Business Call to Action
Annual Forum 2016
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Increasing Effectiveness of Inclusive Business as a Key Contributor to the SDGs

Summary Report

Event Partners:
Annual Forum Opening

Paula Peleaz, Programme Manager of the Business Call to Action (BCtA) welcomed BCtA members and other stakeholders to the Seventh BCtA Annual Forum, highlighting this year’s focus on increasing effectiveness of inclusive business as a key contributor to the SDGs. She provided an overview of the day’s sessions, which would focus on issues of scale and multi-stakeholder collaboration as key enablers for achieving the SDGs. At this year’s Forum, the BCtA was proud to launch two joint publications: Measuring Impact: How Business Accelerates the Sustainable Development Goals and Uncharted Waters: Blending Value and Values For Social Impact through the SDGs, which would be accompanied by a web-based tool later this year. These publications are prime examples of what the inclusive business community can achieve through partnerships. Ms. Paleaz was also pleased to announce the launch of new BCtA web site.

In the past year, new BCtA members had made 42 new commitments to inclusive business objectives, and there were renewed commitments from four existing BCtA members. A total of 176 commitments have been made since the BCtA was launched in 2008. Exactly one year after the consensus was reached on the ambitious and multi-sector SDGs, the business community is showing an even greater sense of purpose in driving a more inclusive economy, and collaborating with governments and other development partners to achieve the Global Goals.

WELCOMING REMARKS

Magdi Martinez-Soliman, UNDP Assistant Administrator and Director of the Bureau for Policy and Programme Support, extended a warm welcome to inclusive business partners, whose commitments had enabled the partnership platform to move forward on the 2030 Agenda. The unique BCtA alliance had brought together a range of partners across many sectors and industries. Noting that economic development cannot happen without private-sector investments, Mr. Martinez-Soliman highlighted the need for greater private sector-engagement to ensure that the inclusive business community not only continues to grow in size and influence, but plays a truly meaningful role in achieving the SDGs.

Recalling the energy of last year’s Annual Forum, which coincided with the launch of the SDGs, he acknowledged the progress made in moving beyond philanthropy and impact investment and mainstreaming inclusive business models. The micro-finance and telecommunications industries have seen significant growth and success, and the agribusiness, health, garment and other industries are showing considerable potential. But much more needs to be done. In many developing countries, the demand for goods and services among those living at the bottom of the economic pyramid (BoP) – a market segment worth an estimated US$5 trillion or more – remain largely unmet.
While the inclusive business community must double its efforts to ensure that it continues to grow in size and influence, the “how” matters too. Businesses need to demonstrate that social good and sound business go hand in hand, and that their core processes facilitate the creation of an inclusive economy. This includes guaranteeing fair market prices for producers, and ensuring that goods and services are not only accessible, but affordable and adequate for their intended markets. The BCtA strives to enhance inclusive business’s visibility, credibility, scale and effectiveness as a market-based contributor to the SDGs by challenging the private sector to make inclusive business part of its corporate strategy. The joint report and toolkit developed by the BCtA, Deloitte and UNDP, *Uncharted Waters: Blending Value and Values for Social Impact through the SDGs* is intended to guide companies in optimizing their inclusive business models.

Second, the BCtA is helping inclusive businesses to measure their achievements and drive good management practices that enhance performance. Authored jointly by the BCtA and the Global Reporting Initiative (GRI), the publication *Measuring Impact: How Business Accelerates the SDGs* aimed to clarify how businesses’ impact measurement can contribute to global SDG monitoring, and how governments can leverage data generated by the private sector to measure national progress. Finally, the BCtA is influencing policy at the global and country levels to create a more conducive environment for inclusive business. The platform’s engagement in developing the G20 Inclusive Business Framework – endorsed at the end of 2015 – is a prime example.

Mr. Martinez-Soliman closed by stressing that inclusive business is driven by both innovation and genuine efforts to build a vibrant economy benefitting all communities – which is at the heart of the 2030 Agenda. Business is as good for the SDGs as the SDGs are good for business, and BCtA will continue to support inclusive businesses throughout their journeys to improve their management and impact measurement practices.

**KEYNOTE ADDRESS**

Jayanth Bhuvaraghan, Chief Mission Officer of Essilor, expressed his great honor to be present at this distinguished gathering. He noted that when SDGs were adopted in 2015, many saw it as a moment of triumph;
however some stakeholders were concerned about the ambitious scale of this holistic framework, and wondered if the private sector could rise to the occasion. He believes that business has a crucial role to play in achieving these goals. For example, as an optics company, Essilor’s management has recognized that good vision is a fundamental enabler for all the SDGs.

With a loss of over US$200 billion per year in productivity due to uncorrected vision problems, Essilor’s management decided in 2013 to lead the industry in developing an inclusive business model that addresses poor vision, lack of skills and unemployment by training people in remote areas to conduct vision screening that is affordable to rural communities. This initiative not only detects vision problems, it enables young people to gain skills and earn livelihoods locally to prevent migration while promoting gender equality. It is also helping to influence much-needed policy change.

In addition to focusing on achieving the SDGs, Mr. Bhuvanaghad underscored the importance of developing scalable business models that are financially sustainable, and constantly adapting these models to meet the needs of different consumers. There is still a huge untapped business potential at the BoP: by tapping into it, businesses can develop a loyal consumer base, sowing the seeds for long-term growth. However, this is not possible without a strong network of partners – including both governments and other businesses. The BtA has a major role to play in increasing the visibility of inclusive businesses and facilitating these important partnerships.

While Essilor’s goal is to eradicate poor vision within one generation, it is understood that this cannot be achieved without collaboration. Mr. Bhuvanaghad challenged the inclusive business community to find new ways of working together to prove that the private sector can make positive contributions to global development in the years to come.

In response to a query from Ms. Peleaz about Essilor’s business case for scaling up, Mr. Bhuvanaghad explained that the company initially experimented with ‘rural marketing’: finding a way to reach people in rural villages in partnership with local actors. While this made for good headlines and communications, its impact was too small to be considered successful. The company’s management realized that in order to reach scale in rural markets, it needed a fresh approach and people willing to challenge their ways of doing business. This realization was critical for enabling the company to move forward, along with unwavering support from senior management. However, Mr. Bhuvanaghad noted that the company is still learning from its experiences in this developing market.

SESSION I:

Greater Impact and Scale for the SDGs

This session, moderated by Laura Gitman, Vice President, Business for Social Responsibility (BSR), was presented in partnership with Business Fights Poverty as part of the Challenge on Expanding Economic Opportunities Through Inclusive Distribution Networks. Ms. Gitman introduced the session by observing that after 11 years working in this sector, she is pleased to see the global consensus building around the SDGs and the Paris Agreement. The SDGs present a unique opportunity for companies to drive impact on low-income communities around the world through their core businesses.

Toshio Takanashi, Senior Executive Officer, Asahi Kasei Corporation spoke about how, as one of Japan’s largest and most diverse companies, Asahi Kasei had reached scale in India by creating an inclusive value chain that stretched from raw materials to end users. While it had initially focused on making yarn, national production
capacity for fabric was poor, so the company sent technicians to transfer knowledge about fabric production. After 40 years, the company has created a US$500 million business in India, achieving business sustainability and creating millions of saris. In order to expand the value chain, the company has begun to purchase cotton lint (a by-product of cotton cultivation that is usually thrown away) from smallholder farmers as raw material for its cupro fabric. By including small farmers in its value chain, Asahi Kasei is raising incomes and strengthening India’s rural economy.

Adeline Lescanne-Gautier, General Manager of Nutriset echoed Mr. Takanashi’s focus on end-to-end value chains as a means to both reach scale and drive social impact. This France-based nutritional product manufacturing company has been exploring how to localize production for 20 years. Ten years ago, Nutriset started to network in order to determine how best to create local impacts beyond the products it produces for treating malnutrition. As a result, the company is now working with the entire peanut value chain, from individual peanut growers to the children who consumer its foods. This has necessitated that the company re-focus on research to learn more about high-quality agricultural production as well as the nutritional content of its end products.

Roger Schmid, Innovation Hub at Natura Company next spoke about how this Brazil-based personal products company has focused on sustainability from early on: Natura was the first in beauty industry to introduce refills, which now account for over 20 percent of sales. Such experiences teach that sustainability should not be linked to philanthropy or doing good to compensate for doing bad, but that good business means doing good things. Today, if a company’s brand has this positive association, it can attract better talent and more consumers.

Since 83 percent of products are of vegetable origin, Natura has become involved in helping the Amazon change from an economy of exploitation and devastation to one linked to biodiversity. Working with 2,000 families in the Amazon, the company aims to reach a total of 10,000 in next years; a lot of its discussions are about reaching scale. Since its main distribution channel is direct sales, the company is able to touch the families and communities of its 1.5 million sales agents (called consultants). As seen in the Olympic opening ceremony, sustainability has now become part of the Brazilian conversation. This is not only a question of raising incomes, but involves providing recognition and enabling low-income communities to feel included.

DISCUSSION

Ms. Lescanne-Gautier kicked off the discussion by highlighting the benefits of producing a local product, which involves governments as well as local people in inclusive business. The private sector has a critical role in transferring knowledge to increase local capacities and improve the quality of production. The challenge is to develop
the right expertise and advocate for an enabling policy environment that supports local production and distribution (instead of locally produced products being more expensive than imports because of taxes). While it is difficult to see the impact of the SDGs in just one year, there has been an alignment between national objectives and those of non-government stakeholders.

Mr. Takanashi agreed that delivering training is a key condition for both business scale and developing national capacities, along with the provision of modern technology. But he argued that businesses’ attitude is also important to create a new products that meets customers’ needs; this entails collaborating with customers in product development. It is also important to build a business relationship of mutual trust with customers, which can take years. Large companies that include smaller companies in their value chains help the smaller companies to grow, which confers benefits to all value-chain actors.

Mr. Schmid explained that Natura’s direct-marketing strategy helps its consultants to create their own independent businesses and product lines. The number of its consultants has grown quickly from 200,000 ten years ago to 1.5 million today, along with an explosion in Brazil’s economy. Natura’s challenge is to keep educating and supporting them. While it takes time to train distributors in order to become profitable, the business must remain competitive while focusing on sustainability. In Latin America, this conversation differs by country given the diverse challenges that Natura’s consultants face.

By understanding their needs, company is like a second family to its distributors, and since they are free to sell products for other companies, Natura must build real relationships with them based on mutual respect. In this way, it can influence the entire market.

Sustainability can be mainstreamed at the senior-management level by basing executive compensation on non-financial objectives such as reduction of water consumption. One year, Natura did not reach this objective and bonuses were cut; the next year, the company hit its target. These objectives, and holding executives accountable to them, allow the company to observe its progress towards sustainability.

Ms. Gitman then asked panel members about how companies manage the challenges of measuring their contributions to SDGs. Ms. Lescanne-Gautier responded that for Nutriset, reducing malnutrition is easy to measure, but showing the impact of local production on local economic and social indicators is more difficult. In response to an audience query, she explained that Nutriset’s inclusive model was developed step by step, and the company is now looking for ways to share its experiences in order to prove its social impact. Companies working locally must also mitigate the risk that local production will not keep up with demand: partnerships enable inclusive businesses share such risks.

Mr. Takanashi added that while inclusive companies are seeing measurable benefits in terms of sustainable growth and profit, they need to invest by supporting local producers and provide training and scholarships to build capacity. The SDGs have inspired much of this work, including by governments. In the past, strict regulations (like import bans) hindered doing business many countries, but enabling policies are lowering this risk.

Panel members agreed that the new generation wants to buy products that are doing good, and from where they know the source. Every actor holds value for scaling up inclusive businesses, and building good personal relationships is critical for maximizing impact. The Moderator highlighted four key themes: (i) patience in order to be more effective; (ii) true collaboration with a variety of different partners; (iii) sensitivity to local relationships and different cultures; and (iv) integrating inclusive approaches into core business strategies.
SESSION II: 
Supporting Inclusive Business Through Multi-Stakeholder Action

Moderator Marcos Neto, Director of the Istanbul International Center for Private Sector in Development within the Bureau for Policy and Programme Support at UNDP, kicked off the session by stressing that due to market gaps at the BoP, partnerships have become particularly essential.

Teresa Law, Co-Founder and CFO of Mountain Hazelnuts described inclusive business partnerships as like a marriage, with challenges to be overcome as the relationship evolves. She described her experiences establishing a long-term partnership with Bhutan’s Government as the country’s first foreign investment initiative. This involved getting to know each other’s values and mission, then building a foundation of shared vision and mutual respect. While there were some disagreements along the way, the partners’ mutual objectives were essentially the same. Ms. Law also described her company’s commitment to ensure the long-term success of its local partners by extending 30-year contracts, providing field monitors and extension officers, and training stakeholders, including government officials.

Next, Chris Jurgens, Director of Global Partnerships at the United States Agency for International Development (USAID) Center for Transformational Partnerships, US Global Development Lab, talked about the strong intersection between core business interests and development priorities. Speaking from the perspective of a bilateral development organization, he explained that many of USAID’s initial private-sector partnerships were opportunistic. But the agency has begun to build partnership portfolios focused on a common goal.

While multiple partnerships carry high transaction costs, platforms like the BCtA are crucial for mobilizing partners and reducing these costs. USAID is also increasing its partnerships with local private-sector actors, which bring distinct value through their embeddedness in communities. Development agencies are also changing the nature of private-partnership conversations, becoming more problem focused and assessing each partner’s unique capabilities and ability to share risk.

Carlos Cornejo, Senior Vice President of New Consumers at MasterCard then described his company’s new commitment to financial inclusion. While MasterCard is often perceived as a provider of credit, it is actually a technology company with a focus on connecting credit companies, merchants and consumers; partnerships are therefore part of its core business. After 45 years of focusing on the affluent, MasterCard has now committed to ensuring the financial inclusion of 500 million people by 2020 along with 40 million small merchants. This requires new types of partnerships, including with the United Nations, the International Finance Corporation (IFC), the Gates Foundation and several NGOs. These
In participating with a diverse set of stakeholders over the years, Mr. Hespenheide noted that their perspectives can be divergent. That is why partnerships are important: no one stakeholder has all the answers, and all voices must be heard to make progress. Working with governments and SMEs in developing countries, GRI is not only measuring sustainability impacts, it is acknowledging the importance of local actors in global supply chains. For this reason, GRI has an active network stakeholders around the world to advise on emerging issues. It is also pursuing a new initiative on SDG reporting for businesses with the UN Global Compact.

**DISCUSSION**

Mr. Cornejo began by asking fellow panelists how they select their partners, emphasizing that this is a two-way process and that they need a common goal. In recent years, partnerships have come to include governments – particularly regarding financial inclusion – and local technology providers. For successful partnerships, the partners must have shared values (i.e. social as well as financial impacts) and the capacity to adapt to changing market conditions.

Mr. Jurgens added that given the nature of partnerships, it is easy to forget the basics of alignment based on a common focus. It is challenging to create multi-stakeholder alliances with aligned goals while addressing challenges that arise and meeting all goals on time. Personal new partnerships are transforming MasterCard’s roles; for example, the company is now using its technology platforms to assist refugees and other vulnerable people.

**Elaine Weidman-Grunewald, Senior Vice President, Chief Sustainability Officer, and Head of Group Function Sustainability and Corporate Responsibility, Ericsson Group** explained that while his company is best known for producing mobile phones, today it provides mobile infrastructure, broadcast and mobile financial services. Like MasterCard, Ericsson’s BCTA commitment is also about connecting the unconnected. Ericsson is examining mobility and broadband as critical enablers for the SDGs given that 50 percent of people in developing countries lack Internet connectivity. Barriers to reaching those in remote areas include affordability and the need to make an attractive investment case for mobile operators. Partnerships are fundamental to addressing these barriers, and the solution-oriented SDG agenda is providing a prime opportunity to start conversations about shared ownership, responsibility and transparency.

**Eric Hespenheide, Interim Chief Executive at the Global Reporting Initiative (GRI)** discussed his organization’s focus on developing reporting guidelines for social impact. In recent years, GRI has begun to develop interrelated standards and for the private sector to adopt sustainable practices and show others how they operate sustainably. The organization is now working with small and micro-enterprises to become better sources for global supply chains.
relationships are critical: the best partnerships have great leaders on both sides, and staff turnover can have enormous negative impacts. Partners need to build relationships that are durable and measure how well these investments of time and resources are paying off. This involves analyses of the value each stakeholder adds to generating maximum impact.

When asked by the moderator about the optimal level of efficiency in partnerships (given their high transaction costs), Mr. Jurgens explained that the key is understanding the problem to be solved and the nature of the partners’ capacity required. If the problem is local and context specific, the partnership should be small and focused, while a broader problem may be worth the high transaction costs of a wider partnership.

Ms. Law stressed that companies need to look beyond governments to academic and other partners with similar goals. If the inclusive business has social and environmental – as well as financial – objectives, other stakeholders will recognize the potential benefits – including investors and others who wish to learn from the model. Since inclusive models are often built step by step, partners must have understanding, patience and commitment to working through any challenges that arise on the way to sustainability and scale.

Ms. Weidman-Grunewald agreed that mutual trust is critical but difficult to earn, especially among public agencies. Companies should start by exploring how their core business agendas can be applied in partnerships, and then set about earning partners’ trust. Mr. Hespenheide reminded participants that reporting can aid in the development of trusting relationships. After moving beyond a purely financial orientation to a focus on social and environmental impacts, companies need to shift to the policy level by engaging governments. These non-financial impacts must be demonstrated with solid evidence, especially to spur regulatory changes. Companies can utilize the data they gain from reporting on these impacts to demonstrate to governments that inclusive business is good policy.

Recognizing the challenge of data disaggregation, Mr Hespenheide explained that GRI is still building a foundation for disaggregated country-level data as it collects information from individual stakeholders. Unfortunately, the metrics for measuring companies’ impacts on all 169 SDG actions do not yet exist, and the technology is still in a nascent form. GRI has launched a digital reporting alliance to gather data in a format that allows disaggregation by country and SDG action, but companies need to make that information available on a consistent basis.

Mr. Jurgens emphasized the need for a mutual party that can facilitate the partnership process, especially in evolving fields like impact investing and cook stoves. Since resource mobilization can be challenging in cross-cutting areas not aligned to a single SDG, platforms are needed for sharing voices on those issues. In response to an audience query about assessing potential partners, he responded that due diligence is critical. But
while many established companies have had issues with human rights or corruption, USAID is encouraged by how many companies are adapting their business models to become more sustainable.

Ms. Weidman-Grunewald addressed another query about dealing with cultural and language differences, noting that the differences between the cultures of public and private development partners can be just as great. In such relationships, diligence and patience can yield tremendous impacts. The partners can then learn about how to collaborate more efficiently in the future. Mr. Cornejo added that for MasterCard, the key was a change in mindset. For example, since governments make policies that regulate the private sector, they should be considered natural partners. This change in thinking extends to internal compliance as well, since companies may not be used to working with international organizations and governments.

Ms. Law counseled businesses to stick to their principles and not be afraid to walk away from a discussion if potential partners do not share the same goals. Although it is difficult to turn away from money, the partnership will ultimately not work if there is no long-term commitment. Inclusive businesses should also be sensitive to differences among partners: for example, some are more reporting oriented. With experience, Mountain Hazelnuts’ managers were able to utilize their unique skills to work with different stakeholders, and the company is now building in-country capacity so that management can increasingly rely on local staff.

Mr. Hespenheide emphasized that local stakeholders need recognition along with actors that will be impacted by an initiative, even though they may not by directly involved in implementation. Mr. Jurgens added that there is a need to test new inclusive business models with customers in order to build scaling platforms and support more innovative impact investment. While most impact investment is still looking for moderate returns and donor money is looking for negative returns, there is a lot of space in the middle. The SDGs may be the key to unlocking this untapped potential.

Mr. Neto ended the session by noting that the SDGs are a great plan for the 21st century, but are being implemented by 19th century institutions. As these institutions are transformed, he challenged participants to re-envision the idea of partnership as a transformative agent of change.

BREAKOUT SESSION I:
From Concept to Maturity: Learning from the Journeys of Successful Inclusive Businesses

Moderator Sahba Sobhani, Global Programme Advisor-Private Sector with the Bureau for Policy and Programme Support at UNDP introduced this breakout session, which explored the why and how of businesses’ alignment with the SDGs, and enabled companies to share their experiences in assessing their inclusive business models’ maturity. Panel members discussed the joint report by the BCtA, Deloitte and UNDP, Uncharted Waters: Blending Value and Values for Social Impact Through the SDGs, which examines how to start, develop, refine and optimize inclusive business based on their current degree of readiness and maturity.

W. Robert de Jongh, Specialist Leader, Social Impact Commercial Practice, Deloitte observed that inclusive business has reached a ‘tipping point’ at which it is changing the way business is done. At the same time, the SDGs are creating a common framework for business action. New data indicate that millennials are selecting products based on social purpose. Regulations are also changing to necessitate business taking a more proactive stance. These transformations are providing opportunities for inclusive business to drive performance in line with the SDGs by: (i) generating new revenue by opening up new customer segments; (ii) providing license to operate; and (iii) building resilient supply chains. The SDG agenda can help to lure and retain top human resources, and spawn investor interest.

Many companies have already embarked on this inclusive journey, and have valuable lessons to share. However not all journeys are the same: companies need to know where they are in the process and how to move forward. The joint publication ‘Uncharted Waters’ and forthcoming web-based toolkit provide meaningful insights that all companies can use to determine where they are and which direction to take on the path to sustainability.

Peter Gross, Marketing Director of Ghana-based MicroEnsure kicked off the panel discussion by sharing the evolution of his company’s journey to inclusive business.
MicroEnsure began by providing free insurance to mobile subscribers who used a certain amount of airtime (the mobile provider paid MicroEnsure a fee for this value-added service). The huge increase in product awareness after this initial offering has led one in four Ghanaians to purchase an insurance product.

**Michael Fuerst, Senior Manager, Corporate Responsibility Strategy and Innovation at Novartis** stressed that after many years, his company is still on its way to inclusive business maturity. Novartis’ model provides health education along with affordable pharmaceuticals targeted at prevalent diseases. While management faced many initial hurdles, they were surprised that the initiative broke even after only 31 months. In the process, Novartis’ management has gained confidence that the company can maneuver in this space in a profitable manner. Now, the company has scaled up beyond India and is challenged with adapting to different healthcare contexts. To be successful, it is partnering with other businesses and has introduced a new model that provide low-cost medicines to governments.

**Daniel Becerra, CEO and Co-Founder of BuffaloGrid** next spoke about his company’s experience providing access to power in off-grid communities through a pay-per-service model that utilizes mobile networks. With the success of its model, BuffaloGrid is scaling up to bring a range of other services to these communities. In meeting the challenges of working in a rural market, its model evolved to provide a service that could be scaled up. Mr. Becerra explained that mobile networks’ success in reliably reaching remote and marginalized populations revolutionized businesses’ ability to serve these rural communities.

**Audrey Philippot, Senior Director of Business Innovation at Dimagi Inc.** echoed the importance of mobile applications for reaching the BoP. Dimagi also relies on mobile connectivity to enable frontline health workers to collect patient data, send reminders and facilitate treatment in remote areas. By getting to know the market and people’s needs, Dimagi’s management saw that no single application would suffice for all health initiatives. As a result, the company developed a platform that could be customized through many applications. Management is now looking at what products and services to deliver around this platform to different customers, and working with partners on tools to collect data for maximum impact.
DISCUSSION

Mr. Gross began the discussion by explaining that before MicroEnsure entered the Ghanaian market, there were no affordable insurance products and no established companies wanted to assume the risk of insuring low-income communities. So the company’s staff asked consumers about the risks they faced and developed products that fit their needs. MicroEnsure was able to tap into this new market, by re-thinking insurance products in order to meet customers’ needs rather than forcing existing models into a new context.

Like other panelists, Mr. Gross underscored the importance of mobile platforms in remote areas; the company has used text messaging to communicate and mobile payment platforms for rapid claims payment. However, establishing trusting relationships with telecoms can be challenging. MicroEnsure is now moving away from partnerships with mobile operators and exploring new distribution models.

Mr. Fuerst commented that while MicroEnsure faced challenges disrupting the industry as a new entrant, established businesses must disrupt the industry from within. When Novartis began its inclusive business initiative, it was perceived to be cannibalizing other businesses. Creating the internal alignment to back up its new business models has been the biggest barrier. For example, since the company is operating in areas that lack local capacity, management decided not to outsource healthcare training. Some within the company asked why the company was assuming these additional costs. A strong governance structure is required to embed inclusive business models into companies’ core business so that they do not depend on the support of a single CEO. Finally, regular business review ensures that resources are not wasted by bringing projects to scale that lack long-term viability.

Mr. Becerra stated that rather than ‘cracking the code’ to get remote customers to pay for a service, businesses need identify how can make life easier for them. For example, while a lot of customers have phones, many do not know about wifi. In response, BuffaloGrid is building a system that brings the benefits of wifi to communities in a profitable way – profitability is attached to scalability. Ms. Philippot agreed, adding that Dimagi’s model has evolved along with its non-profit customer base. Looking for ways to increase sustainability has changed the
company’s mindset to balance the needs of customers’ beneficiaries with its own profitability. Critical decisions about which projects to take on – and what prices to charge – depend on striking this balance.

Mr. de Jongh emphasized that while some companies are born from inclusive business models and others must ‘disrupt from within’, all companies need to reach scale. The road to scale is filled with good intentions but there are no proven models yet. The basic tenants of business success in emerging markets are partnerships and talent. It is important to find people with right blend of profit-mindedness and emotional intelligence to work in under-served markets.

In response to a query from the audience about collecting money in low-income markets, Mr. Fuerst clarified that it works well if the company has a clear idea of customers’ average income level and develops an appropriate pricing structure. Compared to classical business models, inclusive models require a completely different set of partnerships and education for consumers. For Novartis, this includes Health Camps in which urban doctors are brought to rural areas in order avoid costly travel and free consultations.

Mr. Gross added that a challenge of working in BoP markets is maintaining the visibility of fund flow. Mr. Becerra echoed this observation, advising that cash-based systems leave businesses open to corruption and loss; this is the real benefit of mobile money platforms. Other panel members counseled patience in developing inclusive business models that are truly sustainable and scalable. In addition to getting the basics right, companies need to set baselines and measure social impact from the beginning.

Ms. Philippot reminded participants that companies need to look at scaling up as investors in the future. It is difficult to take risks and say no to large grants, but that is part of sustainability; companies need to stay flexible and examine other sources of revenue in a market. Mr. de Jongh wrapped up the session by counseling inclusive businesses to look at the lessons learned by others and establish viable business ecosystems. No inclusive business can reach scale on its own. However, new players can benefit from other companies’ experiences to determine what assets they have and need, and develop a mindset of measurement.

BREAKOUT SESSION II:
Measuring Inclusive Business Contribution to the SDGs

Tomohiro Nagasaki, Impact Team Lead, BCtA, announced the launch of the joint BCtA-GRI report, *Measuring Impact: How Business Accelerates the Sustainable Development Goals*. Amid rising public interest in capturing business contributions to the SDGs, the report aims to facilitate business’ measurement and reporting on social and environmental impacts. Looking at trends in companies’ impact measurement and reporting practices during the first year of SDG implementation, the report explores how impact measurement and reporting can help to achieve the SDGs.

In examining the dynamics of business reporting, six major lessons were learned from consultations with businesses during report preparation: (i) partnerships are needed to support measuring and reporting impact; (ii) clients can prioritize the SDGs in their dealings with suppliers; (iii) there is a diverse range of impact areas for companies to focus on; (iv) SMEs need capacity building to measure and report on sustainability; (v) policies can encourage greater monitoring and measurement of business impact and sustainability; and (v) business is not a homogenous group, and businesses’ individual needs should be recognized.

Next, Faye Leone, independent expert and member of the report’s core publication team, presented findings from the report team’s consultations with governments, noting that with 17 Goals, 169 targets and 230 indicators, a lot of data would needed to measure SDG contributions. All governments expressed the need for more data; national statistical data will not be enough. Governments need the private sector’s help in collecting this data to show their countries’ progress. In addition, data on businesses’ SDG contributions can assist governments in shaping development plans, strategies and policies. If the data indicate that businesses are not moving towards certain goals, governments can develop incentives to push for more progress in those areas. Most countries the report team consulted have – or are establishing – mechanisms to interact with the private sector, but business needs to be proactive in engaging with governments on sustainability reporting.
DISCUSSION

Following these presentations, Paula Pelaez, Programme Manager of the BCtA moderated a panel discussion by experts on impact reporting for the SDGs. Anuj Mehra, Managing Director of BCtA member Mahindra Rural Housing Finance Ltd., described his company’s core business of enabling financial inclusion by providing home loans to rural people without access to bank accounts. Extending financing to ‘unbanked’ borrowers without documentation involves updating land records to reflect secure ownership. Providing official documentation of land ownership has led to huge social impacts that go beyond the benefits of home ownership.

With help from the BCtA, Mahindra is studying its impact on SDGs 1, 3, 5, 6 and 11. This research has shown: (i) a long-term reduction in customers’ home-maintenance expenses; (ii) improved household health, with fewer hospital visits; (iii) a direct relationship between higher quality of homes and improved social standing; and (iv) a significant percentage of co-borrowers are women. As impact measurement is being expanded, the lessons learned are being incorporated in Mahindra’s core business strategy.

Punjani Leagnavar, Manager of Policy and Government Affairs at GRI, explained that companies are beginning to use GRI’s guidelines to report on their sustainability impacts. By monitoring businesses’ contributions to SDGs, this kind of reporting encourages transparency as well as sustainability. GRI’s suite of activities on SDG reporting includes the SDG Compass, which lets companies’ match the G4 Sustainability Reporting Guidelines with the SDGs. SDG Content Mapping enables G4 reporting companies to obtain a seal indicating that they have reported on SDG impacts.

These activities are providing a common framework for aligning all business impacts with this harmonized set of global goals. They are also generating proxy data useful for influencing policies and engaging with governments to maximize SDG impacts at the national level. For example, in Colombia, many companies are working in tandem on issues related to SDG 8. This kind of information can spark dialogue within governments about whether these common actions are aligned with national priorities.

Christian Jahn, Executive Director of the Inclusive Business Action Network (IBAN) then talked about his organization’s efforts to connect investors, bilateral donors, companies and private-sector associations, foundations, multilateral organizations and others. UNDP and BCtA are on IBAN’s advisory board, along with the Inter-American Development Bank (IDB), the International Finance Corporation (IFC) and the World Business Council for Sustainable Development (WBCSD). Currently, IBAN has 1,500 publications on inclusive business online at searchinclusivebusiness.org. Mr. Jahn expressed his belief that impact measurement and reporting enhance public and private cooperation in the long term.

Part of the World Bank Group, IFC is and the largest global investor in inclusive business. Operations Officer Alexis Geaneotes explained that IFC uses a comprehensive results-monitoring framework to track all its projects’ social, environmental and financial impacts. The organization is currently working to map project-level indicators to the SDGs and link them with the World Bank’s goals of eradicating poverty and ensuring shared prosperity. IFC is also helping its clients to increase their reach in BoP markets by estimating their clients’ income levels. For example, one study found that 90 percent of a Nicaraguan coffee trader’s customers are at the BoP, along with 67 percent of consumers in India’s health care sector.

In addition to gathering data on income, IFC uses insight tools to understand what services and products BoP markets have access to, the level of demand for these products and services, and how consumers’ view their
relationships with companies. This research is enabling the IFC as a development investor to demonstrate its impact on poor people, which helps its clients to measure and expand their own impacts. IFC’s new report *Built for Change: Inclusive Business Solutions for the Base of the Pyramid* (see www.ifc.org/inclusivebusiness) is the result of these efforts.

Ms. Peleaz asked panelists about their major challenges in measuring inclusive businesses’ impacts on the SDGs. Mr. Mehra responded that internal resistance is one of the biggest challenges, especially when staff are afraid that measurement will add an additional burden to their jobs. But he added that after workshops and training, those same people become excited about measurement and want to engage more deeply. In response to an audience question about how to motivate impact measurement, he explained that the driver is self-interest: measurement helps companies to do better business.

In the interactive discussion, audience members asked panelists about how to motivate businesses to report on their impacts, given the inherent challenges. The panelists responded that many companies hire third parties to carry out this specialized work, which combines companies’ and measurement experts’ different spheres of knowledge. While there is a great deal of interest in the SDGs, even large companies do not fully understand them. The challenge is to crystallize them into metrics that companies can report on. The motivation for reporting must be clear, whether it is value creation, regulatory requirements or another reason. Companies need to know what should be reported, to whom and why.

According to Mr. Leagnavar, governments need contextualized data, and companies do not necessarily provide this context. Organizations like GRI can aggregate data to show, for example, how much companies in a given country are reducing their water footprint. While many some businesses are already using broad social and environmental impact-measurement frameworks, the SDGs provide a common vehicle for packaging and standardizing these data.

Yet capturing these data are more challenging with small and medium-sized enterprises – which comprise the vast majority of private businesses in developing countries. Sustainability reporting initiatives need to do more to reach smaller businesses, in which a large proportion of progress towards the SDGs will be made.
BCtA’s Seventh Annual Forum Expo

... BCTA member companies showcased how their products and services are bringing low-cost, life-saving, environmentally-friendly technologies and practices to the developing world.

Jaipur Rugs: Empowering rural India by engendering sustainable livelihoods in the carpet value chain.

Little Sun: Delivering clean, affordable, solar light to the people in off-grid areas.

Paga: Expanding access to mobile financial services for underserved populations in Nigeria.

DataMotivate: Training and employment for human trafficking survivors in the Philippines.
Mountain Hazelnuts: Developing a women-focused inclusive hazelnut value chain in Bhutan.

Direct Fresh Ltd: Providing sustainable, chemical-free, traceable produce by supporting smallholder producers.

EPAM Systems: University Programme builds IT capacity across Central and Eastern Europe.

Essilor: Providing access to eyeglasses for low-income people and promoting inclusion in rural communities.
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GRI
Global Reporting Initiative (GRI) is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

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