

## **G20-B20 Workshop on Inclusive Business**

Ankara, 8 April 2015

### **Summary**

Turkish Presidency of the G20 together with B20 hosted representatives from government, business and academia from G20 countries for a one day workshop on “Inclusive Business” (IB) in Ankara on Wednesday, the 8th of April.

Keynote speakers included Mr. Ivar Blanken, Unilever VP of Finance, Professor Ted London of University of Michigan and Professor Zeynep Gürhan-Canlı of Koç University. In the session on the “Role of Governments in Supporting Inclusive Business”, Germany, Brazil and Mexico presented how their countries have contributed to IB.

Specific business cases that are taking place in Kenya, India, Mexico, Brazil, the Philippines and also Turkey have been highlighted during the workshop.

IB is a private sector approach to providing goods, services, and livelihoods on a commercially viable basis to people at the Base of the Pyramid (BoP) by making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.

IB has continued to gain momentum across sectors and geographies. Large and smaller companies, both local and multinational corporations, are now explicitly integrating poor consumers, producers and entrepreneurs into their core business models. These businesses aim to generate social change while being profitable at the same time.

The workshop has built upon the G20’s previous IB-related work and the knowledge generated within the IB field to-date in order to address how the policy environment can advance opportunities for private sector companies to reach the poor.

The aim of the workshop was to create a common framework and policy environment for inclusive business (IB) based on existing case studies of IB models in the private sector and on previous IB policy recommendations for governments and donors. A set of key messages and recommendations (listed below) has been conveyed to the Development Working Group (DWG) which was organized on the 9<sup>th</sup> and the 10<sup>th</sup> of April in Ankara. DWG members welcomed the broad interest and high levels of participation in the workshop. They indicated that the G20 Framework on Inclusive Business to be developed by the DWG should not be too technical and aim for a wider audience including G20 and non-G20 governments and businesses.

## Background and Growth of Inclusive Business

The G20 has focused on IB since 2011. In advance of the [G20 Challenge on Inclusive Business Innovation](#), the G20 adopted the International Finance Corporation's (IFC) existing IB definition of *a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers*. The Challenge was a global competition that recognized businesses with innovative, scalable, replicable and commercially viable ways of reaching low-income people in developing countries.

In addition an Inclusive Business Workshop series was hosted by Germany and Saudi Arabia with generous additional support from the United Arab Emirates and in cooperation with the Siemens Stiftung (Foundation). The workshops took place in Germany, Colombia, Kenya and India with the aim of strengthening the inclusive business relationships of the winners in the regions and focusing on the development of multi-stakeholder approaches to overcome the challenges of inclusive businesses in the regional context.

The Challenge and Workshop series also resulted in a [policy note](#) on the business environment for IB and in 2013, a set of [IB policy recommendations](#) was created for governments and donors by the G20 Working Group. Additionally, the Inclusive Business challenge and the workshops laid the basis for the establishment of the global Inclusive Business Action Network in 2014, a multi-stakeholder initiative inclusive of and carried by private stakeholders and supported by public actors alike.

Since that time, IB has continued to gain momentum across sectors and geographies. Large and smaller companies, both local and multinational corporations, are now explicitly integrating poor consumers, producers and entrepreneurs into their core business models. These businesses aim at generating social change while being profitable at the same time.

Accelerated growth and replication of IB models is essential for the private sector to play a key role in improving people's lives by reducing poverty and increasing shared prosperity. Governments, development finance institutions, and international organizations are increasingly focusing on IB and adding knowledge and investment to the field. Over the past 10 years, IFC has invested over \$11 billion to 440 commercially-viable, primarily domestic inclusive businesses -- SMEs as well as larger companies -- that reach millions of people. IFC monitors the financial performance of these clients, as well as their adherence to environmental, and social performance standards. IFC has contributed numerous [reports](#) and [case studies](#) to the IB field.

*Business Call to Action* (BCtA) at UNDP has received commitments from 104 companies worldwide to implement initiatives that will improve the lives and livelihoods of millions through commercially-viable business ventures. These companies range from local SMEs, to large domestic companies, to multinationals. BCtA's most recent report examines the reach and impact of its company member base.

Despite the increased focus on IB, companies continue to struggle with challenging operating environments and significant gaps in the institutional, informational and infrastructural conditions that are required to make markets work. Improved policy environments could enable even more companies to follow the lead of the IB pioneers and adopt IB models.

### **Key Messages**

- Inclusive business (IB) is one concrete method by which the private sector can contribute to tackling poverty and the sustainable, inclusive growth. It is thus fittingly part of the Turkish Presidency's inclusiveness agenda and the G20's commitment to promoting strong, sustainable and balanced growth.
- The draft G20 framework on Inclusive Business is building upon the G20's prior work on inclusive business, including the G20 Challenge on Inclusive Business Innovation (2012) and two policy notes on inclusive business.
- The G20 framework will consider the specific opportunities in countries and across sectors. It will remain dynamic, responding to changing opportunities, innovation and technology. Inclusive business is a complex issue that should be taken forward over time in a multi-year fashion. The framework that will continue to be developed over the next few months will set the stage for further work.
- The range of inclusive business efforts in this first exercise includes IB models, activities, and social enterprise initiatives.
- There is clear evidence of the potential of IB to contribute to poverty reduction and sustainable development, as seen by the 500+ case studies and the presentations made at the workshop by IFC's clients and UNDP's BCtA companies.
- We saw the potential that innovation and technology can have in low-income markets and that should be harnessed for and by IB.
- However, awareness of IB remains low among many stakeholders and the progress of IB varies across sectors and countries.

- We heard some very good examples of policies that focus on the poor, but overall, there is more to do to articulate the range of policy instruments that specifically support IB. This could be an important contribution by the G20.
- It was evident that the needs and demands of IB are highly context-specific; and that tailored solutions are needed to address specific market failures that exist at the BoP. Market failures include a lack of information, lack of access to finance, lack of skills, and infrastructure. These market failures must be addressed in order to enable more inclusive business.
- The importance of establishing indicators was highlighted in order to effectively measure the impact of inclusive business companies. This would also encourage transparency, accountability and trust among actors.

## **Recommendations**

Now is the time for us to collectively make progress on IB policies. There are several recommendations to be considered:

- This work provides an opportunity to mobilize political attention to the highest level behind this important agenda as part of the focus on inclusive growth and engagement with the private sector.
- The G20 framework should focus on tangible and practical policy options and the added-value of the G20. The framework should take into consideration needs where IB companies are currently facing a market failure – this may be at certain points in the business cycle or relate to sector-specific issues such as in affordable housing and agribusiness.
- We saw that many G20 members have policies that aim to promote economic inclusion and opportunities for the poor.
- Moreover, we heard a number of more specific policies that countries employed to promote inclusive business and we need to systematically gather the experience of G20 members in this area as input to the G20 framework.
- Engagement and dialogue is essential to the development of the framework. The B20 and other organizations should be consulted. Once the framework is adopted, it should be actively communicated to business and other stakeholders.
- Lastly, the framework should identify areas that warrant further research as inclusive business should be a multi-year topic area.