



Inclusive business and poverty in agri-development

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Inclusive business strategies in agri-development

Main message: Inclusive business models (IBM) are a promising development strategy, as it can:

Help business development
Lift people out of poverty

But do not mistake it for a sufficient strategy to combat poverty

Only if combined with targeted poverty reduction policies

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Limitations

Limitations are evident in the nature of business

Inclusive business models (IBM) include the poor in core activities of the company - as supplier, worker, client etc. in a sustainable way (UN, IFC)

In practice: any BM that can reasonably claim to involve (some) poor people



IBM in production

IBM means integrating poor people/communities in commercial value chains . .

.. i.e. exposure to increased competition, hence selectivity

Shake-out will likely follow, separating successful from less competitive players

This weeding out cannot be avoided in genuine private sector development: competitive selection is quintessence of private sector success

If poverty is your key concern . . .

For real 'inclusive development' IBMs must be complemented by targeted poverty alleviation policies

- e.g. Social services (education, skills training, health care)
- Social security net
- Food/nutrition schemes

These cost money, but so do IBMs.



Sustainable?

IBMs often involve public-private partnerships (PPPs), in which costs of inclusiveness are borne by public sector or NGOs.

Fine if this creates vibrant business community . .

. . But often 'inclusiveness' is restricted once soft money runs out

In such case IBM programmes essentially subsidise business and successful farmers, sidelining the poor . .

Targeted policies for poor more desirable?

Yes if ...

Not against IBMs – necessary for economic development

2 comments by way of conclusion:

As said: IBM strategy must be complemented by pro-poor policies

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Understanding food security outcomes

Inclusiveness of BM is result from mutual interaction of three factors:

- **Value chain – crop, market characteristics**
- **Business model – investor decisions**
- **Local context – vary:**
 - Instututions: rules, policy environment
 - Stakeholder 'landscape'
 - Local 'foodscape'

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