



*Empowered lives.
Resilient nations.*

INCLUSIVE MARKETS IN BRAZIL

CHALLENGES AND
OPPORTUNITIES
FOR THE BUSINESS
ECOSYSTEM



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FOREWORD

United Nations Development Programme

Over the last twelve years, Brazil has managed to reduce extreme poverty by 75% and has lifted 45 million people into the middle class.¹ It has made significant progress toward achieving the poverty reduction target set by the Millennium Development Goals, a result of successful public policies that have gained worldwide recognition. As an example, it is worth mentioning the contribution of *Bolsa Família* ("Family Stipend") which serves 13 million families and builds up local economies. Additionally, the actual increase of the minimum wage also ensured higher demand mainly from retirees. Thus, economic growth has facilitated the formal entry of 51 million workers into the labour market, giving them access to credit, assets and services.

We are now taking a step forward with a greater contribution from the private sector to integrate low-income individuals into the market. While the Brazilian economy is not currently booming, it is in times of crisis that adjustments and innovations take place, promoting transformations and allowing the economy to grow once again.

The biggest opportunity is related to the expected approval of the Sustainable Development Goals (SDGs) in September 2015. Besides enhancing what has already been achieved through the MDGs in social affairs, the 2030 Agenda deepens the economic and environmental aspects of the previous set of goals. There were several processes and content improvements to the MDGs. A more participatory process will ensure adoption and faster understanding of the goals. Moreover, the SDGs have been established for all countries of the world and not just developing countries, adopting a principle of co-responsibility.

As Ban Ki-moon, UN General Secretary, noted, companies and sustainable development agendas are converging in a new and exciting way. These innovations are required for achieving the SDGs and they represent a unique opportunity to invest in responsible business so the private sector can adopt more sustainable production and consumption patterns in financial, social and environmental terms. The first call to action was already made during Rio+20.

This report aims to contribute toward this discussion, introducing one of the possibilities for the private sector to work for the SDGs: inclusive business. Through the introduction of 19 examples of success, we seek to demonstrate

¹ Office of Strategic Issues (SAE) Social and Income: Brazilian Middle Class. Brasília: The Office of Strategic Issues of the Government, 2014.

the viability of businesses that respect the environment, promote social inclusion and are financially viable. It also shows that a supporting ecosystem is required so these initiatives can reach scale, increasing their chance of helping generate economic and social value as well as ensuring its long-term survival.

UNDP has a global initiative – (*Growing Inclusive Markets*) –, which brings together cases from all over the world, as well as publications similar to this one for different regions of the world. In Brazil, we have decided to create the "*Incluir* Initiative" which aims to encourage and give recognition to inclusive business in the country. The report "Inclusive Markets in Brazil: Challenges and Opportunities for the Business Ecosystem" was developed under the *Incluir* Initiative and is the first product of a very inspiring partnership with business associations and business schools, so that they can give Brazilian organizations the capacity to promote inclusive business in an innovative way.

September 2015

Jorge Chediek

Resident-Representative for UNDP in Brazil and
UN system Coordinator in Brazil (2010-2015)

Fundação Dom Cabral

The commitment that Fundação Dom Cabral (FDC) has made to inclusion and social development is highlighted in our community development activities. It is also explicit in our role as educators of executives, entrepreneurs, public administrators, private corporations and public organizations. In the current context of the sustainable development agenda, such a commitment becomes a necessary differential for a Brazilian business school. Besides being an ethical commitment, it is the core of our institution, whose mission is to contribute to society's sustainable development through education.

Our partnership with UNDP in this area started in 2006, when we helped prepare the first report of the Growing Inclusive Markets Initiative, collaborating with the production of three Brazilian companies' cases. It persisted over the years as a series of efforts to disseminate concepts of inclusive business in Brazil and abroad, resulting in the *Incluir* Initiative. We thank UNDP, and Jorge Chediek, for the opportunity to take part in this important work.

The reason it is important for the executive educational world to address, at its core, themes such as social inclusion promoted by businesses in its region is because inclusive practices depend on the nature of the inequalities that exist in local society. As a country of continental dimensions and historical inequalities, Brazil reveals to the more attentive eye a wide range of public policies, citizen solidarity cultures and constraints and potentials concerning the environment. Added to this diversity is the well-known fact that our country has managed to achieve the highest rates of inclusion of the poor population to justify that the knowledge of our reality can be used as a model for the world. Despite the fact that Brazil has essentially local nuances, more systematized interpretations of knowledge allow for combinations between different regions and business practices. And that is the beauty of this report: the result of a collaborative effort of many minds and hearts together for nearly one year.

At a time when the world is getting ready to embrace Sustainable Development Goals, this report is presented as a relevant contribution by Brazilian society. We hope to see this report disseminated and read so it can achieve its goal.

Wagner Furtado Veloso

Chairman - Fundação Dom Cabral

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EXECUTIVE SUMMARY



Kenia Ribeiro/CNM/PNUD Brasil

It is undeniable that, in Brazil, there are strategies and opportunities to leverage the business ecosystem in order to promote market inclusion. This report aims to present the main challenges, strategies and opportunities for developing inclusive markets in the country. Within the framework of this report, "inclusive business provide goods, services, and livelihoods on a commercially viable and wide-scale basis to people living at the base of the economic pyramid (BOP), making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers." This concept offers a broader view of the panorama of inclusive business in Brazil, addressing cases identified under the UNDP *Incluir* Initiative, and challenges and opportunities identified in the business ecosystem.

Brazil has come a long way with inclusion, but there is still a long way to go

The Millennium Development Goals report from the Brazilian Government in 2014² shows progress in achieving the MDGs and particularly Goal 1, which is to eradicate extreme poverty and hunger. In 2012, Brazil had already achieved many of the international and national goals. Nevertheless, inequalities still persist. Employment rates for people of low-income and with less education are below the national average. The differences between men and women are substantial and relate directly to women's social role. Black people, people with low educational levels who belong to the poorest segments of the population and residents of the poorest regions and states have lower rates of formal employment and higher rates of extreme poverty.

The potential of the private sector

Governmental public policies are the primary tool countries have as they work to end poverty in its many dimensions, but it is undeniable that the private sector has a central role in this fight. For countries with extreme inequality, such as Brazil, the social impact of inclusive business is more than desirable; it is necessary.

UNDP recognizes that the true power of the private sector goes beyond philanthropy and social responsibility, understanding that companies can innovate and develop sustainable solutions that are inclusive and economically viable for the communities in which they operate. Furthermore, it is increasingly

² IPEA. Millennium Development Goals: National Follow Up Report. Brasília, 2014

apparent that a path for growth and national competitiveness is only sustainable over the long-term if decision makers in the private and public sectors can combat growing inequalities and, at the same time, respond to competitive pressures in the economy.

The inclusive business ecosystem in Brazil is still underdeveloped, and there is potential to innovate in the public and private spheres

In recent years, it has been possible to notice an important development in the inclusive business ecosystem in Brazil: the number of impact investors have increased exponentially. Public policies were introduced focusing on the inclusion of producers and the simplification of the bureaucracy for the creation of micro-enterprises. The number of initiatives increased focused on offering information on inclusive business. Large companies have come to include small producers and suppliers in their value chains, increasing the support for inclusive business. However, high taxes, government inefficiencies, an inefficient regulatory environment, lack of incentives, and poor infrastructure are distinctive traits of the business ecosystem. There is a notorious lack of understanding about the concept and practice of inclusive business, which is often mistaken for corporate social responsibility. Large companies still lack the encouragement and knowledge of the benefits of small local businesses as suppliers. These difficulties hamper inclusive business markets and increase transaction costs, halting scalability.

The development of Inclusive business models can be challenging, but specific strategies have been identified to help overcoming barriers.

Inclusive business strategies can meet the challenges faced by businesses:

- Process and product innovation has been shown to be effective for overcoming barriers and promoting profitability;
- All the companies analysed, in one way or another, have made investments to eliminate restrictions related to skills, infrastructure or access to financial products and services, sharing a common vision of obtaining returns from these investments;
- Low-income individuals in Brazil have great entrepreneurial potential and are interested in “making it happen,” but they lack the necessary impetus. Inclusive business open up this potential, understanding the talent, will, and culture of low-income communities;
- Inclusive business can succeed when joined by other businesses and partners, such as non-governmental organizations and public service providers;

- By promoting coordinated action with other actors in territories of interest, companies improve the inclusive business ecosystem and help communities implement social governance;
- By linking social inclusion and environmental sustainability, inclusive business can strengthen inclusion, adding a differential to the core business;
- By incorporating sustainability into the core business, a company can boost its potential to generate shared value;
- Social Governance strengthens networks of supply and consumption and, on the other hand, supports initiatives that promote the sustainable development of local communities;
- Investments in innovation open up new paths for distributing solutions for low-income individuals, lowering transaction and operational costs for the company;
- The articulation of strategies to reach consolidated Business-to-Government (B2G) and Business-to-Business (B2B) platforms offers the opportunity for an inclusive business to reach scale and expand its social impact.

Coordination between various actors is essential for developing the ecosystem of inclusive markets.

One of the clearest pieces of evidence in this report is the variety of actors that have the power to work in favour of inclusive markets. **Companies and entrepreneurs** have the power to develop new approaches to social inclusion and integration strategies for low-income people in their value chain. **Governments** can remove barriers and encourage inclusive business.



Instituto Votorantim

Civil society organizations can facilitate access to low-income communities and serve as a mediator of the needs of the communities in which they operate. **Research institutions** can increase the volume of information and offer support through incubators and accelerators. **Multilateral organizations** can be a locus for disseminating information and concepts, and also encourage good practices by investing and offering technical assistance to inclusive business. Partnerships with and between these actors represent key opportunities for the development of the inclusive business ecosystem in Brazil.

In the post-2015 context, inclusive markets will boost green and inclusive growth

Eliminating poverty remains one of the primary goals for development and this will continue to be the case within the context of the Sustainable Development Goals – a set of global targets proposed by the UN countries, to take effect from 2015 onwards. The private sector can help promote an intersection between two aspects that have been treated in an isolated way: social inclusion and environmental sustainability. The proven reciprocal influence between social and environmental vulnerability and the current development paradigm reinforces the importance of an integrated approach.



ABOUT THE REPORT

This report is the first UNDP study to look specifically at inclusive markets in Brazil. It is part of a set of efforts that constitutes the *Incluir* Initiative, created by UNDP in 2014 in order to encourage inclusive markets and diverse actors of this ecosystem to deepen the understanding of how inclusive business can help increase social inclusion in the country, both within the context of the post-2015 agenda and the Sustainable Development Goals.

Methodologically, the report draws upon five knowledge sources:

- 19 inclusive business case studies, selected by a committee of experts in a set of over 70 respondents to a Call for Submissions. The cases were produced by five business schools and by UNDP staff between October 2014 and April 2015, following the guidelines of the Istanbul International Centre for Private Sector in Development. Abstracts can be found at the end of the report;
- 28 in-depth interviews with opinion formers, public policy makers, entrepreneurs, investors and experts, representatives of the ecosystem of inclusive markets, from March to May 2015;
- A survey with 530 respondents participating in two events – a meeting of representatives of municipalities across the country; and a meeting of entrepreneurs, both in April 2015;
- Desk research: approximately 100 documents (books, reports, papers, research reports and articles) were investigated and studied;
- Experts on specific themes that have contributed with base texts and recommendations, reviews and information.

The research followed a strictly empirical approach. Its structure followed models, ratings, classifications, and concepts established by UNDP in previous works and was based on the guidelines of the Istanbul International Center for Private Sector in Development. The research team reviewed a set of knowledge sources, searching the diversity of elements for patterns of recognition of constraints and possibilities for social inclusion by the markets in the country. The report underwent a technical review involving the members of the *Incluir* Initiative Advisory Committee and renowned experts in the topics addressed in the report.

In Brazil, the availability of information on the country's social and economic reality is not a major problem. To the contrary, there are many reputable sources. However, given the novelty of this research, the required analytical framework to look at society through the lens of market and business inclusion involved

interpretation and compilation work that will certainly call for improvements and future corrections. The intention here is not to exhaust the subject, but to explore a frontier, one of convergence between business and social development, allowing for advances that appear rich in possibilities for contributing with effective solutions for the country's development.

The report is organized into five chapters:

- | | |
|------------------|---|
| CHAPTER 1 | INCLUSIVE MARKETS , in which the reader will learn about the history of UNDP's involvement with inclusive markets and inclusive business as the gateway for explaining the concepts and models that make up the analytical framework used in the approach seen in the following chapters. |
| CHAPTER 2 | THE ECOSYSTEM OF THE INCLUSIVE MARKETS IN BRAZIL: CHALLENGES AND BUSINESS STRATEGIES , in which the main characteristics of this ecosystem are explained, from its governance to its facilitators: information, incentives, investment, and implementation support. These dimensions are addressed according to the challenges faced and the strategies found to successfully operate inclusive businesses in the country. |
| CHAPTER 3 | OPPORTUNITIES AND LEARNING consists of the lessons learned while elaborating the report and fine-tuned by the analysis and final review. |
| CHAPTER 4 | SUMMARY OF BUSINESS CASE STUDIES ATTACHMENTS presents a brief description of the cases selected and studied for this report, organized by operational sector, geographic distribution, type of support received from the business ecosystem and the Sustainable Development Goals (SDG) to which they contribute. |



INCLUSIVE MARKETS

—



"This is a time of great challenges, but also of tremendous promise. We may be the first generation to eliminate poverty from earth."³

Ban Ki-moon, UN Secretary-General

As part of its mandate, UNDP seeks to involve the private sector in constructively supporting global and local efforts to reduce poverty and make development more inclusive. Active participation of the private sector becomes essential for achieving the Sustainable Development Goals (SDGs) and other internationally established development commitments.

Among efforts to promote business solutions that include people of low-income in its business model, UNDP Brazil launched the **Incluir Initiative**, which aims to encourage and recognize inclusive business in the country. With a focus on business innovation, it promotes the exchange of knowledge and increases the recognition of companies that create shared value for all.

Through this initiative, UNDP recognizes that the true power of the private sector goes beyond philanthropy and social responsibility and that companies can develop solutions that are inclusive and economically viable to benefit the communities in which they operate. It also considers that the innovation of business' central practices plays a vital role in building the post-2015 Agenda and the future that we want for the planet and its citizens.

UNDP also seeks to increase knowledge of business models and practices in Brazil to accelerate knowledge exchange and cooperation between developing countries – South-South cooperation – with the goal of expanding innovation in favour of positive social and environmental impacts in other countries. The first action is to recognize and assess the challenges and opportunities of inclusive and social business models in Brazil through this report.

The UN and UNDP have made an enormous and global intellectual contribution to this topic and participated in a number of global initiatives to promote the implementation of inclusive business models. The **Incluir Initiative**, the Business Call to Action Platform (BctA), the Growing Inclusive Markets (GIM), the Istanbul International Centre for Private Sector in Development (IICPSD), and the Global Compact Network are some examples of multi-stakeholder UNDP partnerships that encourage the private sector to develop innovative business models that generate economic benefits, responding to societal needs and challenges. Additionally, UNDP and the World Bank Group developed the inclusive business framework for the G20 in 2015.

3 <http://www.un.org/sg/statements/index.asp?nid=7101/> accessed on 23 July 2015.

The Growing Inclusive Markets (GIM) initiative and previous UNDP reports

Direct cooperation between the private sector and the United Nations began at the end of the 1990s as a response to the complexity of global problems, the scarcity of resources for development, and the difficulties faced by multilateral institutions when dealing with these issues on their own. The Growing Inclusive Markets Initiative (GIM), established in 2006, is a UNDP research initiative. It brings together research and advocacy to understand, facilitate and inspire developing inclusive business models around the world, thereby creating new opportunities and better living conditions for people of low-income.

These principles guided the preparation of the report "Creating Value for All: Strategies for Doing Business with the Poor."⁴ Released in Brazil in 2008, the report showed the potential for overcoming poverty through private sector activities through inclusive business models. In this document, the GIM proposes to create business with shared value, guided by two perspectives: on the one hand, including the poorest people in the markets and on the other hand, innovating and generating new opportunities for development. Thus, the informality and typical fragmentation of business conducted by the most poor can be mitigated, making their products and services more competitive and producing new markets.

Further studies adapted the basic approach of the GIM to their regional characteristics and in some cases added new analytical instruments. In 2010, the report *Crecimiento de Mercados Inclusivos – Estrategias Empresariales para la Superación de la Pobreza y la Exclusión en Colombia*⁵ ("Growth of Inclusive Markets – Business Strategies for Overcoming Poverty and Exclusion in Colombia") identified one more obstacle to the development of inclusive business: the lack of security the country has faced for more than four decades, which destroyed social capital and weakened the community institutions.

The experience of emerging Europe and Central Asia is analysed in the report *Business Solutions to Poverty*⁶, designed to revive the legacy of inclusive business in the region under a new paradigm of market economy and competitiveness. One of the specific characteristics of this region compared to other developing countries is the fact that the Socialist period left a fairly developed infrastructure, even in the most remote regions, as well as a population with a higher educational level.

*Realizing Africa's Wealth – Building Inclusive Businesses for Shared Prosperity*⁷ showed that, in order to overcome the challenging market conditions characteristic of low-income communities inclusive businesses need a supportive environment. An inclusive business ecosystem refers to a network of interconnected, interdependent actors whose actions make it possible for inclusive business to succeed and generate impact on an increasingly large scale.

4 UNDP 2008. Creating Value for All: Strategies for Doing Business with the Poor.

5 UNDP 2010. Estrategias Empresariales para la Superación de la Pobreza y la Exclusión en Colombia.

6 UNDP 2010. Business Solutions to Poverty - How inclusive business models create opportunities for all in Emerging Europe and Central Asia.

7 UNDP 2013. Realizing Africa's Wealth – Building Inclusive Businesses for Shared Prosperity.

1.1. INCLUSIVE BUSINESS

Inclusive business can build new markets, open doors in emerging economies, stimulate innovation, and strengthen productive chains.

UNDP, Barriers and Opportunities at the Base of the Pyramid⁸

Inclusive business offers, through its core business, goods, services and support in a commercially viable way that is scaled for low-income individuals, making them part of the companies' value chain as suppliers, distributors, resellers or customers.⁹

In 2007, organizations such as the International Finance Corporation (IFC) and World Resources Institute (WRI) identified that the majority of the world's population, 4 billion people, form the base of the economic pyramid¹⁰, which represents an opportunity to develop business solutions to meet their needs.¹¹ This large group of people does not have access to essential goods and services, particularly in regard to health, education, housing, and infrastructure, among others, facing high transaction costs and significant barriers to selling their products.

Inclusive business models also seek to develop capabilities for low-income individuals to produce the goods and services the market demands; create shared value and expand connections between social and economic development; and reconnect financial return with social progress, not only through social responsibility or philanthropy, but as a new way of achieving economic success. Inclusive business may be considered in a range of approaches for engaging the private sector to promote inclusion, as illustrated below.

Figure 1 - Approaches to private sector engagement with social inclusion

	INCLUSIVE BUSINESS APPROACH			
Social Responsibility	Social Entrepreneurship Initiatives	Inclusive Business Activities	Inclusive Business Models	Mainstream Business
Projects, activities, programs and donations made by a private company with the intent of achieving a higher degree of social well-being, without financial return expectations (not related to positive publicity), and which are not required by law.	An organization that uses market commercial strategies in order to improve human welfare more than to maximize profits.	Businesses whose models are part of the base of the pyramid on their core business. This strategy, however, is not central to the commercial viability of such businesses.	Businesses whose models are part of the base of the pyramid on their core businesses. This strategy has the commercial viability as a central aspect.	Companies whose profit (or financial return for the owners) is the main goal.

Not-for-profit

Hybrid models

For-profit

Adapted from UNDP (2014), "Barriers and Opportunities at the Bottom of the Pyramid - The Role of the Private Sector in Inclusive Development."

8 UNDP 2014. Barriers and Opportunities at the Base of the Pyramid - The Role of the Private Sector in Inclusive Development.

9 This definition follows that adopted in the G20 Challenge on Inclusive Innovation in 2011.

10 The term "base of the pyramid," (BoP), refers to low-income population that lives at the base of the economic pyramid and was coined by C.K.PRAHALAD and Stuart HART on the article "The Fortune at the Base of the Pyramid." Strategy Business, 2002. In 26. PAG. 54-67.

11 HAMMOND, a., KRAMER, w., j. TRAN, KATZ r., WALKER c. The Next 4 Billion. Market Size and Business Strategy at the Base of the Pyramid. IFC and WRI. 2007.

Inclusive business models and activities and social entrepreneurship have a common principal: to achieve social goals through business approaches. They are, therefore, considered hybrid models and sometimes used interchangeably.¹² However, in general they differ, because while social enterprises seek commercial transactions primarily to obtain financial resources that allow them to operate without relying on donations or subsidies, companies with inclusive business models seek financial return in addition to self-reliance. Furthermore, generally speaking, inclusive business models and activities draw from commercial financing sources, whether through impact investment or from revenue generated by the sale of products and services. Social entrepreneurship initiatives, however, can make use of mixed sources, also incorporating features obtained by non-commercial methods such as donations, unilateral transfers and philanthropic investments (Table 1).

Some mainstream companies have sought to strengthen their relationship with the low-income population in their business strategies as a way to increase their market and business relationship with low-income segments, making them a mainstream company with inclusive business activities. These companies seek to adopt inclusive synergistic practices in their core business, but as a secondary and ancillary strategy, since the transactions that include low-income individuals correspond to a negligible portion of their market share (Table 1). These practices can sometimes be confused with their corporate social responsibility actions, which include activities, projects, programmes and grants not required by law that promote social well-being, without expecting direct financial returns.

Social entrepreneurship initiatives, inclusive business models and inclusive business activities differ from business-as-usual, which aims to put profit and return to investors first, as opposed to promoting development or having an impact on poverty reduction. On the other hand, commercial solutions guided by profit are scalable and can serve as an influential instrument for poverty reduction. Table 1 compares some different parameters of business models, as adopted in this report. O crescente entusiasmo por abordagens de negócios inclusivos está ajudando a reforçar sua visibilidade e preparando o campo para novos experimentos. Exemplos de grandes empresas ao redor do mundo que têm usado modelos de negócios inovadores para integrar e atender à base da pirâmide se emparelham a pequenas iniciativas que ganham notoriedade por seu propósito social.

12 COMINI, g., Barki, e. and Ab, L. The three-pronged approach to social business: the Brazilian multi-case analysis. R. ADM., São Paulo, v. 47, n. 3, pgs. 385-397./Aug./Set. 2012.

Table 1 – Defining Parameters of Models of Engagement for Social Inclusion

	SOCIAL RESPONSIBILITY	SOCIAL ENTREPRENEURSHIP INITIATIVES	INCLUSIVE BUSINESS ACTIVITIES	INCLUSIVE BUSINESS MODELS	MAINSTREAM BUSINESS
Social benefit and poverty reduction	Yes	Yes	Yes	Yes	No
Relationship between low-income people and business	Ancillary	Ancillary ¹³ or core value chain	Core value chain	Ancillary	Ancillary
Financially viable	No	Yes	Yes	Yes	Yes
Financial Returns Expectation	No	Without necessarily seeking profit maximization	Market Returns or Below Market Returns	Market Returns	Market Returns
Primary funding source	Non-commercial	Mixed	Commercial	Commercial	Commercial

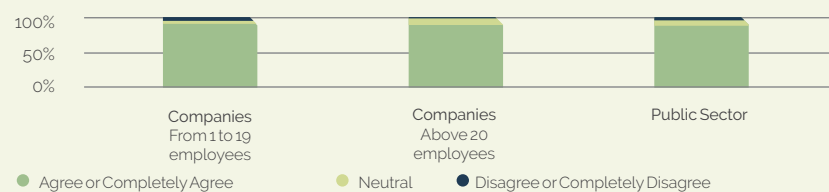
Authors' development based on: UNDP. Barriers and Opportunities at the Bottom of the Pyramid. Istanbul, Turkey, 2014.

The growing enthusiasm for inclusive business approaches is helping reinforce visibility and preparing the field for new experiments. There are examples of large companies around the world that have used innovative business models to integrate and serve the bottom of the pyramid paired with small initiatives that gain publicity because of their social purpose.

There is the perception among representatives of the public and private sectors in Brazil that companies represent an important instrument for inclusion, as Chart 1 illustrates. This reinforces the role of inclusive business as a vital solution for human, social and environmental development of the country.

Chart 1 - Degree of Compliance by Public Profile

Do the companies represent an important instrument for including the poor as producers, distributors and consumers?



UNDP. *Incluir* Initiative Survey, 2015. Based on 520 interviews

¹³ It assists when it meets the needs of other vulnerable groups, such as children, youth, women, disabled people, HIV and LBTG groups, among others.

1.2 INCLUSIVE BUSINESS AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

...eradicating poverty, changing unsustainable patterns and promoting sustainable patterns of consumption, protecting and managing natural resource bases of economic and social development are fundamental objectives and essential requirements for sustainable development.

General Assembly Resolution 66/288, Ennex, para. 4.¹⁴

Around the world, social inclusion takes place in the midst of discussions about priorities in the development process, while human activities are increasingly related to environmental and social risks and limits. There is a set of situations that compete with the effort to eliminate poverty and inequality, representing at the same time opportunities and limitations. It is recognized today that human development is not sustainable without environmental sustainability, in the same way that economic growth and human development may not necessarily be simultaneous. Furthermore, when it comes to human development, generating income is not enough to improve the living conditions of a low-income individual, because it is only one of the dimensions that contributes to the more general conditions for living freely¹⁵. This multidimensionality needs to be considered particularly within the context of low economic growth on a global scale, which in many cases can lead to proposals for solutions that go against human development and environmental sustainability.

Population growth means the global population will reach 9 billion people in 2050, mostly in developing countries. High-intensity economic activities have already placed certain limits on the planet's ability to regenerate, making them dangerously outdated in terms of the destruction of biodiversity and greenhouse gas absorption, among others.¹⁶ Ecological balance requires a choice of paths that reconcile economic development, improvement of quality of life and environmental preservation.

Within this context, the UN has developed a set of goals to be pursued by global, national, regional and local actors. Also, under the influence of the Rio+20 Conference, the UN began improving the work done for the Millennium Development Goals, with a broader proposal for sustainable development. In December 2014, the UN Secretary General, Ban Ki-moon, presented a report¹⁷ with 17 Sustainable Development Goals (SDGs), which will serve as a basis for formulating the post-2015 agenda.

All developed and developing nations are called upon to commit to the promotion of sustainable and inclusive economic growth, social development and environmental protection for the benefit of all, without any distinction. The strengthening of the sustainability paradigm demands more active and intentional participation from the private sector, since it requires new ways of producing and consuming and, therefore, technological innovations in

¹⁴ United Nations Conference on Sustainable Development (Rio+20).

¹⁵ UNDP is a leader in promoting the concept of human development through the publication of its annual human development report, which was first published 25 years ago.

¹⁶ WWF. Living Planet Report, 2006

¹⁷ United Nations. The Path to Dignity until 2030: Ending Poverty, Transforming All Lives and Protecting the Planet.

SUSTAINABLE DEVELOPMENT GOALS



Fonte: www.globalgoals.org/pt

processes and products. The good news for the markets¹⁸ is that the path is characterized by enormous opportunities: do more with less, create value, thrive and improve living conditions.

Environmental issues affect everyone, regardless of social class, race, age or gender. However, they affect low-income people unconditionally, since they reside in places subject to flooding and landslides, without adequate infrastructure, sanitation or waste disposal services. In addition, climate change compromises their conditions for productivity and basic survival, since they do not have access to information and new technologies that help minimize its impact. In conclusion, low-income individuals are the first to suffer from environmental problems, amplifying its vulnerability.

Social inclusion is conditioned by environmental integrity and forces actors in the inclusive market, businesses and low-income individuals to go beyond minimizing negative impacts in a joint effort to maintain and improve environmental ecosystems. It is observed that the clear social tendency of inclusive business is still not proportionally accompanied by an attention to environmental sustainability. Without responding to this premise, inclusive business may face difficulties achieving scale and transformative potential and may even not be able to join the chain of innovations it promotes. Furthermore, the potential for reducing vulnerability is weakened, since these dimensions present reciprocal influences.

This apparent conflict between the need to combat poverty and need for environmental recovery produces an ethical dilemma still not properly considered in social inclusion policies. However, by including low-income individuals, it indicates ways to promote programs and initiatives that strengthen awareness about the environmental impact society produces.

¹⁸ WBCSD. VISION 2050: The New Agenda for Business. 2010.

1.3. THE REALITY BRAZILIAN AND THE ROLE OF THE PRIVATE SECTOR

Over the course of 15 years, Brazil has made progress on economic and social goals that earned it a prominent position at an international level. Brazil has advanced in the human development area in terms of life expectancy, education and income. In 2010, nearly 70% of Brazilian municipalities had a Municipal Human Development Index (IDHM) greater than the Brazilian average of 2000 and less than 1% were still below the average of 1991. Still, considerable social inequalities persist in the country, putting pressure into the social and economic gains. Six dimensions illustrate the challenges imposed by inequality in Brazil:

1. **Differences between age groups.** In 2013, people over the age of 60 had an average of 4.7 years of schooling, ranging from 3.3 years in the Northeast to 5.5 years in the Southeast, while the younger group, from the ages of 18 to 24, had an average of 9.8 years of schooling.¹⁹
2. **Disparity between the rural and urban populations.** The 2010 census²⁰ shows that 84.4% of the population resides in cities – while 85.5% of the population is economically active (from 15 to 59 years of age) – while 15.6% live in rural areas. Among the households that are below the extreme poverty line, 46.7% live in rural areas, while 53.3% are in urban areas.
3. **Regional inequalities.** The Brazilian Northeast is Brazil's poorest region. Made up of nine states, it constitutes approximately 27.7% of the population, but only about 15% of the Gross Domestic Product. 70% of the poor Brazilian rural population lives in the Northeast, mainly in semi-arid areas with poor soils.²¹ In the Northeast, 16.9% of people above 15 years are illiterate, while, in the Southeast, 4.8% of people in this age group are illiterate.²²
4. **Gender inequality.** In Brazil, half of Brazilian women and only 26% of Brazilian men were inactive or unemployed in 2012.²³ In terms of political representation, even with changes in electoral legislation and with the increase in the proportion of female candidates in the elections of 2012, only 11.9% of the mayors and 13.3% of the city council members elected were of women. In the Chamber of Deputies, female participation does not exceed 9%, and in the Senate the situation is similar: since the 2002 elections, women account for 14.8% of the total number of elected senators.
5. **Skin colour and race issues.** The set of people who declared themselves black or brown-skinned rose from 44.7% in 2000 to 52.9% in 2013, based on the total population of the country. However, more than 70% of the extremely poor are black or brown-skinned, which reflects

19 IBGE PNAD 2013.

20 IBGE. Demographic Census 2010.

21 IBGE. Census 2010.

22 IBGE PNAD 2012.

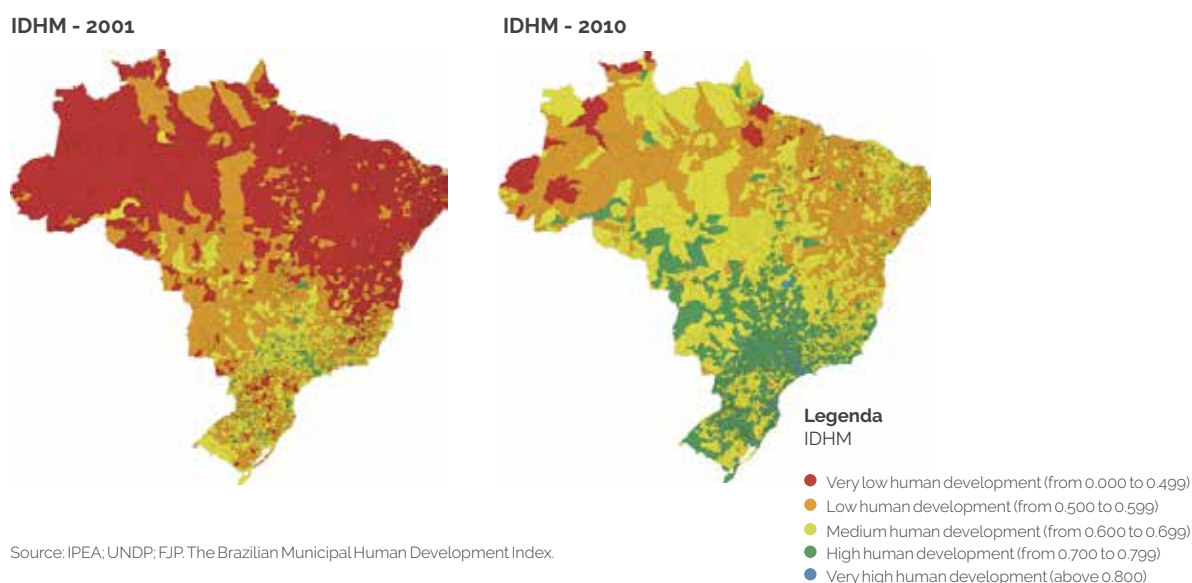
23 IPEA. Millennium Development Goals National Report. Brasília, 2014.

a significant variation of monthly average income depending on colour or race. This variation based on skin colour almost doubles income values, in which white Brazilians receive on average R\$1,538, while black Brazilians receive on average R\$834.

6. Level of **Schooling**. In 2012, the rate of school attendance for the poorest 25% of the population was 32.4%. The richest 25% of the population was 58.5%.²⁴ Furthermore, while 69.4% of white students from the ages of 18 to 24 received higher education, only 40.7% of black or brown-skinned young students achieved the same level of schooling. This ratio is lower than the level reached by young white students in 2004 (47.2%).²⁵

In short, for a middle-income country, Brazil still has many inequalities. In fact, this may be the most striking factor of its social reality. The task of reducing inequality faces the challenge of a wide swath of the population currently living in poverty and vulnerability. As proposed by Amartya Sen²⁶, the concept of human development assumes that a population's quality of life involves, in addition to income, social, cultural, and political characteristics. Access to fairer human development is the challenge of coming years for the country in order to develop new strategies to move forward to reduce vulnerability and consolidate the potential of inclusive markets.

Figure 2 – Municipal Human Development Index (IDHM), Brazil, 2001 and 2010



Brazil's current macroeconomic situation presents challenges, but also brings new opportunities. Over the course of 10 years, starting in 2003, the Brazilian economy evolved in a way that reflected positively on market inclusivity. Already at the end of 2013, there were clear signs of difficulties. The labour market began to show signs of slowing and practically all the main indicators presented negative results with no evidence of short-term change. The resilience of the social gains achieved will be put to test in the coming years, and inclusive

²⁴ IBGE. 2012.

²⁵ IBGE. PNAD 2012.

²⁶ SEN. Amartya. Social Exclusion: Concept, Application, and Scrutiny. Office of Environment and Social Development. Asian Development Bank. June 2000.

markets tend to be fundamental. Diversification of strategies to include people of low-income individuals in environmentally sustainable ways presents itself as a unique opportunity for repositioning and consolidating business and improving social gains.

These factors invite the private sector to expand its scope to produce economic and social value by strengthening its role as a consolidating agent of Brazilian society's recent achievements, to support those who have been lifted out of poverty by increasing resilience in times of difficulty or economic prosperity. It is well known that this great potential will not be reached only through philanthropic actions or even corporate social responsibility. To the contrary, this report indicates the opportunity for combining social inclusion and financial return as a way to generate value for all.



Daniel de Castro

PARAMETERS FOR SOCIOECONOMIC CLASSIFICATION.

International parameter

The international poverty line was defined as \$1.25 PPC²⁷ per day, according to the calculation of the average of the 15 poorest countries established in 2005. Another parameter used as a reference to rank low-income people is the base of the economic pyramid (BoP).²⁸ This title commonly refers to people who receive up to \$8.00 PPS per capita/day.

Table 2. Comparative of the international poverty thresholds, in Brazilian reais (PPC, 2012)

\$ PPC/period	\$ 1.89X [*] /period	Monthly income per capita (\$)	Monthly household income (\$)
\$ 1.25/day	2.36/day	71.75	287
\$ 8/day	15.12/day	459.65	1838.6

*Value in R \$1 \$ PPC in 2012.

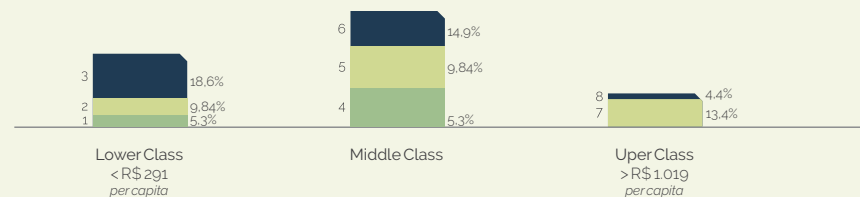
WRI/IFC, World Bank Group

National parameter

In Brazil, the Department of Strategic Affairs (SAE) uses an income class definition that serves as the basis for the public policy enacted by the Government considering monthly per capita income and family income. The threshold of the population considered as lower class is up to R\$ 291 per capita income per month, as illustrated in the following graph. Translating this criterion to the threshold of \$8 PPC, approximately 100 million Brazilians (50.4%) constitutes the so-called bottom of the pyramid in the country, including families in the lower class and lower middle class.²⁹

Department of Strategic Affairs of the Presidency of the Republic (SAE), Federal Government, 2012.

Chart 2 - Percentage of the Brazilian Population by Income Class-2012



- 1. Extremely Poor (<R\$ 81 per capita)
- 2. Poor but not extremely poor (<R\$162 per capita)
- 3. Vulnerable (R\$291 per capita)
- 4. Lower Middle-Class (<R\$441 per capita)

- 5. Middle Middle-Class (<R\$641 per capita)
- 6. Upper Middle-Class (<R\$1,019 per capita)
- 7. Lower Upper-Class (<R\$2,480 per capita)
- 8. Upper Upper-Class (>R\$2,480 per capita)

<http://www.sae.gov.br/wp-content/uploads/classeMediaBrasil1.jpg>
<http://www.sae.gov.br/wp-content/uploads/classeMediaBrasil1.jpg>

- 27 So-called factors of purchasing power parity (PPP) is a conversion rate, calculated by the World Bank, how many Brazilian reais are required to purchase the same products that one U.S. dollar would buy in the United States.
- 28 The Next 4 Billion: market size and business strategy at the base of the pyramid. World Resources Institute (WRI) and International Finance Corporation (IFC) of the World Bank Group, 2007.
- 29 In addition to the international class definitions and those adopted officially in the country by the Federal Government Department of Strategic Affairs (SAE), other metrics are also used in Brazil by market research companies (ABEP)^[27] and study centres in public policy (FGV/CPS)^[27] to classify the income ranges.



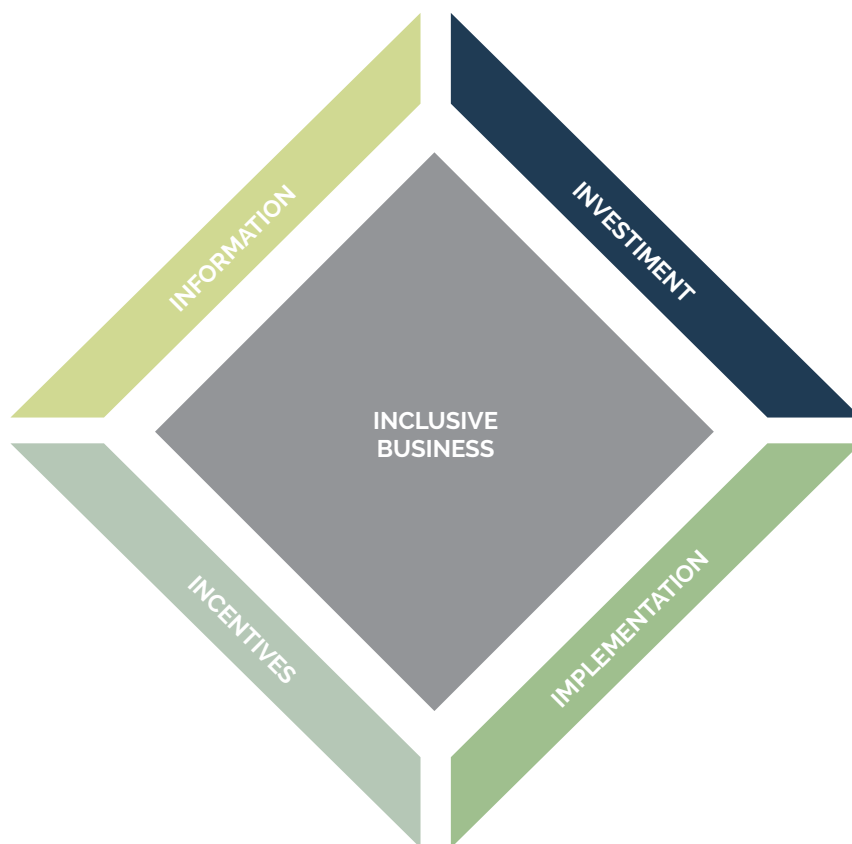
THE ECOSYSTEM OF THE INCLUSIVE MARKETS IN BRAZIL: CHALLENGES AND BUSINESS STRATEGIES



Kenia Ribeiro/CNM/PNUD Brasil

Inclusive businesses operate in competitive markets. To allow for businesses with a high inclusion index, it is often not enough to focus on individual companies. The market must also function more inclusively. Going from inclusive business to inclusive markets paves the way for a systemic view of the market process for social inclusion because it recognizes that other actors besides inclusive business and low-income individuals also play a role in market inclusion. For UNDP, the ecosystem of inclusive markets involves a network of interconnected and interdependent actors whose contributions make it possible for inclusive business to succeed and generate impact on increasingly larger scales.³⁰ As such, an ecosystem arises, serving as an inclusive business facilitator.

Figure 3 – Inclusive Business Ecosystem Diamond



30 UNDP (2013). Realizing Africa's Wealth - Building Inclusive Businesses for Shared Prosperity.

The model adopted by UNDP to represent the ecosystem is summarized by a diamond-shaped diagram of the Inclusive Business Ecosystem,³¹ illustrated in Figure 4. According to this model, the four main functions to support inclusive business include:

INFORMATION	when the ecosystem offers businesses the awareness, knowledge, technology and know-how required to operate in low-income markets;
INCENTIVES	when the ecosystem provides the impetus for companies to engage with communities at the bottom of the pyramid, rewarding positive external actions and reducing the cost of doing business;
INVESTMENT	when the ecosystem provides financial support that allows companies to venture out into challenging low-income markets;
IMPLEMENTATION	when the ecosystem provides logistics, operations, marketing, communication and support services that allow inclusive companies to work in dynamic environments.

The ecosystem includes public authorities (national and local governments, judicial and legislative powers, public agencies and regulatory supervisory agencies) as agents that define and implement public policies and market incentives. It also includes the private sector and its productive chains with their ability to innovate and offer scale to commercial solutions. The ecosystem also includes civil society organizations that maintain relationships with the government, businesses and low-income individuals, seeking to help them become emancipated as citizens. It also includes a varied cast of actors, such as research institutions, universities, think tanks, businesses and consumer associations, labour unions, standardization entities, the press and other media.

In Brazil, despite still being incipient in many ways, this inclusive business ecosystem features very rich and diverse initiatives, taking into account the size of the challenge involved in facing social exclusion in a country with around 200 million people.³² For the development of this ecosystem, public policies are mainly responsible for social inclusion and they carry some of the main challenges for inclusive businesses in the country. Therefore, overcoming these challenges is the role of society, and the public sector is a relevant actor that can drive inclusion through markets.

However, when viewed only as a responsibility of the State, the transformative potential of social inclusion is diminished. Based on the socio-economic panorama presented in Chapter 1 and the political and economic dilemmas experienced in Brazil, it is up to companies to take a proactive role. Although the State is the main protagonist in initiatives aimed at poverty reduction in the

³¹ Adapted from: GRADL, C., and JENKINS, B. (2011). Tackling Barriers to Scale: From Inclusive Business Models to Inclusive Business Ecosystems.

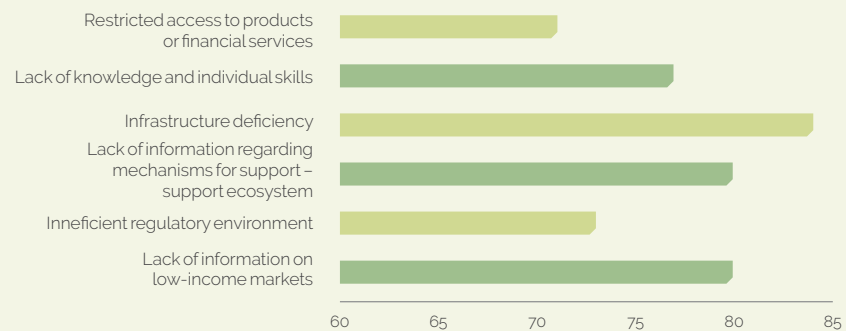
³² IBGE. 2015.

country, the private sector is also responsible for promoting development, in addition to its ability to offer innovative solutions.

Economic impact is an important signal of business success, especially in the long run. Companies affect assets, capabilities, opportunities and standard of living for people, creating jobs, transferring technology, and increasing access to products and services. However, it is not enough to meet the objectives of the development agenda. Prosperous societies and healthy markets go hand-in-hand. By respecting and supporting universal principles in its operations, developing new business models, forming innovative partnerships and generating shared value, the private sector can make lasting contributions to social causes and sustainable development.

According to research conducted by the *Incluir* Initiative with entrepreneurs and public managers, the main challenges for developing inclusive business in Brazil are mainly related to poor infrastructure, lack of market information and support mechanisms, an inefficient regulatory environment and lack of access to financial instruments, as illustrated by Graph 3.

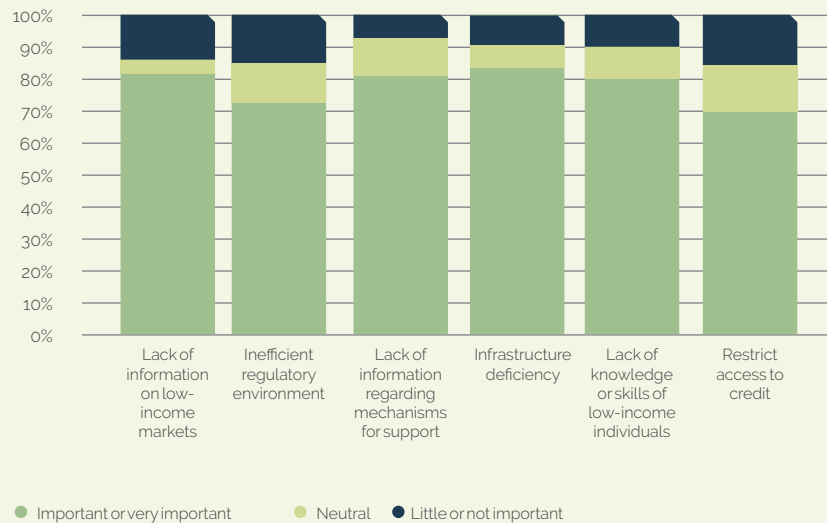
Graph 3–Key Challenges for Inclusion by Businesses in Brazil



UNDP, *Incluir* Initiative Survey, 2015. Based on 402 interviews

Regarding the degree of importance these themes hold for the public and private sector, the infrastructure deficiency and lack of knowledge about low-income markets are critical challenges for developing inclusive business. However, government and businesses of different sizes also face specific challenges. For public managers, the lack of knowledge about mechanisms of support is a significant barrier.

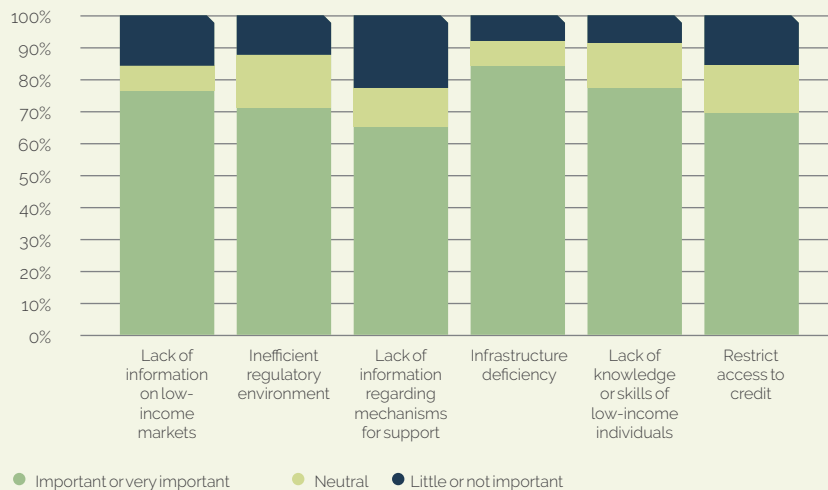
Chart 4. Degree of Importance of Each Challenge for Public Sector Representatives



UNDP *Incluir* Initiative Survey, 2015. Based on 402 interviews

For micro and small enterprises (MSEs), the lack of knowledge about the skills of low-income individuals has greater weight than the lack of information about support mechanisms.

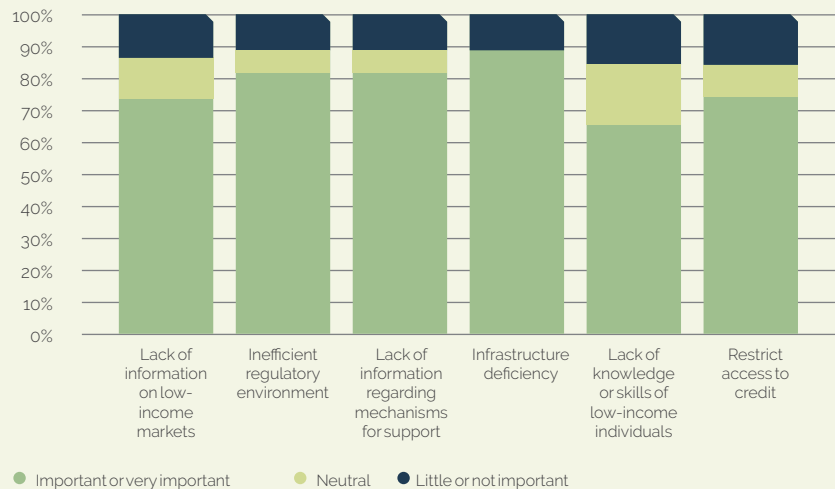
Chart 5. Degree of Importance of Each Challenge for Representatives of Companies with up to 19 Employees (MSEs)



UNDP *Incluir* Initiative Survey, 2015. Based on 402 interviews

For large companies, the main obstacles faced are found in the inefficient regulatory environment. Another aspect that draws attention is that for large companies, lack of information about support mechanisms is relatively more apparent than for the Micro and Small Enterprises.

Chart 6. Degree of Importance of Each Challenge for Representatives of Companies with More than 500 Employees (large companies)



UNDP *Incluir* Initiative Survey, 2015. Based on 402 interviews

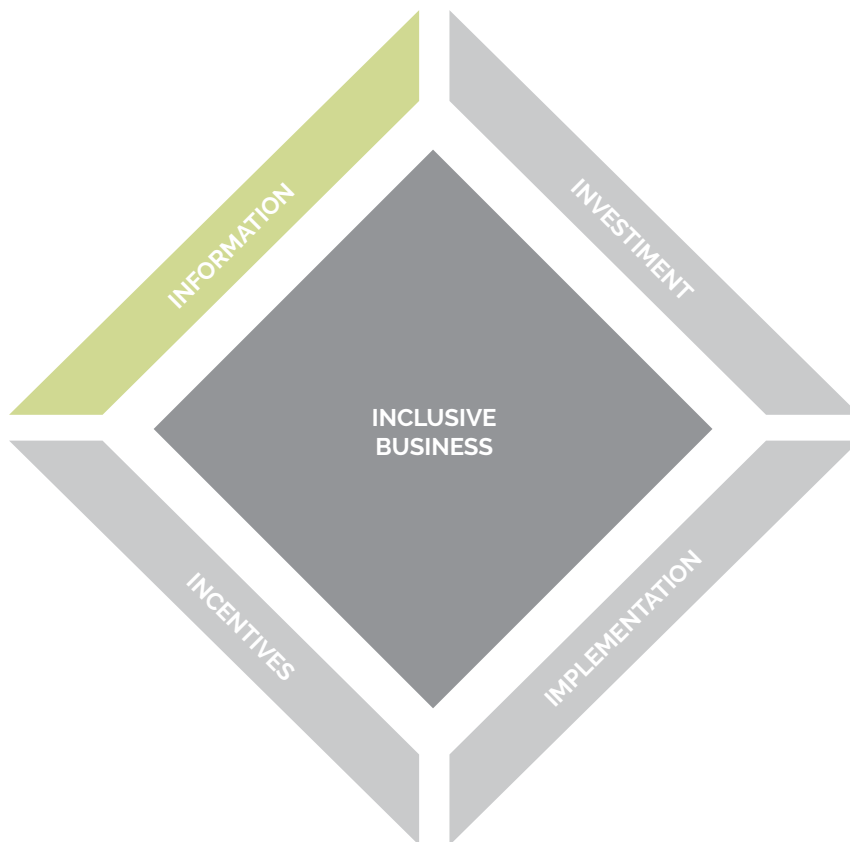
The more the players in the ecosystem come together for a common purpose, the more the relationship among companies and society becomes mutually strengthened. However, given the gaps that still exist, it is up to the companies to seek specific strategies to help them work around these gaps in the Brazilian ecosystem. The business environment is strengthened as a result of this combination of support mechanisms and business strategies to overcome obstacles. After all, while businesses benefit from the inclusive business ecosystem, they also strengthen it through business strategies, promoting a mutual relationship that benefits the development of inclusive markets.

This chapter analyses the four facilitators of inclusive business ecosystem in Brazil, that is, the means by which the ecosystem can offer support to inclusive business, namely: information, incentives, investment and implementation support.

2.1 INFORMATION

Information

It supplies the understanding, the knowledge and the technology, which are necessary to operate in low-income markets.



Obtaining accurate and detailed information to support the decision to start up and operate any type of business is a challenge that becomes even greater in the case of inclusive business. Usually the questions to answer are: how big is the market for low-income communities? What are the needs and preferences? How can we turn need into demand? What are the ways to innovate? Which innovations and technologies offer potential for business development and how? How can we transform the information into actions?

Information is an important raw material for developing inclusive business and business ecosystems. Similarly, its absence represents a major constraint to the market that can, in many cases, become a major barrier to business development. Technology, in this sense, can also be seen as a key factor for business development, since it serves as a platform for the development of solutions offered by businesses to serve low-income markets.

The importance of market information and technology for the development of inclusive business is transversal to the cases studied for this report. Information, in such cases, allowed for the planning to enter in a particular market, facilitating the installation and monitoring of the business. The use of information and communication technology, in turn, brought more efficient solutions for businesses, and has enabled the development of personalized services and expanded the power of scale for small enterprises.

Ecosystem Actors

In Brazil, multilateral organizations, government and private research institutions, organizations of the third sector and businesses play the role of supporting and promoting the production of information and dissemination of knowledge about inclusive markets, while actors of an ecosystem play a critical role in terms of raising awareness, sharing information, broadening dialogue mechanisms and developing capabilities to improve inclusive business performance.

Multilateral organizations and development agencies consolidated as information hubs

Currently, the main reports on inclusive business models and social impact are published by international organizations and development agencies. As inclusive initiative hubs for markets, these institutions offer the possibility of knowledge transfer on best practices across national borders. Aligned and operating to refine the concept, support new business models and inclusive and sustainable development, these institutions operate at the forefront to provide current information to markets and generate instruments for supporting the development of inclusive business ecosystems in several countries.

The World Bank, the International Finance Corporation (IFC), the United Nations Development Programme (UNDP), the Inter-American Development Bank (IDB) and the English and German development agencies, for example, recurrently published reports on inclusive markets and businesses. The World Bank launched, in 2014, a database on patterns of consumer spending in developing countries, compiled from surveys of more than 1 million households around the world. The IDB, through Opportunities for the Majority Initiative (OMJ), has collected data and studies that seek to contribute to the understanding of the market that lies at the base of the economic pyramid in order to support the development of business models that serve low-income communities in Latin America and the Caribbean.

UNDP, in turn, provides a database with more than 1,000 inclusive business models. In Brazil, the Atlas of Human Development – a partnership between UNDP, IBGE and the João Pinheiro Foundation – presents more than 200 economic indicators for all Brazilian municipalities, allowing for disaggregated analysis that can be very useful for companies when developing market intelligence for operations in low-income areas. The *Incluir* Initiative, in turn, offers a platform for access to information and presents detailed case studies.

Government institutions and public foundations serve as the main sources of statistical data

In Brazil, government research agencies, such as the Brazilian Institute of Geography and Statistics (IBGE), have played an important role for decades in the survey and interpretation of data on Brazilian society. All these sources collect primary data, through the National Research for Sample of Domicile (PNAD), by the census, by the General Register of Employed and Unemployed (CAGED), the Annual Social Information Report (RAIS) Inter-Union Department of Statistics and Socioeconomic Studies (DIEESE), etc. Governmental ministries, in turn, also have specific data on issues relating to their sphere of activity, mainly in the areas of education and health. For small producers, the Government launched the National Information System on Solidarity Economy (SIES), mapping solidarity economy instruments throughout the national territory. These instruments provide the basis for a large number of reports conducted at the national level and have great potential to contribute toward the development of information for inclusive markets. There is also primary data collection carried out based on the S system, which consists of institutions such as SENAR, SENAI, SENAC, SEBRAE, SESC, SESI, etc.

Academic institutions, applied research and research centres become relevant actors in the production of knowledge about market inclusion

In parallel to the development of the concept and practice of inclusive business, universities and other research centres began to add social entrepreneurship and environmental business management to their curriculum and research areas. This movement can be noticed through the creation of several research centres focused on inclusion through the markets in Brazil, such as, for example, the Getúlio Vargas Foundation Centre for Entrepreneurship and New Business (GVCenn), ESPM Social Business Center, Administration Institute Foundation (FIA) Centre for Entrepreneurship and Administration in the Third Sector (CEATS), INSPER Centre for Entrepreneurship and Innovation and Dom Cabral Foundation Reference Centre in Integrated Social Governance. These business schools and research institutions contribute toward the development of inclusive business in Brazil by training executives and entrepreneurs committed to the social and environmental impact of their business.

There is also the example of the Banco do Brasil (Brazil's government-owned bank), which worked to encourage coffee producers in the municipality of Mimoso do Sul, ES, initially with the participation of the Capixaba Rural Research and Extension Institute (INCAPER) to formulate an initial diagnosis that supported the creation of the The Banco do Brasil Regional Sustainable Development Business Plan (PN DRS).

In addition to these, applied research institutes also support the development of products and new solutions designed to improve productivity. To cite one example, EMBRAPA has supported the improvement of acai berry management techniques for Sambazon. It also helped the development of a new model of tropical agriculture and cattle farming, overcoming barriers that limit the production of food, fibre and energy.

Private sector companies establish themselves as important actors for developing inclusive businesses

Some large companies may work on their own to develop information that is relevant to their operations in low-income markets. In turn, the lack of knowledge and information on these markets experienced by most companies contributed to the creation of specialized consultant companies that work to provide consolidated information on these low-income markets, such as Plano CDE, MGov, and social impact assessment institutions such as the Move Social, for example. These companies indicate the existence of a new market niche that reflects the development of inclusive business practices. Thus, to some extent, it serves as a thermometer for the interest that the inclusion by the markets has awakened in Brazil.

The third sector consolidates itself as a space for reflection on market inclusion and a source of information about local contexts

Business Call to Action (BCTA) is a global initiative that works to harness the power of businesses to reduce poverty and improve the lives of millions of people. BCTA aims to accelerate progress toward the Sustainable Development Goals (SDGs) by challenging companies to develop inclusive business models. In Brazil, eight BCTA companies are focused on the areas of education, health, finance and sustainable agriculture.

Many third sector institutions, including the NESsT, Avina Foundation, Aspen Network for Development Entrepreneurs (ANDE), Ashoka Foundation, Potencia, the Consulting Group to Assist the Poor and Ventures present easily accessible research and advocacy instruments on aspects that pertain to different elements of inclusion by the markets, from impact investors to the mapping of public policies favourable to developing inclusive markets.

Local NGOs may also be crucial for providing information that is relevant for the planning phase and implementation of inclusive business. As an example of how important these organizations are for the development of information and knowledge, the case of the Dahma Urbanizadora is representative. Through contact with local NGOs and associations, the entity was able to obtain information about the community in which it operates to plan its process of interaction with the local population. As a result, the company was able to effectively organize its contribution to the development of the areas located near its operation sites.

Growth of events and conferences that disseminate information in the area of inclusive business

One of the main ways to generate knowledge and information is by disseminating the concept and practice of inclusive business. The events designed to disseminate knowledge about inclusive business help aggregate practitioners from the area and attract media attention. In this regard, Brazil has already hosted several renowned events organized by important actors of the inclusive business ecosystem. Similarly, universities are important actors in this effort to disseminate and share information through seminars on inclusive business best practices in Brazil.

Challenges and Gaps

Market information

- *Fragmented market information and the challenge of turning it into action*

Market information exists, but the sources of information on the low-income individuals are not very accessible in the everyday life of entrepreneurs, which reduces their potential as a source of support during the planning and implementation of their business models. Among the representatives of the private sector as well as the public sector, the lack of market information is perceived as an obstacle to business development. There is a noted difficulty of access to information and a lack of initiatives oriented to aggregate information from different sources into a database accessible to entrepreneurs. Much of the existing information is produced by government agencies to guide the implementation of public policies, such as the Brazilian household database. However, these data sources are not available or arranged to drive business initiatives to serve this population. Another important point is the difficulty in using the results in the analysis of the business strategy and supporting business implementation. As a result of this lack of knowledge, there is a strategic and operational misalignment for companies seeking to operate in low-income markets, thus increasing the barriers of entry for the development of inclusive business.

Limited knowledge and skills

- *Lack of knowledge about the concept of Inclusive Business*

Lack of knowledge about the forms of inclusion is evidenced also by the fact that there are still limited inclusive initiatives in companies' value chains and core businesses. With regard to the various actors of the ecosystem, the first difficulty relates to their own lack of knowledge about the concept of inclusive business, which is often confused with the practice of social investment. Sometimes, large and medium-sized enterprises demonstrate a type of inclusion through their core business that could be considered inclusive business. However, due to a lack of knowledge of this concept and practice, such inclusion is classified as corporate social responsibility.

For small and medium-sized enterprises in particular, there is a lack of knowledge on behalf of entrepreneurs themselves about how to create business models that are both cost-effective and inclusive. Furthermore, public managers also lack knowledge about this new way of doing business, which could contribute significantly to increasing the inclusion of the low-income population.

- *Limited vision of Inclusion through Business*

Many companies are still driven solely by price and competition and the inclusion of low-income individuals is practiced only through consumption. This occurs despite efforts by several actors of the ecosystem to encourage the inclusion of these people as entrepreneurs or as independent producers, with such forms of inclusion characteristic of the new economy. Considering this still limited vision, many entrepreneurs have difficulty understanding how inclusive

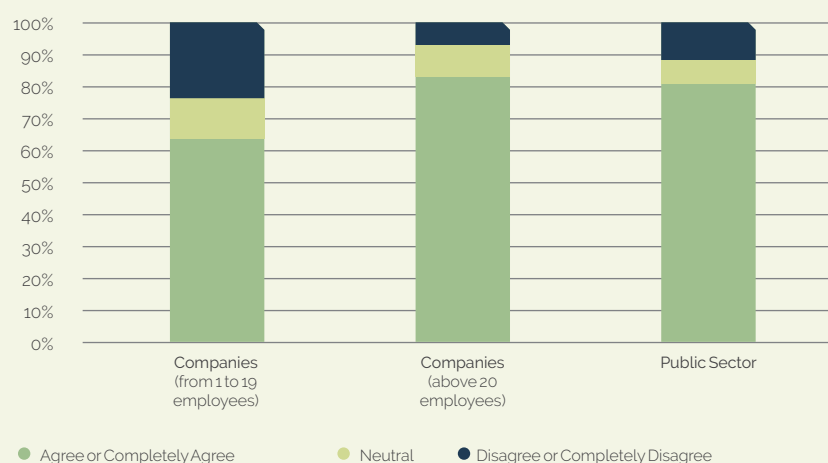
businesses present themselves as a model of success and the possibilities that exist beyond the inclusion of low-income people as consumers.

- *Lack of awareness of the support mechanisms*

As shown in the chart below, there is the perception, particularly within the public sector and representatives of companies with more than 20 employees, that there is a patent lack of knowledge about the mechanism of social and inclusive business support. Such mechanisms offered by different actors of the ecosystem that bring training, support to the development of solutions and implementation of business models, even when they do exist, are not widely used as business support tools. In this sense, it is not enough for the ecosystem to provide these mechanisms. It is also necessary to develop a strategy for the actors that are ahead of businesses to approach these mechanisms, increasing skills and developing new capabilities.

Chart 7. Degree of Importance of the challenge "Lack of Information on Support Mechanisms" for representatives from companies and public sector

Lack of information about support mechanisms



UNDP. *Incluir* Initiative Survey 2015. Based on 520 interviews

- *Lack of knowledge by consumers regarding the products and services offered*

In reference to consumers, the challenges faced by the companies studied here include the difficulty or the lack of knowledge by the low-income individuals to gain access to inclusive products and services. Sautil is an online platform that offers a free search engine and allows users to locate the least expensive medicine closest to them. Despite having already registered more than 1.7 million visitors in its platform, it is still an unknown tool to a large number of low-income people. Konkero, a website that offers resources for free financial education, is another example, but similarly, many low-income people have no idea about its existence.

Strategies to overcome obstacles

The lack of information is a major market constraint and both the ecosystem and the entrepreneurs themselves run into serious barriers when trying to develop and gather information and technologies to develop an inclusive business environment in Brazil. The companies analysed in this report have developed specific strategies to overcome these constraints.

Combine resources and capabilities

- ***Partnerships to boost information resources***

In many cases, low-income communities present physical structures and institutions that are distinct from those existing in other contexts. In this sense, if you want to work and adapt products and processes, then obtaining specific knowledge about the context of the low-income population segments is one of the most important aspects of inclusive business. Additionally, an enterprise should make its expectations about short, medium and long-term return clear in terms of tangible and intangible assets and create realistic expectations based on its operation in the low-income context.

As a solution of adapting products and processes to deal with the market constraint imposed by information, it can be mentioned the case of *Plataforma Saúde*, which works in the low-income community of Morro de Providência, in Rio de Janeiro, and provides integrated, sustainable and evidence-based services for the prevention and control of chronic non-communicable diseases (CNCDS) and the risk factors for low-income populations. Through partnerships with local NGOs and with the Brazilian Small and Micro Companies Support Service (SEBRAE-RJ), Plataforma Saúde obtained more market information, helping it better understand demands and then developing a product with low operating costs for the low-income population.



Arquivo Geefie

- *Combine knowledge with low-income individuals in order to innovate and identify new opportunities*

Low-income people are themselves the main agents when it comes to creating solutions for the problems inherent to the activity exercised by the company. The combination of the knowledge developed at the top of the pyramid and the wisdom and experience of the base is a vital strategy for developing products and services that best fit in the local environment.³³

The potential of low-income communities as a space for developing innovations is essential both because of the challenges they present as well as the absence of consolidated responses to address these markets. This combination creates great potential for innovation for inclusive business, helping to boost competitiveness.

Co-creating, in this sense, is important for a number of reasons: it creates a sense of belonging, shapes a new identity for the people of the communities and generates shared value and long-term relationships.³⁴ Thus, the business models can at the same time meet the preferences and needs of low-income people and also offer innovative solutions in terms of price, distribution and performance. These innovations lead to the development of new processes, products and services that can be replicated in other markets.³⁵

The companies applied different methods of innovation, either through co-creation, or through solutions found with the leader-users,³⁶ which become relevant to other users. Konkero, which offers financial guidance and organization of costs, orienting its users about ways to make better use of financial instruments, has invested in this approach through co-creation workshops with potential users of its services to develop the concept of a financial organization platform. This interaction helped them align their business models to the demands and needs of their audience with content developed simply and objectively to meet the needs of the new middle and lower class audiences.

Another company that has applied two innovation models is Saútil, which implemented a search tool on site, mobile and customized totems all based on the needs surveyed in co-creation workshops through the company's partnership with the Tellus Institute. One of the founders of Saútil perceived the difficulty faced by his Brazilian Public Health Care System (SUS) patients to obtain medication due to lack of information. Therefore, he created a search engine for virtual healthcare information. Similarly, the founder of Kidopi witnessed the medical care challenges faced by a relative in a public health unit, seeing the lack of organization in the medical emergencies system. That prompted him to develop a medical IT solutions software that could be applied to the management of health services geared toward low-income people.

33 IPEA. Millennium Development Goals: National Monitoring Report. Brasília, 2014.

34 <http://www.un.org/sg/statements/index.asp?nid=7101/> consulted on July 23, 2015

35 Creating Value for All: Strategies for Doing Business with the Poor. UNDP, July 2008.

36 *Crecimiento de Mercados Inclusivos: Estrategias Empresariales Para la Superación de la Pobreza y la Exclusion en Colombia*. UNDP, April 2010

Invest to remove restrictions

- *Investing to remove restrictions on information*

Another way to circumvent the need for information is to develop specific ad hoc studies instead of secondary data analysis based on official statistical studies. The development of these studies helps collecting data to answer specific questions about the local reality and vision of the different stakeholders, collecting market data or mapping demands of potential consumers, clients or beneficiaries. An example of the application of these studies is the case of Coelce, which designed the Ecoelce programme, based on a quantitative study to identify the needs of the population of Fortaleza and its opinion about the supply of energy services. Beraca also invests in research and development to improve its business strategy and identify new sources of raw material.

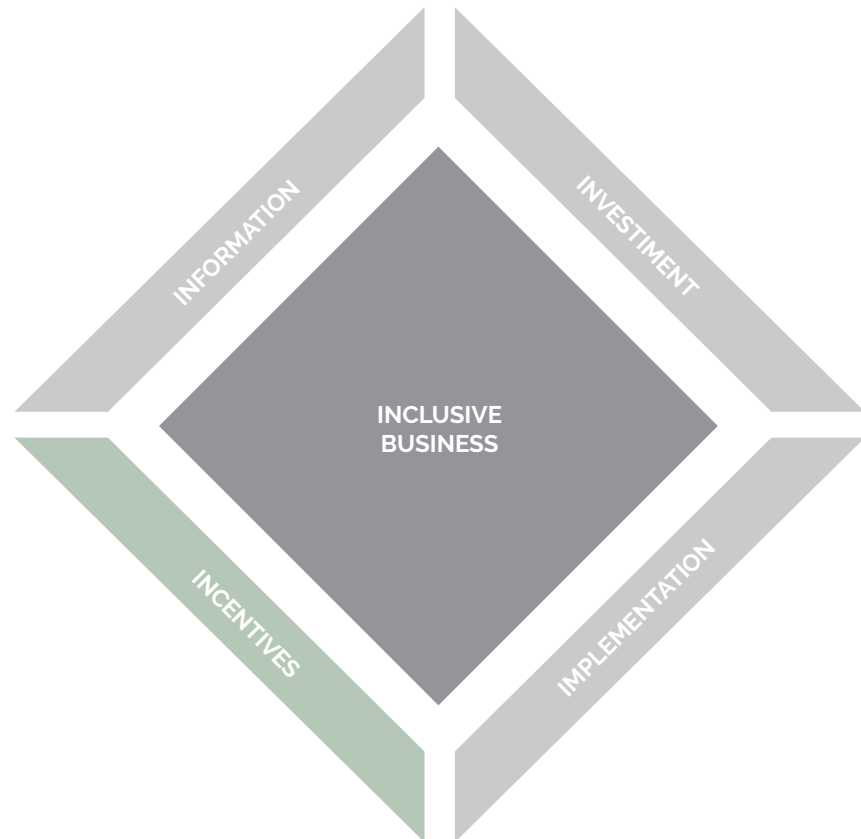
Technology and information to generate engagement and expand personalized teaching

Geekie is an adaptive learning enterprise that uses technology and software development to create personalized learning strategies, aligned with users' needs and characteristics. Geekie makes use of Big Data technology, a set of solutions to store and process digital data in a fast and intelligent way, allowing for real-time information analysis. Through the use of big data, Geekie is able to analyse the patterns of the users accessing the online platform and store them in an adaptive platform. This allows Geekie to evaluate and compare students' performance, recommend content in a targeted way and create individual or group teaching strategies. From the use of its online platform, high school students obtained an average grade in the college placement ENEM mock test up to 31% higher than those who did not use it. In 2014, the company reached about 90% of the municipalities in Brazil and 3.1 million students had access to its services.

2.2. INCENTIVES

Incentives

Motivates businesses to engage with low-income communities, rewarding positive external actions and reducing the cost of doing business.



Commercial and public policy incentives serve as drivers for businesses, including investment, modifying the prospects of success in low-income markets. Public policy can create incentives by removing barriers, creating a favourable environment, empowering low-income individuals to participate in markets or creating benefits for companies that integrate these people into their value chain.

Incentives may come in the form of policies launched by the companies themselves (corporate-driven) through internal business policies – creation of internal standards for the operation of the company – or policies that guide and inspire other actors. These actors can be other companies, partner organizations, the public or stakeholders.

In the Brazilian case, there is also a group of actors from the private sector, employers' organizations and the third sector focused on generating specific incentives for the development of positive social and environmental impact.

These actors are committed to fostering a business environment favourable to the development of entrepreneurs who want to get included in this ecosystem.

Actors of the ecosystem

The public sector develops and supports programs for the inclusion of small producers

In recent years, the government has achieved breakthroughs in improving the living conditions of small farmers through, for example, the readjustment of technical assistance and rural extension, a service of non-formal education in which trained agents help family farmers, quilombolas (descendants of freed slaves), indigenous peoples and small-scale fishermen improve their productive activities.³⁷

There are numerous initiatives with good results, especially in the areas of agriculture and micro and small enterprises. The food acquisition program was created and the programmes Água para Todos ("Water for All") and Luz para Todos ("Light for All") were strengthened, for example. Another important step was through the "Bolsa Verde" (Green Grant Programme), created within the framework of the plan "Brasil Sem Miséria" ("Brazil without Extreme Poverty") and geared toward "families of extractivists, settlers and riverside populations that develop sustainable activities in areas with important environmental assets [...]".³⁸

Calls for sustainable public procurement are advancing quickly, in terms of legal support and innovative experiences, and the social area has a lot to learn from the environmental area in terms of how this has been historically consolidated. In recent years, the Federal Government's work to practice a positive discrimination of suppliers has increased considerably, acknowledging the use of the government's purchasing power to induce sustainable development processes. The liaison with governmental organizations – Court of Auditors, State Courts of Auditors, Federal Attorney General, National Association of State Prosecutors, National Association of Municipal Attorneys, National Confederation of Municipalities, among other entities, – to get inclusive business on the agenda becomes increasingly important, as proved by a recent study on the subject.³⁹

The public sector develops incentive legislation for small entrepreneurs

The relationship between micro and small enterprises and the development of an inclusive business ecosystem is still something to be further explored in Brazil, but it is possible to note advances in recent years. The strengthening of micro and small enterprises, in addition to having helped build a profitable, inclusive and sustainable ecosystem, also helped solve some of the country's structural problems, such as extreme poverty. Fairer conditions of competition for micro and small enterprises in the market were introduced with the General Law of Micro and Small Companies, in 2006, a major breakthrough in terms

³⁷ Business Solutions to Poverty - How Inclusive Business Models Create Opportunities for all in Emerging Europe and Central Asia. UNDP, November 2010.

³⁸ Barriers and Opportunities at the Base of the Pyramid. The Role of the Private Sector in Inclusive Development. UNDP, 2008.

³⁹ This definition follows that adopted in the G20 Challenge on Inclusive Innovation in 2011.

of public policies as a strategy for job generation, income distribution, social inclusion, reduction of informality and strengthening of the economy. With the General Law, the so-called "Simples Nacional" (Simple National)⁴⁰ was created. In practice, the new system unified eight federal, state and municipal taxes that focused on the micro and small enterprises.

Additionally, Supplementary Law No. 128/2008 created the Individual Entrepreneur (MEI), considered a person who works on his or her own and acquires the legal status of a small entrepreneur. This law offers advantages such as the National Registry of Legal Entities, which facilitates the opening of bank accounts, loans and issuing of invoices. In addition to adopting a special taxation model, the MEI is exempt from federal taxes. With small fixed monthly contributions linked to the minimum wage and type of activity, the MEI has access to benefits such as maternity assistance, sickness benefits, retirement benefits, among others.

Civil society helps broaden discussion about incentives

In Brazil, the third sector plays an important role as a promoter of social and environmental changes. These agents of incentives have been committed to architecting platforms that facilitate dialogue and cooperation between actors of the inclusive ecosystem. The third sector has been more frequently involved with activities designed to promote the formation of alliances between producers, entrepreneurs, investors, governmental actors, etc. In a nutshell, one can say that the greatest incentive of the third sector has been to facilitate networking among inclusive businesses with the purpose of impacting and discussing incentives.

Of those incentives undertaken by agents of the third sector, such as the Brazilian Business Council for Sustainable Development (CEBDS), Institute of Corporate Citizenship (ICE) and Brazilian Committee of the Global Compact, one can cite the actions designed to encourage big companies to make their actions more inclusive and build partnerships with startup entrepreneurs.

Other noteworthy incentives are the inclusive business events promoted by the third sector, which, in addition to being a space for interaction among different actors of this ecosystem, also encourage the exchange of experiences. These agents have also promoted incentive competitions among startups, like the "Business Marathons" promoted by SEBRAE, offering investment opportunities to the winners and thus creating new alliances in favour of inclusive business development.

Multilateral organizations, development agencies and other partners serve as an axis for the creation, dissemination and evaluation of incentives.

To offer technical assistance and financing to companies in those countries in which they operate, development agencies and multilateral organizations seek to strengthen compliance with specific social and environmental criteria, as the Principles of Ecuador. In addition, development agencies often act as

40 The term "base of the pyramid (BoP)", refers to the low-income population that lives at the base of the economic pyramid and was coined by C.K.PRAHALAD and Stuart HART on the article "The Fortune at the Base of the Pyramid." Strategy Business, 2002. In 26. PAG. 54-67.



certification incubators of social-environmental impact-oriented associated with the business value chain. After all, some certification parameters often emerge from international debates and may be internalized by national governments and companies.

An example is the Inter-American Development Bank, which has the policy of preparing its partners for gender equality certifications. IDB supports the Pro Gender and Race Equality Programme in Brazil. This certification, in turn, is granted by the International Labour Organization (ILO). IDB also supports the São Paulo Diversity Seal. This initiative, in addition to impacting gender relations, also allows the certified company to hire the best professionals, boost their productivity and better position their brand.

Companies have advanced in the use of environmental and social standards and certifications

The government is not the only institution to create incentives. In order to adhere to national and international certifications, the companies themselves encourage inclusive practices internally, by means of the so-called corporate-driven incentives. In Brazil, the environmental and social certification has become an increasingly recurrent practice. Companies adhere to fair trade seals and environmental certifications such as the Forest Stewardship Council (FSC) and Rainforest Alliance. The FairTrade certification meets basic principles, such as transparency and co-responsibility in production and commercial chain management, long-term relationships that include the offer of training for producers, payment of a fair price for products, incentives for collective organisation, respect for the law and national and international standards, encouragement to promote a safe work environment and respect for the environment.

Initiatives reviewed for this study used the FairTrade Label as an incentive and recognition of inclusive practices. The Banco do Brasil Regional Sustainable Development Business Plan in Mimoso do Sul, for instance, supported local coffee growers to improve their productivity and earn the FairTrade Label. Similarly, Beraca received the certification S.A. 8000, granted after an assessment of the company's working conditions, including: child labour, forced labour, workplace health and safety and freedom of association, among others. As with Sambazon, Beraca obtained the ECOCERT certification, which attests to the fact that none of the company's processes include any kind of chemical additive.

Challenges and Gaps

Inefficient Regulatory Environment

- *The regulatory environment cannot meet inclusive businesses' needs*

There is a need to create a specific regulatory framework for inclusive business. After all, the regulatory framework for small companies is unable to meet the specific needs of inclusive business.

The regulatory framework for the creation of enterprises in Brazil is still very complex and the process is time consuming. Bureaucratic rules often become major obstacles for entrepreneurs to create companies with an inclusive business strategy. Compliance with paperwork takes time and money, generating costs that hinder opportunity, in addition to the direct costs from taxes and the payment of fees and records, often leading to informality.

*The **United Nations Global Compact**, created in 2000, is now present in 160 countries and has over 13,000 participants. Its main purpose is to mobilize the business community to adopt as part of its business practices 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The Brazilian Committee for the Global Compact operates in partnership with the UNDP and currently has 670 signatory organizations.*

- *Difficulty expanding and integrating public policies to strengthen the inclusive business environment*

There has been an important advance regarding socio-productive inclusion policies over recent years. However, while positive, the increased number, size and variety of incentives and support policies also bring new challenges related to the need to integrate policies and adapt them to local needs.

There is also the difficulty of integrating public policies in different spheres of government to open up room for the creation of an environment that is conducive for strengthening results. To cite an example, the National Programme for Access to Technical and Employment Education (PRONATEC), as pointed out by a representative of the public sector interviewed for this report, also presents educational requirements for enrolment in its courses that do not correspond to the reality of its students. The government is working to gradually correct this problem. Through the Industry Social Service (SESI), the Brazil's National Industry Confederation (CNI) has offered Portuguese and Mathematics preparatory courses for entry into PRONATEC, focused on specific audiences.

For the socio-productive inclusion of women, moreover, support initiatives face a lack of opportunities for effective implementation. Many women do not manage, for instance, to participate in PRONATEC because they have no day care options where they can leave their children in order to study.

- *Operational costs generated by regulatory inefficiency*

Regulatory inefficiency increases costs and creates barriers for more efficient production and targeted investment in product innovation. This, in turn, prevents the reduction in the prices of goods and services for low-income segments. Even more aggravating, the tax burden levied on third sector NGOs, cooperatives and other associations is very high when compared to the taxes collected from big companies. This reflects in an increase in the total cost of inclusive business, negatively affecting their development.

Furthermore, legal uncertainty increases the unpredictability of the inclusive business ecosystem, which subsequently leads to more resistance to invest, especially for the entrepreneur, with a direct impact on its cost of credit.

- *Poorly directed and discontinued public incentives*

Among the gaps identified in this ecosystem's regulatory environment, we note that there is a lack of public policies to encourage small producers to participate in large companies' value chain. Companies receive no tax or regulatory incentives, which prevents them from making their core business inclusive by incorporating the low-income population into their respective value chains.

The divergence of interests between actors in the labour market - regulators, companies and unions - promotes the maintenance of labour laws that make it difficult for less skilled workers to enter the market. Also, as a result of the aforementioned issue of integration between public policies, legislation and government practices at the federal, state and municipal levels do not always converge.

There is also the disruption and discontinuity of public policies, the lack of implementation of existing legislation and the low political power of coordination to boost laws that promote market inclusion. For example, some laws dating back to the early 1990s only recently began to be applied, which shows that, more than the challenge of creating public policy incentives, there is also difficulty implementing the existing ones.

Limited Knowledge and Skills

- *Lack of beneficiaries' readiness to access public incentives*

In some cases, although socio-productive inclusion policies were implemented, their potential beneficiary cannot use them effectively. In the case of farmers, for example, low productivity jeopardizes their ability to participate in government fund programmes and to benefit from Law No. 11.947, from 16 June 2009, which determines that at least 30% of the amount passed on to states by the National Education Development Fund (FNDE) must be applied for purchases from family farms, rural entrepreneurship, indigenous peoples and quilombola communities.

- *Lack of references and perceived value on available incentives*

There are still major obstacles when promoting entrepreneurship as a career option. With no references within the family or around the neighbourhood, some entrepreneurs need mentors and a facilitating ecosystem to be able to actually become entrepreneurs by choice. Similarly, there is a remarkable lack of confidence among low-income entrepreneurs about their ability to run a business on their own. Thus, despite the lighter tax burden, low-income entrepreneurs still face challenges when it comes to perceiving value or benefit in their formalisation as an individual micro-entrepreneur (MEI).

Strategies to bypass obstacles

Lack of public incentives for developing inclusive business is a particularly important market restriction in Brazil, as expressed by the opinion makers and entrepreneurs interviewed in this study. Despite current limitations, successful inclusive business pursues different strategies to deal with this issue and put themselves at the forefront of the public debate and advocate in favour of incentives for inclusive business in the country. Among these strategies, it is also possible to observe in the analysed case studies that companies develop strategies both to circumvent the lack of incentives and to bypass a market restriction in order to seize it as a business opportunity.

Reviewing incentive policies in order to meet inclusive business' specific needs

- *To gain experience in the relationship with the public sector in order to create a momentum for regulatory adjustments*

Many companies, particularly small ones, which aim at some point to sell to the government, must go through bidding processes. For startups, the process is particularly difficult to manage. For this reason, companies that have the government as a prospective customer, such as Geekie, seek to gain experience in their relationship with the public sphere, even without a transference of funds, as a way to create a new 'bridge' (B2G) to implement their sales and enhance their impact on the low-income public. Through a partnership with Departments of Education (SEDUCs), Geekie offers free solutions to public schools, offering a way to better understand the needs of potential users, in this case, public school students.

More broadly, the studied companies have shown an interest in public dialogue both in favour of creating stimuli and implementing existing laws, as well as to deal with excessive regulation and bureaucracy. It is, however, a long process that does not bring immediate results, instead producing an exchange of experiences and information shared with public officials about the opportunities and challenges inherent to the implementation of inclusive business in Brazil.

- *Partnerships to reduce risks in a non-favourable regulatory environment*

Regulatory changes occur slowly. This requires companies to remain engaged with advocacy in favour of more effective public policies and to seek, at the same time, new ways to overcome market restrictions or gain experience to overcome them.

The "Programa Vivenda" needed to establish a multi-stakeholder partnership to circumvent the lack of incentives, to make its services of refurbishment economically feasible and to increase its impact on the low-income individuals. One of the great challenges that Vivenda had to overcome was related to the financing of its projects. In partnership with the Azzi Institute, Artemisia and Perola Bank, the company received investments to be able to reach out to the customers who had an income below 1.5 minimum wages. The ability to relate with external partners and build alliances is one of the Vivenda's strengths. In addition to the finance entities, the local NGO Bloco do Beco ("Alley Block") and municipal social workers were incorporated into the company's processes, providing logistical support and helping to identify residents at risk.

Internal and external incentives to include traditional communities in the value chain

Sambazon, an enterprise that processes acai for the production of pulp, worked with Ecocert to develop the first Fair Trade Guide to formulate rigid certification patterns for buying acai in the Amazon Region. Through international certifications, the enterprise can add value to its product and raise its acceptance in international markets, such as the United States and European Union. Additionally, the enterprise also obtained tax incentives from SUFRAMA (Superintendence of the Manaus Free Zone) and SUDAM (Superintendence of Amazon Development). With the external incentives, Sambazon is able to compensate for the losses generated by the infrastructural bottlenecks inherent to the region in which it operates, such as precarious embarking conditions and frequent energy cut offs. With the international incentives, Sambazon adds value to its product and creates a relationship of mutual trust with its suppliers and consumers, which works externally to boost production process efficiency.

2.3 INVESTMENT

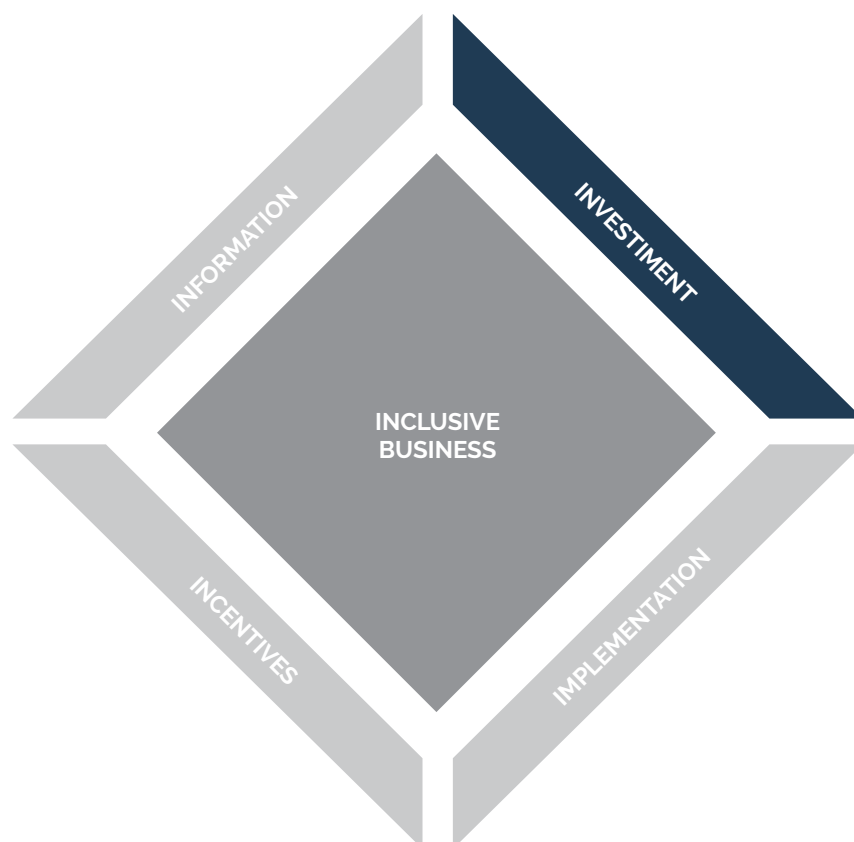
Investment

Provides the financial support that allows businesses to venture into the challenging low-income markets

Inclusive business generally faces greater difficulty attracting investment than mainstream business, and the vast majority of inclusive business, at some point, will need investments to implement their business model. In many cases, investments are already needed at an early stage in order to transform ideas into action and to implement, innovate and scale businesses. This difficulty is

particularly restrictive for startups and many of them start their own operations with investment from their founders. For low-income entrepreneurs and producers, the difficulty is even greater, considering the lack of adequate financial products and services available to this population. In addition to the lack of products, the lack of information also raises inclusive business transaction costs.

Ecosystem actors



The actors in the investment field in Brazil operate on different fronts at the corporate level, and have medium, small and micro-businesses in their portfolio. Commercial banks, government, third sector and business organisations also work to supply financial instruments for the low-income population.

Government, civil society and the private sector expand the access to financial services and products

The consolidation of the domestic banking system – both private and public – that took place in the 1990s after the stabilisation of the economy with the Plano Real (“Real Plan”) has neglected many cities. The path chosen by Brazil’s Central Bank for access to credit was to modernize the old regulation of financial correspondents, thus offering an alternative of lower cost to the population. This geographic presence has facilitated the implementation of the income transfer programs from the government by the state-owned bank Caixa Econômica Federal, with reduced intermediary costs. At the same time, they started modernising and strengthening the regulation of credit unions, also as a way of bringing democratic access and dispersing the financial system. In the

wake of this improvement in the regulation, simplified accounts were created, along with the Credit Society for Micro and Small Business Entrepreneurs and the regulation of microcredit operations through Civil Society Organizations of Public Interest (OSCIPs).

Banks responded to the new environment by adapting products such as credit and debit cards and increasing access channels, such as ATMs and bank branches in low-income communities and suburbs, working with specific products such as small value loans, debit card, productive microcredit and simplified checking accounts. In 2012, a survey conducted by Brazil's National Industry Confederation and the Central Bank found that 66% of the population over age 16 had access to the system through a checking account or savings account. The 2014 Global Research Index pointed to a percentage of 68.1% of the population over the age of 15.

Improving the Regulatory Framework for Microcredit

The federal government has developed some public policies to respond to the unmet credit demand for private producers. In 2004, it launched the National Productive Microcredit Programme (PNMPO)⁴¹ for individuals and small entrepreneurs. In August 2005, it launched the Oriented Microcredit Programme (CRESCER) to provide credit at lower interest rates to individual micro entrepreneurs and microenterprises. In 2011, the federal government reviewed the microcredit law, ruling that banks should maintain applications in microcredit operations oriented to the low-income population and to the micro entrepreneurs up to at least 2% of deposit balances raised by the institution or raise them mandatorily. The prevailing model of financial institutions' operation in microfinance is based on the loan officer, who actively seeks clients in formal or informal micro businesses, planning, monitoring and orienting them about resource use. However, the private sector and social entrepreneurs still face challenges related to the profitability of these initiatives.

Multisector partnership development to increase financial inclusion of the low-income population

Convinced of the need for convergence between microfinance and the traditional financial system, the Central Bank began to promote broader forums under the National Partnership for Financial Inclusion (PNIF), involving public and private actors that perform coordinated actions to promote financial inclusion in the country. The partnership became a reality through the Action Plan for Strengthening Institutional Environment with three areas of focus - Regulation and Education, Transparency and Diagnostics, with goals and objectives for all the involved sectors.

⁴¹ In contrast to modalities of consumer financing, oriented productive microcredit is a financial instrument that helps generate client income, increasing the capacity of social advances, geared towards micro-entrepreneurs.

Promotion of financial education initiatives

The elevation of a significant portion of the Brazilian population above the poverty line and the above the poverty line and the increased access to credit put citizens put citizens in touch with new situations and financial transactions unfamiliar to most. In addition, the increase in consumption possibilities is necessary to strengthen the population's awareness of the consequences of individual decisions and family resources use.

The concept used in Brazil is based on the Organisation for Cooperation and Economic Development (OCDE) definition where "financial education is the process by which individuals and societies improve their understanding of financial concepts and products. With information, clear training and guidance, people acquire necessary values and skills to become aware of the opportunities and risks associated with them and then make well informed choices. They become capable of knowing where to seek help and to adopt other actions to improve their well-being, thus contributing consistently to the training of responsible individuals and societies, committed to the future."⁴²

Brazil is one of the few countries in the world with a National Strategy for Financial Education (ENEF), created as a state policy oriented to promote free financial education activities without any commercial interest. The Brazilian ENEF is the result of a partnership between 12 government institutions and civil society, and because of this, it values actions that can integrate the private sector, civil society and the government. Among the non-governmental entities with sector financial education programs, we highlight the Brazilian Association of Financial and Capital Market Entities (AMBIMA), BM & FBOVESPA, National Confederation of General Insurance, Private Pension and Life, Supplementary Health and Capitalization (CNseg) and Brazilian Federation of Banks (FEBRABAN).

Impact investment institutions earn a place as an important actor to leverage inclusive business

The consensus is that, over the last 10 years, there has been a significant emergence of different actors in financial development for inclusive business in Brazil and the category of impact investment stands out. Investors aim to seize the many opportunities of Brazilian market growth, where 45 million people joined the middle class between 2003 and 2013⁴³. This period has made it evident, however, that there is still a market demand not met by products and services to serve the base of the socioeconomic pyramid.

Priority areas for impact investment include important sectors for the inclusion of low-income people, such as education, financial inclusion and health, followed by housing, pollution prevention, waste management and renewable energy. As a criterion for investment decisions, impact investors analyse the prospective company's intention to promote social impact, followed by business management (60%) and financial sustainability (55%). Considering the possibility of investing in businesses that can already demonstrate impact and financial returns, but are not yet mature, investments in early-stage businesses and

⁴² Banco Central do Brasil. O Programa de Educação Financeira do Banco Central. Access in June 14, 2015. Available on: <<http://www.bcb.gov.br/?BCEDFIN>>

⁴³ Department of Strategic Affairs (SAE). Social e Renda: A Classe Média Brasileira. Brasília: Presidency Department of Strategic Affairs, 2014.

startups comprise 58% of all transactions conducted by impact investors in Brazil while only 5% are concentrated on the planning stage. The impact investors include venture capital funds and highly professional private equity and have that activity as their core business, such as Vox Capital, Mov investments, Virtuouse, Sitawi and First Impact Investing. They invest in already structured impact business models that proved to be financially significant and have high potential for growth and expansion.

In addition to private investors, family foundations, family funds and not-for-profit organisations also designed their investment lines for the field of social and inclusive businesses, such as the Inspirare Institute, Artemisia Ventures, or even Maria Cecilia Souto Vidigal Foundation. In this case, the investment line emerges within these organisations as a way to support businesses with high potential, sometimes incubated by the organisation itself, but which are at an early stage of preparation and experimentation and depend on higher risk investments.

International entities, agencies and development banks direct lines of investment towards inclusive business

The Inter-American Development Bank, International Financial Corporation and Gesellschaft für Internationale Zusammenarbeit (GIZ) have lines of operation involving the financing of inclusive business. As an example, there is the case of Aegea, which received an investment from International Finance Corporation and Government of Singapore Investment Corporation (GIC). In addition to having received funding from BNDES, Tribanco also received IFC investments. These groups, besides coming up with funding or as companies' shareholders, also offer specialized technical assistance for developing businesses' inclusive and financial potential.

Investors in Brazil

Challenges and Gaps

Limited access to finances for the base of the pyramid.

- *Asymmetry of information about low-income population*

Credit is granted based on information, and a major obstacle for low-income entrepreneurs is building a credit history, which hampers their risk assessment. Additionally, the lack of information to create parameters for credit evaluation and business unpredictability further impacts on the cost of financing. Even already established and well-trained entrepreneurs face difficulties obtaining credit and financing.

The asymmetry of publicly available information on low-income populations means they pay more expensive loans. This barrier prevents entrepreneurs and low-income individuals from having access to working capital and financing for its production. Also, it prevents low-income people from accumulating assets and lowering their vulnerability.

Inefficient regulatory environment

- *Restrictive regulatory framework for the microfinance segment*

The microfinance segment - implemented by OSCIPS and NGOs - faces important regulatory challenges to operate and grow. The regulatory framework on microfinance still has a restrictive character because of the inherent risks in financial activity, hindering the development of innovative business models, particularly those using mobile platforms. Moreover, these laws, despite encouraging investments in microfinance, also impose bureaucratic barriers, thus preventing the growth and consolidation of the microfinance sector in Brazil. Finally, there is the lack of incentives to create a business environment that is conducive and favourable for the development of more diversified financial instruments.

Inadequacy of the financial instruments

- *Financial products and services poorly adjusted to BoP needs*

Currently, the low-income population still has limited access to financial products and services. These individuals use financial products mainly to pay bills and receive benefits from government programmes. The development of alternative payment methods using mobile technology is still incipient due to regulatory difficulties, regardless of their potential to serve the low-income public. Savings, credit and micro insurance are also not well aligned with this audience's profile, which inhibits the individuals' ability to organize, expand and secure their businesses.

Although all Brazilian municipalities count on some access to banking services, bank branches and their correspondents are concentrated in the South and Southeast regions and are scarcely present in areas with a low-income public. This lack of access to financial services and products creates transaction costs for inclusive business and limits the development of enterprises by people with low-income.

Misalignment between capital demand and offer of capital for investment

- *Very high requirements for receiving investments*

Risk investment channels focused on long-term capital, on patient capital and on capital with a mindset oriented towards generating social impact are still scarce, even with growth in recent years. Demand for seed investments and angel-investments, flexible and tolerant to risk, is high but its supply is still low. This condition indicates that funding for micro and small enterprises will remain a challenge for years to come, as evidenced by OCDE in a recent study. Thus, one loses the opportunity to develop business with great potential although still in the planning stages. This gap prevents good ideas for reducing poverty from getting off the ground.

The creators of Kidopi, Saútil and Konkero experienced difficulties finding investors for their businesses, considering the requirements of proving social impact and financial viability. While for entrepreneurs there are still difficulties in clearly demonstrating results, in terms of profitability, as well as the business' real impacts, on the investor's side there is still a high degree of risk aversion, which may limit the development of inclusive initiatives.

The investor still finds it difficult to provide technical assistance to entrepreneurs in order for them to be able to generate social impact and financial return. Only 19% of impact investors are primarily focused on developing technical assistance services and, furthermore, of the total number of those inclusive businesses that receive some kind of impact investment, only 53% receive specialized technical assistance after the investment.⁴⁴

- *Opportunities for investment are geographically concentrated*

The opportunities for impact investing are still strongly concentrated in a few states, such as São Paulo, Rio de Janeiro and Minas Gerais. The operation of the incubators and accelerators, for example, are mainly concentrated in Southeast Brazil. Poorer regions and those with more potential to receive social impact, such as those in the Northeast region, for instance, are only starting to be approached.

Restricted knowledge and skills

- *Difficulty measuring the social impact of inclusive business*

Over recent years, Brazilian private social investment has contributed to the construction of a consistent repertoire on impact evaluation, bringing to the discussion the approaching criteria, methodologies, indicators and other issues related to the impact⁴⁵ evaluation. This happens because, as far as inclusive business gains space in the agenda of the private investor and foundations, it becomes increasingly more important to define ways to evaluate the social and environmental impact of its investments. After all, these are the dimensions that define and differentiate the inclusive business from business as usual. The companies' lack of expertise on measuring social impact increases the challenge to attract capital from the private sector and to promote the recognition of the inclusive business model potential, compromising the development of this sector. Therefore, it is necessary to go beyond the delivery of financial results or risk mitigation and prove that the social and environmental solutions implemented (outputs) by these businesses are capable of promoting effective change (outcomes) in these people's lives, as well as in the organisations and regions where they operate.⁴⁶

Notwithstanding the centrality of this issue, it is consensus amongst the ecosystem actors that there is great difficulty constructing common metrics to evaluate the social impact of inclusive business. For them, the main challenge is not found in the lack of methods for impact measurement, given that there is

44 LGT Venture Philanthropy; Aspen Network of Development Entrepreneurs; Quintessa Partners; University of St. Gallen. Map of the Investment Sector Impact in Brazil: Instituto de Cidadania Empresarial, 2014.

45 Metrics in Social Impact Business. ICE and MoveSocial, 2014.

46 Catalog of Approaches to Impact Measurement, The Rockefeller Foundation, 2008.

already an expressive set of instruments to measure the impact of the business – amongst the most employed in the Brazilian context are the tools IRIS,⁴⁷ GIIRS⁴⁸ and SROI.⁴⁹ Such variety of tools is important for meeting the needs of different sectors of business operation. However, the challenge lies in the lack of convergence amongst them and the need for them to be comparable with each other.

There are few examples of effective demonstrations of emblematic inclusive business cases that successfully combined financial returns and social impact and that were able to encourage new investors and entrepreneurs. This reflects not only on the opinions expressed by the ecosystem actors interviewed for this report, but also the studies related to this issue.⁵⁰

- *Little access to financial education*

Credit access incentives are not coordinated with actions for implementing financial education projects, and this may promote a high degree of indebtedness. There is also the need to promote financial education in order to incentive saving practices, while also encouraging conscientious consumption. Another complicating factor is the fact that entrepreneurs do not know the interest rates practiced and projected by the market or the subsidized credit lines, what can lead to difficulties streamlining their businesses.

The lack of knowledge of financial practices, such as savings accounts, loans, insurance contracting and online bill payment, among others, increase transaction costs, complicate the management of the cash flow and produce concerns about contracting formal financial services.

Business Strategies

Usually, in order to develop a business and make it viable, companies at some point will need to receive financial support. Even if it is not difficult to find startups created by the investment made from their own founders, it is very difficult to sustain the company's operations without external investment. To that end, many of the business strategies analysed here were conducted by companies that were already receiving investment, but which still needed to find ways of diversifying and increasing their sources of revenue in order to structure and scale their operation.

47 IRIS (Impact Reporting and Investment Standards) offers a catalog of metrics and operates as a taxonomy, with specific categories in which the indicators are presented and described. The indicators presented apply to several economic sectors. This tool has been developed since 2008, and is headed by GIIN (Global Impact Investing Network).

48 GIIRS (Global Impact Investing Rating System) is a tool that put into practice the use of taxonomy IRIS in an online platform and can be used by entrepreneurs or investment funds.

49 SROI (Social Return on Investment) is a mechanism that allows for the measurement of a business' social impact and uses proxies to convert the results of the activities into financial data.

50 Ashoka Study (<http://brasil.ashoka.org/o-terreno-escoregadio-do-investimento-de-impacto-social>) and Acumen Fund (http://acumen.org/content/uploads/2013/03/From-Blueprint-to-Scale-Case-for-Philanthropy-in-Impact-Investing_Full-report.pdf)

Adaptation and Innovation of Products and Processes

- *Adapt products and processes in order to diminish operational and transactional costs*

For undercapitalised companies that have a hard time gaining access to investments, entering the market at the lowest possible operational cost becomes fundamental for survival. Inclusive business, especially startups, frequently use the strategy of minimum viable product⁵¹ *to generate cash flow and promote immediate learning for their business. The minimum viable product is the smallest product that can add value to the stakeholders and be easily tested, evaluated and scaled to generate immediate return for the company.*

Through its product called Geekie Teste, Geekie sought to create a first product capable not only of generating cash flow for the company, but also increasing its learning potential. Thus, both companies could quickly offer a product to the market and test its acceptance, opening opportunities for future adjustments based on the learning obtained during this stage of the business.

Lastly, it is possible to adapt products and processes to bypass obstacles on the demand side. In an effort to reach small retailers, for example, the bank Tribanco modified its requirements for granting credit and took its products directly to the customers, building, as such, tangible and intangible assets in its relationship with the small entrepreneurs. This helped reducing obstacles faced by consumers and small entrepreneurs when trying to gain access to financial services. In addition, Tribanco offers technical assistance to the micro retailers with aims of establishing stronger relationships, obtaining more knowledge about their reality to effectively adapt its products to their needs.

To combine resources and skills

- *Partnership to cover financing gaps*

For many of the companies analysed in this study, mainly the small ones that had not yet reached the break-even point, seeking non-conventional funding sources is crucial. Therefore, the participation of donors and sponsors is often essential for maintaining the business. Geekie, for instance, has taken advantage of the interest of bigger companies to have their name associated with the sponsorship of the Geekie Labs licences.

The combination of resources and capabilities is one of the most efficient ways to overcome challenges inherent to the implementation of inclusive business. Through its use of an intensive partnership strategy, Energisa established itself as the mediator between partners to implement the initiative *Bem da Gente*, developing entrepreneurship at the region of Muçumagro, Paraíba (Northeast Brazil), without directly investing its pilot program. It signed an agreement with SEBRAE to qualify local entrepreneurs, with the bank Banco do Nordeste and the entity Empreender JP/Banco Cidadão, which offered the capital for the project.

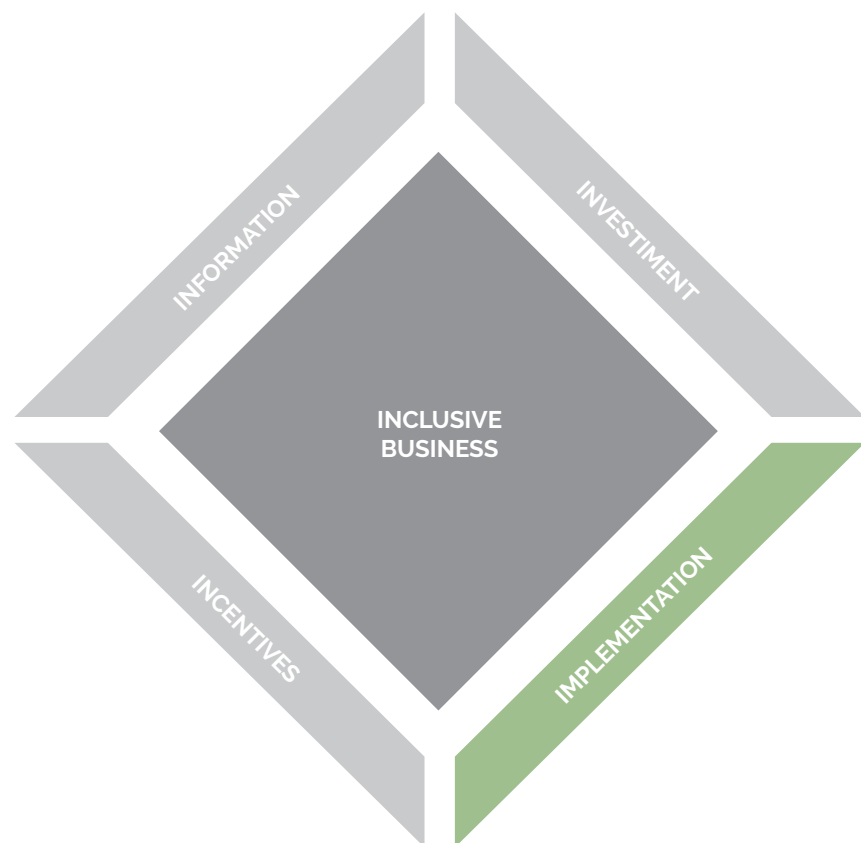
51 RIES, E. *The Lean Startup*. New York: Crown Business, 2011.

2.4 IMPLEMENTATION

Implementation

Provide logistics, operation, marketing, communication and support services that allow inclusive companies to operate in a variety of dynamic environments.

Inclusive business, by definition, operates in challenging environments at the base of the pyramid, where there are important gaps in market operation. These gaps make operation within those contexts even more complex for the traditional ones. When implementing business models, important gaps appear in the different ways of accessing and mobilizing the target public of the interventions. The challenges of supporting implementation are evident when it comes to the development and adaptation of products to better serve the low-income communities. There are also noticeable obstacles in the identification of alternative contact points, access to infrastructure, diversification of the distribution channels, or even access to the means of payment and financial instruments, marketing and communication services.



Marketing information, investment and a regulatory environment that is favourable to inclusive business alone are insufficient to guarantee that businesses can succeed. The support from promotion and acceleration organisations is fundamental, since those markets demand a specific business modelling, high adaptation capacity, openness to innovation, and

efficient transaction systems. In addition, effective implementation demands professionals with specific skills and structured support for the professional qualification of employees and of the targeted public of the intervention in order to expand the business' social impact.

Actors of the ecosystem

In Brazil, supporting inclusive business implementation is still a challenge for entrepreneurs seeking to reach low-income individuals. There are infrastructural, logistical, technological and knowledge-related challenges that many times are not easily bypassed. In spite of that, there are actors that offer specific programs to assist with the inclusive business implementation process.

The S system supports the implementation and expands the reach of inclusive business

The business ecosystem in Brazil counts on private law entities representing class entities, federations, and employer unions, like SEBRAE, SENAR and SENAI, which offer support and technical assistance to entrepreneurs, industries and farm producers focused on innovation and on the management of their businesses. Such actors are extremely relevant due to their reach and capacity to propel the implementation of inclusive business. This reach, added to the specific knowledge of the sector they operate, transform these actors into important multipliers to support the implementation and the gain of the competitive differential of inclusive business in Brazil.

The Brazilian Small and Micro Companies Support Service (SEBRAE) started to develop a specific strategy for social business in 2010. With this strategy, the institution developed course packages geared toward entrepreneurs interested in creating or improving the social impact of their businesses.

Consolidated organizations that usually work to promote the business ecosystem in Brazil also show interest and potential to increase the support offered for the implementation of inclusive business in the country. SENAR, in turn, offers specific courses that cover more than 300 forms of employment in the rural employment market and offers a model of Technical and Management Assistance to the low-income rural producers.

SENAI also prepares professionals for all the different sectors of the Brazilian industry through its professional learning courses, including technical education from high school through higher education and post-graduate levels. Together with SESI, it offers basic education for industry employees and their dependents, as well as programmes focused on safety and health in the work environment.

Incubators and impact accelerators consolidate themselves as qualified actors to build capacity and implement inclusive business

- Impact accelerators offer training to startups demonstrating the potential to reach economic viability, scalability and promote social transformation.

SEBRAE

SEBRAE promotes the competitiveness and sustainable development of micro and small size enterprises.⁵² SEBRAE also works to qualify suppliers, searching for anchor-companies to generate demand and offering specific training to these suppliers through seminars and consulting in the financial, commercial and strategic areas.

⁵² Government

It also creates a necessary networking space for businesses to develop and become financially viable. Regarding business implementation, the accelerators support the development of the business model, team qualification, mentoring, impact refinement and networking with investors, like Artemisia, Pipa, Endeavor, Inspirare and Quintessa Institute, among others. Some users, focusing on new technologies, support new enterprises that use Information and Communication Technology (ICT) and encourage them to produce solutions that can transform the reality of low-income individuals, intentionally adopting a social impact strategy, as is the case with WTT Ventures, the Habits and the Incubator Cais do Porto.

CNI (SESI, SENAI e IEL) System

The National Industry Confederation – CNI has the purpose of representing and defending the interests of Brazilian industry and offering services associated with its functions by means of the Industry Social Service – Sesi – National Industrial Learning Service – SENAI and Euvaldo Lodi Institute – IEL. CNI affiliates include 27 Industry Federations (one in each state and one in the Federal District), that, in turn, are constituted by trade unions, forming a labour confederation system.

Civil society organisations operate at the local level as mediators between community and company

Operating in low-income communities requires the building of partnerships with civil society organizations, neighbourhood associations or other intermediaries that would have more structured knowledge about the local reality. More than this, it is necessary to become part of such reality, to build social capital and a support network for the relationship as well as to obtain a license to operate. The license to operate is the precondition for some economic sectors and is also necessary in order to allow the entrepreneurs to set up their businesses in low-income communities.

Large companies strengthen producers and entrepreneurs as partners of their initiatives

Inclusive big companies recognize the importance of strengthening and expanding their chain of suppliers, especially those that operate in geographically remote regions. This movement can contribute to lowering company costs that instead of sourcing suppliers and labour in other regions start doing it in their own region of operation. This contributes to an increase in productivity, considering that with the support of the anchor-company, suppliers will be able to adopt fine-tuned production techniques and better manage the business, meeting the quality and quantity requirements of the buyer.

Sambazon, Beraca and Banco do Brasil strengthen the ecosystem by developing actions to help their suppliers and customers learn management and production techniques. Beraca and Sambazon offer training about sustainable extraction, contributing to the development of their local producers. Banco do Brasil helps coffee producers in Mimoso do Sul (ES) improve the quality and productivity of their coffee plantations. Banco do Brasil does so by coordinating with other relevant actors in the local ecosystem.

Institutes, International Organisations and Development Agencies create partnerships for the development of the business implementation stage

International Organisations and Development Agencies contribute to the implementation of inclusive business by making public-private partnerships (PPP) possible. For instance, the Bahia State Government and joint venture Promedica & Dalkia, with investment of the International Finance Corporation (IFC), Inter-American Development Bank and BNDES, have developed the first

PPP in the area of health, helping to significantly improve emergency hospital services for a million people in the capital of Bahia.

Cooperation agencies also make capital contributions for the implementation stage of businesses. To mention an example, Beraca set up a partnership in 2012 with the German cooperation agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the French cosmetic company L'Oréal. This partnership provided a million euros to promote the education of 300 families in 24 cities in the Amazon, focusing on issues of sustainable extraction of raw materials. This investment made it possible for the Socio-Biodiversity Enhancement Program to be expanded into other communities.

Institutes that direct the social investment of large companies to the development of the business environment, such as Votorantim Institute, also operate as relevant actors in the inclusive business ecosystem, creating partnerships and promoting investments to develop businesses that include low-income individuals or that are led by low-income individuals. The Votorantim Institute has developed a partnership with BNDES within the sphere of the ReDes Project, which has already invested BR\$ 62 million in job creation strategies and generating revenue in 28 Brazilian cities while supporting 40 inclusive businesses.

Challenges

The fact that Brazil presents such different social and economic realities and lacks investment in logistics and mobility creates huge challenges on many levels, which, many times, results in inclusive business not being efficiently implemented and not reaching communities and regions that need to be socially included. In other words, in part as a result of the obstacles related to the implementation of its operations, inclusive business may have difficulties serving their target public, which limits the scope of their impact.

Restrictive Knowledge and Skills

- *Gaps in Education and Professional Development*

The lack of qualified professionals to operate in different business areas is an obstacle to the implementation of businesses in Brazil and especially those targeting low-income markets. Developing the business environment depends on education and professional development. In addition, its absence creates a vital barrier for the people of low-income to access decent work and seize new opportunities, causing a particularly perverse effect on the youngest. As a result, there is an increase on the opportunity cost to implement initiatives that include low-income individuals as producers and entrepreneurs.

SENAR

The National Rural Learning Service – SENAR offers distance-learning courses in property management, health, digital inclusion and technical areas, aiming to provide more access to knowledge for Brazilian farmers. Also, it is broadening partnerships to disseminate concepts and technologies to improve productivity, income and preserve the environment: agriculture, irrigation and incentives for adopting low carbon emission practices, such as Forest, Livestock and Farming Integration (ILPF), direct plantation and recovery of degraded areas.

Lack of infrastructure

- *Gaps in the logistics and in the physical infrastructure for the access to low-income communities*

Gaps in physical infrastructure – access to energy, storage facilities, sanitation, telecommunication networks, water supply, roads – increase the transaction costs to do business with low-income people. Low-income communities present a particular and complex dynamic that creates obstacles to scale. The logistical difficulty, among many, is one of the main factors that lead low-income individuals to pay more for the products they consume, in addition to the high transaction costs of the process. To mention a few examples, usually people that live in low-income communities need to cover long distances to get to work, to access health services, to reach financial services and to go shopping, among other things. For Tribanco, for instance, the lack of infrastructure and logistical difficulties are an important barrier to customer access, especially for small retailers in distant communities, which means they must adapt the company's business model to overcome such obstacles.

Lack of technology platforms to implement businesses

- *Technological solutions not adapted to serve low-income individuals*

There is an increase in the number of actors of the ecosystem that invests in technological innovation. However, there are still very few businesses that have made efforts to establish a link between technology and social impact. In addition, the technological solutions are hardly developed to respond to the needs of people at the base of the socio-economic pyramid. After all, the use of clean technologies has a lot to contribute in terms of improving living conditions and access to essential services in the areas located near large urban centres.

Difficulties measuring the market potential and low margins represent challenges for the creation of new products and services adapted to low-income communities. This occurs in spite of the fact that it is exactly in these markets that the "necessary technologies to face the social and environmental challenges associated with economic growth that can be more developed."⁵³ Fulfilling such a gap becomes a vital question to enhance and scale inclusive business, mainly due to the huge logistical and transactional challenge necessary to operate in low-income markets. There is a noticeable and expressive increase of adherence to technology use by the low-income and middle class segments of the Brazilian population. The total number of active cell phones used in the country, in November 2014, was 273.58 million, and the present density has reached 135.3 per 100 inhabitants, with pre-paid plans corresponding to 77.57% of total authorized lines.⁵⁴ In this sense, more than a challenge, adapting technologies for commercial and inclusive purposes is an opportunity that carries with it the potential to boost processes and shorten physical distances as well as make services and products less expensive for low-income individuals.

⁵³ Christensen, C. e Hart, S., The Great Leap: Driving Innovation from the Base of the Pyramid, MIT Sloan management review, Vol. 44, N° 1, 2002, pag. 51-56.

⁵⁴ National Telecommunications Agency (ANATEL), 2014.

Lack of operational safety

- *Entry barriers and maintenance of inclusive business in non-pacified areas*

Operating in low-income communities demands, in certain cases, dealing with diversified organizational and power structures that may even exist outside the margins of the law. The lack of safety, stigma, and distrust of the inhabitants with regards to external actors and to the delegitimization of the state⁵⁵ bring adverse conditions for investment in infrastructure, as well as for the entry and maintenance of new businesses in these territories. This impedes a detailed mapping of inhabitants and business implementation, and hinders the offer and distribution of services and products, depriving this population of access to essential benefits provided both by the government and the private sector.

Companies are not engaged with sustainable territorial development

Supporting sustainable territorial development and creating social capital through cooperative networks in communities is a basic requirement for a company to be present in a given region. However, it has been a challenge for many businesses in Brazil. It is possible to note that in many cases, the development of an ecosystem of low-income producers and entrepreneurs in regions where big companies operate is still conducted under the lens of social responsibility, rather than the perspective of inclusion through the markets. This model imposes challenges to scale such initiatives. When the inclusion strategy is not linked to the company's core business, there is a limitation – many times a rigid one – to reaching long-term sustainability.

Business Strategies

There are important challenges to face during the process of entering inclusive markets that impact companies' marketing planning, sales and partnership strategies. This is a direct reflection of the companies' capacity to increase the social and economic potential of the low-income communities. In spite of this, a considerable variety of strategies can be reached with the purpose of covering the gap left by the ecosystem. This includes incorporating environmental sustainability into the company's core business.

Adapting products and processes

- *Adapting products and pricing mechanisms to match goods and services with the cash flow of low-income communities*

Understanding in detail the reality in which one can operate and anticipate the possible difficulties inherent to the low-income market is fundamental to business implementation. In low-income markets, it is fundamental to understand forms of revenue composition, inputs and outflows in families' budgets, especially when the products and services offered involve recurring payments over the long-term. Based on this evidence, it is necessary to adjust

⁵⁵ Similar situations were appointed in the report *Crecimiento de Mercados Inclusivos: estrategias empresariales para la superación de la pobreza y la exclusión en Colombia*.

products and build up suitable mechanisms according to the cash flow of families in vulnerable situations. The Vivenda Program took this knowledge, for instance, to offer reform "kits" to low-income individuals, creating a product that is at the same time less expensive, simple, quick to implement and offers an easy payment method. In order for the company to reach a price capable of benefiting even the poorest segments and reduce the "poverty cost"⁵⁶ paid by its customers, it needed to give up on part of the product's profit margin and share costs with a third sector organization to put a shared value strategy into practice.

Investing in Innovation

- *The use of technologies that enable access to and distribution of services and products.*

Information and communication technologies increase the reach of services and products with low transaction costs to companies and users of such services. They serve as a platform for distributing mobile financial services, distance education, telemedicine, mobility tools, etc. The base of the pyramid market demands solutions that are capable of dealing with the challenges of distribution, pricing, and the necessity of operating with low profit margins, which imposes bigger challenges for the creation of products and services that are suitable in financial terms and also scalable. For these reasons, it is these markets that most need "technologies to face social and environmental challenges associated with economic growth." One of the main strategies is to adapt products or services based on simplified and alternative sources or technologies.

F123, for instance, innovates by being the first company in the world dedicated exclusively to the use of open source software in assistive technologies. By developing software that enables access to education and information for visually impaired people, F123 created a reader that reproduces documents opened in text editors with a synthesized voice. To reduce production costs and allow products to be offered at lower prices or even for free to low-income individuals, F123 has opted to deprioritize the use of a reliable voice solution in its products. It uses free and open source software (FOSS) in order to encourage people to voluntarily improve the software. Through the use of open source technologies, F123 overcame problems associated with the high prices of patented software, developing high impact solutions at a much lower price than other solutions available on the market.

Plataforma Saúde ("Health Platform") and *Saútil* have also used technology to remove market restrictions, especially logistical barriers. Through the use of mobile technologies, *Plataforma Saúde* offers a series of tests that identify the main risk level of chronic non-communicable diseases, generating a result delivered to the user in 20 minutes. On the other hand, *Saútil* offers an online platform for searching health resources that makes use of the Internet to overcome possible logistical difficulties to reach the low-income population. Another strategy involves installing cell towers to reach the population that has little internet access.

⁵⁶ We understand poverty cost as all the extra costs the poor pay simply for being poor and not having access to resources that the rich have. In the specific case of the Vivenda Program, the poverty cost is a result of the lack of technical experts or qualified labour to plan and effectively execute the construction (making it more efficient and less expensive), and the lack of credit to restore their houses.

- *Use of alternative channels for marketing and communication support*

Reaching low-income individuals and searching for ways to give capillarity to business must involve innovative and multi-dimensional marketing plans. These plans should leverage the products and services being offered, but must fit in the business budget.

To create a steady cash flow, at the beginning of its operation, the Asta Network formulated a business model focused on direct sales. To do so, they used consultants selling catalogued products as a sales channel. Astra Network obtained improved access to its final customers, as well as better exposure of its products. On the same token, the Vivenda Program, understanding the specific characteristics of the community in which it was operating, started making use of word of mouth publicity for its products. *Geekie* used the advantage of the social appeal of its solutions to create Geekie Games ambassadors, recruiting a team of opinion leaders and users to disseminate and endorse its educational solutions.

Combining resources and skills

- *Multi-stakeholder Partnerships: strengthening the value chain.*

Creating partnerships oriented to support implementation of inclusive business models allows for the creation of value chains that can bypass logistic, transaction and product marketing difficulties and support the development of business capabilities and stakeholders, especially for low-income producers and entrepreneurs.

For example, it's worth mentioning that the partnership between Banco do Brasil and the Southern Espírito Santo State Coffee Farmers' Cooperative (CAFESUL) was essential for supporting the implementation and publicity of the regional products at fairs and coffee contests. The cooperative has acted as a mediator in the partnership between the producers of Palmeiras and Nespresso and also played a fundamental role for regional producers to achieve the Fair Trade⁵⁷ seal.

Larger companies, when purchasing from low-income entrepreneurs, increase supply chain flexibility, quality, and sustainability. In addition to purchasing products, they can organize product distribution through small entrepreneurs. As market experts, small companies at the base of the pyramid help overcome logistical and infrastructure challenges, facilitating the offer of a product in a more efficient manner, with better quality for the consumer. One example is Tribanco, which also delivers financial products to final customers through small retailers, thus obtaining a competitive advantage.

57 "International Federation of Alternative Trade (Federação Internacional de Comércio Alternativo) defines Fair Trade as a commercial partnership, based on dialogue, transparency and respect that seeks more equality in international trade, contributing to sustainable development through better conditions of exchange rights guarantees for producers and employees at the market margin, mainly in the Southern hemisphere." (SEBRAE, s.d.)

Building social capital to reduce risks

- *Seeking the support of community leaders to reduce implementation risks*

The social background in which a company develops activities can work as a catalyst or barrier to its performance. Partnerships with actors and local leaders are strategic in order to implement actions that can help open doors to new opportunities.

This was one strategy used by *Plataforma Saúde*, which has counted with the support from local NGOs in order to enter and establish its business in the low-income community of Morro da Providência in Rio de Janeiro. In order for *Plataforma Saúde* to enter this market, it was necessary to involve community leaders. According to the entrepreneurs, the preliminary mobilisation involved four months of dialogues. During this process, the mediation was carried out by local NGOs. From this dialogue, *Plataforma Saúde* established a partnership with the REMER organisation that not only created conditions for the connection with the social networks and territorial institutions, but also made the physical space available for offering the services to the population. In addition, the joint operation with the SEBRAE/RJ Entrepreneurship and Pacified Communities Coordination Area was essential for supplying the necessary information for the operation in the community.

Low-income individuals leverage potential

- *Engaging local employees.*

Investing to overcome barriers such as lack of skills in order to integrate low-income individuals into the value chain, as indicated by cases investigated for this report, indicates that the return on this investment is larger than the initial investment. Even so, the strategy of investing to remove barriers does not need to work isolated from other strategies.

The differential of Solar Ear, for instance, is a program for educating and employing those with hearing impairment. Currently, its Brazilian office has the capacity to absorb 20 young people into the work cycle. The employees receive training in electronics, production processes and quality procedures, which enables them to later be integrated into the labour market. The education program also covers training in soldering, production procedures, quality procedures, Brazilian Health Surveillance Agency (ANVISA) rules, etc. The purpose of the company is to retain the best human resources in order to multiply their knowledge in other places, catalysing the growth of Solar Ear. At the end of each work cycle, the youth that are not retained are encouraged to search for new jobs at other companies and allow other hearing impaired individuals to enter the programme. The activity, which serves as an apprenticeship and preparation for the employment market, is also a way to empower individuals, encouraging personal growth through the exchange of experiences among participants. Sambazon and Beraca are other good examples of companies that have already reached scale and have internalized the hiring of low-income individuals from communities as part of their corporate strategies.

Finally, it is important to mention the *Capacitar* ("Train") project, from *Ecovias Imigrantes*, which offers professional development to people living near its ventures. The strength of the initiative is in the partnerships it has established, which involve actors of a different nature and feed into a network of permanent growth. SENAI is the responsible partner for developing the content for the course. The institution designs specific content exclusively for the project, administers the course at the Ecovias headquarters and includes activities that focus on self-esteem, career perspectives, as well as other social aspects. For the company, these partnerships reduce the costs of the selection process by 74%.

Anchoring businesses in consolidated platforms and production chains to scale

- *Develop a B2B model to reach scale and foment social impact*

In Brazil, the government is the main supplier of health services, education, transport, housing and sanitation for the low-income population. The companies operating in these sectors see the government as an important customer in order for them to gain more participation in the market and increase their potential for social impact. In addition, the public policies serve as important platforms to make companies increase their distribution scope. This scenario makes it crucial for companies that act in those sectors to converge with the government. Finally, these companies play an important role in complementing public policies and expanding the offer of services for the low-income population. Companies that operate as public service concessionaires, like Coelce and Aegea, are clear examples of the private sector operating to expand the offer of essential public services to the population.

Note that, in order to fulfil institutional gaps and to build a commercial relationship with the government, it is necessary to search specific knowledge resources and act in partnerships, especially for micro and small enterprises interested in creating a Business-to-Government (B2G) channel. In light of the adversities faced by Geekie to commercially offer an educational product to the public schools, it has implemented a commercially guided strategy. To overcome the challenge and achieve profitability without giving up on inclusion, it has adjusted its processes and implemented the *one-pay-one-free* model, *where for each product sold to private schools, one is donated to public schools*.

To implement a B2G model, Saútil needed to diversify its partners, seeking support from the Tellus Institute, an organisation that generates opportunities for partnerships between social business and government agencies through innovation. The organisation served as a mediator between the needs of the municipalities and that of the general population, presenting the solution developed by *Saútil* to solve problems related to public health service management.

- *Developing a solid B2B model*

The analysis of the cases studied for this report shows that companies that pursued a Business-to-Business (B2B) strategy had faster results that allowed them to structure, and then grow and scale to the Business-to-Consumer (B2C) model.

A successful case of this model is Tribanco, a financial institution that serves micro, small and medium sized retailers, providing credit and training. Its business model is strongly structured around a B2B strategy that includes companies with revenues up to BR\$ 200,000.00 per month. Along with this model, there is a B2C (Business-to-Consumer) that provides credit products directly to the consumer. In doing this, Tribanco works with people who have a monthly income of up to R\$ 650.00 and increases the ways it can distribute its financial products.

Incorporating environmental sustainability and conscious consumption into the core business

A new development paradigm based on the understanding that economic, social and environmental issues are inextricably linked casts doubt on social inclusion strategies that disregard the environment, since these strategies risk of significantly increasing the vulnerability of low-income segments of the population. Contrary to the idea that sustainable development creates only inconvenience for companies, in Brazil, some inclusive businesses find great potential for their businesses by practicing environmental stewardship.

Beyond that, the solution lies in the principle of shared value, which involves the creation of economic values together with the creation of value for society, to meet society's needs and challenges.⁵⁸ In their own particular way, these companies operate based on four key pillars for the creation of value for stakeholders: generating profit and reducing risk, expanding innovations, improving reputation and legitimacy, and consolidating the company's growth path. Through their actions, they demonstrate that "the global challenge linked to sustainability, seen from a business perspective, can help identify strategies and practices that contribute to a more sustainable world and simultaneously create value for stakeholders."⁵⁹

Additionally, companies that combine environmental sustainability, technology and social inclusion access a new market and gain resilience against cyclical changes, positioning themselves at the forefront of new entrepreneurial trends. As for small businesses, participating in this strategy can serve to overcome entry barriers in sectors marked by a high level of competitiveness, specific incentives, and regulations; for large companies, participating in this strategy can serve as a means of portfolio diversification.

For such companies, this diversification means adapting to a changing environment in order to be at the forefront of a new paradigm that links sustainable development and social inclusion of low-income population through the market.

- *Using sustainable socio-environmental production standards to create value*

Many companies invariably end up associating the creation of environmental and social certifications with higher operating costs. However, the differentiation

⁵⁸ Porter, m.; Kramer, m.r. creating shared Value. Harvard Business review, January–february 2011.

⁵⁹ HART, S.; MILSTEIN, M. 'Creating Sustainable Value'. Academy of Management Executive, 2003, v. 17, n. 2.

brought by the certification of its products contributes to its value appreciation and can be established as a complementary strategy linked to their business models. Particularly for companies that export their products to industrialized countries, where attention to the source and method of production are central elements in the consumer's decision, paying attention to social and environmental certifications can become imperative for business success.

Beraca, for example, created the Socio-Biodiversity Enhancement Program after realising that: (i) there was an increase in market demand for products of natural origin, obtained through ethical processes; and (ii) their area of operation required the development of sustainable practices. Through this, the company creates sustainable relationships with local communities to make them suppliers, adding value to their final product. The Socio-Biodiversity Enhancement Program contributed to a 38% growth in the company's Health and Personal Care division in 2013 and a 15% growth in 2014.

There was also a significant increase in the division revenues, which in 2012 grew 13%. The company currently benefits about 1,600 families in 105 communities. The partnership with Beraca has enabled communities to diversify their sources of income when using the off-season to collect different products. There is also a significant increase of 30% in the income of families who began providing products with organic certification.

- *Using Green Technologies to serve the bottom of the pyramid*

The strategy of commercializing green technologies to the bottom of the pyramid can generate a jump in favour of more sustainable practices. Green Technologies can barely find space in the markets when actors are already settled and have reached scale. In this sense, the low-income market proves to be an excellent opportunity to incubate alternative technologies.⁶⁰

Solar Ear produces and distributes hearing apparatuses with solar chargers and rechargeable batteries based on technology developed in Botswana at a low cost. The main innovation is the solar charger, which stores energy during the day to recharge the device during the night, avoiding disposal of the batteries into the environment. The low cost of these apparatuses enables greater access to its products by lower class segments of the population.

- *Encouraging responsible consumption to reduce costs and increase efficiency*

Just as there is a push on the supply side, on the demand side it is also possible to work on building strategies for responsible and conscious consumption. In this regard, there is an opportunity to reinforce the company's values and offer intangible long-term returns, favouring relationships, reputation, partnerships, and creating possibilities for increasing revenue.

Through actions of this kind, the sanitation company AEGEA helps preventing excessive waste of water and promoting conscious consumption. It also reduces costs and bad debt for low-income consumers. Increasing the energy efficiency of products and processes is a way of directly reducing expenses, leading to a decrease in costs and increase in profitability. By charging a reduced fee for their services, AEGEA helps improving the health status of

60 Idem.



Romana

low-income individuals, meeting its strategy of increasing the number of people assisted. It can also enhance the quality and reach of services over the short-term, as well as improve the operating efficiency of the systems under supervision. Thus, based on the reduction of water waste and provision of greater access to its products, AEGEA expands its customer base and reduces water waste at its installations.

Thus, companies show that they can also serve as a means for filling information gaps that are particularly punitive for the low-income segments of the population. While there are many social responsibility initiatives focused on conscious consumption, inclusive business shows that it is possible and necessary to bring to the core business responsibilities and opportunities that encourage environmentally sustainable consumption and positive social impact.⁶¹

- *Strengthen the relationship with the assisted community through initiatives that promote environmental sustainability*

With regards to the pillar of improving reputation and legitimacy, companies of all sizes can develop environmental sustainability actions that allow them to approach communities as a way of increasing external trust in their activities. This process is called product stewardship and seeks to integrate the stakeholders' voices in business processes through interactions with suppliers, regulators, customers, communities, media and non-governmental organizations.⁶²

Companies like COELCE (Energy Company of Ceará), when engaging in a programme that exchanges recyclable products for bonuses on their

⁶¹ CSCP (2010). 'How can Business Encourage Sustainable Consumption in Base of the Pyramid Markets?' The Booklet Series: Making the Business Case towards Low Carbon and Resource Efficient Lifestyles.

⁶² CSCP (2010). 'How can Business Encourage Sustainable Consumption in Base of the Pyramid Markets?' The Booklet Series: Making the Business Case towards Low Carbon and Resource Efficient Lifestyles.

customer's electricity bills, engage the low-income community, which is attracted by the prospect of reducing its energy bill cost. This strengthens their relationship with the community, attracting the attention of the media and NGOs, to which they can donate the electricity bonuses.

This, in turn, decreases the amount of waste that is improperly disposed, contributing to a key pillar: creating value for the company's stakeholders. The company also reduces bad debt, improving the quality of services offered and reducing risks inherent to the use of informal facilities. In addition, it helps strengthen the citizenship of its low-income customers, since the energy bill is sometimes the only record for a proof of address, which is necessary to access the formal labour market and financial institutions, among others.

Developing social territorial governance

- *Sustainable development in local communities*

Social territorial governance is a significant strategy for organizing the inclusive business ecosystem. The concept is applied when environments, institutions, processes and resources integrate sectors of society – represented by government organizations, the private sector and civil society – when implementing initiatives, projects, programmes or policies focused on sustainable development in local communities.⁶³

In a society that is increasingly networked,⁶⁴ territorial governance acquires a social role in achieving concrete results and social impact in any community. Engaging the community in the most premature stages of any anti-poverty or socio-economic development project is key to its success. Thus, a company can provide support for implementing inclusive business as part of its social governance development strategy in the region in which it operates.

Developing social territorial governance requires action on three levels.

1. Relationship level. One example is the relationship between the private sector and government, which can generally be made by service delivery contracts, bids for services that contribute to developing the local community, such as building bridges, or an education project. The relationship represented by this first level can be identified at any point where there is an interaction among government, private sector and civil society. The relationship among the actors of the three sectors and the local community itself is fundamental, from the early stages of understanding the reality of the territory to the monitoring and implementation of local sustainable development actions.
2. Internal management of the relationship among organisations. It is no use in having a good partner if it is not accompanied by an effective internal management capacity of the parties involved. Thus, working with social

⁶³ FDC, Plataforma de Governança Social Integrada, in http://www.fdc.org.br/hotsites/mail/nucleo_sustentabilidade/crgsi/index.html, accessed on 5/26/2015.

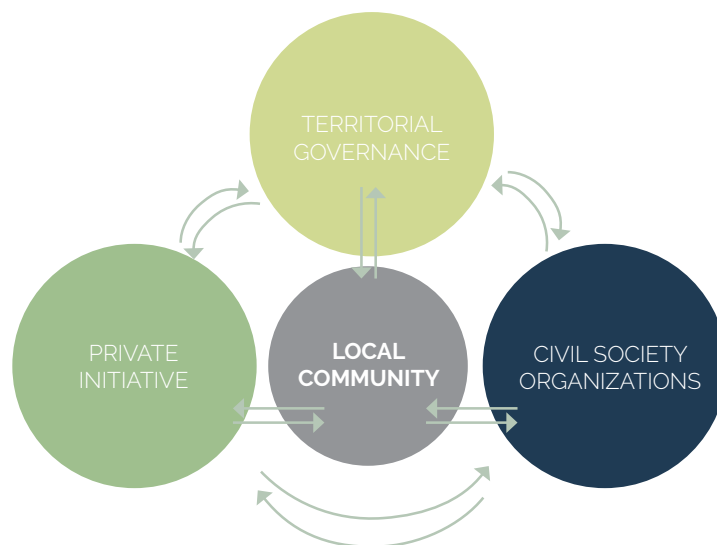
⁶⁴ The concept of network applied to this report, refers, in general, to arrangements that unite different agents, either structured or otherwise. It is mainly related to open networks, somewhat decentralised, with distributed dynamics. The composition of the network expresses the capacity of coordinating the group of factors that interact in a territory and which have their diversity respected and valued. The context that they organise themselves and their different compositions create several relationships of power, but all of them intend to be the space where hierarchy is challenged and where there is some level of sharing of responsibility and targets.

territorial governance also implies working with the management of critical process, which enables the organisations to do their part in their established relationships.

3. Leadership Level. This represents the need to have knowledge about how to develop leaders capable of managing within that relationship environment.

To illustrate it, the figure below shows the relationship among government, private sector, third sector and local communities, where territorial governance becomes vital to foster an inclusive ecosystem.

Figure 4: Types of Interaction between Three Economic Sectors in Territorial Governance



Local development and social governance to foster new business, diversify the economy and empower communities

Created through the partnership between the Votorantim Institute and the BNDES (National Development Bank) Social Fund, the ReDes Program operates in municipalities with less than 50,000 inhabitants, where there are centres of poverty concentration and low economic dynamism. To ensure that the investment is directed at relevant projects for the development of the municipality, ReDes performs a local diagnosis, developed by a "community participation group" and by representatives from the company. ReDes is modelled to create community councils consisting of actors from the public, private and third sector responsible for monitoring the planned actions, supporting their implementation and ensuring that local development takes place in a sustainable way. This group facilitates the consolidation of enterprises in the region through partnerships with local public agencies, offers technical support for enterprises to obtain licenses and certifications, provides guidance for accessing public policies and offers other inputs for the enterprises. The projects, besides having a business plan, need to demonstrate economic feasibility, suitability to the local economy and capacity to mobilize social capital. Among the advantages offered by ReDes there is the business management support by local consultants, the contribution of the capital invested to create a minimum operational infrastructure for the enterprises, the improvement of the quality of life of workers and the guarantee of the enterprises' success.

Collaborating with sustainable territorial development and creating social capital⁶⁵ through collaborative networks in communities has been a challenge for many businesses in Brazil yet, it is a basic requirement for their presence as a company. Some companies' operations, particularly in certain sectors, imply being in close contact with surrounding communities, for example the mining, extractive, agricultural, electricity, telecommunication, construction, infrastructure and road industries in general.

⁶⁵ The concept of social capital used here assumes that "social capital includes the characteristics of social organization, such as trust, standards and networks, that can boost the efficiency of society by facilitating coordinated actions." PUTNAM, R. Making Democracy Work: Civic Traditions in Modern Italy, 1995.

2.5. Lessons learned

The challenges and business strategies discussed in this chapter show that, despite the importance of joint actions by actors that promote an inclusive business ecosystem in Brazil, there is still great room for development in the country. However, the companies must not wait for the ecosystem to develop in order to have a clear path to implement their business.

Even in the face of the challenges mentioned, specific strategies can be used as roadmaps to circumvent these obstacles and join social inclusion and financial return. This proactive approach, exemplified by the cases analysed in this section, has the potential to generate new best practices for inclusion through the market and at the same time, contribute to the development of this ecosystem.

This chapter identified the actors that have contributed to the recent development of the inclusive business ecosystem in Brazil, organised within four structuring dimensions: information, incentives, investment and implementation. Within these dimensions, challenges and solutions were identified and are in great measure aligned with the parameters pointed out in the 2008 report "Creating Value for All." In this report, UNDP identified five challenges, namely, lack of market information, inadequate physical infrastructure, insufficient regulatory environment, restricted knowledge and skills and a lack of access to financial services. Based on the analysis oriented toward the Brazilian reality, it was possible to corroborate the five challenges identified in the previous studies, refining the analysis with new elements specific to the Brazilian context. Thus, five additional challenges were identified:

ADDITIONAL CHALLENGES	Inadequacy of financial instruments
	Misalignment between demand and supply of capital
	Lack of technology platforms to implement business
	Lack of safety to operate
	Companies poorly engaged with sustainable territorial development

Challenges 1 and 2 arose from the evidence that, besides the logistical difficulty involved in distributing financial products and services to the bottom of the pyramid, these products actually are, on their own, hardly adapted to the needs of low-income individuals. However, they still develop businesses that include people in socially vulnerable situations, those facing constant difficulties to obtain investments due to the disconnection between the needs of entrepreneurs and the requirements for obtaining credit. These practical elements, which are a reflection of the empirical analysis, demanded details of the specific challenges related to financial products and services in Brazil.

Regarding implementation, the new challenge "lack of technology platforms for implementation" came to light due to a striking gap in technology use for the distribution of solutions to low-income communities. Likewise, we can see that setting up businesses in vulnerable communities can, in certain cases, present challenges in terms of safety, particularly within the context of the Brazilian favelas (low-income communities). This challenge required – as in

the *Crescimento de Mercados Inclusivos* ("Growth of Inclusive Markets") report elaborated by UNDP Colombia – the inclusion of a specific challenge within the Brazil context, which is the lack of safety to operate. Finally, and as a reflection of the obstacle related to the private sector's narrow view with regards to inclusion through the market, many companies are not yet committed to sustainable territorial development. This element is a challenge to the development of inclusive markets, making it difficult to create an interconnected network of actors that operate in favour of a common social objective.

To overcome this set of challenges, the present study found that the five strategies identified before are also present in the analysed business models, such as: adapted products and processes, investing in the removal of market restrictions, strengthening the potential of low-income populations, combining resources and institutional capabilities and engaging in political dialogue. Likewise, considering the specific elements of the inclusive business ecosystem and maturation of this field within the Brazilian context, five new strategies were also identified:

NEW STRATEGIES	Innovate in processes
	Combine resources and revise incentives to meet the specific needs of inclusive businesses
	Anchor businesses in consolidated platforms to scale
	Invest in environmental sustainability and conscious consumption to generate shared value
	Develop social territorial governance

In the strategic arena, investment in innovation comes up as an important path to increase profitability and scale. Social governance development appears as a broad implementation strategy and aims to consolidate the inclusive potential of business initiatives developed in low-income regions and communities, serving as an important resource for obtaining the social license to operate. Anchoring businesses in consolidated platforms to scale, in turn, results from the observation that, particularly during the initial stage of implementation of an inclusive business, it is necessary to look for strategies that ensure revenue and practical learning over the short-term, a crucial element to the viability of new businesses, particularly startups. Finally, a less noticeable aspect, yet one that is still essential to sustainable development within the context of the post-2015 Agenda, is the possibility of bringing environmental sustainability and conscious consumption to the centre of the business strategies. Only by achieving a balance between economic, social and environmental development will it be possible to fulfil the new Sustainable Development Goals.

Table 3: Synthesis of Challenges and Strategies Found in the Inclusive Business Ecosystem in Brazil.

	INFORMATION	INCENTIVES	INVESTMENT	IMPLEMENTATION
Challenges and Gaps	<p>Market information</p> <p>Restricted knowledge and skills</p>	<p>Inefficient regulatory environment</p> <p>Restrictive knowledge and skills</p>	<p>Limited access to finance by BoP</p> <p>Inadequacy of financial instruments</p> <p>Unalignment between demand and offer of capital for investment</p> <p>Restrictive knowledge and skills</p>	<p>Restricted knowledge and skills</p> <p>Lack of infrastructure</p> <p>Lack of technology platforms to implement business</p> <p>Lack of safety to operate</p> <p>Companies not committed to sustainable territorial development</p>
Business strategies to overcome obstacles	<p>Combining resources and capabilities</p> <p>Investing to remove information restrictions</p>	<p>Combining resources and reviewing incentive policies to meet the specific needs of inclusive business</p>	<p>Adapting products and processes</p> <p>Combining resources and capabilities</p>	<p>Adapting products and processes</p> <p>Investing in innovation</p> <p>Combining resources and capabilities</p> <p>Building social capital to reduce risks</p> <p>Leveraging the potential of low-income people</p> <p>Developing territorial social governance</p> <p>Anchoring business in consolidated platforms to scale</p> <p>Incorporating environmental sustainability and conscious consumption into the core business</p>
	Combine Resources and Capabilities			



OPPORTUNITIES AND LEARNING

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3



Kenia Ribeiro/CNM/PNUD Brasil

In this section, the recommendations outlined were taken from evidence recorded in interviews, surveys, case studies and existing literature, which assisted with the analysis of the reality of inclusive markets in the country. The recommendations are for the actors of the inclusive business ecosystems, and are organized according to their support needs, namely, information, incentives, investment and implementation support (the four "I"s).

3.1. INFORMATION

More research on market knowledge

- Organize existing information in the governmental database to extract data from the market, facilitating support for social organisations and inclusive business in order to better assist the low-income population.
- Seek more dialogue with academia and research centres, those that play an important role of managing the accumulated knowledge of the three sectors – concepts and fundamental market and inclusive business practices, future prospects and promotion of partnerships.
- Promote interaction with accelerators and inclusive business incubators, which provide the market with innovative business models, new products and services.

Disseminate knowledge about the inclusive market

- Align the main actors of the ecosystem (such as government, business schools, not-for-profit organisations, multilateral organisations) in order to create a high visibility platform that integrates and systematizes data on inclusive business.
- Train professionals who can integrate a business vision and understanding of the dimensions of social impact in social innovation and marketing for conscious consumption, for instance.
- Clarify the distinctions between concepts of inclusive business and reduce the uncertainty surrounding the use of one or another.
- Publicize successful cases of inclusive business.

Create convergence among impact measurement methodologies

- Encourage the production of specific data on inclusive business based on studies and research among government agencies such as IPEA and IBGE, for example through the National Household Sampling Surveys conducted by IBGE.
- Ensure transparency to the impact of public policies, to the actions of companies and to the protagonism of low-income individuals in social inclusion.
- Develop frequency and depth data that allows for the planning and monitoring of progress through the levels of government and economic sectors.
- Consider the SDGs, their goals and their indicators as parameters to evaluate companies' theories of change.
- Improve impact measurement methodologies to create parameters that are minimally comparable with each other.

“Our studies showed that there are 98 ways to measure impact, that is, it is still necessary to start building standards that directly discuss inclusive business.”

Non-Governmental Organization Representative

Providing information to low-income individuals

Access to information becomes increasingly relevant in order to expand the opportunities of low-income individuals, both regarding access to work and new ways of improving production, leveraging businesses and expanding possibilities for consulting and choice, as explained in Table 4.

Table 4 – Information for Low-income Individuals

TYPE OF INCLUSION	TYPE OF INFORMATION FOR LOW-INCOME INDIVIDUALS
Entrepreneur	Legal advice, taxes, market data (both present and future), summarized information about the economic context. Forms of access to selling/buying channels, government procurement mechanisms, access to credit and financing.
Producer	Technical assistance and access to credit / financing Information about the prices and quality of products and services in local and international markets. Forms of access to commercial channels.
Consumer	Information on the availability and quality of products and services to be consumed. Financial education. Guidance on sustainable and responsible consumption.

3.2 Incentives

Encourage innovative approaches to create incentives

- The government can create incentives in order to allow investors to better align their investment strategies with economic, social and governance matters.
- The private sector and private investment have an important role in encouraging the development of inclusive business. This role can be strengthened by a stronger commitment with impact investment as a way of finding solutions to societal issues.
- The government can create incentive mechanisms for inclusive practices in the statutory, legal and economic fields in order to encourage inclusive businesses to include low-income people into their core business.
- The government can simplify the labour inclusion law, encourage job creation and the inclusion of the bottom of the pyramid, particularly youth, into the market. It can also explore ways to better adapt initiatives such as the youth apprentice initiative for people with low-income individuals.

Create a regulatory environment that helps promoting inclusive business and their specific needs and structures.

- Promote incentives to develop new skills, creating a predictable and effective financing structure to address challenges and achievements of inclusive business.
- Establish multisectoral alliances to position the inclusive business in the government agenda.
- Leverage current grassroots movements to create specific legislation for inclusive business.
- Identify possible adjustments in the already existent laws to regulate and encourage inclusive business.

Review the forms of taxation for inclusive business

- Develop a tax regime to encourage inclusive business or even other companies' inclusive practices.
- Reduce the complexity of the processes for creation and closure⁶⁶ of companies or for approving the licensing of enterprises whose purpose is to present business results and social impact.

⁶⁶ According to Endeavor, serial entrepreneurs (those that had several businesses during their career, accumulating knowledge on the entrepreneurial activity and creating increasingly better companies over time) are necessary, and facilitating the closure of companies is also necessary. In Brazil, the great majority of entrepreneurs never had other businesses, and accordingly, suffer from a lack of experience.

- Simplify labour Law and review the tax burden on NGOs, which are higher than for micro and small companies. Likewise, small cooperatives pay the same tax burden as large ones.
- Reform legislation to ensure equal competition conditions, in taxation terms, whatever is the legal format adopted by the inclusive business.

Strengthen the inclusive mechanisms of women in the labour market

- Organize and create multidimensional and integrated solutions with regards to public policies and business practices to include women in the labour market.
- Reinforce and expand the governmental initiatives that serve women through revenue transference and professional development policies.
- Support women entering in the labour market and in the professional development activities through the foment of public policies focused on childcare, such as child education and day care services.
- Develop policies that encourage the private sector to fill institutional gaps in terms of meeting the demands of day cares and children's education.
- Support entrepreneurial women in the development of their businesses by facilitating access to information, forums for the exchange of ideas, and promote the approximation between their businesses and medium and large companies.

Maximize the formalization of low-income micro entrepreneurs (MEI)

- Create the conditions for hiring MEIs as suppliers for large companies.
- Encourage low-income entrepreneurs to formalize as MEIs, leveraging cost reduction, simplification, legal certainty, social security and access to formal markets.

3.3. Investment

Promote impact investment

- Encourage knowledge exchange and collaboration among industry stakeholders, inspiring new initiatives and showing investors the potential of inclusive business.
- Disseminate knowledge of existing financial mechanisms among entrepreneurs, either in private equity investment funds, patient capital and angel investors, or in still unknown government entities.

- Encourage philanthropic investors to consider social finance as a possible application of grant resources for business with social impact and financial sustainability.
- Create public-private investment funds to encourage the private sector to invest in developing shared inclusive business. For every real (R\$) invested in an inclusive deal, the government would double the amount of investment that can be convertible to debt.
- Develop risk-sharing instruments to transform the investment in inclusive business into a clear possibility for portfolio diversification. This process, therefore, must be closely watched by investors and by entrepreneurs themselves during the governance of their businesses and with methods for monitoring and evaluation of the company's progress.
- Encourage commercial banks to work with existing companies of different sizes to adapt their existing services and products and transform them into impact business.

Promote inclusion and financial education through access to information and adequate products

- Promote financial education not only for the adult public but also for youth. Provide education that covers household budgeting.
- Develop financial instruments that help low-income consumers to use resources conscientiously.
- Encourage multisectoral practices that can be used in other inclusive and sustainable business fields.
- Develop mechanisms on behalf of the financial sector in order to assist the population that still does not have the necessary knowledge about financial products.
- Develop more adequate products to meet the demand of the consumer and the micro and small entrepreneur at the base of the pyramid. In this case, it is necessary to go beyond preventing risk of default in order to facilitate financial inclusion and the participation of low-income individuals in the formal market.

Expansion of access to credit

- Expand the reach of bank agencies and micro credit correspondents in the country's rural regions.
- Strengthen the capacity of private productive credit to assist low-income individuals.
- Encourage the use of information and communication technology platforms to maximize the reach of financial inclusion mechanisms and make these financially viable to assist low-income individuals at scale.

- Pilot innovations that help reducing the transaction costs of business and low-income users, with the possibility of being extended to all bank customers.
- Intensify dialogue with regulators, the government, private sector and the National Partnership for Financial Inclusion (PNIF).

3.4. Support for implementation

Expand the offer of educational and professional training.

- Reinforce multisector partnerships focused on the market with the aim of training new employees, keeping as a guideline the emphasis on the quality of the skills acquired, the demands that come from production chains and the meeting of local needs. These principles need to guide training programmes, both private and public, like PRONATEC, developed by MEC (Ministry of Education and Culture) in partnership with the "S System", which, in turn, demonstrates the potential of the joint initiatives.
- Educate people to work in sectors with a high potential for job generation. The effectiveness of the programme depends on its attention to the evolution of sectors – especially the services industry, which tends to evolve with the inclusion of new technologies.
- Increase inclusive productivity gains, where there are spaces for costs reduction and loss through the conscious use of resources and recycling, which can be subject to an economic approach. This is a space that tends to grow and generate job positions that demand qualified professionals.
- Expand the access to educational and professional development environments for low-income and marginalized groups (black people, women, youth, and people with special needs) to be inserted into the production sector, the political realm, and collective activities.
- Develop training workshops aligned with the needs and schooling levels of low-income entrepreneurs.

Encourage the inclusion of low-income producers into the company's value chain

- Improve the understanding of market mechanisms and ease conditions for sale and purchase transactions.
- Facilitate direct, fast and efficient communication between seller and buyer at a low cost.
- Increase free access to governmental negotiations and reverse auctions.

- Encourage the improvement of the infrastructure of access for rural producers for the distribution of production and access to market (roads, technology and information platforms)
- Expand the political dialogue about the cost of formalisation of associations and about hiring limitations for cooperatives by the public sector, which leads to distortions in the sector.
- Support collective business actions and cooperatives that increase supply capacity, the negotiating power of small producers when selling their products and access to financing with rates that encourage production.⁶⁷
- Develop projects with large companies to analyse and review internal rules and policies to increase purchasing from inclusive business.

Train entrepreneurs and producers

- Increase training with a focus on financial management, human resources management and small business marketing.
- Adjust support services for entrepreneurs to meet their everyday needs, with a focus on solving specific problems.
- Maximise and develop the network of small entrepreneurs as a way to broaden their access to new market opportunities and knowledge exchange.
- Promote entrepreneurial culture and training for youth entrepreneurship, adding another skill for their entry into the workforce. Show their viability as part of the strategy for the professional development of new generations.
- Develop support mechanisms and financial instruments for young, low-income entrepreneurs.
- Expand and enhance the performance of incubators and business accelerators, not only in the government but also in schools, universities and not-for-profit organizations. An additional force could come from the partnership with large supply chains to support the provision of public services and in its operating interface with large companies.
- Encourage courses on social entrepreneurship at technical schools, business schools and universities.
- Seek opportunities to support social entrepreneurs who want to increase their market inclusion activities among civil society, not-for-profit and philanthropic organizations.

67 Idem. Ibidem.

Support and promote business model innovation

- Intensify incubator programmes aimed at inclusive business.
- Strengthen and increase support for startup programmes that reach entrepreneurs, producers and low-income consumers.
- Intensify cooperation of government and business with universities, research centres and extension agencies as a way to guide regulatory changes aimed at inclusive production.
- Create incentives for inclusive innovation in certain sectors, for example alleviating the risks to medium-term investments in innovation in areas defined by the government as strategic, especially in sectors that meet the basic needs of the low-income population.

Promote education for conscious and sustainable consumption

- Discuss the expansion of access to goods and services to low-income individuals as part of a paradigm of conscious and sustainable consumption.
- Insert consumer awareness into the education agenda, especially for primary education, in order to create a culture of sustainability for future generations, leading to multiplying effects for families.

Encourage the private sector to provide more accessible goods and services to low-income people

- Encourage and disseminate innovations that are able to align products and services to the reality of low-income individuals, reducing not only costs of production, but also through simplification of products, flows and production methods.
- Bring startups, technology institutes and large companies to develop innovative solutions that streamline the access of the poor to qualified products and services and low cost.
- Provide a set of incentives to accelerators and incubators that encourage businesses with disruptive innovations that contribute to solving structural problems.
- Build partnerships between multisector organisations to develop solutions that provide basic services for low-income individuals, such as education, health, energy, housing, financial services, agriculture, water and sanitation, promoting values of social inclusion and sustainability.

Transform traditional practices of doing business into effective solutions for solving environmental and social challenges

- Encourage initiatives that combine environmental awareness with consumer practices.

“Efficiently promoting economic and social development requires an innovative approach that goes beyond traditional investment, official help or philanthropy. It is necessary to take an inclusive approach that maximises the best elements of the public and private sector to accelerate real change and generate impact at scale with a market approach.”

NGO Representative

- Combine the innovation of green technology with business models that are able to include and better assist low-income individuals.
- Increase the commitment of social entrepreneurs to promote innovation programs (FINEP, systems for supporting research funding, sector funds for technological development, etc.) as a way to mobilize resources for implementing projects that combine ecological integrity, financial profitability and social equality.

Improve the offer of infrastructure to enhance production and market access conditions

- Create better conditions to promote investment through public-private partnerships, particularly to boost new models that can favour social inclusion in the process and in the markets' efforts toward improvement.⁶⁸

Increase the insertion of inclusive business with appropriate solutions to solve environmental and social challenges

- Encourage initiatives that combine environmental awareness with consumer practices
- Combine green technology innovations with business models that can include and better serve low-income individuals.⁶⁹

Increase the integration of inclusive business in local supply chains

Define policies that encourage the entry of inclusive business in the supply chains of larger companies, promoting a closer relationship between the areas of sustainability and sales.

- Establish incentives to encourage suppliers to adopt standards for inclusion into the value chain.
- Work on procurement policies to facilitate the purchasing process of inclusive business as a form of strategic investment.
- Promote intermediary organizations that can make a link between big business and inclusive business, searching ways to assist inclusive businesses' structure to guarantee the social impact and the quality of their products and service.⁷⁰

68 Souza, P.R. Custos Logísticos no Brasil 2015. FDC, Logistics, Supply Chain and Infrastructure Department. 2015.

69 London, T., Hart S. L., Kacou, E., M. Vijay. Business Strategies for the Bottom of the Pyramid (Collection). Pearson Education, Inc. 2011.

70 Barki, E., Burgos, F., Garcia, M., Grigoletto, F. Inclusão de negócios de impacto nas compras de grandes empresas e governo. Research requested by "Força Tarefa de Finanças Sociais e sua Diretoria Executiva" represented by "Instituto de Cidadania Empresarial (ICE) and SITAWI Finanças do Bem". São Paulo, February 2015.

FINAL CONSIDERATIONS: DEVELOPING GOVERNANCE FOR THE INCLUSIVE BUSINESS

*"Companies must take a leadership role in bringing business and society close to one another. There is an acknowledgment among great leaders and companies that promising elements of a new model are emerging"*⁷¹

As highlighted in Chapter 1, inclusive business emerges as an option to be implemented by the private sector to overcome the obstacles of an unfavourable macroeconomic environment. This context also points to the possibility of entrepreneurship development for low-income individuals as a viable alternative. Through the development of their own theories of change, every business can somehow contribute to achieving the Sustainable Development Goals (SDGs). The companies studied are active in different dimensions related to the SDGs, both within the social and economic dimensions. In the social dimension, they work to reduce poverty and improve access to health, education and support for women in their business. In the economic dimension, they contribute to development, employment or infrastructure improvements.

In order for the private sector to reach its full potential to act in favour of the SDGs, it is necessary to develop a conducive environment. Developing an inclusive business ecosystem requires mediators who are capable of catalysing skills, addressing challenges and maximising opportunities for business development for this purpose. The governance of this complex ecosystem is not up to one single actor, but to all at the same time – it is a product of a set of beliefs and values operating with a collective intentionality.⁷² In this sense, it is not enough for the government to improve its performance in the role of offering the conditions needed to improve quality of life. It is necessary to create conditions for inclusive business to be established, with less bureaucratic and time-consuming processes and with greater stability and regulatory tax simplicity.

The private sector can complement the State, but cannot replace it. Companies need to be encouraged to form social capital where they operate, through cooperative processes, restoring the inter-relationship between society and the economic development. As part of a globalized society, the private sector needs to take a proactive role in this process. To be responsible for generating job opportunities, income and consumption, companies need to incorporate social inclusion into their strategic decisions and their production processes. This requires changes in governance and business strategies, demanding a new business culture that guides practices and relationships.

Composed of more than five million formal organizations, the Brazilian private sector is diverse. Since they are often more resistant to economic fluctuations, large companies must represent and disseminate new ways of doing business. Business associations can and must act as hubs in the network of social inclusion through the markets.

71 PORTER, M. KRAMER, M. Creating Shared Value. *Harvard Business Review*, 2011.

72 Iansiti, Marco, and Roy Levien. "Strategy as Ecology." *Harvard Business Review* 82, no. 3 (2004): 68–81.

The geographic size of the country imposes a need that few countries in the world face: promoting regional development from public policies emanating from a decision-making centre. In Brazil, federal public policies are designed to reach the whole country, but the environmental, cultural and economic diversity all demand social capital that the society does not yet have. Dealing with this challenge is not easy for larger companies, and Brazilian enterprises are still learning to relate to communities in their operational environments.

“The third sector can articulate, ease and connect interests between government and companies.”

Private Sector Representative

Experimenting, as evidenced by many companies as well as the public sector, allows for the consolidation of practices and principles of territorial social governance, through which they integrate organisational and individual focuses that determine community development. Now, therefore, is the time to organize and share knowledge on this subject, to form public and private managers able to organize social capital to promote development and reduce inequalities. Therefore, it is important to create dialogue on inclusive business that can join the private, public, civil society and academic areas and promote dialogue among them.

Third sector organisations have a distinct role due to the ease of promoting partnerships and mobilising dialogue and interaction platforms. Some organisations have the legitimacy to summon distinct actors, helping to select priorities and playing the role of social control. They can act to educate and raise awareness about the rational use of environmental resources and establishment of partnerships for local development.

This sector needs to develop an entrepreneurial ability and vision of scale that values its ideas and projects its proposals to reach a large number of people. Finally, the third sector can encourage communities to take control of their autonomy and empowerment through its action in the markets, guided by human and Sustainable Development Goals.

Particularly with regard to impact investing in Brazil, it is clear that it is entering into a consolidation phase, with various funds making successful investments and discussing the next steps. New development actors of the business



Trigo Zenaro

ecosystem like institutes, foundations and corporations are approaching and supporting the idea, investing in the structure of the field by supporting accelerators, universities and speaking out for the government to also commit to the issue. In fact, the commitment of the government will be essential to jumpstart the field in the coming years as well as serving as a great opportunity to bring innovations into the public sphere in Brazil.

Furthermore, it is clear that the new paradigm of economic and social development has environmental sustainability as an imperative. Without the due care for the environment and encouragement of the practices of sustainable consumption and production, there is less potential for reducing social vulnerability, since these dimensions have reciprocal influences. Increasingly, social and environmental impacts will guide new ways of doing business, the capacity to achieve scalability and catalyse transformative potential.

It can be concluded, therefore, that even in light of the challenges faced by inclusive business, there are winning strategies for overcoming the difficulties, but these strategies must be accompanied by concrete, systemic and integrated actions for the development of the inclusive business ecosystem. Without a strong ecosystem, the prospects for developing inclusive markets in Brazil over the medium and long-term are limited. Given the existence of a number of strategies to overcome obstacles, companies themselves must assume their role in human development and seek to develop its comprehensive potential with a proactive behaviour, making use of existing support mechanisms.

Within the UN strategic guideline, further involving the private sector in the achievement of the Sustainable Development Goals opens new spaces for a greater participation of the markets in the social inclusion process, with environmental sustainability. Due to its international respectability, neutrality and experience, UNDP is able to mediate cooperation and coalitions to strengthen ways of including the markets, and presents itself as a key player for the development of inclusive markets.

The launch of the *Incluir* Initiative meant that UNDP Brazil and its partners, in their role as collaborator agents of Brazilian development, are converging their efforts on behalf of the SDGs. These efforts take place both by giving visibility, encouraging actors of the inclusive business ecosystem and opening spaces of organization that may reinforce the inclusive action of companies and the role of low-income individuals in the process of social inclusion.



SUMMARY OF BUSINESS CASE STUDIES ATTACHMENTS

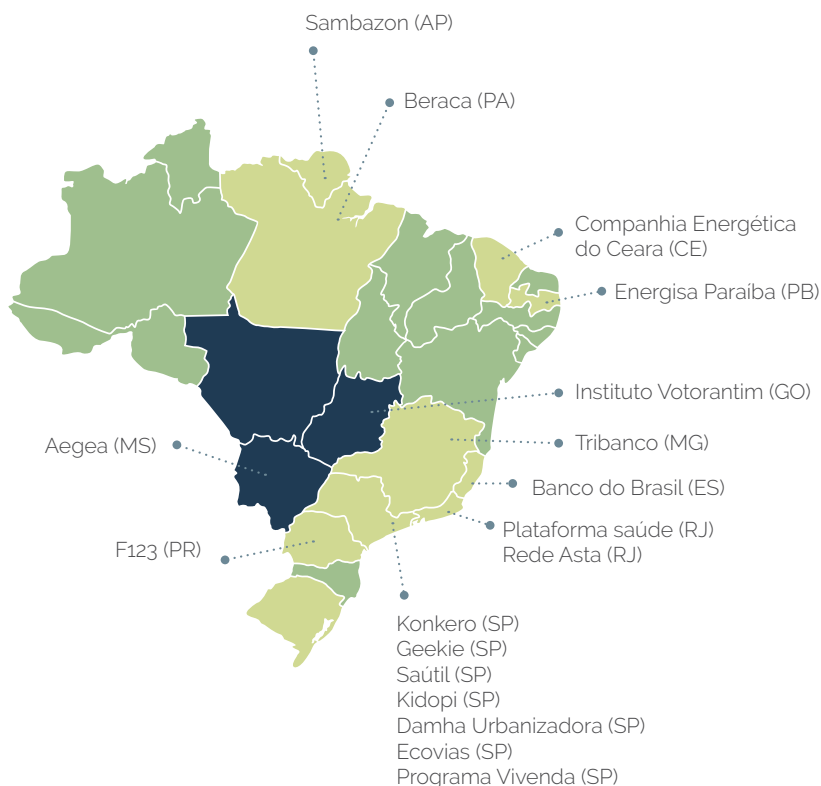
4



Kenia Ribeiro/CNM/PNUD Brasil

All the 19 cases selected by the *Incluir* Initiative, used here as a source of information, structure a framework that covers business models practiced in all regions of the country, as can be seen in Figure 5 below. While cases in the Amazon region demonstrate ways of doing business that value the forest products and riverside communities, in the Northeast and Midwest regions, the aspects of consumption of the low-income population offer opportunities for companies that provide services in the areas of education, health, housing and finance. They also present opportunities for large companies operating in the area of water utilities, energy, sanitation and distribution to improve creative practices (such as tax differentiation for low-income consumers) to reduce default and non-technical losses and increase the purchasing power of its customers through the development of projects that promote their inclusion as producers and entrepreneurs.

Graphic 5 – Geographic Coverage of Selected Cases



The diversity of industries and operating sectors provides a different view of the ways in which large and small businesses develop inclusive business models. In general, the size of the company and its demonstrated impact are not necessarily proportional. Understandably, small businesses such as Plataforma Saúde, F123, Konkero, Geekie, Saútil, Kidopi and Programa Vivenda, created with the intention of meeting social needs with viable business models, generate proportionally more significant impacts than large companies. Among larger companies, such as Dahma, Coelce, Energisa and Aegea, there is a tendency to incorporate ancillary business practices into the core business or integrate social projects in the company's corporate social responsibility sectors, as Banco do Brasil and Votorantim. In both cases, inclusive business activities have a very small scale when compared with the companies' core business. The cases of Tribanco, Beraca and Sambazon are of medium-sized companies with proportionally larger impacts than those of large companies, precisely because they align their core business to inclusive projects.

The reality of Brazilian inequality explains some of the motivations for the cases studied. The Programa Vivenda is a good example of an attempt to improve the living conditions in dense urban areas, while Banco do Brasil, Votorantim and Energisa focus on medium-sized urban communities with rural activities. Beraca and Sambazon deal with extractive communities. The still present gender inequality in Brazil motivates the Asta Network to improve the market access of artisan women's products.

The inclusion of minorities such as the visually and hearing impaired are the goals of F123 and Solar Ear. Inefficiencies and poor access to public services create gaps to be filled by some of the cases studied, such as Plataforma Saúde and Saútil, in the area of health, and Geekie, in the area of education.

Such a diversity of sizes, motivations and nature creates grey areas in the categorisation of the cases as social entrepreneurship initiatives, activities and inclusive business models. Corporate and Social Responsibility projects that generate social impact and bring financial returns for the companies serve as models for encouraging mainstream companies to develop inclusive business activities when companies see the potential to both create economic and social value. In addition, the terminology of Social and Inclusive Business blends into the dialogues with the entrepreneurs.

In a proper business ecosystem, each business can, in some way, contribute toward the Sustainable Development Goals. Table 5 shows the 17 SDGs and demonstrates how the cases studied in this report meet their objectives.

Table 5 – Sustainable Development Goals and Some Brazilian Cases

Sustainable Development Goals	Examples of Brazilian cases
 <p>SDG 1. End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> • Until 2015, Banco do Brasil had supported 1,515 productive business plans in 1,945 Brazilian municipalities. • Votorantim Institute operates in 28 municipalities distributed throughout five regions of the country, helping local initiatives become businesses.
 <p>SDG 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p>	<ul style="list-style-type: none"> • Sambazon encourages good sustainability practices in rural communities and extractive communities.
 <p>SDG 3. Ensure healthy lives and promote well-being for all at all ages.</p>	<ul style="list-style-type: none"> • Plataforma Saúde provides diagnostic services at a low cost. • Saútil facilitates access to public health services. • Kidopi provides solutions to optimise hospital management. • Solar Ear has developed an affordable hearing aid for low-income individuals.
 <p>SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<ul style="list-style-type: none"> • Geekie provides an adaptive learning solution through an online platform. • F123 creates low cost solutions, including accessibility software, to facilitate job access for the visually impaired in the workforce.
 <p>SDG 5. Achieve gender equality and empower all women and girls.</p>	<ul style="list-style-type: none"> • The Asta Network provides training and facilitates market access market for low-income artisans.
 <p>SDG 6. Ensure availability and sustainable management of water and sanitation for all.</p>	<ul style="list-style-type: none"> • AEGEA creates special conditions of service and payment in order for its low-income customers to have access to basic sanitation.
 <p>SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<ul style="list-style-type: none"> • Coelce and Energisa have discount strategies and encourage low-income households to formally adhere to the municipal electrical network.
 <p>SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<ul style="list-style-type: none"> • Ecovias provides training for local residents near its operation sites by hiring them.
 <p>SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	<ul style="list-style-type: none"> • AEGEA improves the infrastructure and living conditions of the low-income population by providing sanitation services.
 <p>SDG 10. Reduce inequality within and among countries.</p>	<ul style="list-style-type: none"> • Tribanco offers financial services directly to more than 33,000 small businesses in 60% of Brazilian municipalities, mainly in the countryside and outskirts of large urban centres.


CONTINUA

Sustainable Development Goals		Exemplos de casos brasileiros
	SDG 11. Make cities and human settlements inclusive, safe, resilient and sustainable.	<ul style="list-style-type: none"> • Programa Vivenda refurbishes houses of low-income families using solutions that integrate technical expertise, proper work and payment in instalments, improving the welfare and health conditions of residents. • Damha involves local communities to identify needs and subsidizes improvement projects.
	SDG 12. Ensure sustainable consumption and production patterns.	<ul style="list-style-type: none"> • Konkero offers financial guidance and expenditure training, orienting its users about the best use of financial instruments. • Coelce works with the conscious use of energy and encourages solid waste recycling. • Beraca and Sambazon work to earn organic certification for producers and raw materials. • SolarEar has developed a hearing aid that uses solar-powered batteries that are reusable and have longer life spans than ordinary batteries.
	SDG 13. Take urgent actions to combat climate change and its impacts.	-
	SDG 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	-
	SDG 15. Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.	<ul style="list-style-type: none"> • Sambazon and Beraca encourage the preservation of forest, with the use of good practices for the handling and use of raw materials originating from non-logging activities.
	SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	<ul style="list-style-type: none"> • The Votorantim Institute guides and encourages the creation of associations and community committees to participate in decisions at the local level.
	SDG 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.	<ul style="list-style-type: none"> • Tribanco supports small retailers and leverages their businesses by consolidating a platform of access to financial instruments adapted to its customers' needs. • Banco do Brasil serves as a mediator of multi-stakeholder partnerships to benefit small farmers, provides technical assistance, productive financing in rural areas and strengthens the regional governance.


The following information summarizes the selected cases of social entrepreneurship initiatives, activities and inclusive business models and is classified according to the sectors and activities of operation.

FOOD

SAMBAZON


Business Sector: Food industry	Size: Medium	Region of operation: North
<p>Strengthening the sustainable development of the Amazon Region</p> <p>Sambazon (Sustainable Management of the Brazilian Amazon) is a company that produces beverages and food from acai berry pulp, whose production is marketed in Brazil and abroad. Acai is widely distributed in the Amazon estuary, establishing itself as a product of great economic, social and environmental relevance for the region.</p> <p>With more than 3,000 local family suppliers of the fruits, the company processes around 14,000 tons of acai per year using sustainable management methods in an area of approximately 800,000 hectares and seeks to promote the inclusion of low-income producers in the value chain and hire people from local communities.</p> <p>Among the companies in the region, Sambazon is the only one able to offer products with an organic certification, ensuring the absence of any type of chemical components in acai and adopting international food safety standards. This business model demonstrates that it is possible to create value-added products, establish partnership relationships, develop a production chain and build a business model based on the trio of sustainability, social responsibility, environmental stewardship and economic returns. In the past eight years, the company has invested in expanding production capacity by adopting best management practices, through training and capacity building and improvement of industrial processes. Sambazon has also invested in the expansion of the consumer market, accessing new capitals in Brazil and new markets in Asia, Europe and Oceania.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Information: Community Associations Incentives: SUDAM and SUFRAMA, Ecocert. Implementation: Local NGOs, Brazilian Agricultural Research Company in Amapá (EMBRAPA), State of Amapá Institute for Scientific Studies and Research (IEPA), State Forest Institute (IEF), Brazilian Small and Micro Companies Support Service (SEBRAE) and Federal University of Amapá (UNIFAP)</p>

BERACA


BERACA		
Business Sector: Chemical industry	Size: Medium	Region of operation: North
Valuing Socio-Biodiversity <p>The Brazilian company Beraca, which belongs to the Holding Sabara Chemicals and Ingredients SA, is specialized in producing technologies and raw materials for water treatment, cosmetics, animal nutrition, food and bioenergy sectors. The Health and Personal Care unit produces Amazon flora extracts for the cosmetics industry, with suppliers in Amazonian communities. Through the Socio-Biodiversity Enhancement Program, Beraca is based on the triple bottom line of "Adequate Profitability," "Preservation of Water and Biodiversity" and "Human Development Balanced Form," for three major processes: assessment biodiversity of forest resources, analysis of the value chain maturity level and evaluation of the interdependence of the proposed activity by the company and local activities. The company created this programme when it realized this social gap adds up to an environmental vulnerability related to the indiscriminate exploitation of natural resources. It also arose from the increased demand for products of natural origin, obtained through ethical processes and the need to develop sustainable practices in industrial production. Beraca's main suppliers are the local communities in different biomes, mostly located in the Amazon region, marked by socially vulnerability, low-income and poor education, which are often placed on the market in an exploratory condition. The programme supports the obtainment of organic certifications that increase the value of its products by 30%; paid pre-agreed values, higher than those offered on the market and the certainty of timely payment. It provides training on workplace safety practices and the prevention of child and slave labour. So far, it has benefited 1,600 families in 105 communities and contributed to sustainable development in the Amazon.</p>		Sustainable Development Goals: 
		Type of institutional support <p>Information: Rocha Brasil, Tropical Forest Institute, University of São Paulo and Columbia University</p> <p>Implementation: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), L'Oréal, Brazilian Innovation Agency (FINEP) and National Scientific and Technological Development Council (CNPQ).</p>

EDUCATION

GEEKIE

<p>Business Sector: Technology and Education</p>	<p>Size: Small</p>	<p>Region of operation: South, Southeast, Midwest, Northeast and North.</p>
<p>The power of learning Believing that technology can transform the entire educational sector and help the country train more prepared citizens for the future, Geekie develops solutions that allow students to learn in a personalized way using an online platform, which can be used at home at school. Its adaptive learning platform allows the student to have a study schedule adapted to their specific needs and, when used in the school environment, helps managers and teachers with the decision-making on an educational level. Currently, Geekie solutions are focused on high school education, helping schools and students prepare for the ENEM placement test. The online platform is sold to private schools and, in order to increase the social impact, each paying school allows a public school, NGO or institute to receive this service free of charge (pay one, one free model). According to the company, in 2015, over 415,000 students in their third year of high school in São Paulo public school system can prepare for the ENEM for free with Geekie content and technology. Moreover, despite not having reached the break-even point, Geekie increased gross profit considerably in 2012 and 2013. In social terms, the company's solutions, which are distributed throughout its online platform, have reached 90% of the municipalities in Brazil, with 80% of members being public schools students. More than 600 private schools use the solution to enhance teaching and learning throughout the school year.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Implementation: SEDUCs, several NGOs Investment: Gradin Family, Virtuouse Fun, Lemann Foundations, Gera Fund, Telefônica Vivo Foundation, Editora Moderna, Estácio de Sá College, CVC, FTD Teaching System, Santander Universities, Microsoft, Guaraná Antártica, Via Varejo Ponto Frio Foundation and Unibanco Institute.</p>

FINANCES

TRIBANCO		
Business Sector: Financial	Size: Medium	Region of operation: South, Southeast, Midwest, Northeast and North
<p>Finance to empower the small retailers and their customers</p> <p>Banco Triângulo S/A, or Tribanco, is a financial institution established by the Martins Integrated System (SIM), a group that assists more than 465,000 micro, small and medium retailers throughout Brazil. Tribanco was created in order to meet the financial service needs of small businesses, which, due to low-income, face difficulties obtaining credit lines for the development of their business. To overcome this difficulty, Tribanco developed an alternative credit rating model, allowing it to provide credit to its customer base. To meet the low level of access to management knowledge by their customers, Tribanco offers specific training courses. Tribanco also offers credit to small business consumers, bringing financial inclusion to surrounding communities. To strengthen the relationship with customers, employees of Tribanco are trained to understand the client's business and provide appropriate solutions to meet its demands. The bank's managers also operate remotely, visiting the small retailers' establishments. Currently, Tribanco is present in all states of the country and has approximately 300 managers based in 80 cities. Tribanco directly assists 29,000 customers, which are mostly in rural areas and outskirts of large cities. It works predominantly in the food retail line of business, consisting of supermarkets and grocery stores.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Investment: International Finance Corporation (IFC), National Development Bank (BNDES) Implementation: Ecological Research Institute (IPE)</p>

KONKERO

Business Sector:

Technology and Financial

Size:

Startup

Region of Operation:

Digital Platform without geographical boundaries

Sustainable Development Goals:




Personal Financial Guide

Despite being a topic of great importance to the development of society, financial education is not yet part of everyday life for millions of Brazilians. With that in mind, Konkero was created in 2012 to fill a gap related to the financial education of low-income Brazilians. Konkero is an online financial education platform that seeks to disseminate free online content about finance explained in a simple language so that the low-income population is able to evaluate and be more aware of their possibilities and rights when buying. The company's main source of income is financial services and advertisements. The business works to generate value for the organisation and at the same time, empower low-income consumers and help them to have an economically sustainable way of life within society. The website content is divided into two major sections: personal finance and financial services. In the first, financial management issues are addressed, such as: organizing expenses, saving and negotiating debts, among others. In the second, an array of banking products are explained in a simple way to help the user make better decisions. Konkero became the largest independent online personal finance platform in Brazil, with visits by more than 10 million users. Today, it receives more than 850,000 visits per month, has had 1,400 articles published and 7,000 questions answered.

Type of institutional support

Implementation: Artemisia

BANCO DO BRASIL

Business Sector: Financial	Size: Large	Region of operation: South, Southeast, Midwest, Northeast and North
<p>Sustainable Regional Development</p> <p>Banco do Brasil (BB) is the largest financial institution in Latin America in terms of assets and has more than 61 million customers. Among Brazilian financial institutions, The bank has the largest service network in the country and abroad, being present in 99.8% of the country's municipalities. The bank instituted the Business Strategy for Sustainable Regional Development in 2003, which works to boost the economy of the regions where it operates through the mobilisation of economic, social and political agents, with support that is economically viable, socially just and environmentally correct, always respecting local diversity.</p> <p>One of the regions where the DRS Business Plan sites is implemented is Mimoso do Sul, ES, in the community of Palmeiras, where the regional activity of greatest economic importance and potential for local development is the Conilon coffee production. Given the low productivity and community educational level, the local branch of Banco do Brasil identified challenges and organized new partnerships with local actors, who were responsible for providing training courses and lectures for farmers, increasing access to productive credit and diversifying agribusiness.</p> <p>These partnerships have also been responsible for attracting new investments by offering financial support to maximize the agricultural industry in the region.</p> <p>The implementation of DRS Mimoso do Sul was responsible for strengthening the Palmeiras Residents' Association, increasing the schooling level in the community by reducing the rural exodus and obtaining the Fair Trade certification. DRS has contributed to an increase of approximately 180% in farmers' productivity from 2007 to 2014. By 2015, BB's DRS Strategy supported 1,515 business plans across the country.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional Support</p> <p>Information: Capixaba Research Institute, Rural Research and Extension Institute (INCAPER)</p> <p>Implementation: Southern Espírito Santo State Coffee Farmers' Cooperative (CAFESUL), Mimoso do Sul Employers' Union, State Department of Agriculture, Supply, Aquiculture and Fishing (SEAG), State Department of Science and Technology (SECT), Ministry of Agrarian Development, Ministry of Communications and Institute of Forest and Agricultural Management and Certification (IMAFLOA).</p>

SOCIAL GOVERNANCE

VOTORANTIM INSTITUTE

Business Sector:

Cement Industry, Metals, Energy, Steel, Pulp and Agroindustry

Size:

Large

Region of operation:

South, Southeast, Midwest and Northeast.

Territorial Governance and local development

The Votorantim Institute supports the development of municipalities through the ReDes programme, created through a partnership with BNDES. The main objective of ReDes is to promote an approximation between the social actions and business strategies of the Votorantim Group companies. ReDes is dedicated to developing actions that contribute to poverty reduction and dependency of local communities, in parallel with the promotion of economic diversification of these communities and harnessing of potential synergies to add new local suppliers. In addition to preparing the local community to self-manage the business, the greatest contribution of ReDes is the capital contribution invested to create a minimal infrastructure to operate the enterprise. The strategies adopted by ReDes are developed and managed by associations or cooperative groups, using reach and local knowledge to enhance the operations in municipalities with concentrations of poverty and low economic dynamism. To ensure the financial sustainability of local businesses, it offers a field consultancy for following up on the projects for three years, ensuring that they are mature enough and that their local managers are empowered to autonomously manage their business. For the municipality, the increase in income and creation of local jobs generate indirect benefits that impact the local quality of life. The programme also allows access to new resources and partnerships, contributing to local development. Currently, the programme operates in 25 municipalities in 12 states and invests approximately R\$ 34.2 million in 48 inclusive business, managed by cooperatives and local associations.

Sustainable Development Goals:




Type of institutional Support

Investment: BNDES


Information: Local communities

HOUSING

VIVENDA PROGRAM


Business Sector: Construction	Size: Small	Region of operation: Southeast
<p>Housing, health and well-being</p> <p>The Vivenda Program is a social business that works to improve housing conditions for low-income populations. It develops a complete solution for home remodelling to benefit the health and well-being of its clients.</p> <p>To do so, it offers special payment terms, which give lower and middle class families the opportunity to hire a service that they previously were unable to access. The differential of the Vivenda Program is that it delivers a complete service that is part of the project, providing all the raw material, skilled and trained work and assistance during the course of the remodelling work, which must occur within a short space of time, on average five days. The company offers four types of solutions (in the form of kits) that were developed based on community demand: bathroom kit, coating kit, ventilation kit and anti-moisture kit. The business brings economic benefits to the residents, who gain access to a comprehensive housing remodelling service, with the possibility of paying in up to 14 payment instalments. It also generates value for the community of Jardim Ibirapuera, a low-income community located in the South Zone of São Paulo, where the company is located, integrating its residents into the value chain as suppliers and as collaborators.</p> <p>Since the Vivenda Program began effectively operating in May 2014, 72 projects have been developed, apart from the 10 still in the pilot phase. Moreover, progress has been made in promoting the local economy, community development, access to information and resident empowerment.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Information: Community Health Agents Investment: Banco Pérola, Azzi Institute and Artemisia Implementation: OBG Bloco do Beco</p>

DAMHA URBANIZADORA


Business Sector: Construction	Size: Large	Region of operation: South, Southeast, Midwest, Northeast
<p>Sustainable neighbourhood</p> <p>Damha Urbanizadora is a company that operates in the segment of real estate projects, operating nationally since 1979. Taking into account that an increase in the number of residential condominiums in low-income communities is a reality in Brazil, Damha identified the opportunity to promote the inclusion of the surrounding community and at the same time increase the square meter value of its projects. Damha then created the Sustainable Neighbourhood Association (ABS) to coordinate actions in its relations with the surrounding community. Since then, several projects have already been carried out with an investment of more than R\$ 600,000 in partnership with government agencies, community leaders, organizations, associations, and non-governmental organizations (NGOs).</p> <p>The ABS promotes debates before the actual construction of a project, in order to identify the specific needs of each community and the social and environmental projects that are already underway, aiming to work together with these. When shortcomings are detected, the community is involved in the transformation process, reinforcing how the work can and should be run collaboratively to improve these people's quality of life. As a positive externality of development of the region, Damha has noted a gradual valuation of its projects and improvement of the living conditions of the surrounding community.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Implementation: Rotary and CIES Project, Sound Design Technologies, SELI Institute. Incentives: ANVISA. Information: Development Consulting, USP, CEFAC Institute. Investment: Ashoka Foundation.</p>

INFRASTRUCTURE

AEGEA

Business Sector: Basic Sanitation	Size: Large	Region of operation: Midwest, North, South and Southeast
<p>Social inclusion and sustainability in the sanitation sector</p> <p>In Brazil, the sanitation sector still needs significant improvement. The percentage of the urban population with sewage collection networks is only 56.1% and only 38.7% of the sewage generated in the country is treated. Aegea acts within this context, serving those who require health infrastructure and need to restructure or expand their businesses. Currently, Aegea serves more than 2.7 million people, of whom approximately 285,000 receive up to one minimum wage per month. The Aegea business model considers the income of the population to be served, the range between the highest and lowest income and the form of distribution of that income, seeking to be sustainable and include all inhabitants of the municipalities, particularly those with low-incomes. For this population, the services provided by Aegea supply basic needs and promote social inclusion by providing, for example, a social tariff with a 50% discount from standard rates.</p> <p>Moreover, in serving low-income families, the company provides water and sewer connections to unpaved household streets at a lower price than those practiced at homes located on paved streets. In Campo Grande, MS, for example, one of its dealers helped increase the city's coverage ratio with the sewage disposal system from 29% to 73% between the years 2005 and 2013, significantly minimizing the number of cases of illness transmitted by contaminated water. Thus, Aegea has managed to effectively integrate into its business a for-profit, yet inclusive, model.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support</p> <p>Investment: Equipav Group, IFC, Government of Singapore Investment Corporation (GIC) and Global Infrastructure Fund (GIF)</p> <p>Incentives: Federal, State and Local Governments</p>


COELCE

Business Sector: Energy	Size: Large	Region of operation: Northeast
<p>Encouraging responsible consumption</p> <p>The Ecoelce programme – an initiative of the electric utility company Companhia Energética do Ceará (COELCE), is an example of a corporate social responsibility action that evolved into a concept of inclusive business due to the positive environmental impact that was generated over an eight-year period (2007-2014)</p> <p>The programme was initially conceived as a way to meet two expectations that were identified: the first referred to a large number of people (28%) who expressed their desire to get out of default and pay the energy bill. The second expectation is related to the need to seek a solution to the problem of solid waste that piled up alongside public streets and public parks in the city of Fortaleza.</p> <p>The Ecoelce programme encourages electricity consumers to collect, sort and deliver solid waste (plastic, metal, glass, etc.) at collection points (fixed or temporary) where they exchange these materials for discounts on their energy bill. Credits can also be donated by the customer to credit the bills of other people or charities. Among the main benefits observed, the Ecoelce programme helped reduce the problem of waste disposal, increase people's purchasing power, education and environmental awareness and reduce the number of default customers. As a result, in addition to decreasing default, COELCE reported significant gains with positive spontaneous media coverage and brand image. The initiative was extended to the other group company, Ampla, an electricity distributor in the state of Rio de Janeiro. There, the programme called Ecoampla, has the same format and is recognized for its strong partnerships with local governments and large recycling companies.</p>		<p>Sustainable Development Goals:</p>  <p>Type of Institutional Support Implementation: Recycling Companies, Neighbourhood Associations and Charity Entities</p>

ENERGISA PARAÍBA

Business Sector: Energy	Size: Large	Region of operation: Northeast
<p>Promoting local entrepreneurs</p> <p>The programme "Bem da Gente" ("Good from People"), created in 2012 by the energy company Energisa Paraíba, was designed to meet operational challenges such as high default, high power disconnections and power reconnection costs, underground electrical installations, etc. Its purpose is to boost local socio-economic development based on self-sustainable and inclusive business that strengthen the vocations of community residents.</p> <p>"Bem da Gente" works to empower the population by offering courses and training; expanding and improving existing businesses; encouraging creativity and new ventures and encouraging culture and cooperation. As a result, "Bem da Gente" impacted the outcome of Energisa, reducing bad debt, operating expenses, power shifts in the community and improving the community-company relationship. It also facilitated the entry of company employees into the community to read meters, perform inspections and offer emergency services, among others. They have also developed 42 business plans, most of them traders who had never performed the planning of their own business. Partially as a result of local development and improved relations with the community, one can observe a reduction in energy loss from 21% in 2012 to 2% in 2014, and the default of 6.35% in 2012 dropped to 4.65% in 2013, resulting in higher revenues for the company.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Investment: Palmas Community Bank – Fortaleza CE Implementation: Brazilian Association of Electricity Distributors (ABRADEE), Muçumagro Residents' Association, Federal University of Paraíba Solidary Development Incubator (UFPB), Adelina Social-Environmental Institute, João Pessoa Center Fashion and Design Course (UNIFE) and the NGO Picolé de Manga ("Mango Popsicle") Information: Dom Cabral Foundation (FDC) Forms of inclusion: Entrepreneur</p>

ECOVIAS

Business sector: Infrastructure	Size: Large	Region of operation: Southeast
<p>Development of communities' surroundings</p> <p>The Capacitar ("Train") Programme, a technical training project headed by the road company Ecovias dos Imigrantes, is characterized as a comprehensive business experience that could connect two major strategic demands of the business: the generation of economically inclusive practices of communities with high social vulnerability index, and the incorporation of skilled labour for the company's sector of operation. The relationship between the network of actors that promote the implementation of the Capacitar Programme translates into an alignment between the exercise of social inclusion concurrently with the cost savings in procurement procedures and spending on communication, bringing positive return for all participating actors. Its focus, therefore, is qualification and income generation for residents of the communities located along the Anchieta Imigrantes Road System. After qualification, participants are included in the selection process for job openings at Ecovias, as well as its partners' and suppliers'. Ecovias is able to reduce its costs through the hiring process and time, which is streamlined due to a screening that occurs during training. In partnership with SENAI and community associations, some 300 people have been benefited by the Capacitar Programme since 2012. And 60% of those who participated in the programme found a job in the formal workforce.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Information: Associations and Community Leaderships Implementation: FUNAP (Prof. Dr. Manoel Pedro Pimentel Foundation), Roberto Manzini Piloting Center, Porto Seguro and SENAI</p>

HEALTH

PLATAFORMA SAÚDE

Business Sector: Health	Size: Startup	Region of Operation: Southeast
<p>Preventive Health</p> <p>Brazil faces a gap in terms of its health systems, in which most services, public or private, focus on curative medicine solutions. To answer these questions, Plataforma Saúde provides preventive health services to communities with limited or no access to basic health services through mobile technologies. The business model built by Plataforma Saúde aims to offer good quality, integrated and sustainable services focused on the prevention and control of Chronic Non-Communicable Diseases (NCDs), especially for people of low-income. Its main service, Health Care, now consists of an assessment of the health status of the patient - including blood glucose tests, cholesterol and blood pressure measurement - as well as their life style. This assessment aims to identify risk factors for chronic diseases, which account for 72% of deaths in Brazil. The result is immediate and is based on a colour system to facilitate understanding. There are also strategic actions in place to promote health, including the sending of personalized SMS alerts. Through this close patient monitoring, it is possible to anticipate health problems and intervene effectively, encouraging the adoption of healthier habits. The system data intelligently customizes the service and facilitates self-management of the chronically ill. Currently, the business is being tested in Rio de Janeiro's Morro da Providência and North Zone communities.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Implementation: Estácio de Sá University, SEBRAE/RJ, Coração Mais Saudável ("Healthier Heart") Institute, Remer</p>

SAÚTIL

Business Sector: Health	Size: Startup	Region of operation: South, Southeast, Midwest, Northeast and North
<p>Health in a Click</p> <p>In Brazil, there is a gap in terms of quality services and access to public health information and access to medicines supplied by SUS. As a result, Saútil developed a virtual browser designed to fill this gap by providing rapid access to health information, such as medicines, health clinics and vaccines, among others. In order to guarantee funds for the financial sustainability of the business, Saútil launched the programme Com Você (With You) in 2013, based on a B2B strategy, to meet the needs of the companies and their employees. This programme aims to guide company employees on health issues using a team of specialist nurses. Clique Saúde ("Click Health") is the latest evolution of the business and is characterized by a service conducted in partnership with the municipalities (B2G), facilitating citizen access to health information via the web, mobile tools and electronic totems placed in health facilities. The services offered help reduce citizens' travel time, generate savings medicine costs and reduce missed work days. They also facilitate access to information by the public managers to reorganize the product inventories, thus helping to improve public health services. Currently, The company has more than 68,000 health units mapped and catalogued information on 5,000 medicines, over 5,000 examinations and 129 types of office visits. The company recorded more than two million unique visitors from all over Brazil in the search platform.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Implementation: Tellus Institute, Artemisia Investment: Vox Capital</p>

SOLAR EAR

Business sector:

Health and Technology

Size:

Small

Operating Region:

North

Hearing Devices at a Low Cost

A social organization with a business model that develops rechargeable digital hearing devices, Solar Ear's mission is to develop, manufacture and distribute hearing devices, solar chargers and rechargeable batteries at a low cost for the population of the middle and lower classes that cannot afford the high market prices of hearing devices. In Brazil, there are ten million hearing impaired (650 million worldwide) and only 300,000 devices distributed annually. Of these, 75% are distributed by SUS, however, the queue for patients receiving their battery-free devices is on average three years. Since 2009, Solar Ear employs and trains young deaf people to manufacturing the devices and chargers, based on technology developed in Botswana in 2002 by local young deaf people. The main innovation is the solar charger, which stores energy during the day to recharge the battery overnight. The Solar Ear devices cost around R\$ 299.00, and the standard market products start at R\$ 3,500.00. The solar charger and developed rechargeable batteries can be used for 90% of the devices that are available on the market and not only in the Solar Ear devices. Thus, over 200 million disposable batteries will no longer be discarded into the environment annually.

The company is expected to benefit about 40,000 people in the first four years of the project with the sale of hearing devices, allowing children to join normal schools, adolescents and adults to get training and re-enter the labour market and older people to return to family life. It is expected to create a smartphone application that can diagnose a person's hearing loss and send the data to a specialist to determine the best therapy (DREET program).

Sustainable Development Goals:



Type of institutional support


Incentives: Local government

Implementation: Local NGOs, community leaders, local government, associations and cooperatives

Information: local NGOs and community leaders

TECHNOLOGY

F123

Business sector: Technology and Education	Size: Small	Operating region: Digital Platform, without geographical limits of operation
<p>Assistive Technology at the Service of Inclusion</p> <p>The F123 is a consulting company that offers low cost software designed to offer access to education and information, promoting job opportunities and the use of technologies by the visually impaired. The F123 software allows the user to surf the Internet, work with electronic documents and spreadsheets, e-mails and instant messages on any computer. F123 uses free software to reduce the operating costs and the amount charged for its products, as well as contribute to the improvement of its functionality, since free software is a form of software that allows for spontaneous adaptation or modification to code, i.e. without the need to request permission from the owner to modify it. The F123 strategy is to combine the income coming from the sale of licenses, online courses and consulting services. Current users of the F123 are distributed throughout 20 countries, which can use it in three languages: Portuguese, English and Spanish. Besides individuals, the software is also used by companies, such as colleges, universities, foundations and public and private companies. An estimated 2,000 have benefitted directly of this work, and some 504,000 have been indirectly assisted worldwide.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support Implementation: NGO: Mais Diferenças ("More Differences"), Artemisia.</p>

KIDOPI

Business Sector:
Technology and Health

Size:
Startup

Operating region:
Southeast

Biomedical it Solutions

Kidopi develops technological solutions for hospital management, designed to boost efficiency and for low-income individuals, believing that technology applied to health can promote better quality and universal health services. The company reaches low-income individuals, providing solutions for NGOs and social enterprises, such as Monte Azul Community Association and Plataforma Saúde, a partnership with the potential to reach 3.6 million low-income individuals in the poorer communities of Rio de Janeiro. The main services offered by the company include HealthBI and Clever Care. HealthBI promotes real-time information on the resources available at health clinics and allows the health manager to monitor several indicators simultaneously, optimizing processes and resource use. CleverCare is a framework for management control and the orientation of patients who require continuous and accompanied medical supervision.

As observed results, inclusive Kidopi projects have generated direct and indirect impacts on the health of the assisted population. Health facilities have incorporated better management in processes and resources, offering better quality on the public health services. Remote preventive monitoring of patients with chronic diseases also helped improve the quality of life, in addition to reducing the aggravation of these diseases and health costs in Brazil.

Sustainable Development Goals:




Type of institutional support Investment and Implementation:

University of São Paulo and São Paulo State Research Support Foundation (FAPESP) and National Scientific and Technological Development Council (CNPq)

Information: University of São Paulo
Implementation: Artemisia, Supera

RETAIL

REDE ASTA

Business Sector: Retail	Size: Small	Region of operation: South, Southeast
<p>Empowering Women</p> <p>Rede Asta ("Asta Network") is a social and inclusive business that offers consumers designed handmade products made by groups of artisans from low-income regions of Brazil. The raw material of these products consists of textile waste from the fashion industry and other recyclable waste such as PET bottles, newspapers, magazines and soda cans. The main issue of the Asta Network business model is the organization and performance of its sale channels. In all, the model is based on three channels: Asta for businesses; E-commerce, and two physical stores in the city of Rio de Janeiro. The company began by empowering low-income women artisans and promoting their small businesses through training, formation of production networks and creation of sale channels. In addition to working to alleviate the poverty of the female producers, the company also promotes conscious consumption, showing consumer that they can use consumption to positively impact the lives of hundreds of people. The generation of income and social inclusion were the initial focus of Rede Asta, which started operating in Rio de Janeiro in 2005, but now has groups in Belo Horizonte, Brasília, Fortaleza, Recife, São Paulo, Curitiba and Amazonia (Parintins and Rio Negro). The goal of Rede Asta is to generate a minimum monthly income of R\$1,000.00 for each of the 700 people who are part of the network.</p>		<p>Sustainable Development Goals:</p>  <p>Type of institutional support</p> <p>Investment: Accenture, Caixa Econômica Federal, Avina Foundation, Chanel Foundation, IAF, Phillips and Santander</p> <p>Implementation: Ashoka</p>

ACRONYMS AND ABBREVIATIONS

ABEP - Associação Brasileira de Empresas de Pesquisa
(Brazilian Association of Research Companies)

AMBIMA - Associação Brasileira das Entidades
dos Mercados Financeiro e de Capitais (Brazilian
Association of Financial and Capital Market Entities)

ANATEL - Agência Nacional de Telecomunicações
(National Telecommunications Agency)

ANDE - Aspen Network of Development Entrepreneurs

ANVISA - Agência Nacional de Vigilância Sanitária
(National Health Surveillance Agency)

B2B - Business-to-Business

B2C - Business-to-Consumer

B2G - Business to Government

BB - Banco do Brasil (Bank of Brazil)

BCB - Banco Central do Brasil (Central Bank of Brazil)

BCTA - Business Call to Action

BNDES - Banco Nacional de Desenvolvimento
(National Development Bank)

CEBDS - Conselho Empresarial Brasileiro para o
Desenvolvimento Sustentável (Brazilian Business
Council for Sustainable Development)

CEMPRE - Cadastro Central de Empresas
(Central Register of Enterprises)

CIA - Central Intelligence Agency

CLT - Consolidação das Leis do Trabalho
(Consolidation of Labour Laws)

CNPJ - Cadastro Nacional de Pessoas Jurídicas
(National Register of Legal Entities)

CNseg - Confederação Nacional das Empresas de Seguros
Gerais, Previdência Privada e Vida, Saúde Suplementar
e Capitalização (National Confederation of General
Insurance, Private Pension and Life, Supplementary
Health and Capitalization Companies)

COELCE - Companhia Energética do
Ceará (Energy Company of Ceará)

CPS - Centro de Políticas Sociais (Social Policy
Center at the Getúlio Vargas Foundation)

DCNT - Doenças Crônicas Não Transmissíveis
(Chronic Non-Communicable Diseases)

DRS - Estratégia Nacional de Desenvolvimento
Regional Sustentável (National Regional Sustainable
Development Strategy - Banco do Brasil)

EAESP - Escola de Administração de Empresas de São Paulo
da FGV (São Paulo School of Business Administration at FGV)

EMATER - Empresa de Assistência Técnica e Extensão Rural
(Technical Assistance and Rural Extension Company)

ENEF - Estratégia Nacional de Educação Financeira
(National Strategy for Financial Education)

ENEM - Exame Nacional do Ensino Médio
(National High School Exam)

FASFIL - Fundações Privadas e Associações
sem Fins Lucrativos (Private Foundations
and Not-for-profit Associations)

FEBRABAN - Federação Brasileira dos
Bancos (Brazilian Federation of Banks)

FGV - Fundação Getúlio Vargas (Getúlio Vargas Foundation)

FJP - Fundação João Pinheiro (João Pinheiro Foundation)

FNDE - Fundo Nacional de Desenvolvimento da Educação
(National Fund for Educational Development)

GEM - Global Entrepreneurship Monitor

GIM - Growing Inclusive Markets

IBGE - Instituto Brasileiro de Geografia e Estatística
(Brazilian Institute of Geography and Statistics)

ICE - Instituto de Cidadania Empresarial
(Institute of Corporate Citizenship)

IDHM - Índice de Desenvolvimento Humano
Municipal (Municipal Human Development Index)

IETS - Instituto de Estudos do Trabalho e Sociedade
(Institute for Studies of Labour and Society)

IFC - International Finance Corporation
IPEA - Instituto de Pesquisa Econômica Aplicada
(Institute of Applied Economic Research)
ISP - Investimento Social Privado (Private Social Investment)
MDS - Ministério do Desenvolvimento Social e Combate à
Fome (Ministry of Social Development and Hunger Alleviation)
MEI - Microempreendedor Individual
(Individual Microentrepreneur)
MI - Ministério da Integração Nacional
(Ministry of National Integration)
MME - Ministério de Minas e Energia
(Ministry of Mines and Energy)
MSE - Micro and Small Enterprises
OCDE - Organização para a Cooperação e
Desenvolvimento Econômico (Organisation for
Cooperation and Economic Development)
MDG - Millennium Development Goals
ODS - Objetivos de Desenvolvimento Sustentável
(Sustainable Development Goals)
OIT - Organização Internacional do Trabalho
(International Labour Organization)
ONG - Organização Não Governamental
(Non-Governmental Organization)
OSCIP - Organização da Sociedade Civil de Interesse
Público (Civil Society Organization of Public Interest)
PAA - Programa de Aquisição de Alimentos
(Food Acquisition Program)
PAP - Plano Agrícola e Pecuário
(Agriculture and Livestock Plan)
PEC - Proposta de Emenda à Constituição
(Constitution Amendment Proposal)
PGPM - Política de Garantia de Preços Mínimos
(Minimum Price Guarantee Policy)
PIB - Produto Interno Bruto
(Gross National Product)
PNAD - Pesquisa Nacional por Amostra de Domicílios,
do IBGE (National Household Sample Survey, IBGE)

PNAE - Programa Nacional de Alimentação
Escolar (National School Meal Program)
PNIF - Parceria Nacional pela Inclusão Financeira
(National Partnership for Financial Inclusion)
PNMPO - Programa Nacional de Microcrédito Produtivo
Orientado (National Productive Microcredit Programme)
PNUD - Programa das Nações Unidas para o
Desenvolvimento (United Nations Development Program)
PPC - Paridade de Poder de Compra (Purchasing Power Parity)
PROAGRO - Programa de Garantia da Atividade
Agropecuária (Agricultural Activity Guarantee Program)
PRONAF - Programa Nacional de Fortalecimento
da Agricultura Familiar (National Family
Farming Strengthening Program)
PRONATEC - Programa Nacional de Acesso ao
Ensino Técnico e Emprego (National Programme for
Access to Technical Education and Employment)
PSR - Programa de Subvenção ao Prêmio do Seguro
Rural (Rural Insurance Premium Subvention Program)
RSE - Responsabilidade Social Empresarial
(Corporate Social Responsibility)
SAE - Secretaria de Assuntos Estratégicos
(Department of Strategic Affairs)
SEBRAE - Serviço Brasileiro de Apoio às Micro
e Pequenas Empresas (Brazilian Service of
Support for Micro and Small Enterprises)
SEKN - Social Enterprise Knowledge Network
SPM - Secretaria de Políticas para as Mulheres
(Department of Policies for Women)
UNDP - United Nations Development Programme
WBCSD - World Business Council for
Sustainable Development
WRI - World Resources Institute
WTT - World-Transforming Technologies
ZARC - Zoneamento Agrícola de Risco Climático
(Agricultural Climate Risk Zoning)



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