



Delivering on the Sustainable Development Goals: The inclusive business approach

A business lens on the Sustainable Development Goals

In September 2015, world leaders adopted the Sustainable Development Goals (SDGs) and committed to 17 goals to eradicate poverty, promote peace and equality, fuel inclusive growth, and protect the environment.

The World Business Council for Sustainable Development (WBCSD) advocates that the SDGs present a historic opportunity for businesses to engage more deeply as a strong and positive influence on society.

As an engine of economic growth and employment and a source of technology and innovation, business has a critical role to play and a self-interest in contributing to delivering the SDGs. First and foremost, business cannot succeed in societies that fail and

therefore has a vested interest in stable and prosperous societies. By developing a better understanding and proactively addressing the SDGs, companies will be able to better manage their risks, anticipate consumers' demand, secure access to needed resources, differentiate themselves from competitors, and strengthen their supply chains.

In essence, the SDGs can help to connect business strategies with global priorities. Companies can use the SDGs as an overarching framework to shape, steer, communicate and report on their strategies, goals and activities, allowing them to capitalize on a range of benefits such as identifying future business opportunities; enhancing the value of corporate sustainability; strengthening stakeholder relations and keeping pace

with policy developments; stabilizing societies and markets; and using a common language and shared purpose with stakeholders.

The WBCSD is strongly engaged in translating the SDGs' ambitions and words into business *action* underpinned by *business solutions*: business-led ventures that are impactful, scalable, measurable, replicable, and going beyond business as usual.

A tangible example of a solution is *inclusive business*, a term coined by the WBCSD in 2005 referring to ventures that go beyond philanthropy by integrating low-income communities into companies' value chains as customers, suppliers, retailers, and distributors.

“The world in which we live is global, and inter-dependent, and that is what the new SDGs recognize. The new development agenda has a truly universal framework that goes beyond the separatism of simply environmental, social or economic sustainability. It is an inclusive agenda for world prosperity that incorporates the safe operating space of a stable and resilient planet.”¹

“We Have A Plan For Our Planet”, by Johan Rockström, Director of the Stockholm Resilience Centre at Stockholm University and Peter Bakker, President and CEO of the WBCSD



Inclusive business as part of the solutions to deliver on the SDGs

Companies seeking to expand in emerging markets increasingly see the 4.5 billion people living at the so-called base of the economic pyramid (BOP – see box on the right) as potentially important customers, diverse new sources of supply, and strategic distribution and retail partners.

Inclusive business can create opportunities for employment and entrepreneurship for people living at the BOP, either directly or through companies' value chains as suppliers, distributors, and retailers. Alternatively, companies can develop ways to supply affordable, high quality products and services to meet basic needs for food, water, sanitation, housing and health care. Or they can develop innovative business models to enhance access to key development enablers such as energy, communications, financing and insurance.

Inclusive business models provide an optimal congruence of private sector and development policy interests and objectives around the SDG agenda. As stated in a report by IFC, a member of the World Bank Group, and Harvard University, "inclusive business is interesting for companies because it can offer new opportunities for innovation, growth, and competitiveness at the same time as positive social and development impact. It is interesting for bilateral and multilateral donors, foundations, governments, and civil society organizations because it has the potential to drive development impact in self-sustaining, self-multiplying ways that do not require continuous infusions of grant funding. And it is interesting for the poor because it brings greater access, choice, and opportunity in their lives and futures."³

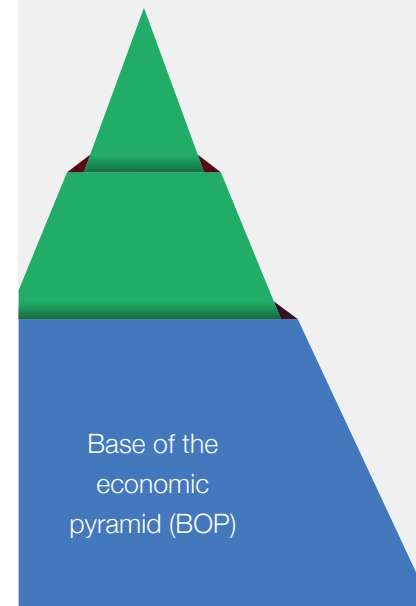
The following pages will outline how inclusive business can deliver tangible, business-led solutions to a wide range of SDGs. But before delving into those linkages, here is how the WBCSD articulates the business value of taking an inclusive business approach.

What is the base of the economic pyramid (BOP)?

The BOP encompasses 3 billion people living on less than \$3 a day and 1.5 billion people on up to US\$9 a day. 1.7 billion people at the BOP live in congested urban environments and 2.8 billion in vast rural areas; it includes men and women of all ages, backgrounds, and preferences.

According to IFC, the 4.5 billion people at the BOP spend some US\$5 trillion in the aggregate, based on 2005 purchasing power parity dollar terms for lowest and low consumption segments in the 92 sample countries. This is more than half of all consumer spending in developing countries and emerging markets.

People at the BOP are younger on average than those in higher consumption segments—44% are under age 20, and 61% under age 30.²



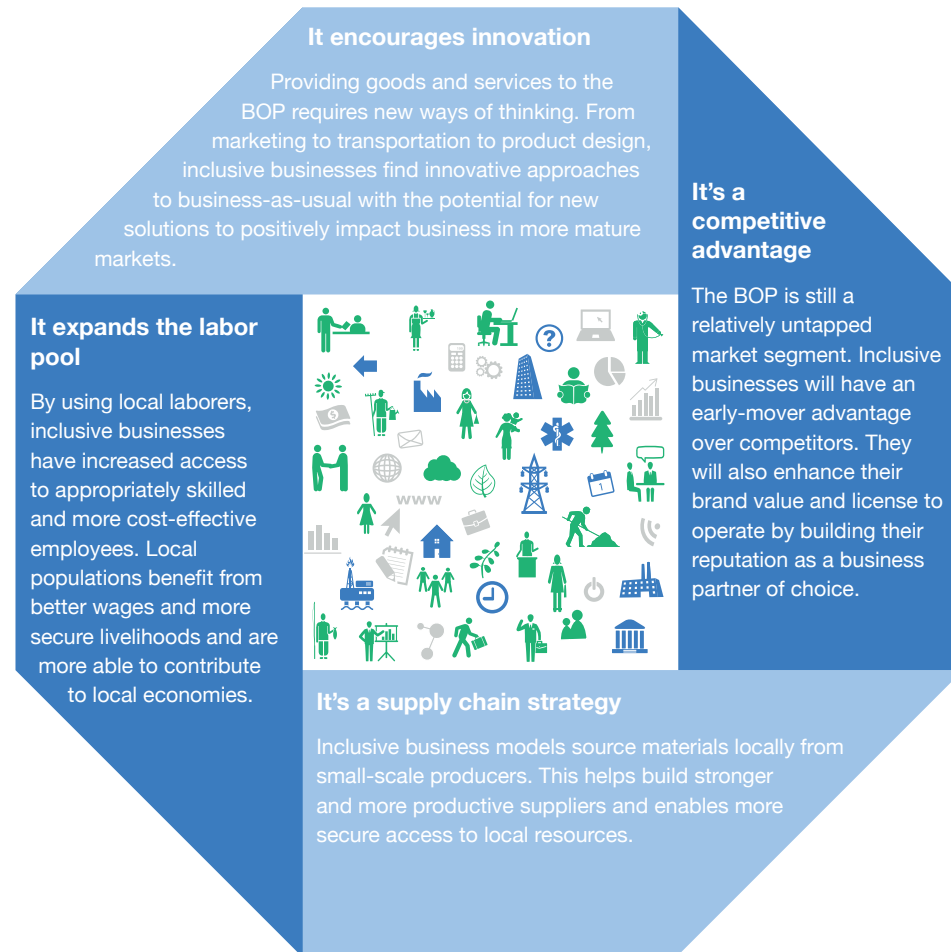
3 billion people living on less than \$3 a day and 1.5 billion people living on up to \$9 a day

4.5 billion people at the BOP spend some US\$5 trillion in the aggregate

The BOP spends \$2.3 trillion a year on food and beverages alone.

The business case

In essence, inclusive business creates market value for a company in the following ways:



Solutions, but also barriers

The potential market value of inclusive business and its social and economic impact provide ample reasons for companies to venture into BoP markets. Nonetheless, inclusive business is far from an easy catch. Even large multinational corporations with vast resources, efficient systems and global reach face challenges when developing and scaling up inclusive business solutions. The following paragraphs provide a quick glance at some of the internal and external barriers most commonly identified.⁴

Internal constraints

The **opportunity costs of investment** for venturing into an unfamiliar and complex market such as the BoP might seem less appealing than business as usual. Inclusive business requires investments while the return on investment and margins are lower, and longer time horizons are needed to break even and prove the expected social impact. Even where external financing options exist, they might be unfamiliar or less attractive than usual investments.

Inclusive business is about business solutions providing access to affordable, high quality goods and services to low-income populations, creating positive and long-lasting social impact. It goes well beyond philanthropy and cannot be run out of the public affairs department. To unfold their full potential, inclusive business solutions need to be recognized as, and integrated in core business structures and processes. However, the absence of commitment by the leadership as well as lack of clarity about the relative importance of commercial and social objectives of inclusive business models can cause **strategic and operational misalignment**.

The ability to scale inclusive business solutions depends on the internal capabilities of a company, and the extent to which these can be adapted or built from scratch. Capabilities or **implementation capacities** include managing informal distribution channels, processing hundreds of thousands of small transactions, human and financial resources, relationships and networks required to execute, measure and improve on a continuous basis.

External constraints

Policy and regulatory frameworks in emerging and developing markets are affected by weak institutions, a lack of functioning legal systems, and inhibitory taxes, subsidies or policies. This holds true especially for BoP markets, where these factors appear more often.

Particularly in rural areas and urban slums, the lack of adequate **physical infrastructure** such as roads, energy, water and telecommunications complicate business operations.

Market information about the purchasing power, consumer needs and behavior, skills and capacities of suppliers, distributors or retailers is not easily available. This makes it difficult for business to identify opportunities, assess the market size and take well-grounded decisions.

On the BoP side, low-income populations lack **knowledge and information** about available choices, they may not be aware of the benefits of a particular product, or not capable of using them. This usually leads to the need of encouraging demand, raising awareness and creating markets for “push” products. Suppliers, distributors and retailers may lack the knowledge and **skills** to be integrated in supply chains, requiring training and capacity building.

Accessibility and affordability of goods and services is a key issue for low-income customers. With little or no savings, no **access to financial services and resources**, credit, insurance and transactional banking services, they face expensive and insecure financial management and cannot afford large purchases or investments.

Some challenges can be overcome through innovation in product design, distribution and financing. Others need a shift in the way of doing, measuring and valuing business and its impact on social and environmental targets. In most cases though, overcoming these barriers cannot be accomplished by business alone – good governance, economic incentives, appropriate and robust legal and institutional framework conditions, and public-private partnerships are essential for business to maximize its role.

The WBCSD and inclusive business

The WBCSD’s work in inclusive business builds on over a decade of activities. It engages business leaders across industries, in a collaborative effort with international organizations, government agencies and Global Network partners, to scale up action, gain greater insights, and overcome both internal and external barriers to scaling up these ventures around the world.

The WBCSD’s work in the area of inclusive business is built around four pillars:



An overview on inclusive business – SDGs linkages

The overview provides narrative examples of inclusive business solutions that deliver value to a company whilst contributing to achieving the SDGs. Please note that the overview only shows the main SDG contributed to by a business solution. We acknowledge the fact that SDGs are interconnected, and therefore – in most cases – business solutions contribute, either directly or indirectly, to more than just one SDG.

 <p>1 NO POVERTY</p>	<ul style="list-style-type: none"> ▪ Bank the unbanked through micro-credits and financial services (leveraging local distribution and mobile technology) ▪ Micro-insurance products to increase resilience of low-income populations
 <p>2 ZERO HUNGER</p>	<ul style="list-style-type: none"> ▪ Produce and provide access to fortified food and supply of micronutrients ▪ Develop innovative and more efficient farming technologies to increase productivity and income of smallholder farmers
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> ▪ Provide access to affordable, high-quality healthcare through decentralized clinics and mobile health workers ▪ Leverage IT-based solutions to avoid stock-outs of life-saving drugs in rural areas
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> ▪ Combine expansion of internet coverage with web-based learning tools ▪ Set up vocational training programs targeting disadvantaged youth and women
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> ▪ Distribute your products through local, female entrepreneurs, thereby empowering their role in society and economy ▪ Strengthen access to sexual & reproductive health care products, services and medicine
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> ▪ Expand water & sewage infrastructure to unserved areas ▪ Develop low-cost water filtration systems for end-customers or whole villages and informal settlements
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> ▪ Invest in solar-powered appliances and solar home systems or establish shops powered by solar energy ▪ Leverage hydropower to electrify remote villages
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> ▪ Train and employ local communities ▪ Source materials from small-scale producers, sell and deliver products and services through local retailers and workforce
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> ▪ Invest in innovation of building materials and techniques, like earth-based bricks, taking into account local resources ▪ Provide construction training and access to housing loans for low-income families
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> ▪ Reduce post-harvest losses through improved value chain management in rural areas
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> ▪ Create smallholder insurance based on disaster risk reduction measures



- Train and cooperate with fisher communities in improved fishing techniques and marine conservation
- Promote sustainable fishing and procure from small fishing communities



- Restore plantations affected by natural disaster, reviving local agriculture to benefit affected communities



- Employ former combatants and integrate different ethnic groups in post-conflict settings into the value chain
- Increase employment of small-scale miners and source conflict-free minerals for high-end technologies

Some SDGs offer themselves more than others to concrete examples of inclusive business opportunities, while other goals are formulated reflecting a broader category of macro-economic targets or emphasize enabling factors (e.g. policies, partnerships). Nevertheless, they can either be influenced by inclusive business or play a key role in implementing these solutions.



- SDG 9 aims at innovation, resilient infrastructure (key elements for successful BoP ventures) and inclusive industrialization in terms of increased industrial employment as well as promoting growth of small-scale industrial enterprises.



- SDG 10 targets to achieve income growth of the bottom 40% population at a higher rate than the national average as well as promoting social and economic inclusion, aligning itself to the generation of sustainable income opportunities through inclusive business solutions.



- SDG 17 highlights the importance of partnerships as means of implementing action geared towards the SDGs. This holds true especially for scaling inclusive business solutions, as we have seen that most barriers cannot be addressed by business or any other stakeholder on its own.

Leveraging partnerships and policies for action at scale

As underscored by SDG 17 – “Partnerships for the Goals” – overcoming barriers, implementing successful inclusive business solutions and reaching the scale of impact necessary to significantly contribute to the SDGs depends on partnerships. While businesses may focus the scope of their partnerships to the development and operation of inclusive business solutions, here at the WBCSD we aim to support and facilitate these ventures by partnering with the key organizations active in this space.

The WBCSD cooperates closely with a number of leading multilateral institutions: the **Asian Development Bank (ADB)**, the **Inter-American Development Bank (IDB)**, and **IFC**, a member of the World Bank Group. In addition, the Council is part of the **Inclusive Business Action Network (IBAN)**. The latter enables access to knowledge and information, organizes B2B peer-learning events, and facilitates networking and partnerships on international and local level. The initiative was founded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Together with the WBCSD, the ADB, the IDB, IFC, and the United Nations Development Programme’s (UNDP) Business Call to Action support IBAN as Advisory Group. As part of the IBAN-WBCSD cooperation, IBAN seconded one staff member to the Council in view of deepening the ties to the business community engaged in this agenda.⁵

The **G20** is the main international forum of the 20 major economies⁶, seeking to promote financial stability and collective policy measures towards economic stability and sustainable growth. The B20 group is regularly invited by the presidencies to prepare policy recommendations for the G20 and integrate the voice of business into the G20 forum.

During the Turkish Presidency in 2015⁷, the G20 launched a Call to Action on Inclusive Business⁸, urging “leaders in the private sector to seize the opportunities offered by inclusive business, in particular by harnessing the investment and innovation capacities of their organizations and integrating low-income people into their business models and value chains.” Under the Chinese Presidency in 2016, Inclusive Business continues to play an important role and will witness among others the launch of a *G20 Platform for Inclusive Business Policies*.

Navigating the SDGs with a tailored Compass

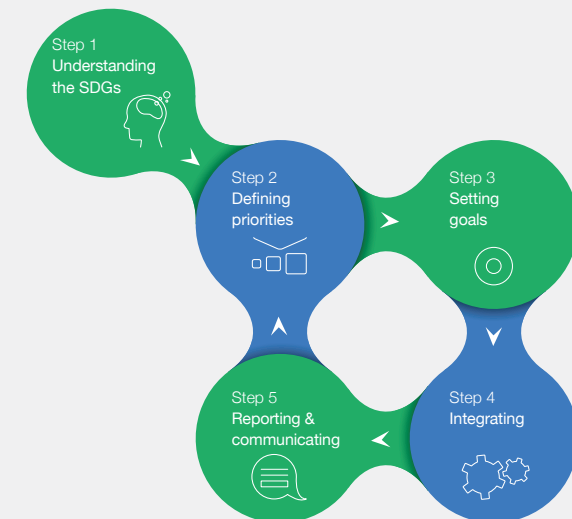


In 2015, the WBCSD, UN Global Compact and the Global Reporting Initiative (GRI) joined forces to develop the SDG Compass, a guide for business to help companies navigate the SDGs and understand how companies can maximize their contribution to those goals.

A recent study by PwC showed that even though

92% of business are aware of the SDGs only 13% identified the tools they need to take action

The SDG Compass aims to close that gap, laying out how companies can align their strategies with the SDGs in five steps:



The Compass, including a number of online resources, such as live inventories of existing business indicators and tools mapped against the SDGs, can be found at

www.sdgcompass.org

Vision 2050, Action2020, and the linkages to the SDGs agenda

The WBCSD's Vision 2050 plots a pathway to a world in which 9 billion people live well and within the boundaries of the planet by mid-century. To deliver tangible outcomes along this pathway, the Council launched Action2020, a science-based agenda for action aimed at rallying the efforts of companies that feel compelled to deliver on Vision 2050's economic, environmental and social promises.

Action2020 engages companies across the globe to implement innovative and scalable business solutions targeting nine priority areas to 2020 and beyond, all of which are fully aligned with the SDGs:



The Council's work program contributes to the achievement of specific "Societal Must-Haves" identified for each of the nine priority areas, i.e., goals that are informed by science, outcome-based, measurable and actionable and should be met by 2020 by business, government and society working together. The Council's focus lies on scaling up solutions through *innovation, valuation and collaboration*.

The road ahead

At the WBCSD, we will continue to promote private sector innovation, technology, networks, and problem solving skills in a manner that makes business sense and supports our nine Action2020 Priority Areas and the SDGs. In addition, we are working towards develop measurement and reporting systems to assess the Council's contribution to these ambitious frameworks.

With this brief, we aimed to highlight how inclusive business solutions can deliver both business and societal value, in full alignment with the SDGs. We look forward to continuing to provide our member companies with a platform for catalyzing further action, gaining greater insights, and creating an environment that is more conducive to scaling these solutions.

To stay updated on the WBCSD's work in this domain, please visit

www.inclusive-business.org

This blog serves as a platform for communicating about companies' experiences and lessons in designing, implementing, and scaling inclusive business ventures. It also provides links to external resources, cases and tools, with the aim of enabling as much "learning by sharing" as possible.

Footnotes

1. www.huffingtonpost.com/johan-rockstrom/we-have-a-plan-for-our-planet_b_8333832.html
2. Source: World Bank Group, Global Consumption Database, 2014 <http://datatopics.worldbank.org/consumption/>
3. Source: IFC & Harvard Kennedy School (2010). "Scaling Up Inclusive Business: Advancing the Knowledge and Action Agenda." www.ifc.org/wps/wcm/connect/dbebe6004cc75ca394aab59ec86113d5/Pub_004_BOP_Scaling_Up_Inclusive_Business.pdf?MOD=AJPERES
4. Based on authors' compilation from following sources:
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 - Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (2014): „Inclusive Business Models: Options for support through PSD programmes“ www.giz.de/fachexpertise/downloads/giz2014-ib-models-rz.pdf
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 - WBCSD (2013): "Scaling up inclusive business: Solutions to overcome internal barriers" www.inclusive-business.org/WBCSD_Internal_barriers_and_solutions_to_scaling_up_inclusive_business.pdf
5. To know more about the Inclusive Business Action Network, see www.inclusivebusinesshub.org/page/the-inclusive-business-action-network
6. www.g20.org
7. G20 website under Turkish Presidency (2015) <http://g20.org.tr/>
8. www.undp.org/content/undp/en/home/presscenter/pressreleases/2015/11/17/g20-leaders-call-to-action-on-inclusive-business.html

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About the World Business Council for Sustainable Development

The World Business Council for Sustainable Development (WBCSD), a CEO-led organization of some 200 forward-thinking global companies, is committed to galvanizing the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its member companies - who represent all business sectors, all continents and a combined revenue of more than \$7 trillion - to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The council also benefits from a network of 65+ national and regional business councils and partner organizations, a majority of which are based in developing countries.

www.wbcds.org

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