



G20 Inclusive Business Report for the 2016 Summit

Executive Summary

1. Inclusive business is at the core of the G20 agenda. These businesses harness market forces to integrate the base of the pyramid (BOP) into global value chains, thereby improving access to affordable quality products and services, enhancing productivity, and generating new income through decent work and livelihood opportunities. Inclusive businesses promote sustainable development in all its dimensions - economic, social, and environmental.
2. Inclusive businesses can make an important contribution to the 2030 Agenda by reducing poverty, shrinking inequality, and contributing to sustainable economic growth. Depending on the business' specific engagement, inclusive businesses may additionally contribute to further Sustainable Development Goals.
3. Inclusive businesses highlighted a lack of financing and capacity among the BOP as primary obstacles to their business. Many businesses address these issues through their own programs. A shortage of market information and sector-specific frameworks were also cited as challenges.
4. Governments support inclusive businesses by enabling them to enter and operate in the market, helping them to integrate the BOP into value chains, and empowering the BOP themselves to participate in value chains. Lessons for policy makers include applying the inclusive business typology, targeting the relevant inclusive business approach, empowering a government champion, developing an integrated policy approach, avoiding preferential treatment of individual companies, and engaging all relevant stakeholders.
5. The G20's convening power can bring stakeholders together to promote inclusive business. The G20 can add value on the topic by building awareness through clear and consistent messaging, encouraging action among members, driving comprehensive analysis of the inclusive business ecosystem, and sharing knowledge and developing partnerships.
6. While financing is a common challenge for inclusive businesses, different types of inclusive businesses require different support. Coordination between governments and development finance institutions could help to bridge the financing gap.
7. Future action by the G20 should continue the dialogue and learning through the G20 Global Platform on Inclusive Business. Specific actions may include harnessing quick wins in financing, driving an inclusive business ecosystem approach, measuring contributions to the 2030 Agenda, and championing peer learning and action.



G20 Inclusive Business Report for the 2016 Summit

1. Inclusive business is at the core of the G20 Agenda

Inclusive businesses—companies that work with people living at the base of the economic pyramid (BOP)ⁱ—can make important, multi-dimensional contributions to sustainable development. By connecting low-income segments of the population with markets, inclusive businesses contribute to strong, sustainable, inclusive, and balanced economic growth, and have the potential to support G20 objectives, such as boosting employment and quality and decent jobs, including for women and youth.

Inclusive businesses were characterized in the G20 Inclusive Business Framework as those that “provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid, making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.” Inclusive Business should be socially and environmentally sound. These businesses can be classified as those that integrate the BOP into their core business strategy (inclusive business models), those for whom the low-income segment is part of but not central to their model (inclusive business activities), and other entities with a mission to maximize the social return (social enterprise initiatives).ⁱⁱ There are common elements to the three approaches (*Box 1*).

Box 1: Common Elements of the Inclusive Business Approach

- Market-oriented
- Business relationship with the BOP
- Offer basic goods and services to BOP customers and/or enhance livelihoods of BOP suppliers, retailers, distributors by connecting to markets
- Environmentally and socially sound

These businesses can promote sustainable development in all its dimensions—economic, social, and environmental. They can improve access to affordable quality products and services, enhance productivity and resource efficiency, and/or generate new income—through decent work and livelihood opportunities—across the BOP. In short, they can enable inclusive growth and advance sustainable development.

This Summit Report builds on the G20 Leaders’ Call issued under the Turkish G20 Presidency and draws from the G20 Global Platform on Inclusive Business (GPIB), a global partnership launched in April 2016 in Nanjing, China, and currently implemented by the United Nations Development Programme (UNDP) and the World Bank Group. GPIB’s goal is to provide support to policymakers and accelerate the adoption of inclusive business policies and programs. Primary activities so far have included policy research, country case studies, company surveys, and policymaker workshops.

Findings discussed here include: how inclusive business can support the Sustainable Development Goals established in the 2030 Agenda; the obstacles for businesses looking to work with the base of the economic pyramid; and policy and financing approaches to fostering inclusive business.



2. Inclusive business and the 2030 Agenda

The 2030 Agenda for Sustainable Development, which includes the Sustainable Development Goals (SDGs), lays out universal and ambitious aspirations to “transform our world” towards economic, social, and environmental sustainability. The engagement of the private sector is critical to achieving the SDGs. The 2030 Agenda calls on businesses ranging from microenterprises to multinational corporations “to apply their creativity and innovation to solving sustainable development challenges.”

While all businesses pursue the generation of revenue and seek to grow in new markets, many businesses also provide social benefits such as strengthening stakeholder and community relations and contributing to stable markets and societies.

“Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success.”

-- United Nations Secretary-General
Ban Ki-moon on the new global goals

Inclusive businesses, however, go a step further by integrating low-income segments of the population into their business strategies. The impact of these businesses goes beyond the usual private sector contributions to development—creating jobs, hiring and training individuals, and generating government revenue through taxes. Inclusive businesses create decent work and livelihood opportunities for men and women at the base of the economic pyramid and/or provide them with quality and affordable goods and services they may not otherwise have access to, including by integrating those people into their value chains.

Thus, inclusive businesses can make an important contribution to the 2030 Agenda, by reducing poverty (enhancing livelihoods and access to goods and services), shrinking inequality (not just of income or wealth, but of access to services, goods, and resources), and contributing to sustainable economic growth as well as a global sustainable development partnership (by including individuals at the base of the economic pyramid in their profitable business ventures, as suppliers, distributors, or customers). The G20 has clearly recognized the potential contribution of inclusive business in its G20 Action Plan on 2030 Agenda for Sustainable Development.ⁱⁱⁱ

Depending on the business’ specific engagement, inclusive businesses may additionally contribute to SDGs. For example, some inclusive businesses are addressing the potential of 2.5 billion low-income, smallholder farmers and their families who produce nearly 70 percent of food consumed worldwide on 60 percent of the planet’s arable land.^{iv} Their business models include directly sourcing products from smallholder farmers; providing critical inputs and training; improving distribution in deprived areas; providing mobile-enabled services; and becoming aggregators by organizing the supply from smallholders and cooperatives to large buyers while providing credit, storage, and transport to help farmers improve yields and guarantee a more stable supply.

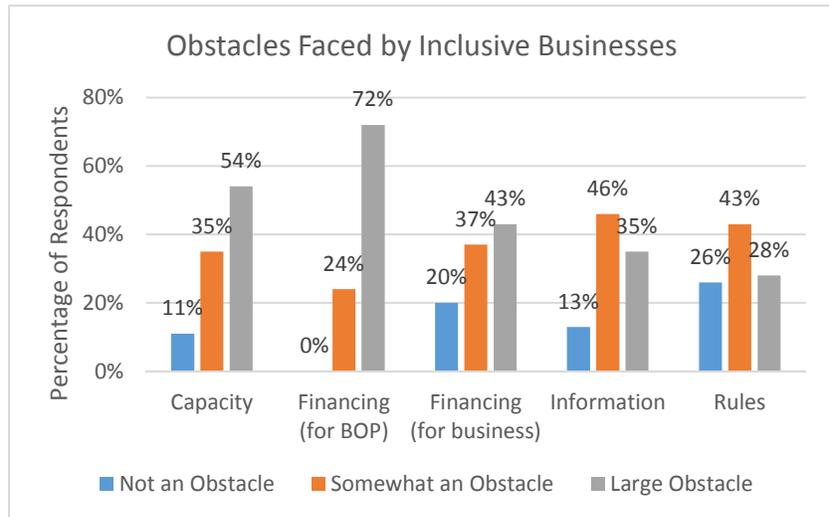
Other inclusive businesses are providing “last-mile” infrastructure to underserved communities, such as water kiosks in slums and other off-grid utilities. There is a large market of low-income people who invest some \$710 billion a year in housing, modern energy services, communications, and water services. Inclusive businesses seek, for example, to leverage flexible pay-per-use schemes that allow access to services depending on individual economic situations and household liquidity.

3. Obstacles to inclusive business

A survey conducted for the G20 Global Platform on Inclusive Business found that working with the base of the economic pyramid poses several challenges.^v

Lack of financing affects inclusive businesses, as well as the BOP in their value chains. Of all policy areas,

access to finance for BOP individuals in the company's value chain was rated as the biggest obstacle. Financing for the business was rated as a much more difficult obstacle for those companies that had worked with the BOP for less than five years. Of respondents aware of financial incentives to incorporate the BOP in their value chain (37 percent), the majority found those incentives at least somewhat beneficial. Financing was found to be a common issue across all regions.



Inclusive businesses are constrained by the lack of skills among the BOP in their value chain.

Few respondents were aware of any government efforts to build BOP capacity through training, while almost all indicated that the lack of government programs in this area is at least somewhat constraining their business. 70% of respondents had their own initiative to increase the capacity of the BOP in their value chain.

Box 2: Largest obstacles related to rules and regulations

- | | |
|----|--------------------------------------|
| 1. | Lack of sector-specific framework |
| 2. | Trade barriers
Excessive red tape |
| 4. | Inadequate financial incentives |

Existing government rules related to inclusive business are not always beneficial. Survey results identified four categories of rules and regulations as potential obstacles, two stemming from existing regulation and two calling for new regulation (Box 2). A third of respondents said they did not find the existing inclusive business rules beneficial. Many respondents suggested that their needs would be best met through sector-specific support such as agricultural, financial, or educational-based inclusive business rules. Further investigation on intermediation between the BOP and enterprises is required.

Lack of research on BOP markets is the most common information-related obstacle. There is still a general lack of data available to companies interested in inclusive business. Where companies were aware of government efforts to share information, such efforts were found to be beneficial. For example, consumer market data enabled inclusive businesses to understand better the preferences of the BOP population.

Policy recommendations vary depending on the approach to inclusive business. When asked what specific policies would be most helpful, overall, over half of respondents pointed to improving access to finance



and/or providing financial incentives to businesses. However, financing solutions were suggested by 59 percent of companies identified as having an inclusive business model, 42 percent of those with inclusive business activities, and 38 percent of social enterprise activities. Companies with inclusive business activities provided the most recommendations for rules (42%) and social enterprise initiatives had the most recommendations related to capacity (25%).

4. Policies for inclusive business

How policymakers can take action on inclusive business policy

Government policies supporting inclusive business range from overarching national development plans to sector-specific policies and programs. These policies go further than merely creating a business environment conducive to business—they focus on **facilitating, intermediating, and fostering the specific relationship between businesses and the base of the pyramid**. They also require participation by a broad range of government ministries and direct engagement with the private sector. Helping inclusive businesses meet their financing needs is central to any government effort or policy reform in this space. Yet a one-size-fits-all policy is inadequate, as the different types of inclusive businesses require distinctly different approaches.

The Global Platform on Inclusive business conducted a series of policymaker workshops and country case studies throughout 2016. (Country case studies include Brazil, Canada, Colombia, France, Germany, Italy, Philippines, Sweden, and the United Kingdom.) This work revealed the importance of a series of factors that are relevant across countries and sectors in designing and implementing policies to support inclusive business. These factors include the following:

➤ **Applying the inclusive business typology**

Understanding the distinctions and differences among the various inclusive business approaches and the landscape of inclusive business in the domestic context is essential to any government developing its strategy. That means defining a set of criteria or guidelines and analyzing the sectors in which inclusive businesses operate, their unique needs and challenges, and how they differ from those faced by other businesses.

➤ **Targeting the relevant approach**

The impact of policy interventions often depends on the businesses' approach to working with the BOP. For example, companies that have already reached scale and financial sustainability – through their business models or business activities -- can often replicate their existing model or activity into another region or country much more rapidly compared to initiatives that have yet to reach scale. Such companies are more likely to reach a larger number of women and men at the BOP than start-up organizations.

➤ **Empowering a government champion**

An advocate within the government is often critical to driving the agenda and building public awareness about inclusive business. This advocate—an influential individual, a small team, or a dedicated agency— is more effective when it can leverage an inter-agency, coordinated, and integrated approach with stakeholders in the inclusive business ecosystem.

➤ **Developing a comprehensive and integrated policy approach**

Governments must recognize how inclusive business policies align with and fit into national development plans, anti-poverty efforts, agency-level initiatives, and future plans for the implementation of the Sustainable Development Goals. National development plans and anti-poverty programs can further their principal goals by including policies to foster and facilitate inclusive business. Inclusive business can also be anchored in broader social and economic policy frameworks.

Box 3: Championing Social Enterprise in Korea

The Korea Social Enterprise Promotion Agency was created in 2007 as a dedicated agency to foster and promote social enterprises. Its duties and responsibilities include: fostering social entrepreneurs; establishing and supporting social enterprise networks; providing business consulting; international cooperation and exchanges; and certification, education/training, and monitoring/evaluation of social enterprises.¹

➤ **Avoiding preferential treatment of individual companies**

Inclusive business policies should be designed to support broad subsectors, activities or technologies, and should avoid focusing on individual firms. Government programs and support initiatives should be open and accessible to all companies based on open and clearly defined criteria.

➤ **Engaging all relevant actors**

A range of different actors can facilitate inclusive businesses. They include—in addition to the government—local financial institutions, development finance institutions, multilateral development banks, private investors, United Nations agencies, development partners, non-profit organizations, civil society, grassroots organizations, cooperatives, research institutions, universities, business intermediaries, and the media. Consistent with the G20 Framework on Inclusive Business, some actors work in multiple areas of the typology covering business models, business activities and social enterprises initiatives (International Finance Corporation, Asian Development Bank, Inter-American Development Bank, UNDP’s Istanbul International Center for Private Sector in Development, Business Call to Action, Inclusive Business Action Network, etc.). Some organizations target a broader agenda faced by global companies, including environmental and social issues and sustainable value chains (Shared Value Initiative, World Business Council for Sustainable Development, etc.). Still the greatest number of actors concentrate solely on social entrepreneurs and impact investment funds (Skoll World Forum on Social Entrepreneurship, Sankalp, Global Initiative on Impact Investment, Rockefeller Foundation, etc.).

Box 4: Engaging Actors in Brazil

Following the endorsement of the G20 Inclusive Business Framework in 2015, Brazil’s Ministry of Foreign Affairs, together with the UNDP, organized a task force of 16 government agencies. The goal of the task force is to improve collaboration on support to inclusive business and to understand how inclusive business can contribute to the achievement of the Sustainable Development Goals.

How policy instruments are being used to enable and support inclusive business



A growing number of countries around the world are supporting their inclusive businesses through a variety of specific policy instruments. These efforts are driven by the governments’ desire to engage the private sector in order to accelerate the pace of addressing poverty, while creating opportunities to address social and environmental challenges. Government approaches typically focus on:

- Enabling inclusive businesses to enter and operate in low-income markets (i.e. by removing obstructive policies or making information on consumption patterns of the BOP more available)
- Assisting inclusive businesses with the integration of the low-income segment into their value chains (by encouraging companies to source from BOP producers)
- Empowering low-income communities to participate in inclusive business value chains (by building the BOP’s capacity and by providing the BOP with access to finance)

In 2015, the G20 Inclusive Business Framework identified a list of policy instruments available to governments to support inclusive business. These instruments were organized around the core challenges faced by inclusive businesses—rules and regulations, financing, information, and capacity (*Table 1*).

Table 1: Inventory of policy instruments supporting inclusive business

Rules	Financing	Information	Capacity
Legal framework for market participation of the BOP	End-user subsidies	BOP market data	Vocational skills training programs
Public-private partnerships and concessions	Insurance programs	Awareness raising within the BOP	Development partnerships
Legal form for businesses with a social mission	Credit facilities	Award programs	Business development services
Certification and accreditation	Challenge funds and matching grants	Research on models	
	Public procurement	Forums for peer learning	
	Priority lending programs		
	Credit guarantees		
	Factoring, financial leasing, equity financing		

Source: G20 Inclusive Business Framework: Annexes, 2015.

Throughout 2016, the G20 initiative on inclusive business sought to understand better specific policy instruments by: examining design options, identifying common elements and good practices, exploring success factors and prerequisites for effective implementation, recognizing barriers and risks, and providing evidence of effectiveness and results. This effort considered challenge funds, insurance programs, development partnerships, legal forms of business, certification and accreditation, public procurement, and awareness raising initiatives.

The findings reveal extensive government efforts especially in the area of legal frameworks to enable social enterprises to operate more like corporate entities. **What is lacking, however, are efforts targeting existing businesses. This applies to both local firms in developing countries as well as multinational corporations with subsidiaries or programs that target the BOP.**

The research identified three potential pathways for governments to support inclusive business:

➤ **Establishing and scaling up policies and programs designed specifically for inclusive business**

Countries have adopted a range of policy instruments and programs specifically designed to enable inclusive business.

At the sector level government programs may facilitate inclusive business by leveraging them to reach the BOP. For example, government-supported insurance schemes can create platforms through which companies can offer insurance services to low-income communities or can pay premiums for BOP customers. Governments can also provide risk-sharing mechanisms or fully or partially subsidized coverage for specific services.

Programs designed to support the growth of inclusive business at the firm level often take the form of a partnership. For example, development partnerships are agreements between public and private-sector entities to pursue a shared set of goals. Ideally, such partnerships are open to any company that meets a defined set of criteria and combine public sector outreach and resources with private sector entrepreneurialism and skills. In addition to the government entity and the lead private company, partners can include sub-national governments, donors, business associations, and civil society organizations, among others. A government can increase the appeal of such partnerships by offering incentives such as favorable tax terms, co-financing, infrastructure access, and policy reforms.

Box 5: Supporting Inclusive Businesses Abroad

The Japanese government encourages domestic companies to develop inclusive business initiatives overseas. Japan’s Ministry of Foreign Affairs, through the Japan International Cooperation Agency (JICA), implements the “Preparatory Survey for BOP business promotion initiative.” Under this program, JICA entrusts feasibility survey funding to Japanese companies to develop inclusive business models, project planning and ideas for collaboration with JICA projects in developing countries.

In addition, Japan’s Ministry of Economy, Trade and Industry, through the Japan External Trade Organization (JETRO), is helping Japanese companies to develop their inclusive business through its “Supporting scheme for inclusive business.” JETRO support includes: providing early-stage consultation on business plans, identifying potential partners, supporting business meetings, among other areas.

➤ **Reorienting existing initiatives to focus them on inclusive business**

Many countries have programs to foster business growth, entrepreneurship, or small and medium-size enterprise development. While these programs are sometimes designed with broad objectives in mind, they can be tailored and modified to fit the needs of inclusive business.

Box 6: Encouraging Rapid Scale-Up

Development partnerships are one way by which governments can encourage companies to speed up the development of an inclusive business model. An example: In 2007 the United Kingdom’s Department for International Development provided a matching grant to support telecom companies in Kenya to develop M-Pesa, a mobile phone application that makes financial transactions accessible and affordable to low-income Kenyans.

In some cases, refocusing a program requires rather straight-forward modifications. For instance, enterprise challenge funds or business plan competitions are common programs in many countries to foster entrepreneurship. Their design structure lends them to relatively easy adaptation for inclusive business. Enterprise funds can award grants or subsidies through a competitive process to private-sector organizations that submit solutions with an explicit public or social purpose. These funds can trigger new ideas and innovative solutions, or promote



the scale-up of existing solutions. They may focus on one issue, sector, or country, or address a combination.

Priority lending initiatives targeting small and medium-size enterprises are another example of programs that can be adapted to an inclusive business agenda. For example, incorporating clearly defined criteria for inclusiveness in investment and lending can better direct capital toward those businesses that engage the BOP. Furthermore, the development of lending programs in previously underserved markets can support more inclusive growth.

In other cases, adjusting inclusive business policies may be more complex and require a more thorough analysis to determine their appropriateness. For example, some countries have designed procurement policies to allow preferential access to specific segments of the private sector, including small and medium-size enterprises as well as businesses representing disadvantaged groups. In these instances there are several commonly used preferential procurement strategies that could be applied to inclusive businesses. These include set-asides that require a certain percentage of government contracts be awarded to inclusive business, bid-price discounts, preferential award criteria, and procurement based on whole cost accounting.

Box 7: Existing Initiatives

In Turkey, the Greater Anatolia Guarantee Facility¹ was launched in 2010 as a partnership between Turkey, the European Commission, and four Turkish banks. It aims to facilitate micro, small and medium-enterprise access to finance in Turkey's less-developed regions.

In France, social or environmental criteria—such as Fair-Trade—can be included in the public procurement process in order to pursue sustainable development objectives.

In China, the government outlined preferential procurement policies for small and medium-scale enterprises in an effort to support their development. Policy features include budget set-asides for SME procurement, price preferences, and incentives for larger businesses to subcontract with small businesses.

➤ **Considering policies and programs initiated in other countries and adapting them domestically**

Due to the nascent nature of inclusive business policies, it is often helpful for emerging market policymakers to look at the experience of other countries. Many advanced economies, for example, have designed initiatives to support businesses with a social mission or those that integrate disadvantaged groups into their value chains. The cooperative movement is another example in case.

For example, in Europe and North America new laws have been enacted to facilitate the creation of social enterprises that go beyond the traditional not-for-profit organizations. The names for this legal form varies by country, but their purpose is similar—establishing a stable conceptual definition that creates and enables a rationale for direct support, financial or otherwise (*Box 8*). From the social enterprise's perspective, a specific legal form can create a clear market differentiation, broad legal protection to directors and officers, differentiated shareholder rights, and greater access to capital than current not-for-profit approaches.

Adopting this concept in emerging economies would require policymakers to consider the context of where such reforms were first developed, where it can be replicated, and the particular approaches to inclusive businesses for which it would be most relevant—since to-date it has been primarily used for the creation of social enterprises.

Despite overall progress in designing and implementing inclusive business policies, the following are just a few of the many questions that require further research and analysis:

- What is the evidence regarding the effectiveness of current inclusive business policies?
- How do different inclusive business policy instruments interact to achieve greater effectiveness?
- What are the success factors for the policy-making process to take root, given that inclusive business policies often cut across established government departments and involve multiple stakeholders?

5. Coordinated support for inclusive business

The G20 can help drive the focus on inclusive business among their membership and can support policymakers in a clear and cohesive manner. They can play a key role in bringing inclusive businesses, governments, development finance institutions, United Nations agencies, and civil society together to promote inclusive business models, activities and social enterprises.

➤ Building awareness through clear and consistent messaging

Policymakers will be more effective in promoting inclusive business if they are able to convey the basic tenets of the concept to the public and to their colleagues. Country cases and policymaker workshops convened by the G20 Global Platform on Inclusive Business revealed the need to build the knowledge base around inclusive business among stakeholders. This is an effort that must be sustained over time in order to reinforce the message and ensure that the concept is fully understood. Bilateral, international, and member organizations can reinforce this effort, prevent confusion, and focus the discussion by delivering clear and consistent messaging. The G20's Inclusive Business Framework offers a common definition and framework that other organizations have begun to adopt. Policymakers have also indicated that the typology of inclusive business approaches as laid out in the Framework has helped to build their understanding. At such an early stage of development, consistent messaging is critical, and all G20 members can help deliver a clear and consistent message that the private sector can and must play a role in combatting poverty by adopting an inclusive business approach.

Box 8: Creating New Legal Forms

In the United Kingdom the Community Interest Company (CIC) legal form was established in 2005 for social enterprises that used their profits and assets for the public good. At the time, the existing legislation on charities, while supportive of many areas within the social economy, did not take into account the financing and economic reporting needs of social enterprises. To be considered a CIC, a company must satisfy a community interest test. There are currently over 12,000 CICs operating throughout the United Kingdom.

In the United States, new legal forms have been introduced to promote social business, including the public benefit corporation ("B Corp"). This form is aimed at for-profit corporations specifically designed to solve social and environmental problems. To that end, a public benefit corporation is designed to balance the stockholders' pecuniary interests, the best interests of those materially affected by the corporation's conduct, and the public benefit(s) identified in its certificate of incorporation.

In France, the 2014 law on social economy included a new category of social enterprise in the scope of the social economy. A commercial enterprise which has a social purpose to solve social and environmental problems can now be considered as a social economy structure and benefit from the specific French system of financing dedicated to social economy. This is limited to cooperatives, associations, insurances, and foundations.



➤ **Encouraging action among members**

Country cases show that the G7 (formerly G8) task force on social impact investment spurred members to create their own task forces, agree upon principles, and consider their local context. G20 members can take a similar role with respect to inclusive business, as recommendations from the G20 (and other member-based organizations) can drive countries to take action within their local context. Indeed, the G20 and its members must assume leadership on the issue going forward.

➤ **Driving comprehensive analysis of the inclusive business ecosystem**

Comprehensively supporting inclusive business requires consideration of all three approaches to inclusive business. Depending on the local context, certain inclusive business approaches may be further along than others in terms of policy support and awareness.

➤ **Sharing knowledge and developing partnerships**

All organizations are able to share knowledge on inclusive business policy and develop partnerships with policymakers. The Global Platform on Inclusive Business survey found that companies believe organizations like the G20 can play an important role in sharing information on BOP markets. There are many new entities vying for resources and a voice on the issue of using inclusive business to alleviate global poverty. The G20 can encourage and help them to share their experience and knowledge.

Box 9: Facilitating Policymaking for Inclusive Business

Germany, through its development cooperation programs (funded by BMZ and implemented by GIZ) assists developing country partners to consider inclusive business as part of its national strategy. For example, GIZ has supported the development of an inclusive business strategy in Colombia and is supporting the Ministry of Tourism of Indonesia to implement an inclusive business strategy for the tourism sector.

The UNDP Istanbul International Center for Private Sector in Development (IICPSD) shares the level of inclusive business awareness and engagement among companies through its “Business+” baseline survey. IICPSD is partnering with governments of Turkey and Philippines to propose inclusive business policies relevant to their private sector.

6. Increasing financing for inclusive business

While it is crucial to have customized and integrated approaches to supporting inclusive businesses, a common challenge for new ventures and across the life cycle of inclusive businesses relates to financing. Helping inclusive businesses meet their financing needs is central to any government effort or policy alteration in this space, and access to appropriate finance is consistently raised as an issue.

A one-size-fits-all financing policy is inadequate, as the different types of inclusive businesses require distinctly different approaches. As noted in Section 3, nearly 60 percent of business for whom the base of the pyramid is central to their strategy said policies that improve financing would be most helpful to them, while only about four in ten businesses taking one of the other two approaches to inclusive businesses had the same view. There is clearly a financing gap that needs to be bridged. In fact, many multinational corporations are able to initially self-fund pilot ventures into inclusive business activities, but some type of grant through challenge funds or feasibility study support can accelerate this process. (See examples in section 4.2.) By contrast, for developing country companies replicating or expanding an inclusive business



model, access to long-term funding is limited and many rely on development finance institutions. Policymakers must keep these differences in mind when considering financing options.

The type of support provided will also depend on the lifecycle of the overall company, as well as the scale of the company's specific inclusive business effort. For example, start-ups and social enterprise initiatives most often require venture capital, returnable capital, or grant funding because of the higher risk profile inherent to such enterprises that have not yet scaled. The Global Platform survey revealed that, of the inclusive businesses that find financing to be the biggest obstacles, two-thirds are those that have been working with the BOP for five years or less.

The Global Platform's peer-learning events revealed that policymakers are exploring new methods of financing, including various forms of returnable capital, and that evaluating the long-term financial sustainability of the company is a major issue. Closer coordination between government efforts on inclusive business and development finance institutions could facilitate more effective outcomes. Areas of collaboration include:

➤ **Reviewing financial sustainability of early-stage inclusive businesses**

Designing appropriate selection criteria for public and private investors and reviewing applicants in ways that increase chances of financial sustainability is critical to securing financial support for inclusive businesses, especially social enterprises that need the most support at the start-up phase. Connecting with those who will likely be next-stage financiers—multilateral development banks, development finance institutions, commercial banks, and investment funds—early on in the process is beneficial and can address the hand-over issue and ease the company's transition to the next stage of financing post-grant, a phase which often involves scaling a business for a much larger impact.

➤ **Mobilizing additional resources for inclusive businesses**

Donor-funded concessional financing can mitigate risk and enable development finance institutions to match it with market-rate financing for all three approaches to inclusive business. Development financing institutions' ability to crowd-in funding from other investors can also enable them to mobilize capital from other development finance institutions and from additional sources. Global Platform research found that successful examples of inclusive business financing, especially early-stage businesses or activities, are often complemented by some form of technical assistance. Close coordination between financier and technical assistance providers could help to ensure that any advisory support is closely aligned with business needs and will help to accelerate scaling.

➤ **Sharing information and collaboration case studies**

Bridging the information gap is key. Policymakers indicated that it would be helpful to look at specific examples of successful collaborations between bilateral agencies and DFIs on inclusive business. They also suggested that many companies are unaware of the full range of financial tools available to them. Bringing together relevant, practical funding information for both companies and government agencies would be of value.

7. Way forward

Producing this report was possible given the G20’s convening power, member support, and contributions by international organizations to highlight policy insights on fostering inclusive business.^{vi} These insights present a priority selection rather than a comprehensive assessment. As the global community works toward sustainable development and implementing the 2030 Agenda, continuing and expanding upon efforts to facilitate inclusive business can open up a wide range of possibilities. Specifically, the G20 encourages action in the following areas:

➤ **Quick wins in financing**

Access to finance for both inclusive businesses and for those at the base of the pyramid are key areas that warrant a priority focus. The G20 supports strengthened consideration of inclusive business as a strategic priority by development financing institutions, both multilateral and bilateral, including through scorecards and other relevant processes. The G20 also requests increased coordination and collaboration, specifically on definitions, data on financial flows, and results measurement.

➤ **Driving the inclusive business ecosystem approach**

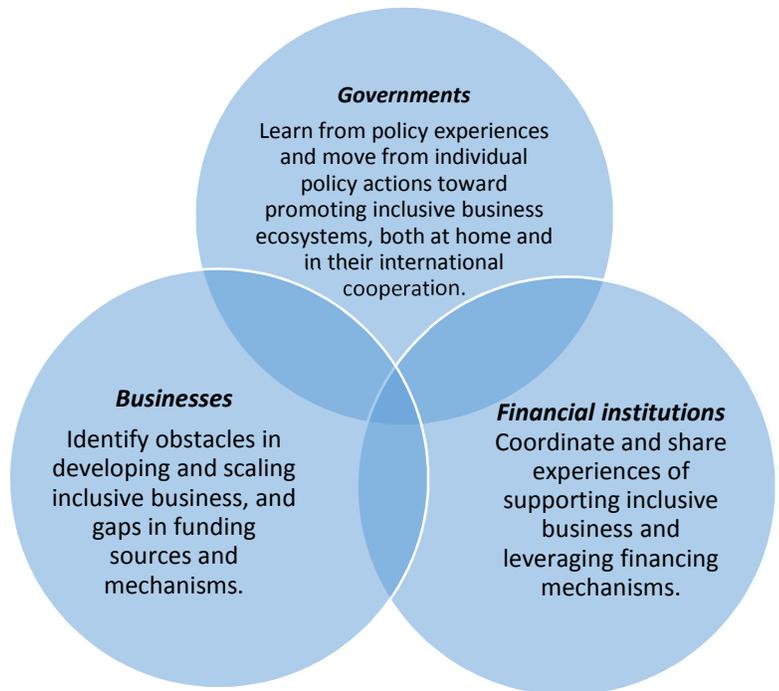
Building on individual policy lessons, taking a comprehensive ecosystem approach allows governments to harness the synergies of interacting policy instruments while also addressing all stakeholders. The G20 can further develop collective and domestic action on policy, financing and reporting towards inclusive business ecosystems. It can build on the Global Platform on Inclusive Business to this end and promote good examples, including by launching an award.

➤ **Measuring for 2030**

Inclusive business has great potential to contribute to the Sustainable Development Goals and the 2030 Agenda processes being spearheaded by the United Nations. G20 supports a better understanding of inclusive business outcome and impact measurement for sustainable development, including reporting successes. This may also comprise harmonization of measurement methodologies, adequate third-party validation as well as integration of private sector contributions in national review process.

➤ **Championing peer learning and action**

Advancing inclusive business requires leadership. The G20 encourages member to identify inclusive business champions to coordinate inter-agency collaboration and to fully utilize the GPIB peer-to-peer learning mechanism. The platform can be a powerful tool if members and non-members actively contribute their experiences. The G20 supports its members and non-members to apply the G20 Inclusive Business Framework to their domestic contexts as relevant and in their overseas investments and development





cooperation. The G20 also encourages additional research on policy and financing mechanisms, including on global value chains and specific sectors, in order to deepen their understanding on how to support inclusive business environments in their context.

ⁱ Base of the Economic Pyramid (BOP) is used to describe men and women who are low-income or who lack access to basic goods and services. The low-income segment is commonly considered to include people earning up to \$8/day in purchasing power parity terms (PPP). For additional information, see the IFC and World Resources Institute’s [The Next 4 Billion](#).

ⁱⁱ See the G20 Inclusive Business Framework (2015) for further details.

ⁱⁱⁱ The G20 Action Plan on 2030 Agenda for Sustainable Development highlights the links of inclusive business to SDGs 1, 8, 10, 17 and Addis Ababa Action Agenda paragraphs 16, 35-37. See also: PwC (2015): Make it your business: Engaging with the Sustainable Development Goals; World Business Council for Sustainable Development (2015): Delivering on the Sustainable Development Goals: The inclusive business approach.

^{iv} Examples taken from Deloitte, Business Call to Action and UNDP 2016 (forthcoming): Uncharted Waters: Blending Value and Values for Social Impact through the SDGs.

^v GPIB surveyed inclusive businesses from around the world and received feedback from 54 companies of various sectors, sizes, and geographies—and with differing approaches to inclusive business, including those with an inclusive business model, those engaging in inclusive business activity, and social enterprise initiatives. Full results of the survey will be made available at www.g20inclusivebusiness.org

^{vi} Full information on country studies, business survey, and policy instrument analyses, as well as trainings and further material will be made available on www.G20inclusivebusiness.org throughout 2016.