

**Inclusive Business:  
Support Measures and Specific Initiatives  
from the Japanese Government**

1. Inclusive Business : Examples of Business and Support Measures

2. Basic Standpoints for the Promotion of Inclusive Business

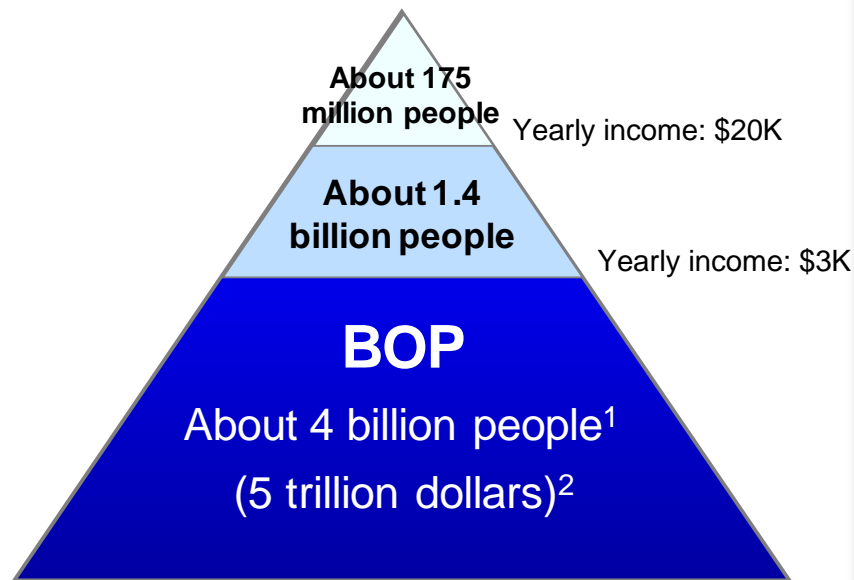
3. Overview of Supportive Policies and Specific Initiatives

# 1. Inclusive Business : Examples of Business and Support Measures

- Inclusive business support focuses primarily on providing low-income earners in developing nations (consumers, producers, sellers, or any combination thereof) with sustainable new business models that can contribute to the resolution of the many social issues facing local communities.

## (1) Base of the pyramid (BOP)

World income pyramid



<sup>1</sup>About 72% of the world's population

<sup>2</sup>On par with Japan's real GDP

Source: Created by METI based on THE NEXT 4 BILLION (2007 World Resource Institute, International Finance Corporation)

## (2) Reason for Governmental Support

### As industrial policy:

- Relative shrinkage of mature markets versus growth and expansion in developing markets

→ New markets in the global economy (“next volume zones”)

- Japanese corporations have come to specialize in high-end products and services

### As economic cooperation policy:

- Need for solutions to the many problems facing developing countries, including poverty, sanitation, and education

### US and European trends:

- Corporations, aid organizations, and NGOs work together to both solve local issues and achieve business goals
- Active support from international agencies and governments

### (3) Examples of inclusive business

- Active initiatives by the US and Europe
- Japanese corporations have also started to take actions

#### US and European corporations:

##### Example #1

##### **Lifestraw (Vestergaard Frandsen)**

- A drinking water purification kit that contains a compact high-quality purification device.
- Sold for the low price of \$4, can be used for 3 years before replacing the internal device.

Supplied to countries in Africa and Asia with the support of international agencies.

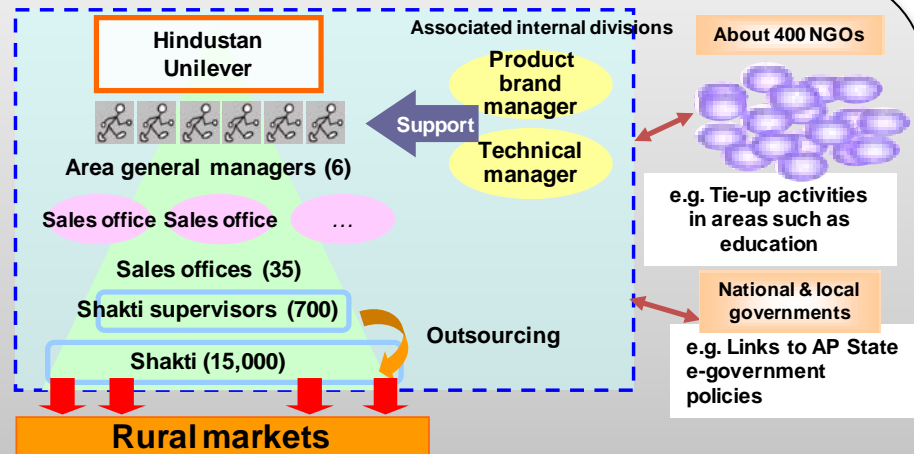


From the Vestergaard Frandsen website

##### Example #2

##### **Hygiene products (Unilever)**

- Items like detergent and shampoo provided in small bags at a low price (1–4 yen per bag).
- Local rural women are organized and trained to sell the products door-to-door, contributing to their independence.
- Local governments, UNICEF, NGOs, and others provide indirect support through “handwashing campaigns.”



Created by NRI based on meetings with Hindustan Unilever (2006) and public documents

# Japanese corporations:

## Example #1

### Olyset Net (Sumitomo Chemical)

- Sumitomo Chemical developed the Olyset Net mosquito net woven from fibers containing insecticides to prevent malaria. The nets have been distributed in over 50 countries with the help of international agencies.
- The pesticide works for at least five years, and demands is growing as the product is renowned for being both economical and effective in the prevention of malaria.
- Sumitomo Chemical generated about 7,000 jobs in Tanzania to produce the nets, contributing to regional economic development as well.

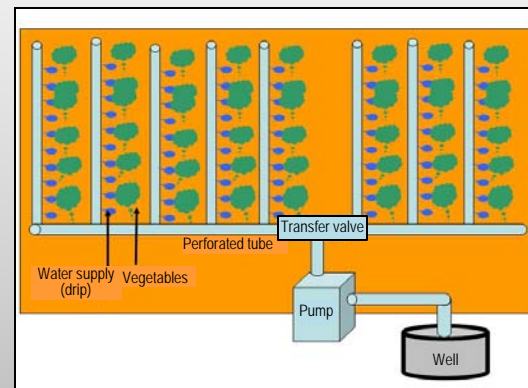


Photos provided by Sumitomo Chemical

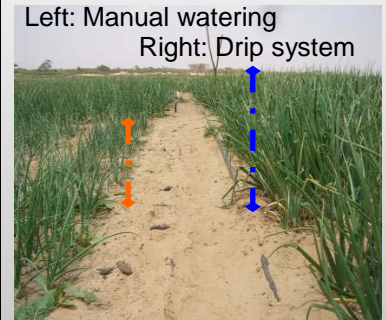
## Example #2

### Agricultural pump (Yamaha Motor)

- Yamaha has spread the use of new pump-based farming methods in Africa (Senegal, etc.) with its drip system.
- The company has worked with NGOs, local governments, and other organizations to explain and guide the use of the devices, as well as collect money from sales.
- Use of the product has resulted in more efficient production of onions and other crops (one person can easily do the watering work of three people) as well as long-term reductions in production costs.



Drip system



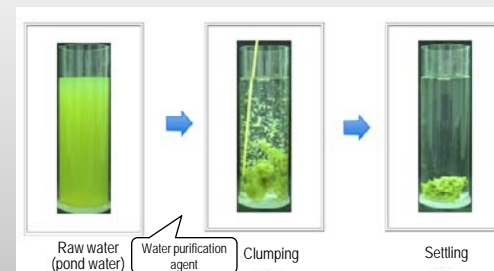
Difference in crop growth

Source: Yamaha Motor documents

## Example #3

### Water purification agent (Nippon Poly-Glu)

- Nippon Poly-Glu is a mid-sized company in Osaka that manufactures water purification agents.
- The company is working to use its water purification agent to make safe drinking water widely available in Bangladesh. It is also setting up a sales network of local women.



Clumping caused by the water purification agent (from the Nippon Poly-Glu website)



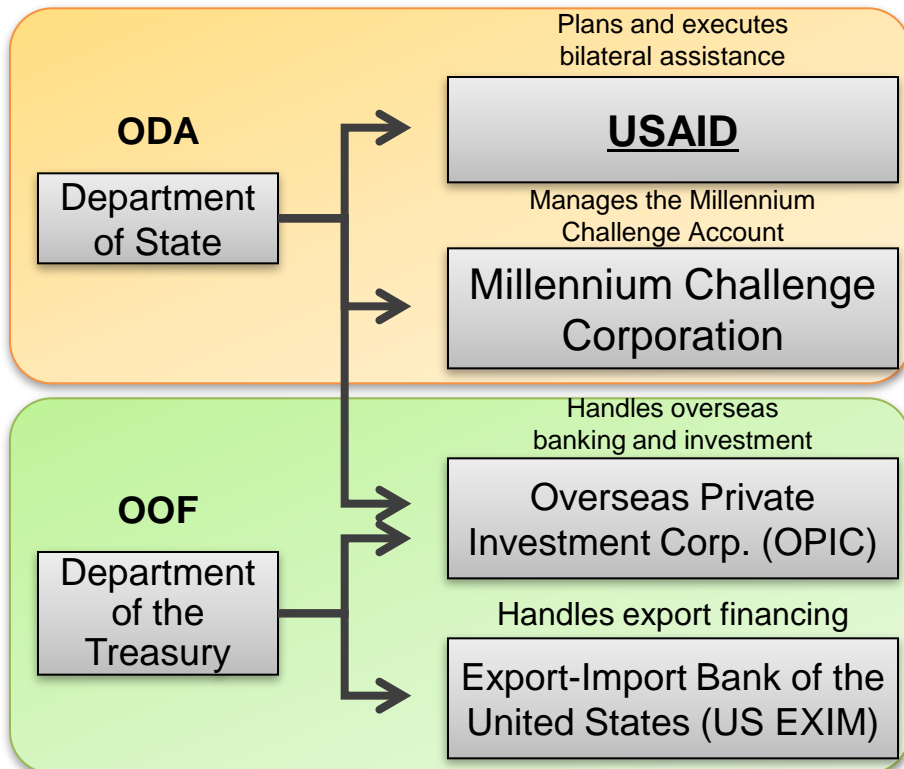
Children using the product to purify water

# (4) Inclusive business support structures at international and foreign aid organizations

## United States Agency for International Development (USAID)

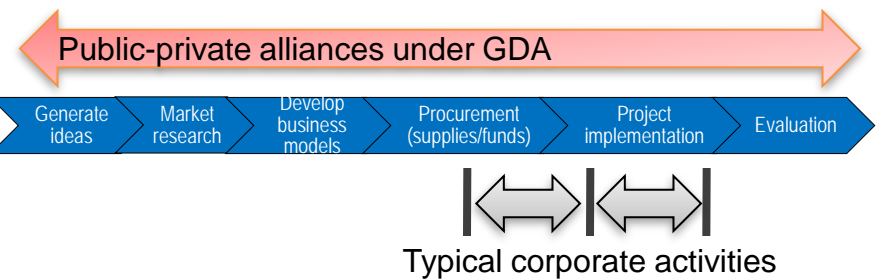
- The US has been shifting to a structure that prioritizes its foreign assistance policy. Within this structure, USAID plays a central role in coordinating bilateral assistance.
- USAID set up the Global Development Alliance in 2001 as a way to link public and private interests to provide foreign assistance. The GDA was formed in response to two factors: (1) a heightened awareness of CSR and social contribution among US companies, and (2) the growing impact of multinational corporations in developing countries.
- Since 2001, 680 alliances and 1,700 partnerships have worked together to invest 9 billion dollars in programs.

### US support structure for overseas development assistance



### Features of the GDA program

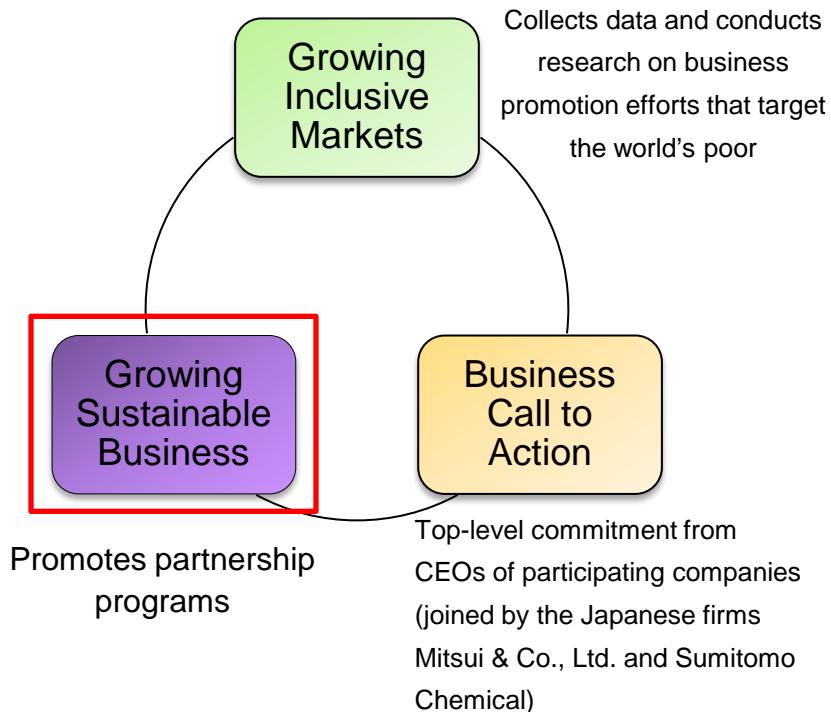
1. Work alongside partners from the idea generation stage
2. Share resources, losses, and outcomes between the public and private sectors
3. Form alliances with new partners as well as conventional alliances with NGOs or civic group
4. Introduce innovative methods held by the private sector
5. Up to 50% of project funding provided by USAID



# United Nations Development Programme (UNDP)

- The UNDP is one of the agencies in the UN responsible for planning and funding. It is an organization involved in a wide variety of social issues, even referred to as the “trading company for the UN”.
- The UNDP’s public-private collaboration programs, particularly those that involve partnerships with private corporations, are carried out through the Growing Sustainable Business (GSB) program.
- Under the GSP, UNDP acts as a broker, linking private firms with developing countries to provide information, funding, and local partnerships.
- The UNDP is not involved in the actual implementation of commercial endeavors by the private sector.

## UNDP public-private collaboration programs



## GSB program flowchart



## Reference: Sectors supported by international and foreign aid organizations

- Though a major portion of aid is directed towards resolving sickness or nutrition issues in the health sector and water supply or environmental contamination measures in the environmental sector, there is also substantial aid directed at the agricultural sector as well as the economic growth sector (which includes financing, distribution, support for small and mid-sized businesses, and HRD) and the energy sector, which includes the supply of electricity. These seem to be the sectors where there is the greatest need for BOP earners. Other popular sectors for aid are those that support economic infrastructure (such as IT and information and communications technology).

**No. of major UNDP projects by sector**

	Sector	No. of projects
1	Economic growth/trade	17
2	Environment	15
3	Agriculture	11
4	IT environments	7
5	Health	4
6	Other	3
7	Education, labor training	2
8	Resolving conflict	0
9	HIV/AIDS measures	0
10	Democratization, ending corruption	0
11	Birth control	0

Total: 59

**No. of major USAID projects by sector**

	Sector	No. of projects
1	Health	84
2	Environment	75
3	Agriculture	74
4	Economic growth/trade	56
5	Education, labor training	32
6	HIV/AIDS measures	30
6	Energy	20
8	Democratization, ending corruption	16
9	IT environments	12
10	Resolving conflict	6
11	Birth control	5

Top 410



## Reference: Sectors targeted by Japanese corporations

- Most Japanese corporations have their sights set on sectors like the environment, health, agriculture, and IT.
- The environmental sector in particular provides many avenues to address BOP needs, including energy and water-related initiatives, and plans to enter these fields are becoming quite popular among major manufacturers and trading companies. Many companies with unique technologies or products applicable to the medical and health fields are planning to enter these sectors, making use of their strength.

### Sectors targeted by Japanese corporations

	Sector	No. of projects
1	Environment	12
2	Health	8
3	Agriculture	4
4	IT	3
5	Economic growth/trade	2
6	Education, labor training	2
7	Other	2

Total: 33

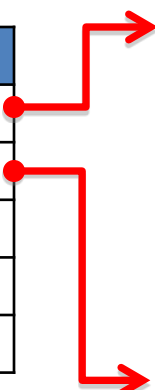
## Reference: Regions targeted by Japanese corporations

- As a whole, most Japanese corporations are planning to move into other Asian countries, particularly highly populated countries like India, Bangladesh, and Indonesia with sizable economies.
- Africa is the second-most popular target, with many companies favoring East African nations like Kenya and Mozambique.

### Areas/countries targeted by Japanese corporations

	Area	No. of projects
1	Asia	18
2	Africa	9
3	South America	2
4	Oceania	1
	Other/undecided	3

Total: 33



	Country	No. of projects
1	India, Bangladesh	5
3	Indonesia	3
4	Thailand, Vietnam, China	2
7	Kazakhstan, Malaysia, East Timor, Myanmar, Cambodia	1

	Country	No. of projects
1	Kenya	3
2	Mozambique	2
3	Congo, Uganda, Egypt, Morocco, Madagascar, Ghana	1

## 2. Basic Standpoints for the Promotion of Inclusive Business

### (1) Importance of supportive policies

● For the following three reasons, METI takes a strategic approach toward inclusive business promotion.

1. Support for overseas expansion of Japanese corporations
2. Resolving issues in developing countries
3. Supporting creation of higher incomes in Asia and other regions

Efforts by Japanese corporations and other organizations to promote inclusive business through unified public-private initiatives (public-private collaboration) are a new frontier for involved parties in various camps. Putting innovation to work to conquer this frontier can create a mutually beneficial Win-Win-Win situation for all players.

## (2) Key sectors where support should be provided for Japanese corporations participating in inclusive business

- Support should be focus on key sectors where international agencies and overseas aid organizations are active and have generated results, sectors targeted by Japanese corporations, and key sectors for official development assistance (such as those outlined in the ODA charter)

### Key industrial sectors

Three core areas	Ten sectors	Selected implementation targets (social issues to be resolved)
1. Japan's efforts to reduce poverty	1. Education	Improve poor adult literacy rates, elementary school attendance
	2. Healthcare and human welfare	Reduce high infant mortality rates
	3. Water and sanitation	Give a greater portion of the population access to improved water resources
	4. Agriculture, forestry, and fisheries	Boost incomes with higher-efficiency agricultural, forestry, and fisheries industries
	5. Food and nutrition	Reduce hunger and improve nutrition
2. Japan's areas of expertise	6. Environmental energy devices	Introduce electricity and build networks using energy-efficient technologies
	7. Home appliances, industrial machinery	Improve the quality of life and boost incomes with a shift towards secondary industries
3. Core infrastructure to support the above initiatives	8. Information and communication	Put the required infrastructure in place to achieve 1-7 above
	9. Money and financing	
	10. Transportation and shipping equipment	

### Key regions

- Remain focused on Asia, targeting a wide range of developing nations based on geographical proximity and business possibilities (nearly three of the worlds four billion BOP earners are in Asia). Evaluate specific courses of action based on the need for resolution of social issues and the potential for business expansion.

# Reference

## Potential for a mutually beneficial (win-win-win) situation for everyone involved

### For Japan

\*NPOs/NGOs, entrepreneurs and others can be key players in implementation

#### ■ For government

- Sustained, efficient economic cooperation through public-private alliances  
(Vitalization of Japan's economy through higher standards of living and reduced poverty in developing countries and economic progress in Asia and elsewhere)
- Boost presence/awareness of Japan's economic cooperation efforts
- Support the entry of Japanese companies into overseas markets  
(Corporate and general economic development through the creation and expansion of overseas markets)

#### ■ For companies

- Gain new markets (or get a foot in the door towards future new markets)
- Gain new standards
- Development of products and services that could generate reciprocal growth in the domestic market
- Opportunity for smaller businesses to make inroads overseas
- Build momentum for independent business innovations  
(Create new products, services, sales routes, or partnerships)
- More lasting and efficient business activities through reciprocal alliances with other companies, governments, aid organizations, NGOs/NPOs, and entrepreneurs\*

### For developing countries

#### ■ For governments (developing countries)

- Economic development through vitalized markets, employment, direct inward investment, and greater exports
- Reduction in poverty, improved standard of living

#### ■ For BOP earners (developing countries)

- Generate and expand opportunities to get needed products and services
- Alleviation of BOP disadvantages (e.g. forced by poverty to purchase low-quality, relatively expensive products, little or no access to goods and services)
- Escape from poverty with new employment opportunities

### Aid groups and organizations

#### ■ For NGOs/NPOs

- New BOP support needs can be uncovered with the help of corporations
- Sustained, efficient support can be implemented with the help of corporations

#### ■ For aid organizations

- Social issues facing developing countries (including Millennium Development Goals) can be efficiently resolved with private funding, products, services, and networks

# 3. Overview of Supportive Policies and Specific Initiatives

## (1) Initiatives already taken

### Popularizing and raising awareness about inclusive business concepts

1. Inclusive Business Forum
2. Promotional/informational seminars(JETRO)
3. International symposia and other events
4. Transmission of information

### Field surveys: BOP needs and inclusive business efforts

1. Latent needs surveys
  - Market surveys in Asian and African countries
2. Case studies
  - Collecting examples of current efforts by Japanese and foreign companies, NGOs/NPOs, and aid organizations

### Inclusive Business Policy Research Group

**Research group** (Chair: Nobuo Katsumata, chairman of the Japan Foreign Trade Council)

**Workgroup** (Chair: Dr. Junichi Mizuo, professor at Graduate School of Surugadai University)

#### Discussion topics

1. Role and potential of inclusive business
2. Areas where Japanese businesses can be expected to get involved
3. Roles of involved parties in popularizing inclusive business, overall approach for support measures

### Support in setting up specific business models

#### (Local feasibility studies)

- Conducting local feasibility studies based on suggestions from ten corporations and groups

# Reference: Member list of Inclusive Business Policy Research Group

## Research Group: member list

### Chair:

Nobuo Katsumata: Chairman, Japan Foreign Trade Council

### Members (in alphabetical order):

Junichi Abe, Editor, Yomiuri Shimbun

Kumi Fujisawa: Vice President, SophiaBank Limited

Hiroshi Hirose: President, Sumitomo Chemical Co., Ltd.

Masatoshi Ito: Representative Director, President & Chief Executive Officer, Ajinomoto Co., Inc.

Akira Kojima: Senior Research Fellow, Japan Center for Economic Research

Kaori Kuroda: Co-Director, CSO Network Japan

Junichi Mizuo: Professor, Graduate School of Economics, Surugadai University, head of the Institute for Economic Research

Michitaka Nakatomi: President, Japan External Trade Organization (JETRO)

Kenzo Oshima: Senior Vice President, Japan International cooperation Agency (JICA)

### Observers:

#### MOFA

Shigeru Ushio: Director, Development Assistance Policy Coordination Division, International Cooperation Bureau

Asako Okai: Director, Second Africa Division, Middle Eastern and African Affairs Bureau

### Secretariat:

#### METI

Atsuo Shibota: Director-General, Trade and Economic Cooperation Bureau

Hirofumi Katase: Deputy Director-General, Trade and Economic Cooperation Bureau

Satoru Koyama: Director, Trade Finance and Economic Cooperation Division, Trade and Economic Cooperation Bureau

# Reference: Local feasibility studies

- In order to promote inclusive business in developing countries, we must take suggestions from private businesses who have an interest in doing this kind of business. Feasibility studies are then carried out to (1) understand the local needs, markets, and structures, identify related government agencies, private groups, and other organizations, and (3) uncover promising alliances so that the business can be successfully carried out.
- The following ten initiatives have been adopted as a result of investigating 25 suggestions (in alphabetical order).

Company/group	Theme	Overview
Ajinomoto, Co., Inc.	Use amino acids to make protein-enhanced foods commercially available	Look at developing protein-rich food products out of traditional local foods in Ghana and making them commercially available
Gaia Initiative (NPO), SANYO Electric Co., Ltd.	Spread the use of compact and personal electricity generators and charging stations	Looking at setting up a business that puts up solar panels and popularize lanterns in rural India under the Solar Lantern Project
Hitachi, Ltd.	Set up solar power generation facilities as a business that can resolve social issues	Examine the idea of an electrical supply business that sets up solar power generation devices in Indonesian settlements without electricity
Nipro Corporation	Make tuberculosis diagnostic kits commercially available for more efficient treatment	Examine the business potential of spreading the use of tuberculosis diagnostic kits that can rapidly identify tuberculosis bacteria in Southeast Asia
Sony Corporation	Make practical use of compact distributed generator and capacitor systems	Look at setting up a business to supply compact electricity generators that burn locally-available raw materials in Indian villages without electricity
Sumitomo Chemical Co., Ltd.	Set up private businesses to eradicate tropical infectious diseases	Study the development of projects that address unmet needs related to tropical infectious diseases (look at Kenya)
Terumo Corporation	Examine the business potential of blood bags in Africa	Look at setting up a blood bag distribution system in Africa to supply safe, high-quality blood (look at Zambia, Tanzania, and Mozambique)
Toyota Tsusho Corporation, PlaNet Finance Japan (NGO)	Run a biodiesel business using micro-financing in Africa	Look at using micro-financing to manufacture and sell biodiesel made from non-edible native plants like Jatropha in Africa (look at Kenya and Uganda)
Yamaha Motor Co., Ltd.	Make purified water supply systems commercially available to rural villages in developing countries	Examine the business potential of building a drinking water supply system using compact purified water supply devices in Indonesian villages
Yugawa Iron Casting Works, Co., Ltd.; Nippon Poly-Glu,	Spread the use of water purification agents among BOP earners and set up simple water purification devices	Manufacture water purification agents to combat water pollution and resolve arsenic contamination problems in Bangladesh; look at setting up a purified water sales network using small-quantity sales and simple water purification devices



Reference: Approaches to be taken  
(excerpt from Inclusive Business Policy Research Group report)

Type of Approaches (areas where assistance should be provided)
1. Obtain the necessary information on inclusive business
2. Build partnerships
3. Educate/promote among local BOP earners and other involved parties
4. Procure funding and resolve financial issues
5. Promote technological development
6. Set up business infrastructure (hardware/software) in developing countries
7. Effective collaboration in various aid strategies

## (2) Current and future (proposed) initiatives

### **1. Set up a Japan Inclusive Business Support Center**

*Establish and run a common platform for related ministries, aid organizations, private corporations, and NGOs*

- Set up a portal site as a centralized source of information
- Matching support (promote alliances)
- Consultation services

### **2. Support the setup of specific public-private business models**

*Make use of Japan's areas of technological and service expertise to support the resolution of a wide variety of issues*

- Conduct verification projects
- Support research and development
- Make use of public financing (NEXI, JBIC, JICA) and others

### **3. Implement studies and educational/promotional projects**

*Build a foundation to support the above efforts*

- Variety of research projects
  - Preliminary case studies, latent needs
  - Human resources and financing
- Educational and promotional activities (international symposia, symposium to establish the support center (Oct 13, 2010), promotional seminars, etc.)

# (3) List of services (Japan Inclusive Business Support Center)

1. Portal site (centralized information source)

2. Matching support (promote alliances)

<b>Support policies/frameworks</b>	Support policies and frameworks for inclusive business by government-affiliated organizations
<b>Related organizations</b>	Names and contact information for organizations that support the IBSC
<b>Matching support</b>	Information on setting up partnerships with a variety of related parties
<b>Event information</b>	Information on events related to government-affiliated organizations
<b>Country-specific information, reports, etc.</b>	Country-specific information and research reports (including latent needs, preliminary case studies, and feasibility studies, etc.)
<b>Steering Committee</b>	Documents and basic information on actions taken by the IBSC steering committee

promote partnerships and collaboration between businesses and local NGOs, aid agencies, and other organizations

3. Consultation services

Act as a support center to field inquiries in collaboration with JETRO, JICA, and other organizations

## A guide to the new global trend: BOP business, packed with preliminary case examples!



As the Japanese market shrinks due to an aging society and low birthrates and as major growth in advanced countries seems unlikely, low income earners in developing countries, also known as BOP or “bottom of the pyramid” earners, are now becoming the focus of international attention.

The scale of the BOP market is estimated to be on par with Japan’s real GDP—about five trillion dollars—and represents vast untapped business potential.

Public and private interests have teamed up in recent years to participate in increasingly popular “inclusive business” activities, or business efforts with the aim of resolving social issues.

Though global corporations in the US and Europe have been actively engaging in these activities for some time, Japan lags behind with comparatively weak efforts.

Inclusive business is a form of achieving sustained, effective economic cooperation, while allowing Japanese businesses to make inroads into overseas markets. It represents a new strategic arena for a variety of players, including governments, corporations, international organizations, aid agencies, NPOs, NGOs, and others, allowing interested parties to generate new opportunity through mutually beneficial alliances. Most importantly, it provides Japan with the much-needed chance to produce globally-minded personnel who can lead Japan’s future by taking their place on the world stage.

This publication not only provides an outline of the way inclusive business is set up in terms of basic policy, but serves as a useful guide to those actually involved in inclusive business, offering preliminary examples from US and European corporations as well as the results of latent needs surveys to help inclusive business players take action.

Compiled by the Trade Finance and Economic Cooperation Division, Trade and Economic Cooperation Bureau, METI. Published by the Research Institute of Economy, Trade, and Industry.

ISBN978-4-8065-2846-3 260 A5 pages Cost: 2,310 yen (2,200 yen + 5% tax) On sale: June, 2010

## **100 Actions to Launch Japan's New Growth Strategy**

- Maximize the Market's Function through Reimagined Public-Private Cooperation –  
[ FY 2011 Key Policies of the Ministry of Economy, Trade and Industry] 【extracts】

### **IV. Implementation of “open” economic and industrial policies from integrated internal and external perspectives**

#### **1. Growth integrated principally with the growth of the Asian economy**

##### **(6) Implementing policies that look at the growth of the “volume-zone and next volume-zone” markets (action83)**

Looking at the potential of the market belonging to the middle income group (volume zone), which is fast growing in India, Vietnam, and some other Asian countries, as well as of the market for the base of the pyramid (BOP, which we may define as the next volume zone) in Asia and other developing countries, we will provide continuous, effective economic cooperation to these countries and back up Japanese companies' aggressive international expansion in response to increasing local consumption in these countries.

Specifically, through creation, by companies, NPOs, ministries and agencies concerned, and public organizations, of a body responsible for promotion of BOP business or through other means, we will make adequate use of JETRO networks and official development assistance (ODA) and thereby work to promote information exchange and business projects through PPP.

△ We will create “BOP Business Promotion Platform” (tentatively named).

## The 18<sup>th</sup> APEC ECONOMIC LEADERS' MEETING

Yokohama, Japan

13-14 November 2010

“THE YOKOHAMA VISION – BOGOR AND BEYOND” 【 extracts 】

### **1. Our vision of an APEC community**

- Robust community: A community with higher quality growth

Policies that promote balanced growth within and among APEC economies should be adopted. All sectors of society, in particular potentially disadvantaged and marginalized groups, should be provided opportunities to fully realize their potential.

**Japan-Bangladesh Joint Statement**  
**Enhancement of a Strong Partnership towards Peace and Prosperity**  
**in the International Community and the South Asian Region**  
29 November, 2010 【 extracts 】

8. The two Prime Ministers shared the view that poverty reduction and sustainable development, in particular the achievement of the MDGs, are crucial issues that the international community is facing today.

...

They also noted with appreciation that the innovative approaches for development, such as microcredit, led by the people of Bangladesh, and inclusive business, have been effective in contributing to poverty reduction at a global level.