

Transforming livelihoods through Business support - guidance for Christian Aid programme staff

In developing our Inclusive Markets Development work, it has become apparent that a traditional grant-making approach is not always the most appropriate response to the needs of every partner. For example, for those enterprises developing inclusive business models, a Programme Related Investment (PRI), or combination of grant and PRI ("blended finance") alongside technical support can be more appropriate as they seek to become sustainable and profitable. We have previously provided Business Support to partners such as The Hibiscus Co-operative in Nicaragua – we are now using a more structured approach with resources set aside to help make it happen.

What is Business Support?

There are three key aspects of business support which are defined by the wider sector as follows:

Business Development Supports: All the supports that improve the performance of the business, its market access & ability to compete so it can develop. *Examples: training, consultancy, advisory services, diagnostics / appraisals - business plans and market feasibility studies, design / branding, packaging, marketing & sales, business links promotion between firms, technology transfer, information etc.*

Business Support Services: All the services that the business needs so it is able to produce to operate. *Examples: transport, communication, storage, legal supports, machine & equipment repair, storage & equipment rental etc.*

Financial Supports & Services: Assessment to absorb and access to financial services.

Definition of Business Support for Christian Aid:

To support Inclusive Businesses through a structured process that allows for replication and cross-learning. Mainly consisting of the following elements 1) commercial analysis/diagnostics, 2) technical assistance, 3) access to finance (eg. ITL incubator fund and ACRE) and 4) facilitation of connections with local support structures and partners.

Important factors:

- Christian Aid shouldn't be (nor has the necessary resources/skills to be) the only provider of support to a particular enterprise.
- When specialist are engaged to support a business, we will make an effort to prioritise the use of local business development support providers and other market actors involved in the supply chain.
- A clear distinction should be made between the inclusive businesses being supported as part of a country programme with a full market systems approach and those who are not, but may graduate in the medium/long term. In the latter case, the work on business support should be used as leverage to guide country teams to implement a full market systems approach.
- When we are supporting small producer organizations, an evaluation should be made as to whether they have the appropriate level of technical and organizational ability to produce a sellable product (quality and quantities required). One suggested way of doing this is by using the Producer Organizations Checklist which can be found on the IMD intranet site. If after the evaluation it is considered that the organization requires technical/capacity support in this area, it is critical that **a clear support plan** of how this will be achieved is in place (for instance another organization is supporting them on this, or there will be a CA grant for this). This needs to be in place as part of a broader organisational capacity / Business Support plan. This may also determine whether a producer organisation is 'Business Ready' and at the right moment to receive loan / equity support.

Some of the businesses will graduate through the process to receive finance through ACRE/ITL incubator fund, but it is accepted that some may not. In those cases, and when they aren't already part of a separately funded markets programme, alternative options could be found. For instance, country teams are encouraged to use their own funds or find other means to support the Inclusive Business. It is also possible that funding for this type of work could also be found centrally if a funding package for business support is developed.

Why is Christian Aid getting involved in Inclusive Business support?

- ▶ By combining investment finance, grants and technical support, CA can support more stakeholders in a value chain or particular market subsector and make sure more poor men and women benefit from new economic activities.
- ▶ CA can enable enterprises linked to its inclusive markets programmes to access finance from new sources (i.e. from investors who would prefer to invest their money for good than donate their money to charity) as we can offer them a financial return and a sustainable impact.
- ▶ By supporting an investment approach, in addition to a grant mechanism, CA can encourage the 'recycling' of funding as investments are repaid.
- ▶ Currently, for every £1 invested in the developing world, £70 is invested in Europe. Over time, CA wants to change that ratio by showing that there are excellent opportunities for impact investment in the global south. We also want to influence the investment space by setting standards for delivering broader social impact through investments in inclusive business models

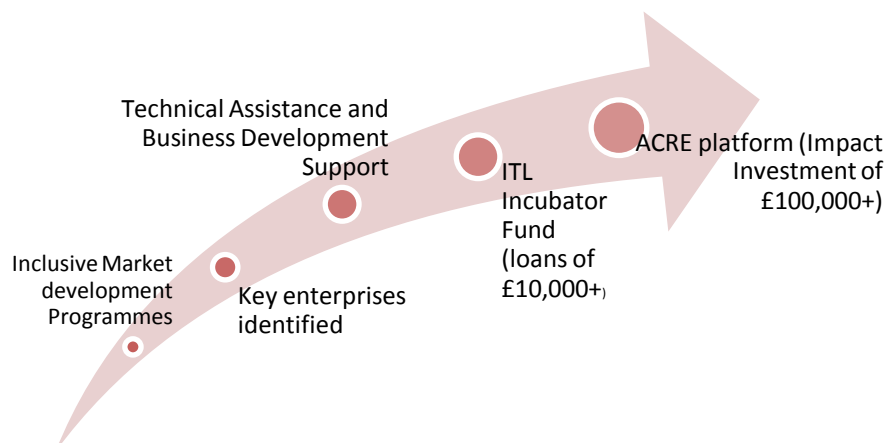
What type of support is Christian Aid currently providing?

Business support is currently available to enterprises that are central to our inclusive markets development programmes and follow the process explained in the next section, through a range of internal and external consultancy support to enterprises. Please note that funding for this is at present financed by core funds and therefore limited, although we are currently applying for further institutional funding.

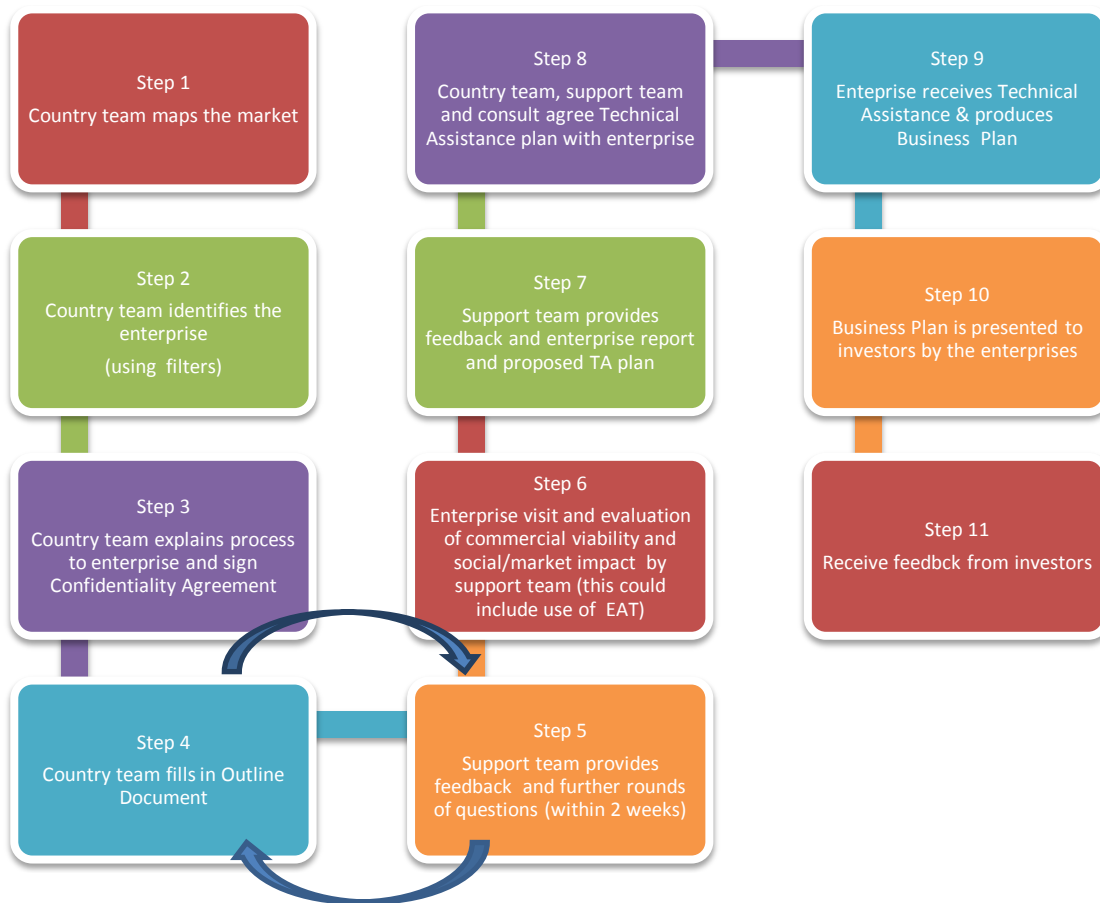
In addition, Christian Aid has two potential sources of direct investment finance (PRI);

- ▶ Access to Capital for Rural Enterprises (ACRE), which is run by a Christian Aid-led consortium. ACRE will consider making investments ranging from £100,000 to £1million and sources finance for each investment on a case by case basis. ACRE is a new venture in collaboration with Challenges Worldwide, Practical Action, Twin and Traidcraft.
- ▶ The ITL Incubator Fund is an internal pot of £200k raised by the Major Donor team which has been put aside for loans or equity investments to enterprises that meet the impact criteria outlined in this document but for which large investments are not realistic or appropriate for the stage of development their business is at. The aim is that these "incubator" investments, which begin at £10k may one day graduate to ACRE.

These two sources of funds will operate in connection with our programmes as the diagram below shows:



The process: From enterprise identification to investment



Although not an exhaustive list it is worth comparing your selected enterprise against the following filters:
The inclusive business model for the enterprise:
Essential:

- (1) is viable and has a commercial model or has the potential to be so
- (2) impacts rural livelihoods/consumers
- (3) has the potential to solve constraints in the market system or has emerged through our programmes
- (4) has limited access to affordable finance
- (5) demonstrates clear social impact and/or benefits women
- (6) is not on the country's FDI (Foreign Direct Investment) negative list

Desirable:

- (1) shows continuous improvement in environmental sustainability
- (2) has leadership in place with the skill and incentive to grow the business

Christian Aid is at the very forefront of the NGO sector in this work and is committed to taking it forward. Success in this field will not only enable enterprises in the market systems we are working in to receive investment finance Christian Aid could not previously help them access, but it will also enable Christian Aid to access finance from investors who want to go beyond donating to charity – in short by engaging with the journey you are part of a big shift in how Christian Aid works which is both experimental and exciting!

For more information, or if you have an enterprise in mind and want support getting started, please contact Clare Clifton, Mauricio Preciado-Awad or Joanna Heywood (Business support team)