businesses work with specialized last-mile distribution companies and MFIs to access rural customers and help them finance purchases. Given the low penetration of such organizations in many African markets, inclusive businesses also expand partner networks to include NGOs and grassroots organizations.

The format and legal nature of these partnerships vary, based on the degree of control a parent entity seeks over African operations. The formats are also a function of the extent to which the operating model depends on local partnerships, and the quantum of investment the parent can dedicate towards transfer. Formats such as trade partnerships and strategic alliances are non-exclusive and call for lesser investment, but also offer lesser degree of control. On the other hand, formats such as joint ventures offer higher degrees of control but also necessitate higher investments.

39. World Bank Enterprise Surveys. Accessed in November 2014.



SPOTLIGHT 4

GREENLIGHT PLANET'S PHASED APPROACH TO TRANSFER TO AFRICA

Greenlight Planet manufactures and distributes affordable solar lamps targeted at low-income off-grid households. The firm was set up in India in 2009 and has since scaled up to nine offices and 800 employees in four countries; and sold 3 million solar lamps in 35+ countries.

By 2010, barely a year into operations in India, Greenlight successfully generated high demand for its products from distributors and retailers in Africa, particularly from East African countries such as Kenya, Rwanda, and Uganda. Initially serving this demand out of India through a trade partnership model, the firm scaled up its Africa trade significantly to earn nearly 50 percent of its annual revenues from the region. Encouraged by this early success, Greenlight saw the benefit of being located closer to the market and started an office in Kenya in 2012, to focus on sales through B2B partnerships with distributors.

The firm continues to witness growth in Africa, and in 2014, it made further investments in opening a second Africa office in Uganda. Greenlight is also launching its own B2C distribution channel to work side-by-side with its existing B2B distribution network. Each step of Greenlight's journey has entailed greater commitments of financial and human resources, and hence greater risks for the firm. However, by phasing and pacing its growth and establishing periodic proof of concept, the firm has considerably reduced these risks.

Source: Primary interviews with Greenlight Planet teams in India and Kenya.

Please see companion resource on deep-dive case studies to find out more.

SECTION 3

ROADMAP FOR SYSTEMATIC TRANSFER OF INCLUSIVE BUSINESS MODELS

Empirical evidence suggests that there are three key decision drivers that help build a transfer roadmap, these are: intent of transfer, capacities for transfer, and dependencies of transfer.

Well-planned and systematic transfer includes: (i) identifying transfer objectives, (ii) validating need or demand in new markets, (iii) understanding critical business dependencies, (iv) selecting entry markets, (v) building internal organizational capacities, (vi) adapting business model for new market, and (vii) choosing appropriate transfer and partnership formats.

Transfer roadmaps vary based on considerations such as nature of the model, objectives of transfer, organizational preferences, and business dependencies.

Analyzing experiences of inclusive businesses shows that there are three key drivers of systematic transfer – intent, capacities and dependencies

Business transfer is rarely a linear process. Most inclusive businesses find themselves tackling multiple transfer steps in parallel, often intuitively, without consciously thinking of the impact of one choice on the next. Entrepreneurs interviewed during this study said that the long-term impact of many of their decisions was unclear to them in the early stages of transfer and they did not have nuanced understandings of the ways in which decisions impacted each other. In light of this, it is useful to create a structured decision-making framework to guide inclusive businesses, particularly small and medium businesses, to evaluate transfers to new low-income markets. The idea of a systematic approach to ascertain internal organizational readiness for transfer, and to navigate choices of transfer formats and target markets, also found resonance among inclusive businesses and industry experts consulted for this study. A structured framework for India-Africa inclusive business transfer can be built on the basis of three critical decision-drivers mentioned earlier: intent, capacities, and dependencies (figure 17).

Intent of transfer

An inclusive business's goals or objectives that trigger a decision to transfer are the most important element of intent. Its objectives also influence a business's preferences in transfer, such as control over business model and operations and outlook towards risk. Clarity of intent is also strongly linked to establishing a market need for the product or service, and customer willingness to pay for it. Drilling down to the specific pain-point addressed is especially important here. For instance, a mobile application linking farmers to markets is relevant in most developing countries, but if its specific value

proposition is to decrease reliance on middle-men, then it is probably more viable in countries where there is significant involvement of middle-men in agricultural value chains.

Organizational capacities that can support transfer

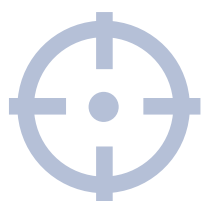
Closely tied in with the intent of a business is its ability to dedicate financial, management and operational resources towards achieving its business objectives. The strength of a business's value proposition and the degree of managerial and technical skills its team brings in terms of understanding the sector and customer segment also play a crucial role.

Inclusive business dependencies that must be met in new markets

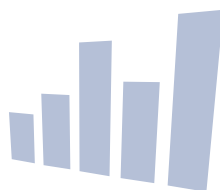
If intent and capacity are inward looking decision drivers, then dependency is an external decision driver. Simply put, it is the degree to which a business relies on its external market environment to thrive. Nearly all businesses need stable macro-economic environments, but many dependencies also rely on business contexts. Some businesses might have sector-specific dependencies, for example, agribusinesses rely on farmer aggregators such as cooperatives. Others might have organization-specific dependencies such as need for specific types of raw materials.

Viewed together, these decision drivers can help answer critical questions on how to prepare for transfer, which market to focus on, and which format to transfer in. The next few sections of this report take a detailed look at these to understand what each entails, the choices businesses face, and the implications of different choices.

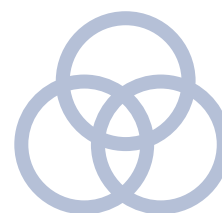
FIGURE 17
STRUCTURED DECISION-MAKING FRAMEWORK FOR INDIA-AFRICA TRANSFER



INTENT



CAPACITY



DEPENDENCIES

Objectives and preferences in transferring model to Africa	Organizational readiness for transfer to Africa	Organizational and sectoral dependencies that will dictate choices in Africa
<ul style="list-style-type: none"> ■ Growth objective – short term or long term ■ Openness to adapt business model ■ Control preferences ■ Outlook towards risk ■ Efforts put into early market validation 	<ul style="list-style-type: none"> ■ Financial capacity: for example profitability and access to funding for transfer ■ Management capacity: for example bandwidth, networks and relationships in target markets ■ Operational capacity: for example decision-making structure, technical prowess, and competitive edge 	<ul style="list-style-type: none"> ■ Macro-economic dependencies: for example GDP growth, social and political stability ■ Sectoral dependencies: for example policy environment and presence of suppliers and distributors ■ Organization level dependencies: for example raw material access and need for skilled talent

A roadmap for transfer from India to Africa can be created using the framework for systematic transfer of inclusive business models

Inclusive business practitioners in India and Africa corroborate the findings of this study and emphasize the need for a systematic approach to transfer. While each inclusive business model has its own unique roadmap of transfer, there are some common elements: understanding business imperatives, selecting the right target markets, establishing need, building organizational capacity, identifying business dependencies, and choosing the transfer format (figure 18).

HOW CAN INCLUSIVE BUSINESSES USE THIS FRAMEWORK?

Visit http://tiny.cc/IFC_Transfer or http://tiny.cc/Intellectap_Transfer to download our toolkit for inclusive business based on this framework. The toolkit is a guide to self-diagnose internal readiness to transfer to Africa, and explore transfer formats and target countries based on different business models.

The India-Africa inclusive business transfer framework and toolkit are intended as broad guides to initiate exploration of transfer to Africa. Businesses should carry out their own due diligence and seek support for transfer as needed. The framework and toolkit cannot replace this effort.

FIGURE 18
ROADMAP FOR SUCCESSFUL BUSINESS TRANSFER TO AFRICA





IDENTIFY THE INTENT AND PREFERENCES FOR TRANSFER

Business goals and objectives influence transfer choices such as formats and entry markets

Inclusive businesses can have multiple imperatives that drive them towards transfer to developing countries. These can range from short-term goals, such as increasing revenues and market share, to long-term goals such as creating global positioning and scaling impact in new geographies. Often, business imperatives are external in nature, such as donor or government invitations to expand operations to a particular country. In reality, several factors are at play simultaneously and motivate inclusive businesses to expand. In such cases, identifying the primary driver is critical to make the right transfer choices. In our sample set, Aravind Eye Care was primarily seeking to scale the impact of its model by helping other organizations adopt its practices to serve the poor, while others such as Greenlight Planet, Manasa Agro, and Dimagi were keen to grow market share. A third category of firms, Digital Green and SKG Sangha, were invited to expand by donors. These different imperatives drive different choices of transfer formats and entry markets for businesses (spotlight 5).

A strong business objective is critical for long-term sustainability

Inclusive businesses with internal business-driven transfer imperatives seem more successful in transferring sustainably. This means they have been able to identify and address a specific market demand in international regions and a significant portion of their operating expenses are met by paying customers instead of donor or government subsidies. The only exception to this is knowledge-sharing or capacity-building type of transfer work, which is likely to remain donor funding-dependent in the short to medium term.

Preferences for degree of strategic and operational control influence strategic and operational decision-making in new markets

SPOTLIGHT 5

IMPACT OF BUSINESS OBJECTIVES ON TRANSFER CHOICES

TRANSFER OBJECTIVE	COMPANY	TRANSFER CHOICES
Scale impact of the model	Aravind Eye Care	Aravind Eye Care was keen to scale the impact of its affordable tertiary eye-care model to other countries, without necessarily expanding its operations at the same time. Hence, the firm decided to transfer through knowledge-sharing with hospitals in other countries, and to date has supported over 300 hospitals in 30 countries through virtual and in-person knowledge transfers.
Revenue growth	Manasa Agro	Manasa cultivates and processes lemongrass through owned and contract farming models. It was keen to expand its model to a country where low-cost arable land was easily available. Hence, it chose to expand its operations to Malawi and Ghana where it works with local partners in joint venture and public-private partnership formats to lease and purchase land.
Donor invitation to expand	SKG Sangha	SKG Sangha builds and installs community-level biogas plants, through a unique model where it also supervises operations and maintenance of the plants over ten years and funds part of the expenses through sale of carbon credits. Donors operating in African countries such as Kenya and Egypt found this model relevant for local needs and invited SKG Sangha to expand, funding the cost of transfer to Africa and also providing local on-ground support to the firm

Source: Primary interviews with Aravind Eye Care, Manasa Agro, and SKG Sangha. Please see companion resource on deep-dive case studies to find out more.



Inclusive businesses have varying preferences for the degree of control they want to exercise over decision-making in Africa. This ranges from strategic issues, such as use of capital and profit repatriation to India, to operational issues such as choice of raw material suppliers and customer outreach partners. Control over a model transferred to Africa can be important for several reasons, key among them being: (i) the sensitive nature of doing business with BoP populations, (ii) implications of the failure or success of transfer in Africa on operations in India, (iii) firm's return expectations, and (iv) firm's willingness to work with local partners.

Mature organizations that have grown their models in India tend to be more circumspect of regulatory and reputational risks of business with BoP, especially in terms of product/service price points, the engagement models with customers, and the quality assurance systems. These approaches have evolved over time, and many sections of inclusive businesses in India are moving towards self-regulation to protect BoP customers under the aegis of institutions such as National Association of Social Entrepreneurs (NASE). Consequently, inclusive businesses tend to prefer higher degree of control over operations in Africa to monitor and improve delivery of products and services to local customers.

Another consideration that drives control is the implication of failure or success of transfer to Africa. Inclusive businesses invest their own capital as well as externally sourced capital for transfer, and often relocate senior personnel to manage transfers to new markets. In cases where loss of this capital could threaten business continuity in India, higher degree of control is preferred. Co-founders and senior-most management of inclusive businesses tend to be closely involved in strategic and operational decision-making in Africa.

Inclusive businesses that are keen to grow rapidly and see returns from transfers may have to work in closer collaboration with local firms for access to customers, market intelligence, and talent; these are difficult to come by in many African markets, and are expensive and time-consuming to build in-house. On the flipside, firms with a longer-term view on returns from Africa and willingness to invest in building market share could still choose to transfer without partnerships that necessitate sharing of control, though they will benefit from working with local firms.

Finally, a firm's need for a local partner can also dictate its preferences to share control. Businesses are more open to sharing control in cases where there is a reliance on local partners for

customer acquisition, supply of raw materials at discounted rates, access to talent, etc. However, in cases where an inclusive business owns intellectual property or an asset that requires confidentiality, there may be less openness to sharing control.

Openness to adapt business model to local contexts

Transfer often requires businesses to modify or adapt their business models to work effectively in the local context. A “lift-and-shift” approach is seldom effective, particularly in low-income markets. Inclusive businesses are generally agile enough to adapt, and all businesses in our sample set demonstrated some degree of adaptability while transferring to Africa. These adaptations included shifting to locally available raw materials, changing distribution models, and customizing pricing strategies to cater to local preferences.

2

VALIDATE THE MARKET OPPORTUNITY

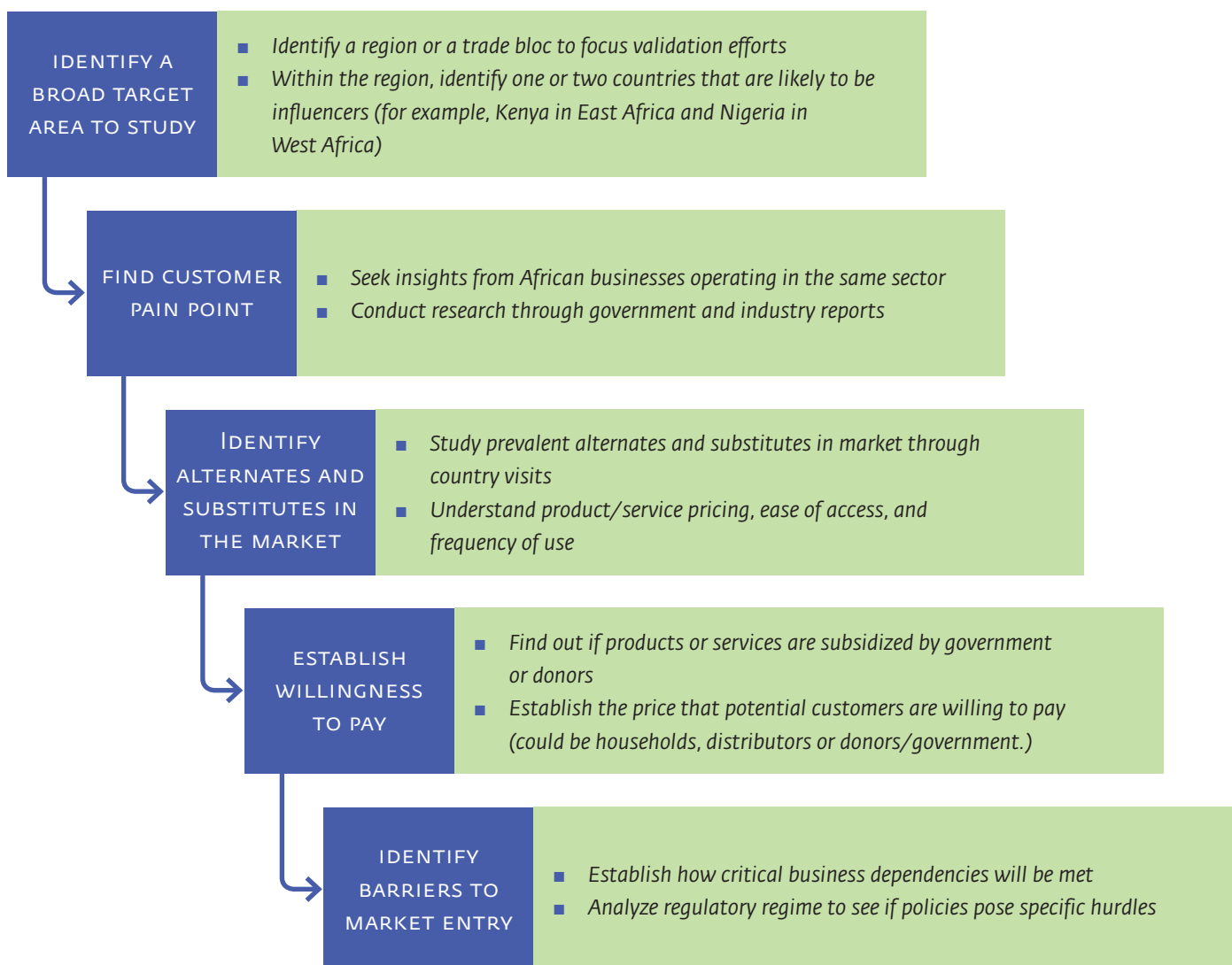
A product or service that is successful in India may not necessarily find a ready market in Africa. Hence, inclusive businesses must invest in building early understanding of market needs in focus regions and countries ahead of making detailed transfer plans (figure 19). However, market analysis in Africa is complicated due to the lack of dependable and granular market data, resulting in several unanticipated challenges on the ground (described in section C.2). This study found that inclusive businesses carried out early validation of market opportunity using secondary data, and then conducted small in-country pilots to gather field insights. Some businesses also garnered insights from team members who had Africa experience. Secondary sources include credible government and industry association publications such as Africa Economic Outlook⁴⁰, public data on African businesses operating in the same sector, funders, and personal networks of employees. Several inclusive businesses relied heavily on local partners (ranging from businesses to NGOs to government agencies) to garner insights about local environment and ascertain need for products or services, and also for support for in-country pilots.



⁴⁰. Product of collaborative work by three international partners: the African Development Bank, the OECD Development Centre and the United Nations Development Programme.

FIGURE 19

SYSTEMATIC APPROACH TO VALIDATING MARKET OPPORTUNITY



3

UNDERSTAND CRITICAL BUSINESS DEPENDENCIES

While “intent” and “capacities” are inward-looking aspects of planning systematic transfer, understanding a model’s business dependencies can bring in an outward-looking perspective that includes market nuances. This understanding is necessary to adapt the model for transfer to new markets, determine the specific level of readiness that an inclusive business requires ahead of transfer, and make informed choices about entry markets and transfer format choices.

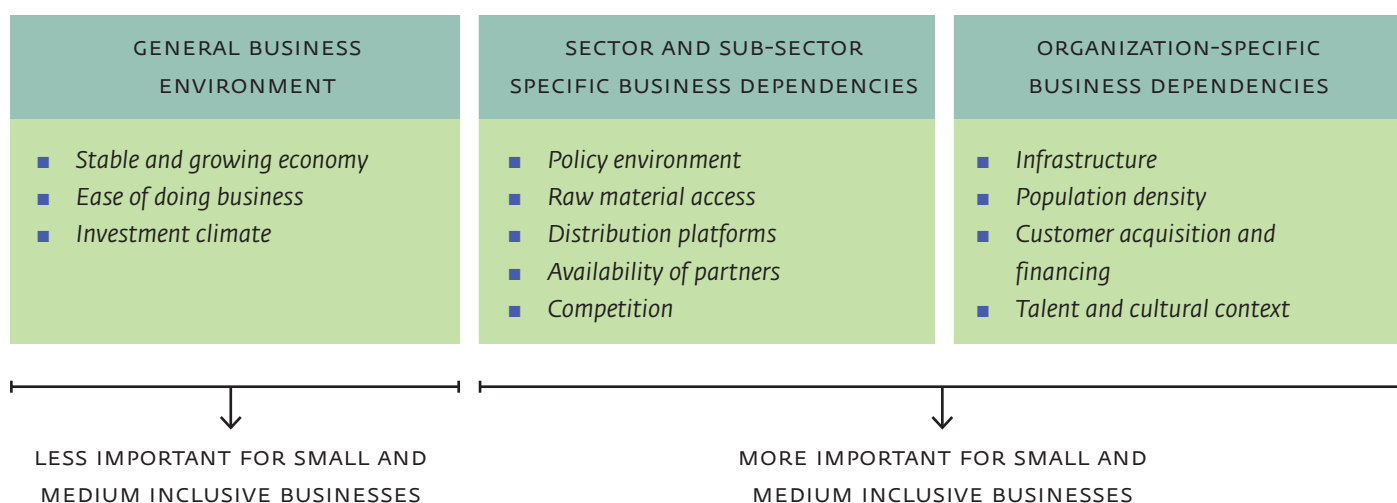
Understanding Business Dependencies

Business dependencies comprise all the market characteristics that an inclusive business model requires to grow and create value for stakeholders. Dependencies could include macro-

level considerations such as political and economic stability; sectoral considerations such as availability of raw materials, suppliers, and distributors; and organization-specific considerations such as the need for a particularly cultural context. Understanding their critical dependencies is especially important for businesses that work in low-income markets where creating access and affordability for BoP customers is critical. The ways and price points at which business dependencies are met determine these two factors.

The sample set evaluated for the study placed far greater importance on sectoral and organization-specific considerations rather than macro-level considerations. This is largely because they are small and medium businesses and found themselves

FIGURE 20
UNDERSTANDING BUSINESS DEPENDENCIES



fairly insulated from macro-criteria such as GDP growth and more affected by specific sectoral and organizational criteria such as state of value chains and availability of skilled talent (figure 20).

As a case in point of how organizations use dependencies to inform transfer choices, consider that the sample set overwhelmingly preferred Kenya as an entry market in Africa over Ghana. This is despite the fact that Ghana ranks far better than Kenya in terms of macro-level indicators such as ease of doing business and GDP growth rate. It also has lesser political, social and economic risks when compared to Kenya. However, agribusiness, healthcare and renewable energy value chains are weak in Ghana, as is the level of private-sector engagement in such high-impact sectors. On the other hand, Kenya has more lucrative business environments at the sectoral level than Ghana, and is also able to meet organization-level considerations, such as access to talent and last mile distribution networks, more easily. Consequently, Indian inclusive businesses tend to prefer Kenya as an entry market even though it shows higher macro-level risks in several parameters.



Credit: Ha Lam

TABLE 1
SOME INDICATORS TO EVALUATE SECTORAL DEPENDENCIES

AGRICULTURE	HEALTHCARE	RENEWABLE ENERGY
QUANTITATIVE INDICATORS		
<ul style="list-style-type: none"> ■ Arable land ■ Agricultural productivity ■ Use of inputs and level of farm mechanization ■ Post-harvest losses ■ Import reliance for food security 	<ul style="list-style-type: none"> ■ Private out-of-pocket expenditure and public expenditure on healthcare ■ Penetration of healthcare infrastructure – hospitals, doctors, nurses and midwives, pharmacists ■ Disease mortality rates 	<ul style="list-style-type: none"> ■ Demand-supply gap in power sector ■ Expenditure on energy consumption ■ Energy production from renewable sources ■ Potential for solar-based and biomass-based energy
QUALITATIVE INDICATORS		
<ul style="list-style-type: none"> ■ Level of private sector activity - distribution companies, cooperatives and trade associations, research associations, food exporters ■ Level of subsistence farming ■ Access to farm loans ■ Regulatory regime - input subsidies, import subsidies, access to land 	<ul style="list-style-type: none"> ■ Level of private sector activity – hospitals and clinics, pharmacy chains, diagnostic chains, emergency healthcare ■ Public sector involvement in the healthcare market ■ Regulatory regime - licensing, import subsidies, access to land 	<ul style="list-style-type: none"> ■ Level of private sector activity – independent power producers, household solar product distributors, industry networks ■ Regulatory regime - presence of renewable energy portfolios targets, feed-in-tariff for sale to public grid

Understanding macro-level dependencies

A growing and stable macro-economic environment facilitates trade and commerce in general and specifically helps businesses by easing access to bank funding and encouraging consumer spending. It has an impact on small and medium businesses by determining ease of access to debt and equity capital. Funders typically are more ready to fund such ventures (often perceived as higher risk vis-à-vis large corporations or infrastructure projects) when the economy is growing. Where economies stagnate or decline, such businesses may have to fall back on donor funding as a source of capital.

Some indicators of macro-level dependencies include economic stability and growth, market maturity, regulatory and judicial strengths, corporate structure and tax incentives, and the investment climate. A certain level of macro-economic growth is necessary for inclusive business transfer, and can be found across most developing economies of Africa. However, such conditions are often absent in countries undergoing civil and political conflict. Hence, such countries may not be ideal for transfer.

Understanding sector and sub-sector specific dependencies

Unlike macro-level dependencies, sectoral dependencies tend to strongly impact inclusive business transfers. This is because sectoral dependencies have direct implications on the viability and costs of doing business in a specific market and can also dictate choices of transfer formats. Some key considerations include policy regime, raw material access, distribution channels, competition, availability of alternates and substitutes, level of private sector activity, and maturity of value chains.

This study specifically identified some important sectoral dependencies in agriculture, healthcare, and renewable energy businesses in terms of qualitative and quantitative indicators. These have been derived based on insights from the sample set, as well as interactions with over 44 industry practitioners in India and Africa (table 1).

Understanding organizational dependencies

Inclusive businesses also have specific dependencies inherent to their business or operational models, and often closely linked to the sector that they operate in. These dependencies can play critical roles in choosing entry markets in Africa, choosing the right transfer formats, and in determining the level of transfer-readiness required. This third category of dependencies has the most significant impact on transfer choices and success, because business operations are often rendered entirely unviable in their absence.

Dependencies that influence country choices include access to physical and technological infrastructure, access to talent, and need for specific cultural contexts. In other words, these are “systemic” in nature, and there is little that small and medium inclusive businesses can do to address their absence, except to select markets where these dependencies can be addressed.

On the other hand, **dependencies that determine transfer formats** are less systemic in nature and can be addressed by adapting business models to new markets or by partnering with local firms that can address challenges and gaps. These dependencies include customer acquisition, reliance on large



field teams, distribution and post-sales servicing/engagement, access to raw materials, and need for customer financing (table 2).

TABLE 2

ORGANIZATIONAL DEPENDENCIES THAT DICTATE ENTRY MARKET AND FORMAT CHOICES

ORGANIZATIONAL DEPENDENCIES THAT DICTATE COUNTRY CHOICES

- **Physical infrastructure** – roads, ports, logistics
- **Technological infrastructure** – telecom network, internet, mobile phone penetration
- **Population density** – urban and rural
- **Access to talent** – skilled, semi-skilled, and unskilled
- **Cultural context** – language, gender-specific dependencies

ORGANIZATIONAL DEPENDENCIES THAT DICTATE TRANSFER FORMAT CHOICES

CUSTOMER SEGMENT

- **Type** – low-income household, other businesses, governments, aid agencies
- **Location** – rural or urban

CUSTOMER OUTREACH AND ACQUISITION STRATEGIES

- **Mass media campaigns** for marketing
- **Door-to-door marketing campaigns** to create brand awareness
- **Continuous and sustained door-to-door marketing** for consumer education
- **Strong brand recognition, word-of-mouth, and consumer trust** which takes a long time to build
- **Last mile infrastructure**, for example, hub-and-spoke model

NEED FOR CONSUMER FINANCING



4

SELECT ENTRY MARKETS FOR TRANSFER TO AFRICA

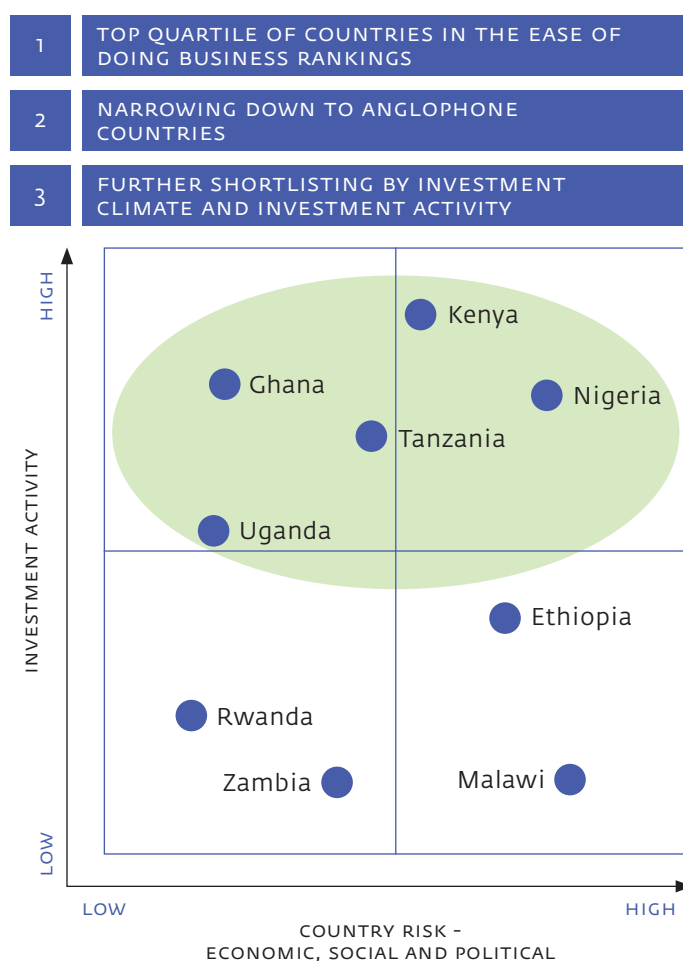
Different Approaches to Shortlisting Target Markets in Africa

Africa is a huge continent with considerable diversity in economic growth, business and regulatory environment and local culture and beliefs. Africa's 54 countries are on varying growth paths, and inclusive business transfer is more likely to be successful if entry market choices take these variances into account. While resource and oil-rich countries such as Botswana and Angola receive significant media attention, the opportunity for small and medium-scale businesses is often more lucrative in markets such as Kenya that may not be as resource rich but demonstrate economic growth hinged on services and manufacturing industry, good governance systems, and significant market opportunity.

The sample set demonstrated three key approaches to selection of target markets in Africa: (i) selecting markets through systematic research based on business dependencies, (ii) selecting markets where existing partners operate or inclusive businesses have some existing local know-how, and (iii) selecting markets based on external direction from donors or others funding transfer.

In several cases, a blend of two or more approaches was seen as well. For example, renewable energy company Astonfield Solesa, which designs and builds solar-hybrid minigrids for industrial use, chose Kenya as an entry market based on detailed market research and also because its head of Africa operations is a native Kenyan with existing networks and relationships in the country.

FIGURE 21
COUNTRY SELECTION FRAMEWORK



Source: Intellectap analysis using data from World Bank databases: Doing Business, World Development Indicators, and Country Profiles. 2014

Systematic market research-driven country selection

Inclusive businesses such as Novartis Arogya Parivar, Green-light Planet, Astonfield Solesa, and Manasa Agro took a systematic market-research based approach to select entry markets in Africa. Each business studied the African region from the perspective of its own business dependencies. Most started out with a broad idea of the region (for instance, East Africa) on which they were keen to focus their research and analyses on. Most businesses initiated country analysis through secondary research from industry reports and consultations with on-ground practitioners, followed by in-person visits from senior management, who spent several weeks on the ground understanding the competitive landscape and the customer segment. The firm's analysis focused on understanding how three to four critical business dependencies played out in the market, and on understanding the availability of potential partners.

This study also carried out a similar assessment to identify more lucrative African markets, using the broad lens of suitability for transfer of Indian inclusive businesses operating in the agriculture, renewable energy, and healthcare sectors. Countries in the top quartile of World Bank's Doing Business Rank were initially shortlisted, and then narrowed down to those that used English as a business language. This group of countries was further analyzed based on country risk (political, social, and economic), investment climates, and addressable market opportunities to narrow-down to more attractive geographies. **Kenya, Uganda, Tanzania in East Africa and Ghana and Nigeria in West Africa** emerged as more attractive target markets for international inclusive businesses (figure 21). Based on growth projections made by the African Development Bank and African Economic Outlook, other countries such as Ethiopia, Malawi, Zambia, Mozambique, and Rwanda are also likely to grow into attractive markets for inclusive business transfer in the near future.

More opportunistic approaches to country selection

Several businesses in our sample set also took more opportunistic approaches to country selection; by choosing countries in which they had existing networks and relationships or by following directions from donors that funded the transfer. In many cases, country research and evaluation was carried out by donors ahead of funding. This decreases cost of transfer and the time taken to get familiarized with new markets. However, in some cases, opportunistic approaches to country selection can also hamper long-term sustainability and success. Two recent cases of unsuccessful inclusive business transfer⁴¹ show this scenario play-out: a renewable energy business that transferred from India to a South Asian country failed to scale in the new market due to lack of power evacuation infrastructure. In another case, a technology-driven rural primary healthcare model failed to scale in a West African market due to inadequate internet connectivity.

41. Both these organizations did not wish to be named in the report.

Key Highlights of African Countries that are More Attractive as Transfer Destinations

A systematic analysis of the transfer opportunity provided by different African countries identifies Kenya, Tanzania, Uganda, Ghana and Nigeria as more attractive destinations for Indian

inclusive businesses. Key highlights of the macro-economic environmental and sectoral trends in agriculture, healthcare, and renewable energy are described in brief here.



Countries are listed as per their location on the Africa map from left to right. No ranking is intended.

COUNTRY 1

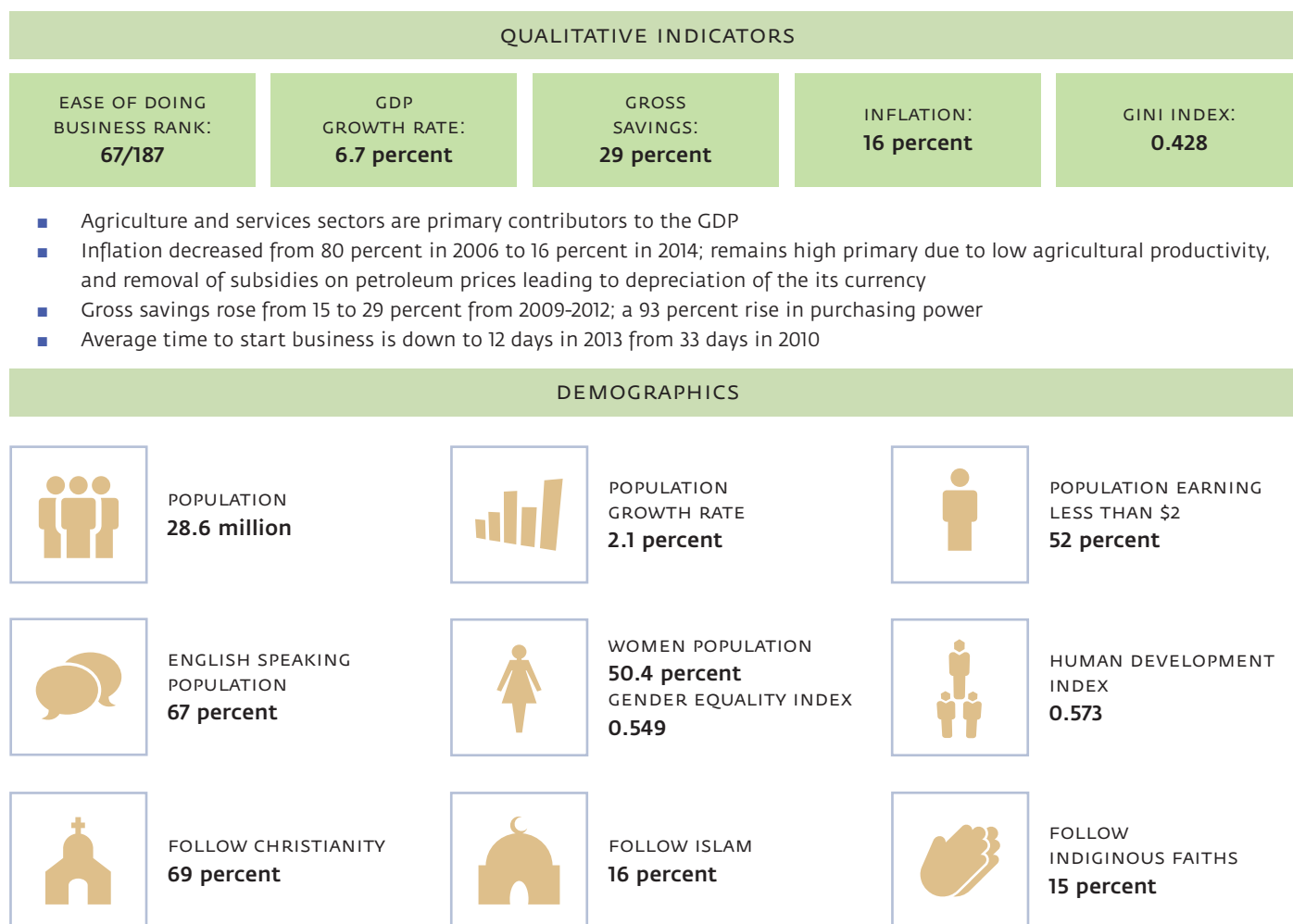
GHANA

Ghana is a West African country bordered by Ivory Coast, Burkina Faso and Togo. It is part of the Economic Community of West African States (ECOWAS), and the World Bank ranks the ease of doing business in Ghana as higher than any other

ECOWAS member state. It is considered by many foreign investors as one of the more attractive markets in West Africa. A snapshot of its macroeconomic environment and demographics is shown in figure 22.

FIGURE 22

SNAPSHOT OF MACROECONOMIC INDICATORS AND DEMOGRAPHICS IN GHANA



Source: World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

Legal and political system

A high-level overview of the nature of legal and political systems in Ghana follows, while their current states as measured

by globally recognized rating systems are shown in figure 23.

- Legal system is based on British common law and customary law
- Signed and ratified the Convention on the Settlement of Investment Disputes in 1966
- Has double taxation agreements in force with the UN Convention on the Recognition and Enforcement of Foreign Commitments at the bilateral level
- Active Governance institutions are CHRAJ, Electoral Commission, National Media Commission, National and Regional House of Chiefs
- Active in the UN and many of its specialised agencies such as the WTO, the Organisation of African Unity, the African Union, and the Economic Community of West African States

FIGURE 23

GLOBAL RATINGS THAT OFFER A MEASURE OF THE POLITICAL AND LEGAL SYSTEM IN GHANA



DATA FOR 2013

Investment climate

Foreign Direct Investment

Net inflows of \$3.22 billion in 2013, growing at a CAGR of 51 percent since 2009^A

Key investment sectors

Oil reserves, energy, agriculture, infrastructure, financial services and ICT services

Key Government bodies

Ghana Investment Promotion Council, Registrar General Department, Ghana Revenue Authority, Ghana Immigration Service, and Social Security and National Insurance Trust

Policies to aid foreign investment

To establish Ghana as a safe investment destination, the government provides several investment guarantees: free transferability of capital, profits and dividends; insurance against non-commercial risks; Double Taxation Agreements (DTAs); and bilateral level commitments to protect investors and investments

Capital requirements

- Minimum capital required for foreign investors is \$200,000 for joint ventures with Ghanaians or \$500,000 for enterprises wholly owned by non-Ghanaians
- Trading companies either wholly or partly-owned by non-Ghanaians require a minimum foreign equity of \$1 million and must employ at least 20 skilled Ghanaians

Work permits

A foreign investor who invests under the Ghana Investment Promotion Council law is automatically entitled to a specific number of visas/work permits based on the size of the investment

Some highlights of the inclusive business ecosystem

Sectors with more activity in inclusive business models

Agriculture, ICT, renewable energy and microfinance

Key investors and donors that support inclusive businesses

- Acumen Fund, West Africa Agricultural Investment Fund, Ebankese Venture Fund, and Root Capital focus on agriculture and basic needs
- E+Co focuses on rural agriculture and renewable energy

Some examples of Indian businesses that have transferred and expanded to Ghana

- Hazel Mercantile Ltd. – Cultivates plants to generate biofuel
- Mohan Energy Corporation – Executes turnkey projects in the power sector
- Digital Green – Uses an ICT-based approach to build the capacity of community members on improved and sustainable agriculture, livelihood and health interventions
- AYZH – Sell World Health Organization approved low-cost child delivery kits in rural areas through micro entrepreneurs

Government support for inclusive businesses

- Venture Capital Trust Fund (2004) – Established by the Government of Ghana to provide financial resources to SMEs through venture capital financing companies
- Ghana Center for Entrepreneurship, Employment and Innovation – Promotes entrepreneurship and job creation, both in the formal and informal economy

^A. World Bank Development Indicators, Accessed in December, 2014

Overview of focus sectors

A brief snapshot of the state of the market, infrastructure, challenges and key policies in the focus sectors of agriculture, healthcare and renewable energy is shown in figure 24.

FIGURE 24
OVERVIEW OF THE STUDY'S FOCUS SECTORS IN GHANA



HEALTH CARE

HEALTHCARE EXPENDITURE

- Government - 60 percent
- Private sector and donors - 40 percent

DOCTOR/POPULATION RATIO

- 100,000 people - 11 physicians

CHALLENGES

- Lack of quality providers (physicians, nurses etc.)
- Lack of requisite equipment
- Lack of community health education
- Poor public infrastructure

POLICIES/SCHEMES/ACTIONS

NATIONAL HEALTH INSURANCE SCHEME, 2005

- Improve financial access of Ghanaians to quality basic healthcare services
- Limit out-of-pocket payments at the point of service delivery



AGRICULTURE

GDP SHARE

- 20 percent

EMPLOYMENT

- 42 percent of the workforce

SECTOR GROWTH RATE

- 5.2 percent

CHALLENGES

- Post-harvest losses
- Inadequate value addition
- Inadequate facilities for food processing
- Poor public infrastructure

PRIVATE SECTOR ACTIVITY

- Fertilizers
- Pesticides
- Seeds

POLICIES/SCHEMES/ACTIONS

- Comprehensive Africa Agriculture Development Program
- Food & Agricultural Development Policy



RENEWABLE ENERGY

INSTALLED CAPACITY

- 2170 MW
- Hydro - 67 percent
- Thermal - 33 percent

ESTIMATED POTENTIAL CAPACITY

- Biomass – 90 MW
- Solar – 20 MW

CHALLENGES

- High cost of institutional setup
- Unregulated market

POLICIES/SCHEMES/ACTIONS

NATIONAL ENERGY POLICY, 2010

- By 2020 10 percent of installed capacity should be renewable

RENEWABLE ENERGY ACT, 2011 (ACT 832)

- Licensing procedures
- Feed-in tariff schemes
- Biofuel and wood fuel regulations
- Renewable Energy Fund for capacity building

Source: World Bank Development Indicators, World Bank Country Notes, Renewable Energy and Energy Efficiency Partnership, U.S. Energy Information Administration, World Health Organization Country Profiles, Food and Agricultural Organization Country Profiles, Future Agriculture Policy Briefs. Accessed in December, 2014

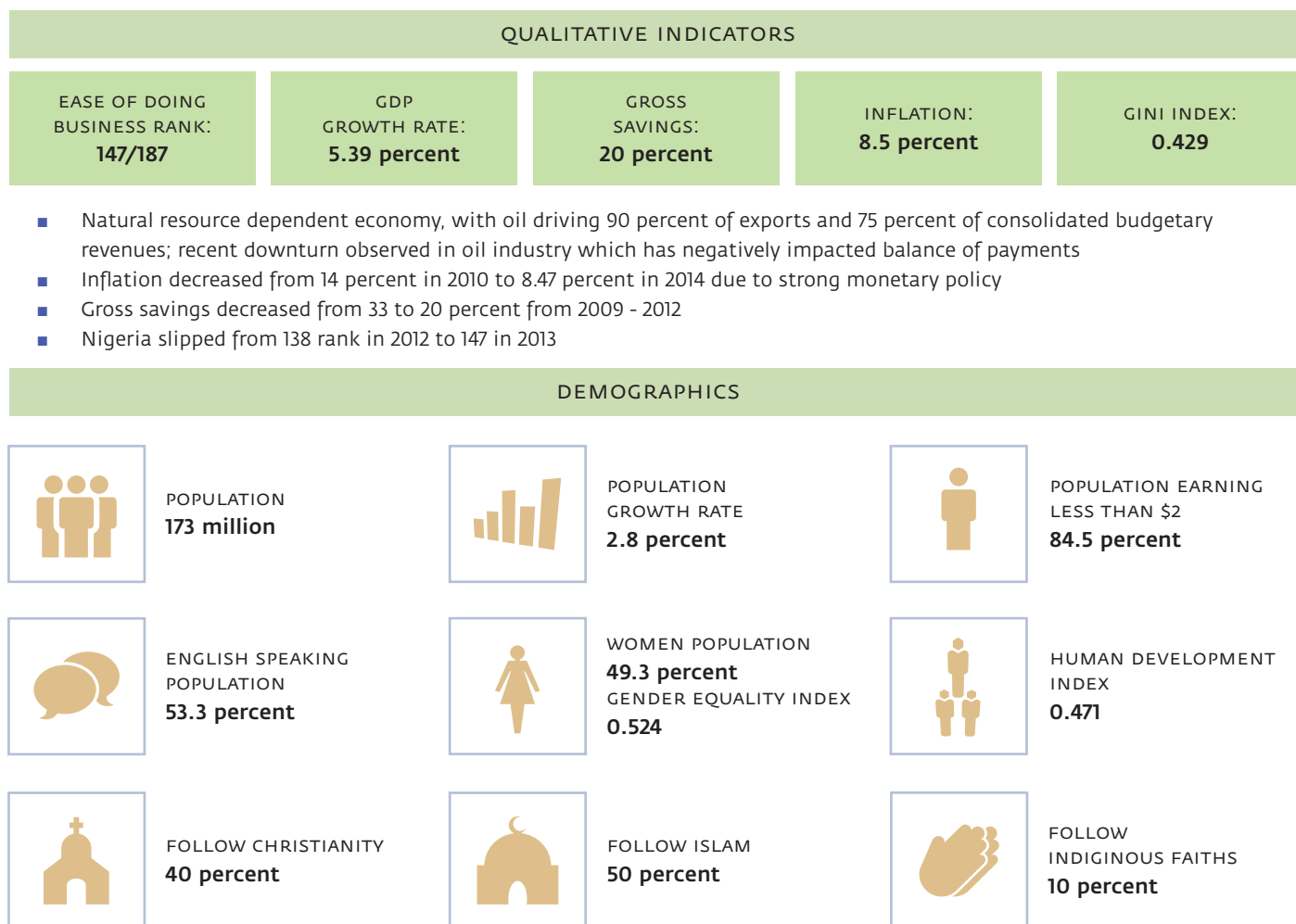
COUNTRY 2

NIGERIA

Nigeria is a West African country bordered by Benin, Chad, Cameroon and Niger. It is part of the Economic Community of West African States (ECOWAS). It is the most populous country in Africa, and its GDP of over \$500 billion also makes it Africa's largest economy⁸. While Nigeria's large and growing

consumer market make it an attractive proposition on one hand, it is also perceived as a high risk market on account of corruption and social unrest on the other⁹. A snapshot of its macroeconomic environment and demographics is shown in figure 25.

FIGURE 25
SNAPSHOT OF MACROECONOMIC INDICATORS AND DEMOGRAPHICS IN NIGERIA



Source: World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

Legal and political system

A high-level overview of the nature of legal and political systems in Nigeria follows, while their current states as measured

by globally recognized rating systems are shown in figure 26.

- Has a complex, three-tiered legal system composed of English common law, Islamic law, and Nigerian customary law
- Legal, accounting, and regulatory systems comply with international norms, but enforcement remains uneven
- Civil courts handle disputes between foreign investors and the Government as well as between foreign investors and Nigerian businesses
- Has signed bilateral agreements in Global System of Trade Preferences among Developing Countries (GSTP) and Economic Community of West African States (ECOWAS)

FIGURE 26

GLOBAL RATINGS THAT OFFER A MEASURE OF THE POLITICAL AND LEGAL SYSTEM IN NIGERIA



DATA FOR 2013

Investment climate**Foreign Direct Investment**

Net inflows of \$5.6 billion in 2013, investments have shown a decline of 34 percent when compared to 2009^D

Key investment sectors

Healthcare, transport, energy (power), agriculture, infrastructure, and real estate

Key Government bodies

Nigerian Investment Promotion Commission, National Office of Technology Acquisition and Promotion

Policies to aid foreign investment

- Nigeria's tax laws generally do not impede investment, but tax structure remains uneven and lacks transparency
- Nigeria has signed double taxation agreements with several countries, including the United Kingdom, France, the Philippines and Japan

Capital requirements

- 100 percent foreign ownership is allowed except in the oil and gas sector, where investment stays limited to joint ventures or production-sharing agreements

Work permits

Work permit is not needed for expatriate personnel; however there are specific conditions applied for expatriates that seek to remit salaries back to their home countries

Some highlights of the inclusive business ecosystem**Sectors with more activity in inclusive business models**

Agriculture, ICT, renewable energy and microfinance

Some organizations engaged in the inclusive business ecosystem

- Some funders and donors making equity, debt and grant-based investments in inclusive businesses include –
 - Early stage investors such as Lagos Angel Network, Tony Elumelu Foundation, Root Capital, and Acumen Fund
 - Growth stage investors such as West Africa Agricultural Investment Fund, West Africa Venture Fund, E+Co, and Oasis Capital
- Technology incubators that mentor entrepreneurs and provide access to capital include Co-creation Hub and the Institute for Venture Design
- Industry associations such as Aspen Network of Development Entrepreneurs and Global Impact Investing Network have a membership base and organize frequent convenings
- Intermediaries and advisory firms such as Integrity/CBI Nigeria which was a country partner to UKaid's inclusive business program called the Business Innovation Facility

Some examples of Indian businesses that have transferred and expanded to Nigeria

- Nagarjuna Fertilizers – Provides plant nutrition, irrigation, farm services and plant management solutions
- Apollo Telemedicine – Works in collaboration with Afro India medical services to provide remote consultations
- Aravind Eye care – Provides knowledge sharing and advisory services to eye care hospitals

Government support for inclusive businesses

- Small and Medium Enterprises Equity Investment scheme – Economic policy thrust of government involving banks. It is an equity financing initiated by the Federal Government aimed at formalizing SMEs source of financing
- Credit guarantee scheme that guarantees banks up to 75 percent of the amount of credit extended to farmers

B. World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

C. Nigeria Country Profile. KPMG. 2013

D. World Bank Development Indicators, Accessed in December, 2014

Overview of focus sectors

A brief snapshot of the state of the market, infrastructure, challenges and key policies in the focus sectors of agriculture, healthcare and renewable energy is shown in figure 27.

FIGURE 27

OVERVIEW OF THE STUDY'S FOCUS SECTORS IN NIGERIA



HEALTH CARE

HEALTHCARE EXPENDITURE

- Government – 25 percent
- Private sector and donors – 75 percent

DOCTOR/POPULATION RATIO

- 100,000 people - 14 physicians

CHALLENGES

- Geographic inequality
- Regulation of pharmaceuticals
- Commercialization of public health service delivery

INNOVATIONS

- Customer relationship management (CRM) and enterprise resource planning (ERP) integrated solutions

POLICIES/SCHEMES/ACTIONS

NATIONAL HEALTH INSURANCE SCHEME

- 40% insurance coverage for all Nigerians by 2015

NATIONAL HEALTH PROMOTION POLICY, 2006

- Promote health care through collaborative efforts between public and private service providers and by using technology



AGRICULTURE

GDP SHARE

- 22 percent

EMPLOYMENT

- 66 percent of the workforce

SECTOR GROWTH RATE

- 1.6 percent

CHALLENGES

- Inadequate infrastructure (poor electricity and roads)
- Cheap product imports

PRIVATE SECTOR ACTIVITY

- Processing and packaging

POLICIES/SCHEMES/ACTIONS

AGRICULTURE TRANSFORMATION AGENDA (ATA)

- Investment driven strategic partnerships by the government with the private sector

NIGERIA VISION 20: 2020, ECONOMIC TRANSFORMATION BLUEPRINT

- Support small scale and rural farmers and improve food security, create jobs, increase incomes and reduce rural poverty



RENEWABLE ENERGY

INSTALLED CAPACITY

- 10.4 GW
- Thermal – 81 percent
- Hydro – 19 percent

CHALLENGES

- High initial capital costs
- Require complementary generation with the grid
- Inefficient energy storage mechanisms
- Maintenance and supply chain difficulties

POLICIES/SCHEMES/ACTIONS

NATIONAL ENERGY POLICY, 2010

- 10% of installed capacity should be RE by 2020

RENEWABLE ENERGY ACT, 2011 (ACT 832)

- Licensing procedures
- Feed-in tariff schemes
- Biofuel and wood fuel regulations
- Renewable Energy Fund for capacity building

Source: World Bank Development Indicators, World Bank Country Notes, Renewable Energy and Energy Efficiency Partnership, U.S. Energy Information Administration, World Health Organization Country Profiles, Food and Agricultural Organization Country Profiles, Future Agriculture Policy Briefs. Accessed in December, 2014

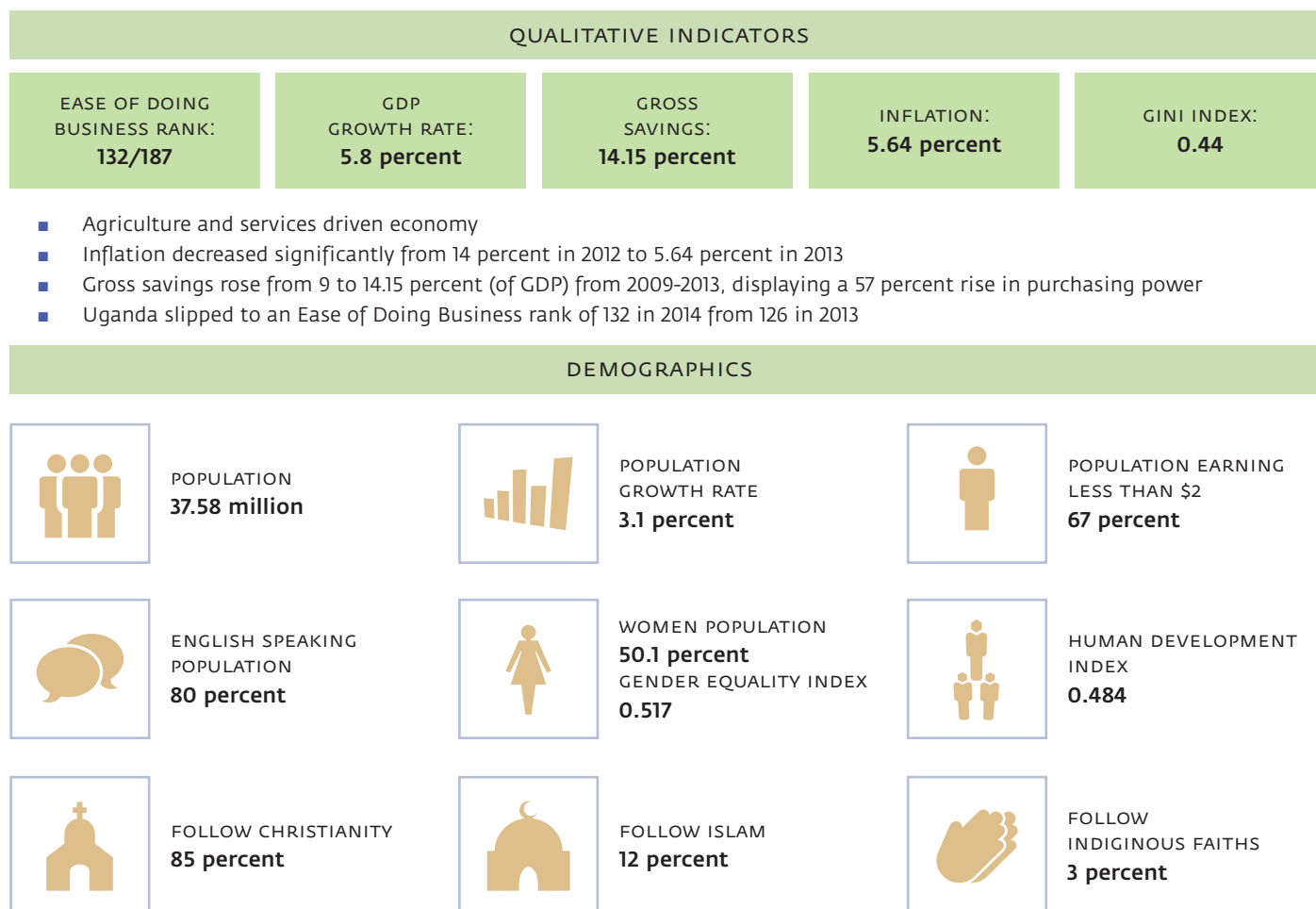
COUNTRY 3

UGANDA

Uganda is an East African country bordered by Kenya, Democratic Republic of the Congo, Rwanda and Tanzania. Uganda is part of the Common Market for Eastern and Southern Africa

(COMESA). A snapshot of its macroeconomic environment and demographics is shown in figure 28.

FIGURE 28
SNAPSHOT OF MACROECONOMIC INDICATORS AND DEMOGRAPHICS IN UGANDA



Source: World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

Legal and political system

A high-level overview of the nature of legal and political systems in Uganda follows, while their current states as measured

by globally recognized rating systems are shown in figure 29.

- Legal system is based on English Common Law and African Customary Law
- The regulatory system shows inadequate transparency and implementation varies across different bodies and agencies
- The government has made efforts to adopt and implement a number of laws and regulations to open the market and make the environment friendly for trade and investment more conducive; however the rules for market competition are not consistent for all market participants
- Uganda has signed treaties like Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC)

FIGURE 29

GLOBAL RATINGS THAT OFFER A MEASURE OF THE POLITICAL AND LEGAL SYSTEM IN UGANDA

**Investment climate****Foreign Direct Investment**

Net inflows of \$1.2 billion in 2013, growing at a CAGR of 8 percent since 2009^E

Key investment sectors

Manufacturing, financial services and real estate, and agriculture, forestry, fishery and processing

Key Government bodies

Uganda Investment Authority, Uganda Registration Services Bureau, Uganda Revenue Authority

Policies to aid foreign investment

- Ugandan policies, laws, and regulations are generally favorable towards foreign investors with investment incentives for investors in four "priority" sectors: information and communication technology, tourism, value-added agriculture, and mineral extraction
- Competitiveness and Investment Climate Strategy (CICS), 2015 – Strengthening the legal and legislative framework for increasing private sector investments in all sectors
- Counterfeit Goods bill, 2005 – Prohibits trade of counterfeit goods that infringe upon protected intellectual property rights
- The Public Procurement and Disposal of Public Assets Act, 2003 – Assures that government entities are free to procure from sources within and outside Uganda; therefore making it free and open to competition

Capital requirements

Licensing from the Uganda Investment Authority requires a commitment to invest over \$100,000 over three year

Work permits

There over nine different classes of work permits for foreigners based on the nature of the work and the employer in Uganda, work permits must be obtained before travel to the country. The government implements work permit regulations stringently to protect livelihoods of local workforce

Some highlights of the inclusive business ecosystem**Sectors with more activity in inclusive business models**

Education, sanitation, healthcare, energy and agriculture

Key investors and donors that support inclusive businesses

- Acumen Fund, Pearl Capital Partners, Root Capital, Mango Fund, and InReturn Capital channel risk capital into inclusive businesses
- GIZ, SNV World, and B-Space provide advisory support and technical assistance

Some examples of Indian businesses that have transferred and expanded to Uganda

- Husk Power – Builds off-grid biomass-based power systems and creates a self-sustaining ecosystem
- Jayashree Tea and Industries - Tea producer with tea estates, processing factories, and packaging and warehousing facilities
- Medanta Healthcare – Provides technical assistance to several hospitals
- Operation ASHA – Provides last mile TB prevention and healthcare

E. World Bank Development Indicators, Accessed in December, 2014

Overview of focus sectors

A brief snapshot of the state of the market, infrastructure, challenges and key policies in the focus sectors of agriculture, healthcare and renewable energy is shown in figure 30.

FIGURE 30
OVERVIEW OF THE STUDY'S FOCUS SECTORS IN UGANDA



HEALTH CARE

HEALTHCARE EXPENDITURE

- Government – 26 percent
- Private sector and donors – 74 percent

DOCTOR/POPULATION RATIO

- 50,000 people - 1 physician

CHALLENGES

- Low insurance coverage
- Negative perception of health care service providers in the country
- Chronic shortage of trained health workers

INNOVATIONS

- Documenting health care records

POLICIES/SCHEMES/ACTIONS

HEALTH SECTOR STRATEGIC AND INVESTMENT PLAN, 2015

- Support to service providers to improve business processes, management information systems and enterprise resource plans



AGRICULTURE

GDP SHARE

- 24.1 percent

EMPLOYMENT

- 66 percent of the workforce

SECTOR GROWTH RATE

- 2.7 percent

CHALLENGES

- Information asymmetries
- Lack of capital
- Risk and uncertainty of prices
- Extreme climate conditions

POLICIES/SCHEMES/ACTIONS

AGRICULTURAL SECTOR DEVELOPMENT STRATEGY AND INVESTMENT PROGRAMME (DSIP), 2015

- Improving access to markets and value addition
- Institutional strengthening in the sector
- Creating an enabling environment



RENEWABLE ENERGY

INSTALLED CAPACITY

- 683 MW
- Thermal – 34 percent
- Hydro – 66 percent

CHALLENGES

- Low levels of affordability in rural areas
- Lack of rural distribution of after sales services centers
- Private capital for long term investment is very expensive

POLICIES/SCHEMES/ACTIONS

RENEWABLE ENERGY POLICY, 2007

- Establish a fiscal policy framework for RE investments
- Promote research and development, international cooperation, technology transfer and adoption of standards in RE technologies

NATIONAL DEVELOPMENT PLAN, 2010

- Developed a feed-in-tariff structure for small-scale energy systems to increase private sector participation

Source: World Bank Development Indicators, World Bank Country Notes, Renewable Energy and Energy Efficiency Partnership, U.S. Energy Information Administration, World Health Organization Country Profiles, Food and Agricultural Organization Country Profiles, Future Agriculture Policy Briefs. Accessed in December, 2014

COUNTRY 4

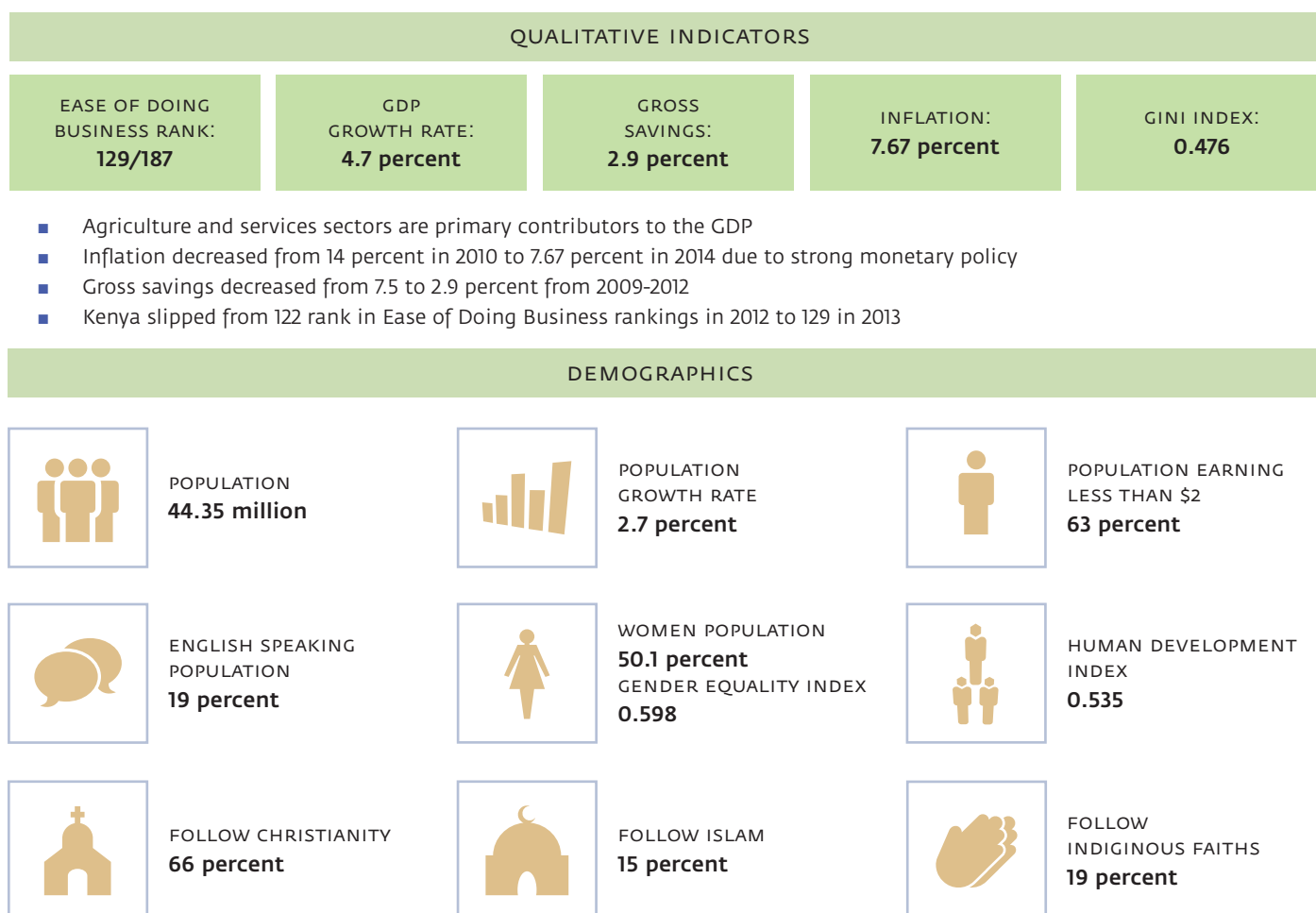
KENYA

Kenya is an East African country bordered by Tanzania, Uganda, South Sudan, Ethiopia and Somalia. It is part of the Common Market for Eastern and Southern Africa (COMESA). A preferred entry market for 50 percent of our sample set,

Kenya is viewed by many entrepreneurs and investors as a regional hub and a gateway into East Africa and some Southern African markets as well. A snapshot of its macroeconomic environment and demographics is shown in figure 31.

FIGURE 31

SNAPSHOT OF MACROECONOMIC INDICATORS AND DEMOGRAPHICS IN KENYA



Source: World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

Legal and political system

A high-level overview of the nature of legal and political systems in Kenya follows, while their current states as measured

by globally recognized rating systems are shown in figure 32.

- Judiciary has been transformed from a dual to a unified judicial system which applies both English law and African Customary law.
- Government has eliminated or simplified many licenses needed for doing business, with the number decreasing from 694 in 2007 to just 16 currently
- Lack of political will and the slow pace of reform in key sectors are reasons for Kenya being ranked amongst the

35 lowest-scoring countries in the Corruption Perceptions Index.

- A draft Business Regulatory Bill has been developed to provide for regulation of business activities, and the establishment of a business quality review committee.
- Kenya is a member of the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA)

FIGURE 32

GLOBAL RATINGS THAT OFFER A MEASURE OF THE POLITICAL AND LEGAL SYSTEM IN KENYA



DATA FOR 2013

Investment climate**Foreign Direct Investment**

Net inflows of \$0.5 billion in 2013, growing at a CAGR of 51 percent since 2009^F

Key investment sectors

Retail and consumer products, telecommunications, technology, media, minerals, oil and natural gas, and renewable energy

Key Government bodies

Kenya Revenue Authority, Kenya Investment Authority

Policies to aid foreign investment

- Manufacturing Under Bond program - Encourages manufacturing for export by exempting participating enterprises from import duties and Value-Added Tax on imported plant, machinery, equipment, raw materials, and other imported inputs
- The government permits Value-Added Tax remission on capital goods, including plants, machinery, and equipment for new investment, expansion of investment, and replacement

Capital requirements

- No minimum investment is required for obtaining tax incentives
- Investors can freely raise capital both locally and internationally
- Foreign investors have equal access to government-financed research

Work permits

An assured expatriate salary of at least \$24,000 annually is mandatory for the issuance of a work permit

Some highlights of the inclusive business ecosystem**Sectors with more activity in inclusive business models**

Agriculture, ICT, renewable energy and microfinance

Some organizations engaged in the inclusive business ecosystem

- Kenya is the headquarters of several impact funds, donors, foundations and others focused on making equity, debt and grant-based investments in inclusive businesses. Some of these include Acumen Fund, Grassroots Business Fund, responsAbility, Fanisi Capital and, Root Capital and ICCO Invest
- There is also a growing movement around acceleration and incubation of inclusive business models with organizations such as Ashoka, Growth Africa and Amani Institute specifically focusing on supporting socially impactful businesses
- Industry associations such as Aspen Network of Development Entrepreneurs and Global Impact Investing Network have a membership base and organize frequent convenings
- Academic institutions such as Strathmore Business School are also increasingly involved in inclusive business research and dialogue

Some examples of Indian businesses that have transferred and expanded to Kenya

- Phoenix Medical Systems – Manufactures cost-effective health care products for infants
- Vision Spring – Trains micro entrepreneurs to conduct vision camps, check eyesight and sell glasses
- Greenlight Planet – Sells off-grid solar lighting products
- Astonfield Solesa – Designs and builds decentralized solar-hybrid minigrids for industrial scale-use in order to provide a cleaner and cheaper source of energy for diesel generator-dependent SMEs
- RJ Corp – Dairy businesses in Kenya

Government support for inclusive businesses

- Kenya's Vision 2030 programme – Integrated policy programme aimed at aligning economic and human development, has created an inclusive business ecosystem
- Financial Sector Deepening Programme (2005) – Supports the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty

^F World Bank Development Indicators, Accessed in December, 2014

Overview of focus sectors

A brief snapshot of the state of the market, infrastructure, challenges and key policies in the focus sectors of agriculture, healthcare and renewable energy is shown in figure 33.

FIGURE 33
OVERVIEW OF THE STUDY'S FOCUS SECTORS IN KENYA



HEALTH CARE

HEALTHCARE EXPENDITURE

- Government – 33 percent
- Private sector – 67 percent

DOCTOR/POPULATION RATIO

- 100,000 people - 14 physicians

CHALLENGES

- Low insurance penetration
- Centralized authority
- Poor financing options
- Poor infrastructure

INNOVATIONS

- Telemedicine centers
- Affordable diagnostic and monitoring services

POLICIES/SCHEMES/ACTIONS

KENYA HEALTH POLICY,
2030 PLAN

- Attain universal coverage
- Achieve 16 percent improvement in life expectancy
- Achieve 50 percent reduction in annual mortality from all causes
- Achieve 25 percent reduction in time spent in ill health



AGRICULTURE

GDP SHARE

- 29.3 percent

EMPLOYMENT

- 75 percent of the workforce

SECTOR GROWTH RATE

- 2.9 percent

CHALLENGES

- Transport infrastructure and logistics systems
- Limited access to extension services in agriculture

PRIVATE SECTOR ACTIVITY

- More activity in inputs such as fertilizers, pesticides, seeds

POLICIES/SCHEMES/ACTIONS

AGRICULTURAL SECTOR
DEVELOPMENT STRATEGY, 2020
PLAN

- Facilitate bank loan disbursement to agriculture sector as a priority

ECONOMIC RECOVERY STRATEGY
FOR WEALTH CREATION AND
EMPLOYMENT CREATION, 2003

- Ensure food security by investing in and modernizing the agricultural sector



RENEWABLE ENERGY

INSTALLED CAPACITY

- 1.48 GW
- Hydro – 57 percent
- Thermal – 32 percent
- Geothermal – 11 percent

ESTIMATED POTENTIAL CAPACITY

- Off-grid solar – 40 MW

CHALLENGES

- Upgrading and expanding the current energy infrastructure
- Mobilizing requisite financial resources
- Enhancing legal regulatory and institutional frameworks to create consumer and investor confidence

POLICIES/SCHEMES/ACTIONS

NATIONAL ENERGY POLICY,
2014 DRAFT

- Provide fiscal incentives for local manufacturers/service providers

ENERGY ACT, 2006

- Licensing procedures
- Feed-in tariff schemes
- Dispute settlements

Source: World Bank Development Indicators, World Bank Country Notes, Renewable Energy and Energy Efficiency Partnership, U.S. Energy Information Administration, World Health Organization Country Profiles, Food and Agricultural Organization Country Profiles, Future Agriculture Policy Briefs. Accessed in December, 2014

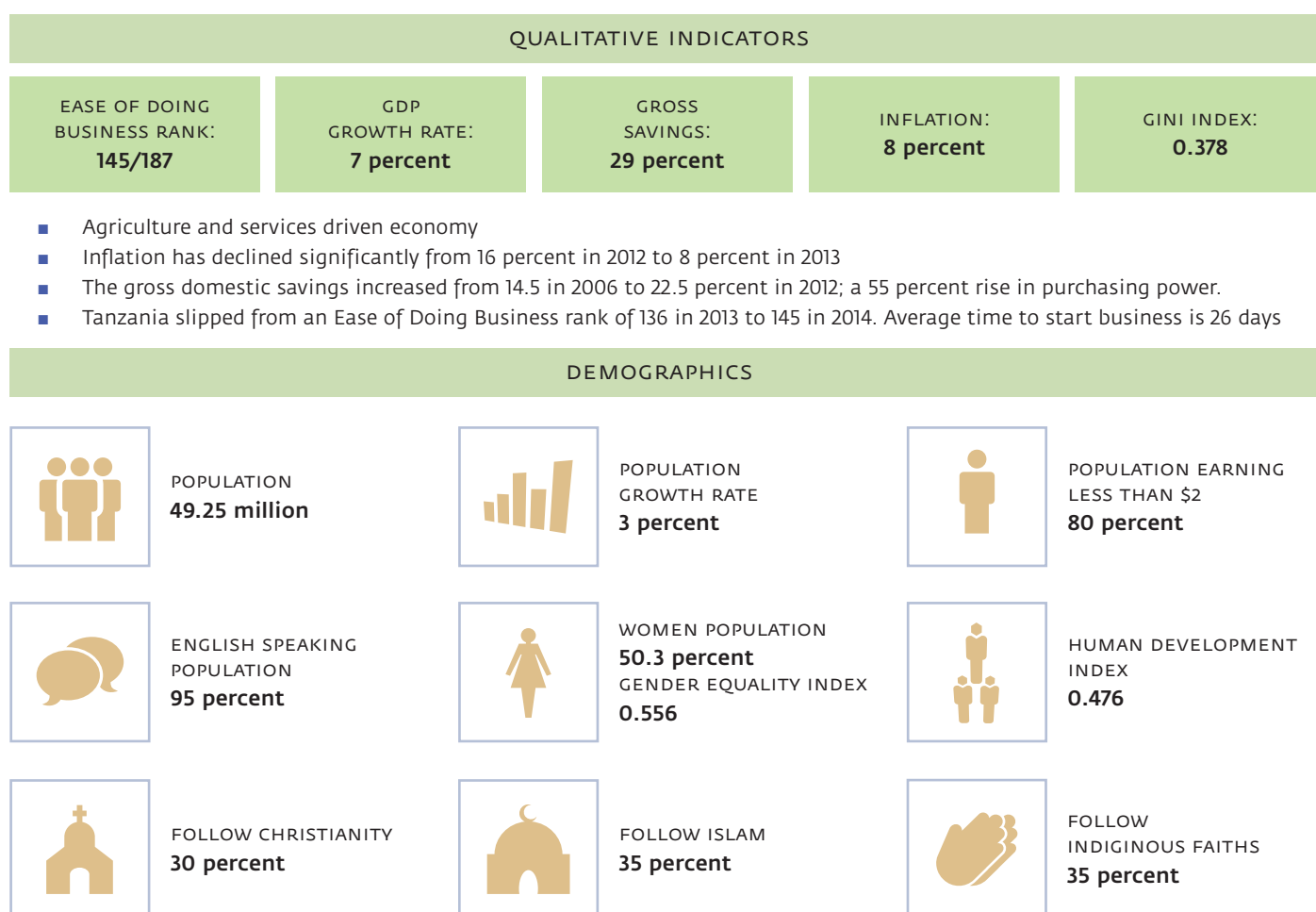
COUNTRY 5

TANZANIA

Tanzania is an East African country bordered by Kenya, Uganda, Rwanda, Burundi, Democratic Republic of the Congo, Zambia, Malawi, and Mozambique. Tanzania is a former member of the Common Market for Eastern and Southern Africa (COMESA); it left the free trade area association in 2000.

However, it is part of the East African Community, a regional intergovernmental organization which has established a common Customs Union and a Common Market⁶. A snapshot of its macroeconomic environment and demographics is shown in figure 34.

FIGURE 34
SNAPSHOT OF MACROECONOMIC INDICATORS AND DEMOGRAPHICS IN TANZANIA



Source: World Bank Development Indicators and World Bank Country Notes, Accessed in December, 2014

Legal and political system

A high-level overview of the nature of legal and political systems in Tanzania follows, while their current states as

measured by globally recognized rating systems are shown in figure 35.

- Legal system is based on English common law
- Notable progress around transparency and accountability has been made under the National Framework on Good Governance and various reforms
- Tanzania is a member of Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID)

FIGURE 35

GLOBAL RATINGS THAT OFFER A MEASURE OF THE POLITICAL AND LEGAL SYSTEM IN TANZANIA



DATA FOR 2013

Investment climate**Foreign Direct Investment**

Net inflows of \$1.8 billion in 2013, growing at a CAGR of 18 percent since 2009^H

Key investment sectors

Agriculture, mining, tourism, telecommunications, financial services, energy, and transportation infrastructure

Key Government bodies

Tanzania Investment Center, Registrar General Department, Tanzania Revenue Authority, Zanzibar Investment Promotion Agency and Business Registration and Licensing Authority

Policies to aid foreign investment

- Government provides several investment guarantees and incentives namely Zero Custom Duty and deferred corporate tax, VAT tax capital goods for priority sectors, including agro-processing and transport; 100 percent capital allowance deduction, No remittance restrictions, Guarantees against nationalization and expropriation
- There are no laws or regulations that limit or prohibit foreign investment, participation, or control, and firms generally do not restrict foreign participation

Capital requirements

- No minimum capital slab exists for starting business
- Minimum capital required is \$300,000 for accessing incentives for joint ventures with Tanzanians and wholly owned foreign projects

Work permits

Labor and immigration regulations permit companies to recruit maximum of five expatriates, more work permits can be considered under specific conditions

Some highlights of the inclusive business ecosystem**Sectors with more activity in inclusive business models**

Agriculture, ICT, renewable energy, and logistics and warehousing

Some organizations engaged in the inclusive business ecosystem

- Some funders and donors making investments in inclusive businesses include Acumen Fund, Omidyar Network, SME Impact Fund, Private Agricultural Sector Support Trust (PASS and African Agricultural Capital)
- Technology incubators that mentor entrepreneurs and provide access to capital include Co-creation Hub and the Institute for Venture Design

Some examples of Indian businesses that have transferred and expanded to Tanzania

- Husk Power – Builds and distributes power through decentralized biomass-based mini-grid power systems
- Kevin Power Solution – Provides solar related lighting, charging and affiliated products through an established network of distributors
- Apollo Hospitals – Through a PPP model, operates a multi-specialty hospital and employs a hub-and-spoke model for improving efficiency in service delivery
- Digital Green – Helps farmers share best practices within their communities through an ICT-based approach

G. East African Community website, Accessed in November 2014

H. World Bank Development Indicators, Accessed in December, 2014

Overview of focus sectors

A brief snapshot of the state of the market, infrastructure, challenges and key policies in the focus sectors of agriculture, healthcare and renewable energy is shown in figure 36.

FIGURE 36

OVERVIEW OF THE STUDY'S FOCUS SECTORS IN TANZANIA



HEALTH CARE

HEALTHCARE EXPENDITURE

- Government – 26 percent
- Private sector and donors – 74 percent

DOCTOR/POPULATION RATIO

- 50,000 people - 1 physician

CHALLENGES

- Increasingly donor dependent
- Inadequate funding
- Centralized authority
- Lack of community participation in planning

INNOVATIONS

- Telemedicine

POLICIES/SCHEMES/ACTIONS

NATIONAL HEALTH POLICY, 2003

- Outsourcing of non-core functions to private sector



AGRICULTURE

GDP SHARE

- 27 percent

EMPLOYMENT

- 75 percent of the workforce

SECTOR GROWTH RATE

- 4.2 percent

CHALLENGES

- Poor infrastructure
- High post-harvest crop losses
- Inadequate market access
- Inadequate investment in processing

POLICIES/SCHEMES/ACTIONS

KILIMO KWANZA, TANZANIA AGRICULTURE AND FOOD SECURITY INVESTMENT PLAN (TAFSIP), 2011-12 TO 2020-21

- Facilitate private sector investment through incentives and a policy framework for commercialization of agriculture



RENEWABLE ENERGY

INSTALLED CAPACITY

- 1.2 GW
- Thermal – 54 percent
- Hydro – 46 percent

CHALLENGES

- Limited awareness and exposure to the existence and potential of RE technologies
- Limited technical know-how
- High initial and investment costs for the technologies

POLICIES/SCHEMES/ACTIONS

ENERGY AND WATER UTILITY REGULATORY AUTHORITY (EWURA) ACT

- Tariff setting for independent renewable energy producers

RURAL ENERGY FUND

- Co-financing investments in pilot and demonstration projects and applications for renewable energy

Source: World Bank Development Indicators, World Bank Country Notes, Renewable Energy and Energy Efficiency Partnership, U.S. Energy Information Administration, World Health Organization Country Profiles, Food and Agricultural Organization Country Profiles, Future Agriculture Policy Briefs. Accessed in December, 2014

Deep-dive Analysis of Entry Markets

After shortlisting countries or regions, the next step is to carry out a deeper analysis of these markets based on sectoral and organizational dependencies (figure 37) to better understand markets and adapt business models to meet local needs. Additionally, the activities involved in deep-dive analysis also help build know-how of local business approaches and are helpful to identify local partners.

FIGURE 37
DECISION DRIVER FOR CHOOSING THE
RIGHT MARKETS



Sector-level business dependencies can be evaluated by considering the policy environment, raw material access, distribution channels, competition and market maturity

Policy environment

Import policies, license regimes, and incentives for specific sectors vary from country to country. These can impact viability of transfer if the regulatory regime requires a specific type of compliance (for example, need for a local partner to lease land) or if regulations plays an inhibitory role (for example, weak or absent protection of IP ownership rights). Regulations also have a significant impact on the cost of doing business, especially in sectors such as agriculture and renewable energy where business models can be asset-heavy and often rely on subsidies to make their end-offerings affordable to customers. Often, policies can be complex and implementation can vary from business to business. In such cases, inclusive businesses tend to rely on local networks and relationships to understand and navigate policy challenges. For instance, in some East African countries, import duties on solar products are relaxed on a case-by-case basis and necessitate an application and representation to the local ministry of renewable energy.

Raw material access

Several types of raw materials such as goods and products, especially those that are technology or bulk manufacturing-based, are not easily available in some African markets. Even if raw material is available, it may not be available in requisite quantity and quality to drive large-scale processes. A challenge that is amply demonstrated by the fact that most multinational fruit juice processing firms based in East Africa tend to rely on import of processed fruit pulp from India for manufacturing. Because of this, many inclusive businesses are forced to consider importing raw materials. This not only increases cost of production, but has negative impact in terms of decreased contribution to the local economy.

Inclusive businesses will benefit from flexibility in searching for locally available alternatives and substitutes, and in working with local aggregators and suppliers to source these. While there is an upfront investment in this approach, it pays off in the medium term from savings on import duty, port handling charges, and long-distance transportation.

Distribution channels

Given the poor state of transportation, logistics, and distribution infrastructure in most African countries, inclusive businesses tend to rely on partners for distribution or selectively choose to work in countries with existing distribution infrastructure. This is because distribution to peri-urban and rural areas can be prohibitively expensive, particularly for firms that only seek to distribute a few products. Third-party distribution channels like retail stores and door-to-door sales networks, or organizations that operate at the last-mile, can bring down the cost of distribution because they do not rely on one to two products for margins. Alliances with third-party distributors can also contribute operational support for import and storage, knowledge and insights about the local markets, supply of raw material, and consumer financing.

Understanding the state of distribution channels and partnership formats required to access them can help business models adapt to local contexts.

Competition

Not all sectors and markets in Africa are nascent. In fact some, such as information and communication technology (ICT) and digital financing can be significantly more evolved than in Indian markets. Inclusive businesses entering such markets may benefit from evaluating competition carefully and ensuring that their value proposition is both unique and needed before investing in Africa transfer. In addition to direct competition, it is useful to study alternatives and substitutes available in the market in more detail.

Contrary to traditional approaches, inclusive businesses may also benefit from considering existing firms as strategic partners instead of competitors. By creating partnerships comprising of give-and-take of expertise and resources where both firms benefit, such alliances can help in successful transfer of inclusive business models and also show more rapid scale. For instance, Greenlight Planet supplies solar lamps to many off-grid solar companies in Africa that could traditionally be considered competitors. However, the company has carefully analyzed that in some African markets the unique value proposition it brings is that of a product manufacturer and not distributor. It has adapted its model accordingly.

Market maturity

Understanding the relative maturity of markets in specific sectors is helpful to select markets that offer a first-mover advantage, while avoiding those that are entirely undeveloped or have a very high degree of competition. Evaluating market maturity involves analyses of the quantum and types of business operating in that sector, substitutes and alternatives that customers currently purchase, efficiency of value chains, and access to capital in the sector.

For example, in the healthcare sector, Kenya and Nigeria are more mature and driven by the private sector, while Tanzania is relatively less mature and primarily driven by the public-sector enterprises. As a result, smaller and medium inclusive businesses prefer to enter private-sector dominated markets such as Kenya and Nigeria, while Tanzania is a market of choice for larger businesses such as Apollo Hospitals, which has entered the market in a public-private partnership with the government.

Organization-level dependencies that drive entry market choices can include physical and technological infrastructure, population density for business viability, talent and cultural context

Physical and technological Infrastructure

Inclusive businesses that rely on infrastructure are more likely to successfully transfer to countries that provide adequate level of infrastructural support. Secondary data from government sources and industry reports is often inadequate to develop an informed view on this issue. Most businesses in our sample set relied on first-hand evidence to understand the strengths and weaknesses of infrastructure in their target markets and validate the real cost of accessing such infrastructure.

As an illustration, consider that even though Nairobi and its surrounding areas have one of the highest electrification rates in the COMESA region, it frequently has six to nine hours of power failure in a day, particularly in summer. Most businesses rely on diesel generators for back-up power generation, and the expenditure on this can negatively impact profitability for a business that does not adequately budget for this challenge.



Population density required for business viability

Population density is much lesser in African countries than in India, and the number of small towns and cities is significantly lower as well. Even Kenya, which is one of the largest markets in Eastern and Southern Africa and a country of choice for nearly half of the sample set of this study, has only two cities with population of more than 400,000⁴² (The capital Nairobi, and the port city Mombasa). Overall only 11 percent of its population lives in urban agglomerates of more than one million. As a result, the cost of acquisition per customer can be significantly higher in Africa while the average revenue per customer remains comparable to India, which results in margin pressures.

Inclusive businesses that have a dependency linked to population density will benefit from either tweaking their business models or choosing countries with higher population densities. In fact, sometimes both approaches may need to be blended for transfer to an African market. Husk Power Solutions (which builds and operates rice-husk based gasifiers to generate electricity) and Astonfield Solesa present interesting examples. While the former chose site locations based on presence of anchor loads (such as telecom towers that can guarantee a steady consumption of electricity), the latter moved from a margins-based to volumes-based business model (i.e. installing several projects of smaller capacity than few of higher capacity).

Talent

Inclusive businesses with critical dependencies on skilled talent, especially senior-level managerial and technical staff, could consider entering markets that are positioned as “regional hubs” within Africa. These include hubs like Kenya in

East Africa and Nigeria in West Africa. Both countries attract large international and regional companies, and as a result have a higher concentration of skilled and experienced talent.

Among the sample set, the key preference was to appoint a senior leader from India at the helm of affairs, simply because such a leader would be more clued-in to the long term strategy of the firm and understand operational nuances. However, businesses preferred to hire and train local staff for all other roles, including some senior-level roles. Strategies to onboard local hires included on-the-job training, in-depth workshops, and field-based training.

Cultural context

Inclusive business models often thrive in a specific cultural context, several elements of which may be common between India and African countries. Some of these could be critical business dependencies such as reliance on women making purchase decisions, and products or services that need local language skills to deploy. Transfer is more successful when such dependencies are taken into account while making entry market choices.

Often, challenges of cultural contexts may not even be readily visible until on-ground operations are initiated. Renewable energy company SKG Sangha, which installs household and community-level biogas plants, found that using red bricks for construction was a cultural taboo in some parts of Mali where it was working. The firm spotted this nuance early enough in the project and so avoided placing a procurement order for the “wrong colored” bricks, but that was only because it was working closely with local NGOs and community leaders to garner this insight.

Key risks of expanding to African countries

In addition to systematic selection and deep-dive analysis of entry markets, businesses should be aware of key risks of transferring to Africa, particularly where cross-border expansion is envisaged.

These risks can be categorized as macro-level economic, political, and social risks, and sector-specific risks. The degree of risk varies from country to country, but as a general trend, high growth markets like Kenya, Uganda, Tanzania, Ghana, and Nigeria, that are described in more detail in this report, are lower risk than the rest of Sub-Saharan Africa.

MACRO-LEVEL RISKS

Economic risks include high government borrowing, rising inflation rates, and currency stability

Over the past five to seven years, several Africa countries issued Eurobonds to fund large infrastructure and social development projects. Borrowers include Gabon, Rwanda, Kenya, Ghana, and Ivory Coast; total debt raised over 2013 and 2014 alone exceeds \$12 billion⁴³. No defaults were reported so far, and early signs seem to indicate that as long as funds are managed well and projects stay on track, the bonds will actually go a long way towards growing African economies.

While bond defaults might be a longer term risk, rising inflation rates is a more immediate cause for worry. Consumer price inflation in Sub Saharan Africa was reported at 5.5 percent in 2013; driven largely by higher food prices and rising wage rates and salaries⁴⁴. Even though this is higher than the global average of 2.7 percent, inflation in the region has fallen drastically from a 2008 high of 10.6 percent⁴⁵. Further, many governments are addressing inflation through short-term strategies that include relaxation of import duties on food and agricultural imports, as well as longer-term strategies such as improving agriculture productivity and infrastructure for processing and warehousing.

Finally, inclusive businesses investing in Africa must be aware of currency volatility. Many high-growth African economies liberalized their exchange rate frameworks two decades back. While this has helped reduce shadow trading of currencies, the growing fiscal and current account deficit in many countries do impact currency stability.⁴⁶

Political risks include state-sponsored violence and human rights violations

Doing business in Africa carries a perception of heightened political risk for many. Such perceptions are often validated by on-ground occurrences. As an example, in 2012, Kenya witnessed a 61 percent drop in foreign and local investments, which Kenya Investment Authority⁴⁷ attributed to Kenya's growing involvement in the Somalian conflict. However, governments of high-growth African countries, including Kenya, Nigeria and Ghana, prioritize economic growth and focus on building facilitative business environments. International business growth in these countries continues to show positive trends, with many firms mitigating risk by getting operations insured by initiatives like the African Trade Insurance Agency.⁴⁸

Social risks include inequity, high disease burden, and weak law and order infrastructure

Inclusive businesses also need to be aware of the social risks of doing business in Africa. There is widespread inequity, with over half the population living on less than \$1.25 a day⁴⁹. The region also has a high disease burden of communicable diseases, particularly malaria, diarrheal diseases, lower respiratory tract diseases, and HIV/AIDS⁵⁰. Further, law and order infrastructure in many countries is weak, especially in peri-urban and rural areas. Several Central and West African countries are active conflict zones and many have only recently emerged from conflict.

Other systemic risks comprise corruption and weak infrastructure

Inclusive businesses stand to face considerable legal, financial and reputational risks from engaging in, or even turning a blind-eye to corrupt practices. This risk is especially high in the African region, where weak regulatory regimes, unstable political climates, and untapped natural resources have combined to create fertile environments for corrupt practices. However, increased transparency and accountability brought in by progressive governments and growing scrutiny by international governments and firms are driving a gradual change. Corruption levels decreasing to nearly the same as India and many South East Asian countries.

Further, although the state of infrastructure in Africa is improving (see section C.1), it is weak and causes increased costs for inclusive businesses, especially those depending heavily on access to power, roads, and ports. Businesses in the region can face up to eight power outages every month, and lose 4.9 percent of their annual sales due to these⁵¹. Exporting goods can take an average of 31.5 days, and importing can take 37.1.⁵²

SECTOR-SPECIFIC RISKS

Dynamic regulatory environments

Frontier markets such as Africa typically have dynamic regulatory environments, with policies drafted and changed at a much higher frequency than stable developed markets. This poses a risk for inclusive businesses operating in sectors which rely more on facilitative public sector policies. Some examples of regulation-dependent models include: agribusinesses that require access to large parcels of land, healthcare models that require approvals and licensing to provide diagnostic or therapeutic services, and renewable energy companies that supply to the public grid and rely on economically viable power purchase rates.

Nascent manufacturing sector

The manufacturing sector in Africa is nascent across most countries, and hence businesses that rely on supply of machinery or products may need to look to imports. This challenge is especially critical for sectors that need access to technologically advanced machinery and goods, such as renewable energy and healthcare. The import-reliance adds to the cost structure of businesses and they will need to adapt their models to counter this.

Inefficient value chains

High impact sectors like agriculture, healthcare, and renewable energy are relatively nascent in Africa. As a result their value chains are under-developed and inefficient. Inclusive businesses that rely on value-chain efficiencies in India like aggregated producers, high-quality suppliers, and third-party distribution platforms may not find these across all African countries.



42. Country Notes – Kenya. World Bank.

43. Africa Renewal Online. United Nations.

44. Regional Economic Outlook. International Monetary Fund.

45. World Development Indicators. World Bank.

46. Regional Economic Outlook in Sub-Saharan Africa. International Monetary Fund.2014.

47. A state-promoted agency tasked with promoting investments in the country.

48. Provides political risk and trade credit risk insurance products with the objective of reducing the business risk and cost of doing business in Africa.

49. World Development Indicators. World Bank.

50. Global Burden of Disease. World Bank.2013.

51. Enterprise Surveys. World Bank.

52. Trading Across Borders. World Bank Doing Business.2012.

A typical small or medium inclusive business is likely to have nearly all of its resources dedicated to business growth in India. As a result, these resources are not readily available to be dedicated to international transfer. Yet, resources must be systematically built or carved out from existing resources.

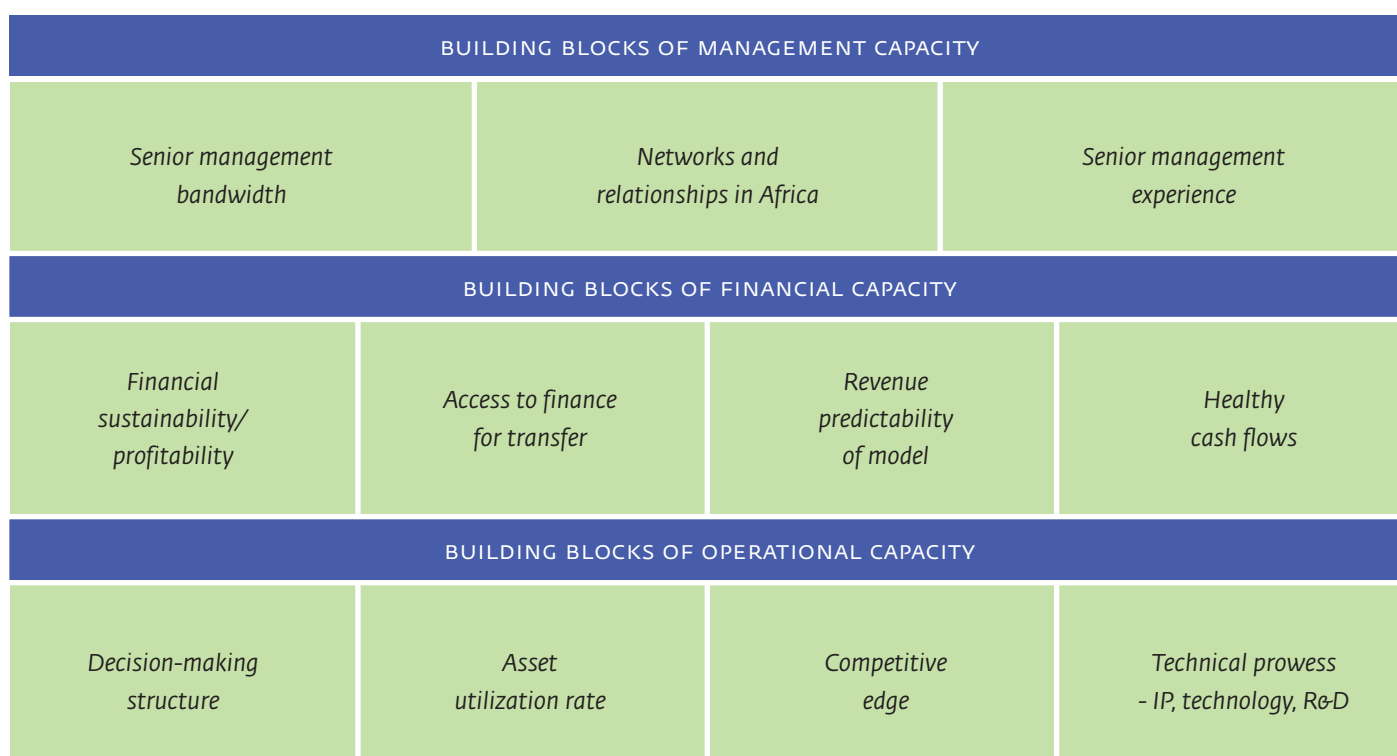
Clarity in the intent and preferences of transfer, and early validation of market need, are helpful in building a rich understanding of readiness required for systematic transfer to Africa.

The key building blocks of internal readiness can be broadly categorized as management, financial, and operational capacities. In other words, the availability of money and time to dedicate to India as well as new global markets; and presence of a robust operational model that can be easily adapted to a foreign market (figure 38).

Credit: Zabir Hasan



FIGURE 38
BUILDING BLOCKS OF ORGANIZATIONAL CAPACITY FOR TRANSFER



Management Capacity

In a new market, strong management capacity is required to drive strategy and planning processes, manage on-ground implementation, and affect course-correction. This is more than a question of merely allocating an employee to focus on transfer, and involves careful planning to build senior management bandwidth, both in terms of time availability as well as expertise. This senior management must build an effective second line of leadership, fine-tune management structures, hire local talent, and partner with local firms.

The two critical determinants of management capacity for transfer are availability of senior management time for strategy planning and execution and management access to business networks or relationships in Africa. A firm's talent management strength is less critical while preparing for transfer but crucial while scaling in new markets, particularly in terms of its expertise in fast-tracking growth of promising employees through training and mentoring, and managing employee-owned stock options as financial incentives to support retention.

The range and depth of experience of the management team enhances readiness to some extent but is considered less critical; in fact, several cases of successful transfer were led by young and mid-career professionals (as in the case of Greenlight Planet and Digital Green).



Senior management bandwidth

Senior leadership is often completely engaged in overseeing company growth in India. Hence, inclusive businesses may have to specifically “create” management bandwidth by using strategies such as: (i) identifying full-time senior leaders for their Africa expansion, as observed in Manasa Agro and Astonfield from our sample set, (ii) assigning the responsibility of transfer to existing business development personnel, as in the case of Greenlight Planet, (iii) entrusting mid-level managers or a “second line of leadership” with greater responsibility, and (iv) entering into a strategic alliance with a partner in Africa that can contribute human resources. Management bandwidth is more easily carved out in businesses that have well-organized management structures, with one senior leader focused on not more than two to three related functions. Along with creation of management bandwidth, it is also useful for businesses to ensure stability by identifying and appointing senior personnel who are more likely to stay with the firm over a period of time and guide transfer.

Networks and relationships in target markets

Existing networks and relationships in countries of interest can go a long way towards effective transfer planning. This is particularly true while making broad choices around which region or cluster of countries an inclusive business should study in more detail. There are several ways to establish these relationships. At the organizational level, these include subscribing to industry associations and participating in industry meets and trade shows. Other avenues include tapping into team members' networks, as in the case of Barrix Agro which transferred its model from India to Uganda in 2013 (spotlight 6), and investing in in-country visits to build relationships, which Greenlight Planet used to identify distribution partners in Africa. In most cases, inclusive businesses are not likely to have existing relationships in Africa. An approach that blends large-scale outreach through conventions and trade shows, and targeted outreach through in-person meetings can be effective.

SPOTLIGHT 6

BARRIX AGRO'S EXPERIENCE IN LEVERAGING EXISTING RELATIONSHIPS IN AFRICA FOR TRANSFER

Barrix Agro developed affordable pheromone-based pest control traps that help reduce use of pesticides in crop production, thus increasing pre and post-harvest yield for small farmers.

Barrix Agro decided to venture into Uganda in 2013 by leveraging its founder Lokesh Makam's existing relationships with distributor channels. Before founding Barrix Agro, Makam worked with distributors in the pharma sector in various countries in Africa. These distributors also work closely with the farming community through a wide network of rural retailers. This go-to-market strategy adopted by Barrix Agro in Uganda is helping them create awareness of its low-cost products in a market, which is already flooded with imported pesticides. Moreover, Barrix felt it was important to leverage existing relationships as most distributors would prefer to sell pesticides to earn higher margins as compared to pheromone-based products.

Targeting a trusted network of existing distributors helped Barrix Agro create credibility for a comparatively new product as well as create market coverage for their products among farmers.

Source: Primary interviews with Barrix Agro. This case study has not been covered in the companion guide; please visit www.barrix.in to know more.

Senior management experience

Past experience in expansion also adds to management readiness for expansion. This could exist either at the organizational or individual level, and typically includes in-depth sectoral, functional, and technical know-how garnered over time. Several cases from the sample set had past expansion experience, in India or overseas, and had gone through at least one instance of adapting their business models for a new market. Those that were able to establish a foothold in Africa in less than two years, such as Greenlight Planet, had previous experience of expanding to Indian states ahead of transferring to Africa. Others such as Astonfield Solesa appointed an Africa lead with significant work experience in target markets.

Financial Capacity

Building financial capacity ahead of transfer is critical for inclusive businesses to ensure business continuity in India, while at the same time seeding growth in Africa. The two most critical building blocks of financial capacity are profitability or sustainability and access to funding for transfer. Businesses lacking these should not consider transfer. Other drivers such as revenue predictability of the model and healthy cash flows are less critical, but also add to overall financial capacity for transfer. Good financial health of India operations contributes to the degree of "patience" an inclusive business is able to exhibit

towards investments in a new market. This is evidenced by the fact that most businesses in our sample set took one to three years to begin generating revenues from Africa operations. This is because they faced several common operational challenges that increased gestation periods in new markets, often longer than originally anticipated. This in turn necessitated review of the original estimates of investments needed for Africa expansion as well as time needed for these investments to pay off. Some common challenges included: (i) markets were new and unorganized, and had low consumer readiness, and hence required market-building activities that were not part of the initial transfer plan, (ii) high degree of reliance on suppliers and distributors limited control on ability to load margins, and (iii) willingness to pay differed across consumer segments; for example, businesses that relied on government as primary buyer of products and services had to contend with delays in payments. Businesses that found themselves well-prepared for these challenges had good financial health in India, and in hindsight, found this a key success driver in Africa.

Profitable or sustainable operations indicate ability to fund the transfer and also drive business continuity in India

Profitable operations (or in the case of non-profits, sustainable operations) is a necessary condition for successful transfer. Not only does this conclusively prove that the model has a marketable value proposition, but it can also help create the necessary resources to invest in transfer by contributing towards capital reserves. Given the significant financial drain that most transfer formats call for, profitable operations also indicate business's ability to sustain growth and impact in India.

While profitability is a fairly straightforward concept in for-profit businesses, it can be more complex in the case of non-profits. In the absence of traditional grant sources, firms can explore alternate strategies to raise funds, as observed in the case of SKG Sangha. This biogas plant company, covered in this study, is a non-profit and had sustainable operations in India. However, this sustainability was tied to significant time investment in fundraising from its senior management. In order to free up their time to focus on strategic areas such as international transfer, the inclusive business shifted to carbon credit sales as its primary mode of funding operations (see spotlight 7).

Inclusive businesses need access to funding to invest in transfer – either through internal capital reserves or externally raised funds

Internal capital reserves built up over a period of time can be used to directly fund transfer and also be leveraged to raise external capital as needed. In fact, businesses that have existing reserves might find the cost of capital lower if they can leverage these reserves to raise debt funding from banks or venture debt funds. As an alternative to relying on capital reserves, profitable inclusive businesses can source equity capital with higher risk-taking ability from venture capital or private equity investors. In our sample set, Manasa Agro and Astonfield Solesa relied solely on their own funds, while others such as Greenlight Planet partially relied on own funds and raised external investments to cover gaps.

The need for capital to fund expansion varies based on the transfer format and the nature of inclusive business models. Such access is less important for low-risk transfer formats such as knowledge sharing or trade partnerships, and more important for higher-risk formats like entering into a joint venture or setting up a wholly-owned subsidiary. Further, need for capital is also driven by the nature of the business model – asset-heavy models such as hospitals or farming and service-based models inherently require higher capital investment with longer return horizons, while asset-light models such as ICT-applications and product-based models require lesser capital investment and can show returns in a shorter time frame. Specific business model dependencies can also drive variances in need for capital. Dependencies of reaching BoP customers at the last mile or hiring highly-skilled talent call for significant access to capital ahead of transferring to a new market.

SPOTLIGHT 7

SKG SANGHA'S STRATEGY TO CREATE FINANCIAL SUSTAINABILITY WHILE DECREASING RELIANCE ON SENIOR MANAGEMENT BANDWIDTH

Set up in 1993, SKG Sangha is a non-profit organization that designs, constructs, and maintains household and community-level biogas digester plants in rural areas to provide clean fuel for cooking and vermicompost fertilizer. SKG Sangha has offices in India, Egypt, Kenya, and Mali, and has installed biogas plants across eight countries.

During its first 15 years of operations, the organization relied on fund-raising efforts carried out by its head and senior team members to fund biogas plants as well as its own operations. This took up the bulk of their time. As a result organizational growth was slower than expected. Recognizing this challenge, from 2008, SKG Sangha shifted to financing its projects primarily (up to 60 percent) from the sale of carbon credits.⁵³ This led to a 275 percent increase in the number of units installed per year, and also freed up management bandwidth to focus on strategic areas such as international transfer. It expanded to Kenya in 2009, and financially sustainable operations in India played a key enabling role in the organization's subsequent expansion of activities to five other African countries.

Source: Primary interviews with SKG Sangha team. See companion guide for detailed case study.

Along with ensuring availability of capital for expansion, inclusive businesses will benefit from considering where to raise capital for transfer. Given the nascent state of risk capital markets in Africa and high interest rates (25 to 30 percent) of collateralized bank loans, all businesses in the sample set chose to raise funding either in India or in international markets ahead of moving to Africa. In some cases, this preference was also a result of having deeper relationships with equity and debt funders in the home country of operations rather than in Africa.

If capital for transfer is raised outside the target African country, businesses may want to consider the channels through which capital will be routed to operations in Africa, not only for initiating transfer but for on-going capitalization of business operations. Our sample set overwhelmingly preferred to incorporate holding companies in the U.S. or Mauritius, and set up their African entities as subsidiaries. Capital was first transferred from the Indian entity or external investors to these holding companies and thence to the African subsidiaries.

Predictability of the revenue model and healthy cash flows enhance transferability but are less critical

Revenue predictability and good cash flows are indicative of financial stability. Although less important than the business's overall ability to make money, they contribute by bringing in an element of certainty to decision-making by senior management. Predictable revenues also indicate business maturity. This in turn shows that day-to-day operations require less senior management attention, allowing for management bandwidth to be invested in strategic initiatives like expansion.

In reality, many inclusive businesses struggle with building in predictability into their revenue models. This is partly due to the fragmented and disparate nature of the BoP customer-base, and partly due to the fact that their purchases are often tied into seasonal factors such as crop harvest, which are inherently unpredictable. These challenges are compounded to an even further degree, given lower population density in Africa and frequent droughts, especially in parts of East Africa. In such scenarios, inclusive businesses that were able to develop revenue predictability in India are far more likely to succeed in Africa.

Operational Capacity

Along with financial and management readiness, the state of a firm's operational model — that is, resources and processes used to develop and deliver high-quality products or services to customers — is a key element of internal readiness for expansion. A transfer-ready operation tends to show presence of critical building blocks such as structured decision-making approaches, healthy asset-utilization rates, and follows a well-documented set of standard operating policies. In addition, the presence of a competitive edge and various types of technical expertise, such as R&D and technology that can be leveraged to tweak operational models, are helpful in building transfer-readiness.

Many traditional indicators of operational capacity such as market share and geographic footprint that are closely related to a firm's vintage are less effective in determining readiness of transfer for inclusive businesses. In fact, empirical evidence from the sample set shows that businesses that were only two to five years old in India were able to transfer their models successfully to Africa.

Decision-making structures and degree of standardization in the operating model determine ease of adapting and implementing it in a new market

Operational models that are easy to adapt to a new market are stable in home markets, have a high degree of process standardization, and have quick decision-making structures. They tend to use systems and processes to guide day-to-day work and are not unduly affected by the presence or absence of certain individuals or factors. Some examples include procurement processes for raw materials, partnership frameworks for working with various types of organizations, and standard operating procedures for decisions that need to be made at the field agent level.

Models with such systems in place are more transfer-ready. A significant amount of institutional knowledge about running efficient operations is created in the process of moving from a chaotic startup model to a mature operating model. Processes and systems, such as training of new hires and use of informational technology to promote efficient communications, also build the pathways through which this knowledge can be transferred to a new entity in a foreign market.

Service-based businesses that have standardized processes are also ideally placed to disseminate their models through knowledge sharing as evidenced by Aravind Eye Care and SELCO Solar (spotlight 8).

SPOTLIGHT 9

SELCO SOLAR'S EXPERIENCE IN STANDARDIZING KNOWLEDGE AND PROCESSES FOR TRANSFER

SELCO provides affordable off-grid solar products along with consumer-financing options to underserved rural households. It chose to conduct knowledge-sharing and capacity-building sessions/workshops with African entrepreneurs to build the renewable energy ecosystem in Africa. SELCO's practice of documentation and insights from its experience as an international advisory led to the standardization of the delivery formats of workshops. The workshop curriculum was also strengthened using operational insights from SELCO Solar Pvt. Ltd., such as challenges on policy, financing, and availability of technical support through case studies, surveys, and impact studies.

Source: Primary interviews with SELCO Solar. This case study is not covered in the companion guide; please visit www.selco-india.com to know more.

Credit: Cynthia Koenig



Healthy utilization of assets or operational capacity

With service-oriented businesses, operational capacity is largely a function of having an adequate talent pool for service delivery. Operational efficiency is determined by ratios such as profit per employee or revenue per employee. On the other hand, in the case of product-oriented businesses, operational capacity includes product R&D, manufacturing, servicing and distribution capacities, while operational efficiency is measured by asset turnover ratios.

A healthy rate of operational capacity utilization would entail at least two-thirds of capacity used for revenue-generating activities. This shows that a business's sunk costs in terms of manpower or machinery are actually able to generate returns, and is perhaps the most critical validation of an operating model. There are some extenuating circumstances under which low operational capacity utilization might not necessarily indicate a weak operating model, such as fragmented or nascent nature of markets and inefficient supply chains. For instance, many firms working in the solar mini-grid market in India might find that their operational capacity is underutilized as the solar (grid-connected) energy purchase market in India is witnessing a slowdown (spotlight 10).

Among our sample, all businesses operating in comparatively mature and consolidated markets such as healthcare delivery had positions of market leadership ahead of transfer in Africa, while businesses operating in fragmented markets such as small farmer education services did not. However, the latter group either showed high levels of capacity across all other financial, management, and operational indicators, or received donor funding to transfer to Africa.

SPOTLIGHT 10

THE TRANSFER OPPORTUNITY PRESENTED BY SOLAR MARKET SLOWDOWN IN INDIA

From 2012 onwards, the market for grid-connected solar projects in India has seen a downward trend owing to an inhibitory regulatory environment. The bidding price for government projects fell from ~\$0.20 per kWh in 2010 to ~\$0.10 to 0.12 per kWh in 2011,⁵⁴ and continued a downward trend. It has thus become increasingly difficult for private sector firms to continue winning government contracts on profitable terms. Independent power producers (IPPs) also face challenges such as rising costs of project financing and declining investments in the renewable energy space in India.

On the other hand, East African countries such as Kenya and Tanzania have a more facilitative regulatory environment for IPPs in the solar space including fixed feed-in-tariffs of \$0.2 to 0.3 per kWh, comparatively easy access to debt and equity funding, and incentives like import duty relaxation (on a case-by-case basis).

Among our case studies, Astonfield, an Indian solar IPP, expanded to East Africa in 2013 to grow business by leveraging the more facilitative regulatory environment in that region.

Source: Primary interviews with Astonfield Solesa. The companion guide to this report has a detailed case study on Astonfield Solesa.

Technical expertise

Technical skill and expertise such as research and development (R&D) capacity, intellectual property (IP), brand equity, and knowledge are often core strengths of Indian inclusive businesses that transferred successfully. Such skills and expertise areas are indicators of a business's ability to create and defend a unique value proposition in its home turf in India by virtue of having some technical prowess that its competitors in the market lack and cannot create without significant investment.

Most product-based inclusive businesses, such as Greenlight Planet have registered IP, unique technology, and in-house R&D which has helped them offer products customized to local conditions, better than most substitutes and alternatives, and competitively priced. Service-based firms such as Digital Green and Novartis Arogya Parivar have knowledge and processes that give them a unique understanding of how to mobilize and acquire on-ground field partners and customers. In fact, as a result of their technical strengths, most have had a first-mover advantage in Africa and have been able to capture market share at a much faster pace than in India. This is seen in the case of Greenlight Planet, which expanded to nine states in the past five years in India, but expanded to 17 countries in three years in Africa.

A specific draw-back of African markets is weak protection of IP-ownership rights, which can create a negative impact on

businesses with proprietary products and technologies. While most African regulatory bodies recognize IP rights and have legal recourse available in cases of violation, implementation of these laws is weak, especially in cases where the registered office of a foreign company with limited local liabilities is involved.

Determining the Level of Transfer Readiness Needed

The inherent nature of the business model and dependencies such as need for capital, last-mile distribution, skilled talent, and partners for co-funding the transfer also determine the level of transfer-readiness that different inclusive business models require. A decision guide was created to evaluate transfer-readiness under different conditions based on experiences of the sample set (table 3).

53. The Kyoto Protocol, which came into effect in 2005, set caps on countries' GHG emissions. The countries set quotas on emissions by local businesses, leading to buying and selling of credits between businesses depending on their quota usage. As SKGS's plants lead to reduction in GHG emissions, it sells these credits in the market and finances its projects through the revenue generated.

54. Astonfield Renewables.

TABLE 3

INTER-RELATIONSHIPS THAT DETERMINE TRANSFER-READINESS

	DRIVERS	FINANCIAL READINESS	MANAGEMENT READINESS	OPERATIONAL READINESS
BUSINESS MODEL DRIVERS	Product vs. service			
	Product model	Higher margin products (yet affordable for BoP) are more ready – given that cost structures in Africa are higher		Firms with control over product quality and cost of production are more ready, hence need own R&D and manufacturing capabilities
	Services model	Firms with capital reserves are more ready; given a longer pre-revenue/pre-profit period	Firms with good second line of leadership that can relocate to international markets are more ready	Firms in which service-delivery is delinked from direct involvement of senior management team are more ready
	Asset-heavy vs. asset-light			
	Asset-light model	Profitable firms are ready, do not necessarily require large amounts of capital to fund transfer		
	Asset-heavy model	Need to be profitable and also have access to adequate capital to fund transfer in a pre-revenue/profit scenario of two or more years		
DEPENDENCY DRIVERS	Reliance on partners			
	Last-mile distribution		Need to have relationships and networks in Africa	
	Customer financing		Need to have relationships and networks in Africa	
	Co-funding transfer	Need to be profitable and also have access to adequate capital to buy a significant stake in the joint-venture and fund operations in a pre-revenue/profit scenario	Need to have two to three potential partners identified who could potentially co-fund transfer	
	Reliance on skilled manpower			
	Need for talent that business cannot train in-house (for example doctors, engineers)		Need to have two or three potential partners who could share human resource pool, and need to have a talent management structure that can acquire and retain such talent	Need to have strong systems and processes that can help scarce talent be more effective
	Need for talent that can be trained in-house	Need to have adequate capital reserves or access to funding to train talent	Need to have a talent management structure that can acquire and retain such talent	Need to have a strong process for training and capacity building of new hires

Doing business in Africa is more challenging than in India due to the nascent state of infrastructure, difficulty in last-mile access, and lack of diversity in private sector participation in value chains, among others. It is neither viable nor advisable to lift-and-shift an inclusive business model “as is” from India to an African market. Some strategies that businesses in our sample set used to adapt business models for transfer include: (i) shifting customer acquisition, servicing and distribution models from B2C to B2B, (ii) bundling products and services to offer integrated value propositions, (iii) initiating transfer by first focusing on customers that are easiest to reach and service, and then expanding to others, (iv) cutting costs by deploying lean teams and substituting imports with local raw materials, and (v) building lean management teams to decrease reliance on scarce and expensive skilled talent.

Adapt customer acquisition, servicing and distribution models for nascent markets

Product-based firms, especially those that focus on fast-moving consumer goods, can gain a foothold in African markets more easily by working with existing distribution partners instead of building their own infrastructure. There are two broad types of distribution partners to consider: master distribution partners who manage administrative and operational responsibilities of importing raw materials and/or finished products, and local distribution partners with deep relationships in specific areas who procure products from master distributors and retail them through channels such as grocery stores, pop-up kiosks, and door-to-door salespeople.

Services-based firms are likely to find market access easier if they work in strategic alliances with local partners, and consider positioning a well-known local firm as the face of the model in new markets. Strategic alliances are helpful in customer education and in building trust, aspects that are especially critical in sectors such as healthcare and agriculture where the perceived risk of trusting a new service-model is high and purchases tend to be driven by word-of-mouth marketing.

Bundle products and services to offer integrated value propositions

Stand-alone products and services are unviable in many African markets due to the high cost of distribution and sparse activity from complementary private sector firms (for instance, after sales support networks). In such scenarios, busi-

Credit: Dimagi



nesses may find it more viable to bundle their products and services and offer integrated value propositions to customers. Some examples from our sample set include Novartis Arogya Parivar, which invested in building its own bundled offerings (spotlight 11), and Greenlight Planet, which added its products to One Acre Fund’s service bundle for small farmers in East Africa.

Initiate transfer by first focusing on customers that are easiest to reach and service

Given the challenges in reaching rural consumers, it may also be easier to initiate transfer by first focusing on customers that are easier to reach, such as those in urban areas, those that are already aggregated by local firms, and those that fall in the lower-middle income bracket (\$ 2.97 to 8.44 per capita per day as per IFC segmentation). After building market share among these consumers, businesses can then start to evaluate customers that are more challenging to acquire and service, including those in rural areas.

SPOTLIGHT 11

NOVARTIS AROGYA PARIVAR'S EXPERIENCE IN BUNDLING SERVICES IN AFRICA

Novartis Arogya Parivar is a for-profit healthcare initiative that seeks to increase access to quality and affordable healthcare services in rural India. The program has an integrated network of stakeholders ranging from community-based health educators, sales professionals, doctors, hospitals, and pharmacies, who contribute towards health awareness, disease prevention, timely treatment, and access to low-cost drugs. Since its launch in 2007, Arogya Parivar has trained more than 500 health educators and supervisors, and improved access to healthcare in rural areas of ten states across India, home to more than 70 million people. In 2012, Novartis transferred the model from India to Kenya.

In India, the Novartis Arogya Parivar health camps consist of primary healthcare check-ups by doctors, who typically refers patients to brick-and-mortar healthcare facilities or write drug prescriptions. There are no service charges involved in visiting doctors and getting prescriptions. Each health camp typically attracts 40 to 50 people. The underlying assumption behind this model is that both facilities are easily accessible by people who visit health camps, and that the cost of organizing health camps is cross-subsidized by sales of drugs to pharmacists and hospitals.

On the other hand, in Kenya the Novartis Familia Nawiri health camps offer integrated end-to-end care beginning with a consultation with doctors, who can then refer patients for a wide range of on-site lab tests (blood, saliva, urine, and stool) and screening for diseases such as cervical cancer. The test results are processed in under an hour and sent back to doctors, who then make decisions to refer patients to brick-and-mortar facilities or write drug prescriptions. In the event that doctors do write prescriptions, medicines can be bought on-site. There is a service charge of \$2.20, and each health camp typically attracts 80 to 120 people.

Familia Nawiri's model differs from Arogya Parivar to a large extent because neither is the healthcare infrastructure in peri-urban and rural Kenya robust enough to support a light touch intervention, nor can high costs of operating an integrated offering be cross-subsidized by sales of drugs.

Source: Primary interviews with Novartis Arogya Parivar and Familia Nawiri teams. Please see companion resource on deep-dive case studies to find out more.

Cut costs by deploying lean teams and substituting imports with local raw materials

Some cost implications of doing business in Africa, such as increased spend on logistics and transportation, higher salary expenses, and increased import reliance, may not be completely avoidable. However, it is possible to bring in cost-cutting measures to run leaner operations. Some common strategies adopted among our sample include: (i) running operations with lean teams of revenue-generating personnel only, who can cover their own costs, (ii) shifting to locally available raw materials as far as possible to decrease import reliance, and (iii) tying up with local partners such as government agencies and other organizations for low-cost access to fixed assets such as land.

Build lean management teams to decrease reliance on scarce and expensive skilled talent

A good understanding of people management strategies can decrease talent acquisition and retention-related challenges of operating in Africa. This type of expertise is useful in understanding how best to function efficiently with smaller teams, and de-skill delivery of products and services such that entry-level talent can easily deliver these to customers. Further, since inclusive businesses moving to Africa will have to compete with mainstream and development sectors for access to talent, approaches such as fast-track programs for career growth, offering higher level of responsibility than the market would for a certain type of profile, and success-based financial incentives such as employee stock options, are useful to attract mid and senior-level talent.

Inclusive businesses can select from over six to seven different partnership and expansion formats while transferring their models to Africa. Unlike country or geography choices, which are primarily driven by market attractiveness, transfer format choices are driven by all three decision drivers described in section C.3: intent, capacities, and dependencies. This is because transfer format choices include meeting specific business dependencies such as raw material access or customer outreach, a firm's willingness to work with partners, return expectations from transfer, and internal readiness to move to a new market.

Transfer format choices revolve around risk, investment appetite, and degrees of operational control as described in figure 39. Knowledge sharing, which is low risk with little or no operational control, lies on one end of the spectrum, and joint ventures and wholly-owned subsidiaries that are high risk but also offer higher degree of control, lie on the other extreme.

Knowledge sharing

Most inclusive businesses develop a wealth of unique insights and knowledge about delivering products and services to underserved customer segments. Often such insights go beyond traditional approaches, given the challenges of operating in the BoP context. Businesses keen to scale the impact of their models, without necessarily scaling operations to a new geography, could explore transfer by way of knowledge sharing. This format needs lesser commitments from an inclusive business in terms of financial and management resources, though it does require a high degree of operational readiness for transfer, because it is essentially this operational model that is disseminated through knowledge transfer.

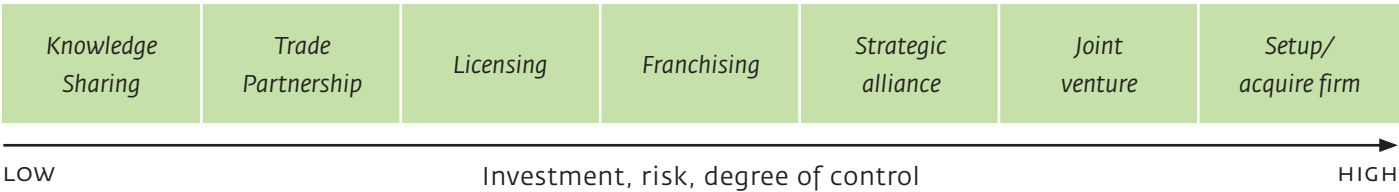
The knowledge sharing format can be explored by: (i) determining and documenting what parts of the business and operational model an inclusive business is comfortable with sharing, (ii) if this model is unique enough to be of value to entrepreneurs in a new geography, (iii) identifying a dissemination strategy from among options like one-on-one and group-based knowledge sharing with entrepreneurs, joining an existing capacity-building or technical assistance program, and using a “train the trainer” approach to transfer business model insights to incubators and advisory firms, and (iv) identifying a source of funding for knowledge sharing activities.

Among our sample set, Aravind Eye Care and SELCO Solar chose to transfer to Africa by sharing knowledge and insights. In both cases, they chose to initiate knowledge sharing through non-profit foundation arms. This work was supported and funded by donors who also helped them connect with entrepreneurs and on-ground partners in Africa.

Trade partnership

Trade partnerships involve exporting products to distributors and intermediaries in foreign markets, who in turn sell these products to retailers and customers. This format is restricted to inclusive business models that manufacture products at scale, and is a good choice for businesses with limited financial and management bandwidth to manage full-scale expansions by setting up operations in new markets. A key drawback of this format is that it offers little or no control over the eventual resale of products by distributors, who are free to mark up prices to any extent and also rebrand and reposition the product in the market. An inclusive business that sees trade partnerships as a stepping-stone to full-scale expansion will need to be

FIGURE 39
TRANSFER CHOICES AVAILABLE TO INCLUSIVE
BUSINESSES WHILE EXPANDING TO AFRICA



especially aware of these reputational risks, and choose trade partners carefully.

The key steps involved in trade partnerships are: (i) determining operational capacity to manufacture products at scale, (ii) ascertaining demand for the product in target markets, (iii) identifying a pipeline of potential distributors interested in importing the product, and establishing selection criteria to pick the right distribution partners, (iv) making logistical arrangements to pack and transport products, and (v) ensuring that costs are adequately covered by revenues from distributors.

Trade can also be used to validate market demand and understand customers better ahead of investing in expansion through more high-risk formats, a strategy deployed by Greenlight Planet in our sample set.

Licensing

A licensing-based transfer approach entails the sale of legal rights to use an IP, business process, brand, design, or registered trademark to other organizations with the understanding that the sale is non-exclusive, time-bound, and has limitations. Inclusive businesses can explore this format if they have strengths or assets that lend themselves to registered ownership, most commonly found in product or technology-based models. In transfer through licensing, an inclusive business gives an international firm the right to manufacture or customize and sell its products/technology in return for a pre-determined fee. While in some cases, the licensed product or technology may directly generate revenue, it could also indirectly contribute to business growth by improving efficiencies.

Inclusive businesses, keen to explore opportunities and validate demand for their value proposition in other BoP markets without necessarily investing in manpower and operations, could explore this format. However, the licensing format limits control over partner (licensee) operations in a new market, and could risk the brand perception of the license owner. It could also potentially lead to a situation where the licensee emerges as a competitor to the license owner, should the license owner decide to directly enter the same market through a wholly-owned subsidiary, joint venture, etc. Further, licensing is best suited for countries with strong judicial and regulatory systems that respect and enforce ownership of IP.

Based on its analysis, if a business finds that licensing is an attractive transfer format, then the key steps to further explore this format are: (i) determining that the inclusive business has

assets that can be licensed, (ii) ascertaining demand among manufacturers and distributors for purchasing licenses to these assets, (iii) ascertaining legal protection of IP ownership rights over the assets, (iv) developing business and legal frameworks to license partnerships, (v) building a pipeline of firms interested in purchasing the license and determining selection criteria to pick the right partners, and (vi) putting in place monitoring and evaluation mechanisms to ensure that the end product meets quality, price, and other criteria ahead of being delivered to customers.

Franchising

While franchising and licensing are often used interchangeably, franchising entails a much deeper partnership than a licensing agreement. It involves sharing details of business and operational models with a firm in a new market that then operates as a “branch” of the franchise-owner. Franchising partnerships are typically exclusive in nature and necessitate knowledge transfer and hand-holding of the franchisee. Unlike licensing, franchising also requires that franchisees are able to directly create revenues as a result of purchasing rights to a business model. In return, the franchisee pays fees and royalties to the franchise-owner and often shares a pre-determined portion of revenues and/or profits.

Franchising as a transfer format is appropriate for both product and service-based models. However it requires that the operational model be easily transferrable without dependencies on specific business relationships or skills inherent to the franchise-owner and not easily transferrable. Further, the business model being franchised should ideally have a proven track record of generating enough margins to allow for reasonable profits for the franchisee after paying fees and royalties to the franchise-owner. Given the intricacies of this transfer format, it would be better for inclusive businesses to explore it in international markets once they have franchised in the home-market in India and ironed out difficulties.

The key steps in exploring transfer through the franchisee format include: (i) determining whether the inclusive business model lends itself to easy transfer without extensive involvement of the founding team in India, (ii) establishing standard business operating processes and quality control mechanisms, (iii) exploring appropriate legal frameworks to become a franchise-provider in India, and also exploring formats in target markets (iv) ascertaining interest from firms in international markets to purchase franchisee rights and building a pipeline of such firms, (v) choosing between identifying each individual franchisee or entering into a master-franchisee agreement with one firm that then finds individual franchisees, (vi)

creating selection criteria to shortlist franchisee partners, (vii) building business knowledge transfer and training resources to support franchisees, and (viii) implementing monitoring and evaluation processes to ensure that franchisees deliver products and services at benchmark quality and prices.

Strategic alliance

Strategic alliances entail working in close and exclusive partnership with one or two selected firms in a foreign market, to jointly deliver products and services to customers. Strategic alliances often necessitate sharing of strategic and operational control with partners, and also sharing risks and returns of investing in new markets. These are structured as partnerships of “equals” unlike franchising and licensing, which are mostly unidirectional flows of knowledge and insights. An important characteristic of strategic alliances is that they are non-equity based and do not involve joint legal ownership, and parties involved remain independent and separate, except that they are contractually bound to work together on certain specific activities.

Sometimes, strategic alliances combine elements of several transfer formats, such as knowledge transfer and trade partnerships. Some examples of strategic alliances include technology transfer, distribution partnerships, shared manufacturing facilities, research and development partnerships, and cross-sectoral alliances between firms with different products or services but intended for the same customer segment.

The framework of strategic alliance partnerships can vary greatly from business to business depending on specific contexts, but the broad approach involves: (i) determining key strengths needed in a partner, and studying target markets to identify a pipeline of potential partners with those strengths, (ii) selecting partners based on technical strengths as well as cultural fitment, (iii) creating a legal framework for the partnership and assigning roles and responsibilities to the partner, (iv) jointly allocating resources to transfer, and (v) creating a feedback mechanism to evaluate the efficacy of the partnership and improve with insights from the ground.

Manasa Agro in our sample set transferred through the

strategic alliance format.

Joint venture

A joint venture is a new legal entity set up by two or more firms which share equity or ownership in it. Joint ventures can be formed with international firms or local firms to enter a new market, and necessitate sharing strategic and operational control, as well as financial and reputational risk to a much larger extent than any other transfer format. Such ventures can be formed to access technical expertise, technology or IP, distribution channels, manpower, and existing customer relationships.

This format is more appropriate for inclusive businesses with experience in working in close partnerships with other firms in the past, and also demands a higher degree of management and financial readiness than other formats. This is because an inclusive business will need to capitalize a joint venture entity with the amount of capital determining its share of ownership in the new entity. Further, joint ventures require significant attention from senior management, and an inclusive business exploring this format might even want to dedicate a full-time senior resource to it.

The advantage of this format is that it provides access to critical business strengths in a new market with comparatively lesser upfront investment. Further, the risk of entering a new market is shared as well. On the flipside, combining business approaches and strengths of two separate companies can be complicated in practice and demands commitment and maturity from partners.

The key steps to entering a joint venture partnership are quite similar to that of strategic alliance but with a much higher degree of partner due diligence. These are: (i) identifying a pipeline of potential partners, ideally firms that an inclusive business has worked with in the past and is somewhat familiar with, (ii) developing criteria for shortlisting partners, which include management and financial strength, technical expertise, and cultural fitment-related metrics, (iii) starting a dialogue with shortlisted partners to ascertain their interest in creating a joint venture, (iv) carrying out business, financial, and legal due diligence on potential partners, (v) creating legal frameworks for the new entity and choosing the best country to incorporate it in, (vi) creating short and long-term strategic plans for the new entity, and staffing it with senior and mid-level staff members from partner firms as needed, and (vii) creating a governance structure for strategic oversight and compliance-related issues.

Astonfield Solesa, a joint venture between Indian renewable energy firm Astonfield and Italian solar firm Solesa Group, created to capture the decentralized solar mini-grid market in India and East Africa, is a good example of this transfer format.

Setting up a wholly-owned subsidiary or acquiring a local firm

An inclusive business might find that its model or its internal preferences call for complete control over business operations in international markets, and in such cases it may choose to set up a greenfield entity or acquire a local firm.

While setting up a greenfield entity can take several years, it gives businesses greater flexibility to build local operations and ensures more seamless integration with operations in India. The legal structures employed can range from branch offices (which typically have lower compliance burden) to limited liability structures such as private limited companies (which have higher compliance burden).

On the other hand, acquiring an existing local firm can accelerate the growth curve and see the business enter market in a much quicker timeframe, but it can be complicated to align cultures of existing team members of the acquired firm with the new parent firm. Aside from a firm's internal capacities and preferences, the feasibility of establishing a wholly-owned subsidiary is also contingent on the destination market's regulatory guidelines around foreign-owned businesses. Some markets such as Tanzania require a local partner while registering a limited liability company.

Overall, setting up a wholly-owned subsidiary requires a very high degree of management, financial, and operational readiness; more than that demanded by any other mode of transfer. It is best suited for firms that can deploy a team of senior and mid-level resources to transfer on a full-time basis, have excellent financial health in India and have capital reserves or external institutional capital to deploy towards expansion, and have a mature and stabilized operational model in India. This is essential because unlike other transfer formats, the resource commitment demanded for a wholly-owned subsidiary not only involves high risk in an international market, but also can put business continuity in India at risk.

Inclusive businesses keen to explore this format might benefit from first exploring lower risk formats such as trade partnerships or strategic alliances ahead of investing in wholly-owned subsidiaries. The key steps involved in expanding through this format are: (i) determining whether setting up of a greenfield entity or acquisition of an existing local firm is more suited



to business imperatives and level of transfer-readiness, (ii) investing in detailed market research to create short-term and long-term business plans, (iii) making choices around legal frameworks for incorporation of a subsidiary; some of these could include setting up a holding company in a country such as Mauritius or the U.S. with more friendly regulatory regimes for international operations, or creating a subsidiary in each target market, (iv) capitalizing the subsidiary firm and assigning senior and mid-level staff to it, (v) building governance and management structures to ensure strategic alignment with the parent entity in India.

This mode of expansion was more prevalent among our sample, of which half chose to set up wholly-owned subsidiaries. These included Digital Green, Dimagi, Greenlight Planet, Novartis Arogya Parivar, and SKG Sangha.

FIGURE 40
DRIVERS OF TRANSFER FORMAT CHOICES

NATURE OF BUSINESS	FIRM PREFERENCES	FIRM CAPACITY	BUSINESS DEPENDENCIES	STRENGTHS
<ul style="list-style-type: none"> ■ <i>Product or service</i> 	<ul style="list-style-type: none"> ■ <i>Outlook towards risk</i> ■ <i>Timeline of return expectations</i> ■ <i>Control preferences</i> ■ <i>Format (based on past experiences)</i> 	<ul style="list-style-type: none"> ■ <i>Financial capacity</i> ■ <i>Management capacity</i> ■ <i>Operational capacity</i> 	<ul style="list-style-type: none"> ■ <i>Need for market building</i> ■ <i>Customer focus – urban or rural</i> ■ <i>Customer acquisition and servicing model</i> ■ <i>Need for customer financing</i> 	<ul style="list-style-type: none"> ■ <i>IP</i> ■ <i>Brand</i> ■ <i>Knowledge or processes</i> ■ <i>Product or technology</i>

Credit: Zabir Hasan

Drivers of transfer format choices

Transfer formats must be selected carefully because each offers varying risks, investment needs and degrees of control; as well as varying potential for returns. There are five major drivers of transfer choices as shown in figure 40.

These drivers can influence choices of transfer formats in two ways: (i) by acting as “**must-have**” **decision-triggers** that make a certain transfer choice viable for an inclusive business, and hence help to arrive at a shortlist of viable transfer formats, and (ii) by acting as “**decision-influencers**” that facilitate or inhibit viable choices and can help in the selection of appropriate formats from a given shortlist. These two categories of drivers can be analyzed together to help identify ideal transfer format choices for inclusive businesses (table 4).



TABLE 4
DECISION MATRIX FOR TRANSFER FORMATS

	KNOWLEDGE SHARING	TRADE PARTNERSHIP	STRATEGIC ALLIANCE	LICENSING	FRANCHISING	JOINT VENTURE	SET UP/ ACQUIRE A FIRM
Decision-triggers							
Trigger	<ul style="list-style-type: none"> Inclusive business wants to scale the "impact" of the model and is willing to share its knowledge with others 	<ul style="list-style-type: none"> Inclusive business has a product with proven demand in overseas markets 	<ul style="list-style-type: none"> Inclusive business has a product or service which requires market-building, last-mile distribution to customers, or access to a specific technical skill-set Has a pipeline of potential partners that could bridge this gap through existing operations Does not want to share legal control with partners 	<ul style="list-style-type: none"> Inclusive business owns IP for a product or technology 	<ul style="list-style-type: none"> Inclusive business has a mature and easily transferrable operational model with margins of more than 12 to 15 percent Firm has experience with transfer or franchising its model in a new market 	<ul style="list-style-type: none"> Inclusive business has a product or service which requires market-building, last-mile distribution to customers, or access to a specific technical skill-set Is open to sharing legal control with a partner in an overseas market 	<ul style="list-style-type: none"> Inclusive business demonstrates very high level of management, financial, and operational readiness across all metrics Inclusive business is keen to have complete strategic and operational control over operations in Africa
Decision influencers							
	Firm preferences						
Outlook towards risk	Prefers low risk	Can take low to moderate risk	Can take low to moderate risk	Can take moderate to high risk	Can take moderate to high risk	Can take high risk	Can take high risk
Return expectations	No return expectations	Short-term return expected	Short-term return expected	Medium-term return expected	Medium-term return expected	Long-term return expected	Long-term return expected
Control preferences	Does not seek control	Does not seek control	Prefers low degree of control	Prefers low degree of control	Prefers high degree of control	Prefers high degree of control	Prefers complete control
	Firm capacity						
Management	Has low levels of capacity	Has medium levels of capacity	Has medium to high levels of capacity	Has medium levels of capacity	Has medium to high levels of capacity	Has medium to high levels of capacity	Has high levels of capacity
Financial	Has low levels of capacity	Has low to medium levels of capacity	Has low to medium levels of capacity	Has medium levels of capacity	Has medium levels of capacity	Has high levels of capacity	Has high levels of capacity
Operational	Has low levels of capacity	Has low to medium levels of capacity	Has low to medium levels of capacity	Has low to medium levels of capacity	Has medium levels of capacity	Has medium levels of capacity	Has high levels of capacity

	KNOWLEDGE SHARING	TRADE PART- NERSHIP	STRATEGIC ALLIANCE	LICENSING	FRANCHISING	JOINT VEN- TURE	SET UP/ ACQUIRE A FIRM
	Business Dependencies						
Need for mar- ket building		Significant need for mar- ket building	Significant need for mar- ket building			Significant need for mar- ket building	Significant need for mar- ket building
Customer focus – urban or rural or both			Focus on rural clientele			Focus on rural clientele	
Customer acquisition and servicing model			High touch, sustained efforts			High touch, sustained efforts	High touch, sustained efforts
Need for consumer financing			Needs financ- ing partners				
	Strengths						
Intellectual Property		✓		✓	✓		
Brand equity		✓		✓	✓		
Knowledge	✓			✓	✓	✓	
Technology or product		✓		✓			
Examples of inclusive business transfer cases							
	<ul style="list-style-type: none"> • Aravind Eye Care 	<ul style="list-style-type: none"> • SKEPL 	<ul style="list-style-type: none"> • Manasa Agro • Operation ASHA 			<ul style="list-style-type: none"> • Astonfield Solesa 	<ul style="list-style-type: none"> • Novartis Arogya Parivar • Digital Green • Dimagi • Greenlight Planet • Operation ASHA • SKG Sangha

Conclusions and Recommendations

There is a market opportunity to transfer Indian inclusive business models to other developing countries. However, since the transfer can be challenging, and many inclusive businesses are small and medium with limited resources to invest in transfer, there is need for structured support.

Such structured support is best provided by a multi-stakeholder alliance of investors, donors, advisors, governments, and inclusive businesses. The study recommends specific focus areas for each of these stakeholder groups.

There is a market opportunity for globalizing Indian inclusive business models

The sheer scale and spending power of the BoP in India and other developing countries has incentivized inclusive business models focused on providing affordable goods and services to this segment, and also those focused on integrating such populations in market value chains. IFC estimates that over 4.5 billion individuals at the BoP represent an annual spending power of over \$5 trillion.⁵⁵

India is a few years ahead of several developing countries in the emergence and scale of such models, especially in agriculture, healthcare, and renewable energy. Hence, there is an opportunity to transfer successful business models from India to other developing countries. This need has been articulated in public industry meetings and discussions, including the Sankalp Forum Africa Summit 2014 and the launch of BMZ's Inclusive Business Action Network in Berlin in 2014. Closed door dialogs, such as a roundtable organized by DFID's Innovative Ventures and Technologies for Development (INVENT) to introduce East African Government representatives to Indian inclusive businesses in 2014, also echoed this market need.

During the course of this study, the demand for Indian inclusive business models in Africa was specifically validated through in-person interviews with over 44 investors, government agencies, incubators, inclusive businesses, and advisors from East and West Africa. There strong demand from Africa, particularly in agriculture, healthcare and renewable energy. The improving business environment and investment climate in the region also makes it an especially attractive destination for Indian inclusive business models.

Early success seen in transfer of Indian inclusive business models, but at the same time several businesses have faced daunting challenges

It is encouraging that several Indian models have already transferred to African and South Asian markets. Their experiences provide critical insights, which have led to the creation of an inclusive business transfer framework. However, the transfer journey in most cases has been challenging, with some transfer instances showing a slow-down in growth in new markets. Many challenges are common and are primarily related to the lack of granular market data and insights and deep networks and relationships. These can limit the availability of market intelligence needed to adapt business model to new market contexts. There is a need for both financial and advisory support to overcome these challenges, but inclusive businesses have little clarity about whom to approach as most support organizations have specific country or regional focus.

Transfer activity is still nascent, and this organic approach may take several years to show scale and impact

Social challenges in developing countries can be formidable, and often call for immediate sustainable approaches to tackling them. In such scenarios, organic or non-incentivized transfer is likely to be too slow. Further, significant duplication of public and private efforts may take place in recreating products, services, and technologies even though they already exist in other developing markets. Hence, there is a need incentivize transfer, but it is important that these incentives be strategic and well thought out.

A systematic and multi-stakeholder effort is needed to create strategic incentives and support to help inclusive businesses explore transfer

These stakeholders could include: (i) multilaterals, development finance institutions (DFIs), and donors who broadly focus on inclusive development and see private sector innovation as a pillar of growth, (ii) private investors including impact investors, venture capital and private equity firms, commercial banks, and other financial institutions that focus

on both India and other developing markets, and hence are well positioned to identify and support opportunities for transfer, and (iii) incubators, accelerators, and capacity-building organizations that have expertise in working closely with small and medium inclusive businesses to help drive scale.

There are three key aspects to creating such a multi-stakeholder effort, each of which can be focus areas for different types of organizations (figure 41). Such efforts should be well coordinated and somewhat centralized so that key learnings and insights can be shared to make each entity more effective.

Different stakeholders can leverage their unique strengths to drive transfer, creating impact on low-income communities as well as driving forward their own focus areas

Multilaterals, DFIs, and donors can anchor and seed multi-stakeholder efforts

The most critical role that such organizations can play is to create a neutral umbrella platform that can bring together various types of stakeholders interested in transfer. Such a platform can potentially take on knowledge creation and market-place building, which can act as common resources to inclusive businesses. Pioneering efforts to initiate and seed Indian inclusive business models in other developing countries have been initiated by organizations such as IFC, World Bank, USAID, UKaid, and Shell Foundation.



FIGURE 41
**MULTI-STAKEHOLDER EFFORT FOR INDIA-
AFRICA INCLUSIVE BUSINESS TRANSFER**

THREE KEY OBJECTIVES

- Building and sharing knowledge on what works in transfer
- Identifying transfer opportunities through a market-place like model
- Providing direct advisory and financial support to inclusive businesses

SOME POTENTIAL SALIENT FEATURES

- Business support and technical assistance
- Complementarity to existing efforts
- Mainstreaming business transfer through think tanks

Impact investors and financial institutions can help portfolio firms identify specific opportunities, achieve transfer-readiness, and access local market insights and networks

Investors with investment focus and teams in both geographies are uniquely placed to match transfer demand in one region with available business models in another. Such investors can help portfolio companies identify specific opportunities in their industry and also help make choices about transfer formats, country focus, and local partners. Further, investors can provide invaluable insights about new markets and open up networks of potential suppliers, distributors, and other partners. The specific benefit for investors in this case is that internationalization of inclusive business operations will drive both financial and impact returns, thus increasing the value of the investor's stake in the business.

Investors can also act as strategic local partners for non-portfolio firms exploring transfer; investors gain access to pipelines of proven business models and the inclusive businesses gain powerful local partners in return

In addition to focusing on portfolio firms, investors can engage with firms that transfer to a new market by investing risk capital to fund growth. The advantage for an investor in such a case is access to an early-stage business with a proven model and experienced promoter team. On the other hand, the business benefits as well in accessing funds for cross-border transfer and gaining access to the investor's insights and networks in the new market.

Incubators, accelerators and capacity building organizations can play a key role in helping inclusive businesses create systematic roadmaps for transfer

The systematic approach to transfer discussed in section C is resource and expertise-reliant. Small and medium inclusive businesses often need external advisory support to add to their existing strengths. This support can be strategic in terms of advice for transfer readiness, need validation in a new market, pilot testing, and creation of market roll-out plans. It can also be more operational and hands-on, such as setting up a new legal entity, support with talent acquisition, and on-ground assistance during pilot testing and market roll-out. Incubators, accelerators, and capacity-building organizations are well placed to directly provide this support, and also create forward linkages to subject matter experts such as corporate lawyers, accountants, and executive hiring firms.

It is advisable to build out further knowledge on bi-directional transfer of inclusive businesses and to expand focus to developing countries as well as sectors not covered in this study

Corridors for Shared Prosperity is a foundational effort to encourage systematic transfer of Indian inclusive business models, and to lay down a framework based on empirical evidence to guide such work. However, the idea of transfer can only take off and scale with a multi-stakeholder approach to bring together all the critical elements needed to inform, influence, and scale transfer.

This effort must eventually be bi-directional and focus on mapping opportunities and best practices in bringing inclusive business models from other developing countries to India (for instance, transfer innovative customer financing strategies such as pay-as-you-go models in renewable energy from Africa to India).

This work can also be developed further to include sectors such as financial services, water and sanitation, and vocational training, and its geographic focus can be extended to other developing markets in Asia and Latin America.

55. Global Consumption Data for Inclusive Business. IFC, a member of the World Bank Group.

Annexure

Detailed case studies can be seen in the companion guide to this report titled *Corridors for Shared Prosperity: Transfer Journeys of Indian Inclusive Business Models*"

Agriculture sector

Digital Green
Global Easy Water Products (GEWP)
Manasa Agro
Shree Kamdhenu Electronics (SKEPL)

Healthcare sector

Aravind Eye Care
Dimagi
Novartis Arogya Parivar
Operation ASHA

Renewable energy sector

Astonfield Solesa
Greenlight Planet
SKG Sangha

CASE STUDY 1

DIGITAL GREEN

Transfer format: Wholly-owned subsidiary

Countries of operation: India, Ghana, Ethiopia, Tanzania, Niger, Mozambique

Digital Green (DG) mobilizes rural communities and educates them about agriculture, healthcare and livelihoods using videos and other multimedia. It works closely with grassroots organizations for outreach and engagement, and customizes media content for local language and context.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: DG aimed to scale the impact of its model by transferring it to new markets, and was also motivated by donors' interest in supporting its expansion.</p> <p>Preparation: It conducted extensive due-diligence ahead of expansion. It examined donor interest and government support in different countries, and identified ways in which its model would need to be adapted to be effective outside India.</p> <p>Format preference: It transferred through country level branch offices started by its US based not-for-profit affiliate as its legal status of a Trust in India did not permit expansion to other countries.</p> <p>Country preference: DG's country choices were driven by donors such as World Cocoa Foundation, BMGF and DFID who funded its expansion to Africa.</p>	<p>Management readiness: DG's India team travelled to Africa to build market understanding and activate networks, and it also recruited a team of local professionals to drive operations. It subsequently hired senior staff in Ethiopia to focus on the Africa operations.</p> <p>Financial readiness: It secured grant funding from the World Cocoa Foundation and other international funders ahead of expansion.</p> <p>Operational readiness: It developed robust information technology systems for cost-effective program implementation, monitoring and evaluation.</p> <p>Validating need for product/service: The donors that funded DG's expansion helped to validate the need for its value proposition in destination geographies.</p>	<p>Local farmer organizations: Presence of a significant number of producer/ social groups that collectivize farmers and rural communities.</p> <p>Implementing partners: Presence of like-minded partners with existing relationships with farmers to facilitate adoption of GAP.</p> <p>Internet: Penetration of internet and telecom connectivity (broad-band connection) for storage and dissemination of videos among farmers and rural communities.</p> <p>Active donor organizations: Access to adequate and long-term grant support to implement projects.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Inadequate penetration of telecom and internet connectivity, and erratic power supply

Sector: Limited aggregation of farmers and rural communities through farmer groups, cooperatives and producer organizations.

Business: Higher cost of skilled human resources in African countries than in India

KEY TRANSFER INSIGHTS

- Given its reliance on grant funding for operations, DG secured partnerships with donors ahead of expanding to new markets. In addition, it identified services that can be made remunerative to create long-term sustainability of the model
- It assessed the local environment in destination countries by partnering with grassroots organizations, which also assisted it in community mobilization
- It gathered on-ground information and feedback in order to identify what works in each market and accordingly modified its business model

CASE STUDY 2

GLOBAL EASY WATER PRODUCTS (GEWP)

Transfer format: Trade partnership

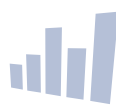
Countries of operation in Africa: India and Kenya

Global Easy Water Products (GEWP) manufactures and sells affordable micro-irrigation kits to small and marginal landholder farmers.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: GEWP aimed to increase its revenues and scale its impact, and was also keen to explore new markets that were less competitive and fragmented than India.</p> <p>Preparation: It conducted in-depth market research to find viable distribution channels and understand ways in which the drip irrigation systems would need to be customized.</p> <p>Format preference: It transferred through a trade partnership with a local distributor named Impetus Africa. This helped to establish an on-ground presence for GEWP with low risk and minimal investment.</p> <p>Country preference: It selected Kenya as market research indicated a lucrative opportunity for low cost drip irrigation systems in the country.</p>	<p>Management readiness: GEWP's senior management initially invested time in the Africa expansion. However, this stretched management bandwidth, and GEWP finally decided to let its trade partner lead Africa transfer efforts.</p> <p>Financial readiness: It received equity funding from Acumen Fund to transfer in Africa, and also utilized revenues from sales in India to fund expansion.</p> <p>Operational readiness: It established a trade partnership with Impetus Africa as its sole distributor, and scaled up manufacturing to be able to supply to Impetus.</p> <p>Validating need for product/service: It validated the market potential for low cost irrigation kits through a scoping study and insights from Impetus Africa.</p>	<p>Distribution networks that interface with farmers: Presence of significantly large agro processors and export houses that work with small farmers to increase adoption, reduce customization and make the drip irrigation kits more affordable for the farmers.</p> <p>Access to water and cultivation of cash crops: Reliance on availability of sufficient water and cultivation of cash crops that are more remunerative and help reduce the payback period for the irrigation kits.</p> <p>Consumer education: Reliance on awareness among small farmers about the benefits of drip irrigation systems for uptake and adoption.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Low awareness and limited purchasing power among farmers

Sector: High variations in crops and agricultural practices that necessitate customization

Business: Difficulty in on-boarding export houses and processing companies for access to smallholder farmers

KEY TRANSFER INSIGHTS

- GEWP and Impetus Africa identify and work with mission-aligned distribution partners to improve transparency and reduce supplier switching costs
- Impetus works with agro processors and export houses who have buy back agreements with small farmers for specific crops. Since the farmers supplying to them follow a defined package of agricultural practices and crop spacing, it is easy to customize the drip irrigation systems for them
- Impetus partners with agro processors and export houses that can extend small loans to farmers to purchase the kits. As these export houses and processors have a buy back agreement with the farmers, they are easily able to recover the loan instalments from the farmers

CASE STUDY 3

MANASA AGRO

Transfer format: Partially-owned subsidiary in Malawi, Public Private Partnership in Ghana
Countries of operation: India, Malawi, and Ghana

Manasa cultivates lemon grass and processes it to derive oil which it markets in India and in international markets. It carries out cultivation on leased and owned land, as well as through contract farming.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Manasa's operations in India faced the twin challenges of highly fragmented landholding and high cost of land and labor, and it was keen to find more favorable market environments in other countries.</p> <p>Preparation: It restructured the management team ahead of expansion in order to be able to dedicate full-time senior personnel to operations in new markets.</p> <p>Format preference: It set up a company named Agritech in partnership with a Malawian farmer who owns a 40% stake in it. This helped reduce Manasa's risks and afforded greater control over its business in Malawi.</p> <p>Country preference: It selected Malawi since it offered a lucrative business environment for land and labor, and cheap import of equipment and inputs.</p>	<p>Management readiness: Manasa set up a separate team to focus on Africa operations, and ensured clarity of roles and responsibilities within the team.</p> <p>Financial readiness: It invested revenues from India operations to expand to Africa and is completely reliant on its own capital reserves.</p> <p>Operational readiness: It identified the agricultural commodities that it could grow and market profitably in African countries and built internal capacities to cultivate and process. It established key relations with local stakeholders.</p> <p>Validating need for product/service: It undertook extensive field visits to understand the agriculture sector in Africa, and validated the potential for growing selected agricultural commodities in destination countries.</p>	<p>Land availability: Manasa has a high degree of reliance on adequate availability of arable land.</p> <p>Human Resources: It requires access to low cost labor for cultivation and post harvest processing and packaging operations.</p> <p>Infrastructure: It needs adequate road and transportation / logistics infrastructure in order to move its produce from farm-gate to processing plants and then to the markets.</p> <p>Policy: It relies on favorable government outlook in the form of policies that create easier access to land and labor, and decreased or no import duties on agricultural implements and inputs.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Inadequacy of infrastructure such as road and transport services, and limited presence of organized logistical fleets
Sector: Non-availability of inputs and farm equipment in rural and last mile areas
Business: Limited availability of information and lack of local knowledge and context amongst the Manasa team

KEY TRANSFER INSIGHTS

- Manasa established partnerships with government investment agencies and local stakeholders that helped in removing bottlenecks while establishing its operations
- It put in place rigorous planning processes to ensure timely delivery of inputs and smooth functioning of its operations
- It ensured that local people are hired and trained not only in good agricultural practices but also in management of operations

CASE STUDY 4

SHREE KAMDHENU ELECTRONICS (SKEPL)

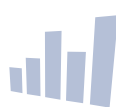
Transfer format: Trade partnership
Countries of operation in Asia: India and Nepal

SKEPL manufactures and distributes automated milk collection systems (AMCS) under the brand name "Akashganga" that help to automate the milk collection process at the village level.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: SKEPL was keen to grow its revenues and build global markets for its products, and hence sought international markets with favorable competitive landscape for its product.</p> <p>Preparation: It identified the right distribution channel and conducted a pilot to assess the need for AMCS in Nepal.</p> <p>Format preference: It preferred trade partnership as a format for expansion since it demanded lesser time and attention from senior management based in India.</p> <p>Country preference: It selected Nepal owing to an strategic partnership with Winrock International. The absence of competition and presence of dairy farmer cooperatives also made Nepal a favorable destination.</p>	<p>Management readiness: SKEPL initially assigned senior managers to lead expansion to Nepal, and gradually decreased their involvement to overseeing supply chain management and service-engineer training once operations stabilized.</p> <p>Financial readiness: It initially funded expansion through its own capital reserves, and given the higher margin for AMCS in Nepal, was soon able to recover product development and operational expenses from product sales in the country,</p> <p>Operational readiness: It forged an alliance with the international NGO, Winrock International, which helped it in running a pilot in Nepal,</p> <p>Validating need for product/service: A pilot was conducted to test market demand for the product and customer willingness to pay</p>	<p>Customer Group: SKEPL requires the presence of organized and well-networked dairy cooperatives that can afford and support the adoption of AMCS,</p> <p>Community Endorsement: It needs support from community influencers who can help to endorse AMCS and build credibility for SKEPL within the local community,</p> <p>Marketing and after-sales support: It relies on presence of private sector firms that it can partner with for last-mile marketing and after-sales support,</p> <p>Domestic production of milk: It is more viable in countries with high domestic production of milk, which leads to faster break-even for consumers,</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Inadequate market data on the dairy sector in Nepal
Sector: Sparse private sector activity in last-mile marketing and after-sales services
Business: Pricing of the AMCS makes it unaffordable for small cooperatives, who cannot afford the down-payment to buy AMCS

KEY TRANSFER INSIGHTS

- SKEPL planned its move into the dairy sector in Nepal with the help of Winrock International that already had an existing relationship with dairy cooperatives
- It established that the local market met its business dependencies such as domestic milk production capacity and presence of well-developed cooperative system ahead of committing resources to expansion
- It invested considerable time to identify and train local staff for maintenance and operations in Nepal

CASE STUDY 5

ARAVIND EYE CARE SYSTEM

Transfer format: Knowledge sharing

Countries of operation: Own operations in India but transferred knowledge to organizations in 30 countries

Aravind Eye Care System is the largest eye care provider in the world. It provides standard quality of service to patients from across the economic spectrum. It aims to eliminate needless blindness and provide quality eye care.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: In alignment with its broader mission of avoiding needless blindness, Aravind sought expansion to scale impact and reach out to a wider audience, beyond India.</p> <p>Preparation: It formed a dedicated team for knowledge sharing, which included LAICO consultants and ophthalmologists from Aravind Hospital.</p> <p>Format preference: It chose knowledge transfer and joint venture as transfer formats to scale impact and build local capacity in the new geographies.</p> <p>Country preference: Knowledge sharing assignments are most often funded by donors who drive the country selection. Donors' selection of countries is generally driven by the disease burden and demand for eye care services.</p>	<p>Management readiness: Aravind set up LAICO to implement knowledge transfer activities. It staffed LAICO with consultants; doctors from Aravind also contributed time.</p> <p>Financial readiness: Aravind Hospital contributed 25 percent of the funds required for LAICO's operations. Donor agencies and international NGOs contributed the rest.</p> <p>Operational readiness: The model was established, business and clinical processes were documented, and training curriculum was developed before expansion.</p> <p>Validating need for product/service: Short term consulting assignments provided Aravind with insights about the target countries. Donor agencies who supported the knowledge transfer validated the need for specialized eye care services in these markets.</p>	<p>Reliance on donor support: Aravind is partially dependent on donor support for capacity building of the identified organizations.</p> <p>Recipient capacities: Recipients of knowledge transfer need to have capacity and capability in terms of committed leadership and necessary healthcare infrastructure for the long term success of knowledge transfer.</p> <p>Reliance on skilled manpower: Transfer of the model is dependent on skilled human resources in the healthcare sector in Africa.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Inadequate and high cost of infrastructure such as internet and electricity impacts the cost of running a business

Sector: Poor availability of basic eyecare infrastructure and eye care professionals

Business: Reliance on donor support to sustain knowledge sharing activities and to identify partner hospitals; Aravind also faced challenges in monitoring of results after the knowledge transfer period

KEY TRANSFER INSIGHTS

- Aravind chose to transfer through knowledge sharing in order to scale impact rapidly
- It secured donor support for scaling affordable eye care, and worked with donors who could identify and support potential partners that lack the capacity to pay for the knowledge transfer services
- It developed an online monitoring system for tracking the impact of the consulting and capacity building engagement
- It standardized its systems and processes, and developed curriculum for knowledge transfer before embarking on business transfer

Transfer format: Wholly-owned subsidiary

Countries of operation: USA, India, South Africa, Mozambique, Senegal

Dimagi is an award-winning social enterprise providing mobile applications for healthcare. It has developed products in the mobile technology space to aid frontline health workers in efficient case management, data collection, information broadcast, and supply chain management.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Dimagi aimed to provide technology support for capacity building of frontline healthcare workers.</p> <p>Preparation: Dimagi implemented projects in South East Asia and Africa through teams based in India. This helped it estimate the market opportunity and business environment in these countries.</p> <p>Format preference: Since the product required customization involving core technical knowledge, Dimagi selected the wholly-owned subsidiary route for expansion in Africa.</p> <p>Country preference: It established hubs in South Africa, Mozambique, and Senegal to cover the vast untapped market in Africa. Presence of a good mobile network and presence of NGOs and government programs were key selection criteria.</p>	<p>Management readiness: Dimagi's diverse team has defined roles for technology, operations and strategy. This freed senior management bandwidth for expansion as they spent less than 20 percent of their time on the India operations.</p> <p>Financial readiness: Dimagi received grant funding to expand to India, but it self-funded the expansion to South Africa, Mozambique and Senegal.</p> <p>Operational readiness: It developed and tested the model by implementing multiple projects in new geographies with India as the hub.</p> <p>Validating need for product/service: Exposure through projects indicated that there was a growing healthcare services sector coupled with low density of population in Africa. This presented a vast untapped market for technology products in healthcare.</p>	<p>Mobile Penetration: As Dimagi's technology operates on mobile phones, the destination country must have reasonable mobile penetration.</p> <p>Presence of frontline workers: Dimagi's model empowers frontline health workers. Presence of NGOs and government programs that employ frontline healthcare workers is a requirement.</p> <p>Availability of technical talent: Project managerial staff and implementation staff in partner agencies are required to support customization, implementation, supervision, and handholding to effectively leverage Dimagi's products and services.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Low technical capacity of workforce in Africa

Sector: Linguistic barriers and lack of educated healthcare workforce in target countries constrains uptake of its mobile application-led products

Business: Lack of awareness about new technologies for outreach and data management among potential customers; lack of capacity to adopt technology and data management processes

KEY TRANSFER INSIGHTS

- Dimagi used a hub-and-spoke model to increase outreach and create a pipeline of projects in new countries while keeping the operational costs low
- Dimagi's expansion was supported by its second-line leadership, and it benefited from employing a mix of experienced staff and local team

CASE STUDY 7

NOVARTIS AROGYA PARIVAR

Transfer format: Wholly-owned subsidiary

Countries of operation: India, Kenya, Vietnam, and Indonesia

Novartis is a global pharmaceutical giant and world leader in the research and development of products to protect and improve health and well-being. Arogya Parivar is a Novartis initiative launched in 2007 to improve healthcare access and reach for remote rural communities.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Novartis aimed to improve access to medicines in remote rural markets and expand its consumer base.</p> <p>Preparation: It established distribution networks in remote areas by connecting with local distributors. It also entered into strategic partnerships with local NGOs in Kenya and the Government in Vietnam.</p> <p>Format preference: It opted to retain control over its operations to ensure quality of services, model's sustainability and social impact.</p> <p>Country preference: It selected Kenya, Indonesia and Vietnam after analyzing conditions in several countries. It found Kenya the most suitable for expansion in Africa. It selected Vietnam to refine and develop its model in a country that had a public sector-led healthcare system.</p>	<p>Management readiness: Novartis dedicated a senior team to focus on expansion activities. The senior team in each country came with significant public health and management experience in that geography.</p> <p>Financial readiness: It expanded operations to Kenya, Vietnam, and Indonesia after breaking even in India. Novartis is committed to funding the program and is willing to invest patient capital.</p> <p>Operational readiness: It had a stable and proven model in India before expanding to Africa. It mandated local partners to run the commercial operations and health camps to overcome legal hurdles in Africa.</p> <p>Validating need for product in Africa: It had an established distribution system in Kenya. It identified demand for its services in rural areas through research conducted by the local team.</p>	<p>Availability of primary healthcare workers: Novartis's social business model is largely dependent on primary health workers. The country selection was largely influenced by the presence of private or government health workers.</p> <p>Basic health infrastructure: The Arogya Parivar model works with existing systems for diagnosis and treatment. Hence, presence of doctors, basic pharmaceutical distribution channels and hospitals is necessary.</p> <p>Local Partnerships: Local partnerships are necessary to better understand the communities as well as build trust. Arogya Parivar works in collaboration with local pharmacies, doctors, NGOs, and the government.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Inadequate infrastructure in Africa and Asia, particularly roads and established distribution channels created challenges for outreach

Sector: Poor basic health infrastructure and limited presence of healthcare workers can restrict the model's success

Business: Novartis depends on local partnerships (NGOs or Government) to establish connection and trust within the community, and the low population density in the focus areas in Kenya and Vietnam increases the distribution cost

KEY TRANSFER INSIGHTS

- Novartis took a strategic approach to country selection. It carried out analysis of over 67 countries based on five broad parameters - social need, commercial viability, investment climate, internal capability and group's strategic inclination
- It forged partnerships with the Government and local NGOs for better outreach
- It invested in the destination country and hired local talent. It also created an enabling environment for the country teams by giving them the independence to innovate and customize the model for transfer as required

CASE STUDY 8

OPERATION ASHA

Transfer format: Wholly-owned subsidiary and knowledge sharing
Countries of operation: India, Cambodia, Kenya, Uganda, and Dominican Republic

Operation ASHA is dedicated to bringing tuberculosis treatment and health services to the poorest of the poor globally. It is the world's largest NGO engaged in tuberculosis treatment and prevention, providing these services to over 6.1 million people.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Operation ASHA aimed to scale its efforts, in alignment with its mission to provide services for the prevention and treatment of tuberculosis globally.</p> <p>Preparation: It examined TB prevalence in Cambodia and customized its model to align it with the National TB program. It also modified its approach to suit the low population density in the country,</p> <p>Format preference: It expanded to Cambodia to strengthen business and operating model. Operation ASHA shared best practices with interested recipients so that the model could be customized to local context. In Africa, it chose knowledge transfer as it is a faster route to scaling impact.</p> <p>Country preference: It selected countries with high TB prevalence for expansion.</p>	<p>Management readiness: Operation ASHA has a strong second level of management including a country head and operations director. The founders spend less than 15 percent of their time on operations.</p> <p>Financial readiness: It received government and donor funding for transferring the model in Cambodia. In Africa, it chose knowledge transfer format, which did not require significant investment.</p> <p>Operational readiness: It ensured the model was well established at scale in India before testing and strengthening it in multiple settings and geographies.</p> <p>Validating need for product/service in Africa: Preliminary research established that running costs of treatment is very high in many developing countries. There was a need for a leaner, technology-driven, cost-effective model to fight tuberculosis.</p>	<p>Presence of Healthcare Infrastructure: The business model relies on availability of basic health infrastructure such as hospitals and diagnostic labs.</p> <p>Government and donor support: Aligning the model with government TB programs helps gain access to government healthcare networks of doctors and healthcare workers. It also depends on donors to support other program activities.</p> <p>Local Workforce: Operations rely on the presence of a local workforce, which can be trained for patient drug monitoring, creating health awareness and improving detection</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Limited infrastructure to connect sparsely populated rural areas and bridge large distances between residential areas, necessitating additional efforts for delivering and sustaining TB care
Sector: Poor availability of basic health infrastructure such as diagnostic facilities, impacts early diagnosis and delays treatment
Business: Model relies extensively on Government and external funding support to establish and expand the model

KEY TRANSFER INSIGHTS

- Operation ASHA adopted a systematic approach to transfer by validating the model in a different settings and geographies before embarking on knowledge transfer activities
- Aligning with national TB programs helped Operation Asha gain access to government healthcare infrastructure, and helped it establish quick connect and acceptance within the community

CASE STUDY 9

ASTONFIELD SOLESA

Transfer format: Joint venture with Solesa Group
Countries of operation: India, Kenya, Uganda, Tanzania, Egypt, and Mauritius

Astonfield Solesa designs and constructs decentralized solar mini-grid power systems for the Small and Medium Enterprise (SME) segment in India and East Africa. The firm is a joint venture between India-based Astonfield Renewables and Italy-based Solesa Solar Group

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Astonfield sought to expand to new international markets that offered better operating margins and a less competitive environment in order to improve profitability.</p> <p>Preparation: It refined its business model to decrease reliance on public sector and focus on the private sector; and hence shifted from large-scale centralized grid projects to small-scale decentralized mini-grids and captive solar power plants targeted at SMEs.</p> <p>Format preference: It entered into a strategic partnership with a like-minded firm that could bring in complimentary strengths and share the risk of expanding to Africa.</p> <p>Country preference: Astonfield selected Kenya as it wanted a regional headquarters and saw Kenya as a gateway to Eastern and Southern Africa.</p>	<p>Management readiness: Astonfield's Co-Chairman took up Africa expansion in a full-time strategic role, and some of the firm's 2nd line leadership was assigned to support him. Also merged operations with Solesa Solar to bring in a local team.</p> <p>Financial readiness: It secured funding ahead of Africa expansion, and built a working capital base to last 2-3 years in Africa in a pre-revenue/profit scenario.</p> <p>Operational readiness: It identified a strategic partner with technical expertise needed to serve private sector clients, and entered into a joint venture with Solesa Solar.</p> <p>Validating need for product in Africa: Astonfield Solesa, the joint venture, carried out market research which identified the need for solar-hybrid power system for SMEs in India and East Africa.</p>	<p>Customers needing industrial-scale grid-backup: Grid-connected customers that face power shortage, and require 100kW to 10MW of power.</p> <p>Regulation: Facilitative power tariff policies to support solar mini grids, instead of public-sector driven subsidies.</p> <p>Import Reliance: Cost of importing and transporting solar PV panels from other countries.</p> <p>Channel partners: Reliance on in-country channel partners to support customer acquisition and servicing.</p> <p>Cost-benefit dynamics: Dependence on favorable comparison to price of grid/grid backup (for instance, diesel generators).</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Sparse SME segment in Africa; insufficient bank financing for SMEs
Sector: Cost of power production four to five times higher than India; scale of decentralized solar mini-grid projects much smaller than India as well. These combine to cause margin pressures
Business: Few existing relationships with the potential customer segment, necessitating investment in building market share for first few years taking into account a pre-revenue/profit scenario

KEY TRANSFER INSIGHTS

- Astonfield analyzed African countries based on business dependencies to find the right markets for expansion
- It invested in building market share and relationships with banks for project financing for the first few years, reducing its margins for this purpose
- It refined business model for the African context from being margin-focused to volume-focused
- It took a lean approach to building management capacity for expansion
- It built a local identity and invested time in building customer trust

CASE STUDY 10

GREENLIGHT PLANET

Transfer format: Trade partnerships and wholly-owned subsidiaries

Countries of operation: Offices in India, China, U.S., Kenya and Uganda; distributes across 35+ countries

Greenlight Planet designs, manufactures and distributes affordable solar lamps targeted at low income off-grid households. It has a manufacturing plant in China, and offices in India, Kenya and Uganda that focus on distribution. Its products are distributed to 35+ countries around the world

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: Greenlight sought to grow its revenue base and create a global footprint.</p> <p>Preparation: It studied the East Africa market through in-person country visits.</p> <p>Format preference: It preferred to set up fully owned subsidiaries with complete control over R&D and manufacturing, but was open to partnering with others for outreach and distribution.</p> <p>Country preference: It selected Kenya since it wanted a regional headquarters and saw Kenya as a gateway to Eastern and Southern Africa.</p>	<p>Management readiness: Greenlight allocated a senior leader, who was experienced in overseeing the African trade partnerships, to focus on global expansion full-time.</p> <p>Financial readiness: It had a growing revenue stream from trade in Africa which it reinvested in setting up an African entity. It also raised venture capital funding once on-ground traction in Africa was evident.</p> <p>Operational readiness: It ensured product manufacturing capacities through its Chinese subsidiary, documented all standard operating processes and readied curriculum for training employees.</p> <p>Validating need for product in Africa: Employed a phased approach to validate need and expand simultaneously, from trade partnerships to establishing its own distribution channels.</p>	<p>Sizable target consumer segment: Reliance on an off-grid and low income consumer segment with purchasing power to buy Greenlight's products.</p> <p>Distribution Support: Existing distribution channels for consumer acquisition, financing, and post sales servicing as creating a direct sales agent channel is time-consuming.</p> <p>Import Reliance: Nascent manufacturing sector in Africa necessitates reliance on imports from China.</p> <p>Regulations: Facilitative policies in solar and off-grid energy market such as low import duties on solar, no subsidies for alternates to solar lighting such as kerosene.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: High costs of last mile distribution constrains product uptake

Sector: Limited awareness of alternative lighting products among consumers

Business: Lack of deep market intelligence at the country level; limited finances to dedicate to Africa expansion

KEY TRANSFER INSIGHTS

- Greenlight validated demand for its products in Africa periodically before committing financial and human resources
- It took a lean approach to expansion by keeping overheads very low in Africa and hiring only business development staff until it had built enough knowledge and insights around the local market to determine how to invest in a longer-term organizational structure
- It forged successful partnerships with distributors and retailers for reaching last mile rural households, and in the process, learnt about the opportunities and challenges in the off-grid solar lighting market through these partners
- It invested in hiring and training local talent for long term sustainability

CASE STUDY 11

SKG SANGHA

Transfer format: Strategic Alliances in each country of operation
Countries of operation: India, U.K., Kenya, Egypt, and Mali

SKG Sangha is a non-profit organization that designs, constructs and maintains household level biogas digester plants in rural areas to provide clean fuel for cooking. It has offices in India, Egypt, Kenya and Mali, and has installed biogas plants across eight countries.

SNAPSHOT OF EXPANSION DRIVERS



INTENT



CAPACITY



DEPENDENCIES

OBJECTIVES AND PREFERENCES FOR TRANSFER	BUILDING READINESS FOR TRANSFER	ORGANIZATIONAL DEPENDENCIES THAT LED TO TRANSFER CHOICES
<p>Imperative: SKG Sangha aimed to maximize social impact by expanding provision of clean cooking fuels to rural households in countries outside India.</p> <p>Preparation: It raised funds from private organizations and governments in Europe and Africa to initiate operations in Africa.</p> <p>Format preference: It entered into strategic alliances with local governments and organizations that could bring in on-ground expertise and help establish operations in different African geographies.</p> <p>Country preference: Its country selection for expansion was driven by the choices of funding partners.</p>	<p>Management readiness: SKG Sangha identified experienced Indian supervisors within the team to support implementation of overseas projects.</p> <p>Financial readiness: It created management bandwidth to focus on raising capital for African expansion. It also forged a relationship with a philanthropic organization to raise funds for expansion. It ensured regular source of revenue through carbon finance for the Indian operations.</p> <p>Operational readiness: It documented standard operating processes and designed training manuals to train field staff that were hired for construction and maintenance of biogas plants.</p> <p>Validating need for product in Africa: It carried out extensive market research and identified the need for biogas plants as an alternative to wood fuels in rural Africa.</p>	<p>Skilled field staff: Skilled local masons for constructing biogas plants. Reliance on locally employed technicians for monitoring and maintaining biogas plants.</p> <p>Import Reliance: Supply and quality of raw materials for construction.</p> <p>Biomass Reliance: Availability of animal waste as feed-in material for biogas generation.</p> <p>Channel Partners: Presence of local NGOs for conducting field surveys, mobilizing community and increasing product awareness; reliance on donors for funding.</p> <p>Multi-lingual staff: Language proficiency in staff (English and native speakers) to assist English-speaking supervisors transfer operations to local communities.</p>

KEY CHALLENGES IN TRANSFER

Ecosystem: Ability to pay among rural African households is very low; high construction and labor costs in Africa

Sector: Lack of skilled field staff; limited availability of raw material

Business: Limited access to external capital; limited access to feed-in biomass in rural Africa

KEY TRANSFER INSIGHTS

- SKG Sangha diversified its funding strategies to include sustainable sources of funding for the Indian operations. Thus, it could create management bandwidth for raising capital specifically for its African expansion
- It employed a mix of Indian staff and a local team in Africa to serve as an effective mechanism for operational knowledge transfer and for accelerating expansion
- It developed its technical prowess to address the need for long-term after-sales service, which most biogas companies struggle to address. As a result, it developed a strong value proposition in international markets

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Photo Credits

Microfinance Insights Photo Contest Entries

From 2006 to 2009, Intellect published an international print magazine called Microfinance Insights to create awareness about the growing field. Microfinance Insights organized several photo contests that invited photographers and practitioners from around the world to share images that captured "Global Shades of Development". We have used some images from these photo contests in this report. Photographers have been credited alongside each picture.

Photos from inclusive businesses and development practitioners

In addition, some photos shared by inclusive businesses featured in this study and photos contributed by development practitioners have been used with permission. Photographers/organizations have been credited alongside each picture.

Abbreviations

AVCA	Africa Venture Capital Association
BOP	Base of the (economic) Pyramid
BPI	Baseline Profitability Index
CAGR	Compounded Annual Growth Rate
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
CTI PFAN	Climate Technology Initiative's Private Financing Advisory Network
DAC	Development Assistance Committee (<i>at the Organisation for Economic Co-operation and Development</i>)
DFI	Development Finance Institution
ECOWAS	Economic Community of West African States
EXIM BANK	Export Import Bank
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEWP	Global Easy Water Products
GNI	Gross National Income
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
ICRISAT	The International Crops Research Institute for the Semi-Arid-Tropics
ICT	Information and Communications Technology
IFC	International Finance Corporation
INVENT	Innovative Ventures and Technologies for Development
IP	Intellectual Property
IPP	Independent Power Producer
IT	Information Technology
LAICO	Lions Aravind Institute of Community Ophthalmology
MD	Managing Director
MFI	Microfinance Institution
NASE	National Association of Social Entrepreneurs
NBFC	Non-Banking Financial Company
NCD	Non-Communicable Disease
NOW	Negotiable Order of Withdrawal
ODA	Overseas Development Aid
PV	Photo-Voltaic
R&D	Research and Development
RE	Renewable Energy
SKEPL	Shree Kamdhenu Electronics Pvt. Ltd
SME	Small and Medium Enterprise
UKAID/DFID	United Kingdom Department for International Development
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America
USAID	United States Agency for International Development
WHO	World Health Organization

List of interviewees

ORGANIZATION	PERSON	DESIGNATION
Angaza Design	Ellie Higham	Director, East Africa Operations
Aquagri Processing	Abhiram Seth	Founder
Aravind Eye Care	Dr Aravind S	Director, Projects
Aravind Eye Care	Thulasiraj	Executive Director, LAICO
Aravind Eye Care	Dhivya	Ophthalmic Associate, LAICO
Astonfield Solesa	Ameet Shah	Co-Chairman
Bamboo Finance	Mumo Muthengi	Investment Manager
Barefoot Power	Purnima Kumar	Business Development Manager
Barrix Agro	Lokesh Makam	Founder
B-Space	Laura van Dijk	Managing Consultant
B-Space	Guustaaf van de Mheen	Managing Consultant
CGAP	Jacob Winiecki	Energy Sector Specialist
Climate Technology Initiative (CTI) - Private Financing Advisory Network (PFAN)	Bobby Namiti	CTI PFAN East Africa Coordinator
Digital Green	Vinay Kumar	Chief Operating Officer
Envirofit India	Ravi Kumar	Manager - Operations and Business Development
Fanisi Capital	Paul Ohaga	Partner
Fenix International	Lyndsay Handler	Regional Director, East Africa
Global Easy Water Systems	Mr. Amitabha Sadangi	Head, GEWP
Global Village Energy Entrepreneurship (GVEP)	Caesar Mwangi	Africa Regional Director
Greenlight Planet	Anish Thakkar	CEO and Co-founder
Greenlight Planet	Radhika Thakkar	Vice President - Global Business Development
ICCO Invest	Winnie Bullut	Regional Investment Manager, Central and Eastern Africa
Impetus Africa	Manoj Mehta	Head, Impetus Africa(Sole authorized distributor of GEWP instruments)
Invested Development	Lee Carter	Analyst, Africa Markets

ORGANIZATION	PERSON	DESIGNATION
Kenya Investment Authority	David Mugambi	Senior Investment Officer
Manasa Agro Pvt. Ltd	RSN Raju	Founder MD & CEO
Mango Fund	Ted Pantone	Managing Partner
mKopa	Jesse Moore	Managing Director and Founder
Novartis Group Social Business	Anuj Pasrija	Head, Group Social Business
Novartis Group Social Business	Forotan Bahare	Corporate Communications, Group Social Business, Novartis
Novartis Group Social Business	Meghdoot Deherkar	Head of Operations, India Programme
Novartis Group Social Business	Anthony Gitau	Country Head, Kenya programme
Olive Medicare Services	Grace Mwangi	General Manager
PRAN	Uzma Chowdhury	Director (Finance) PRAN-RFL Group
Renewable Energy Incubator, Makerere University	Shira B. Mukiibi	Incubation Manager
Root Capital	Fred Kiteng'e	Regional Director, Lending
Science for Society	Vaibhav Tidke	Founder
SELCO	Sarah Alexander	Consultant
Shree Kamdhenu Electronics Pvt. Ltd (SKEPL)	Ujvul Parghi	Founder
SKG Sangha	D. Vidya Sagar	Chairman
The International Crops Research Institute for the Semi-Arid-Tropics (ICRISAT)	G Dileep Kumar	Global Leader, Knowledge Management and Sharing (KMS), ICRISAT; Coordinator ICRISAT South-South Initiative
Uganda Investment Authority	Eng. Dr. Frank B. Sebbowa	Executive Director
Village Capital	Ross Baird	Executive Director
Village Capital	George Omedo	Associate, Kenya

World Bank Group

The World Bank Group plays a key role in the global effort to end extreme poverty and boost shared prosperity. It consists of five institutions: the World Bank, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Working together in more than 100 countries, these institutions provide financing, advice, and other solutions that enable countries to address the most urgent challenges of development.

International Finance Corporation

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies. Our work allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities. IFC's vision is that people should have the opportunity to escape poverty and improve their lives.

Intellectap

Intellectap is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Our unique positioning at the intersection of social and commercial business sectors allows us to attract and nurture intellectual capital that combines the business training of the commercial world with the passion and commitment of the social world to shape distinctive solutions.

We seek to build institutional capacity and channel investments in the development sector through consulting services, investment banking services, and knowledge and information services. Examples include innovative and focused initiatives such as capital advisory services, intermediating impact investment capital, innovation management, strategy design, market research, stakeholder engagement and policy advocacy.

Founded in 2002, Intellectap has grown into a Group with more than 600 employees and 300 engagements across 23 countries around the world.

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