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BUSINESS + BRAZIL

Inclusive Business in Brazil: Status, Data and Policy Implications

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The 2030 Agenda for Sustainable Development demands integrated, systemic solutions and collective efforts of the public and private sectors, together with governments and civil society, to advance the Sustainable Development Goals (SDGs) by harnessing innovation, dynamism and expertise. On average, in developing countries, the private sector accounts for 60 percent of gross domestic product (GDP), 90 percent of jobs and 80 percent of capital flows. The private sector stands to gain immeasurably by transforming its business practices to make them more inclusive, sustainable and impact-driven.

The remit of the Istanbul International Centre for Private Sector in Development (IICPSD) is to work with both the private sector and governments to increase business contributions towards achieving the SDGs. In practice, this means working with investors and companies of all sizes, to ensure that the SDGs are used as the main framework for private sector strategies and operations. This, in turn, should ensure that all business outputs are contributing to the SDGs. United Nations Development Programme (UNDP)/IICPSD aims to support governments to establish enabling policy and regulatory environments while facilitating multi-stakeholder partnerships.

As a commercially viable and scalable practice, inclusive business is one of the thematic working areas of IICPSD. Not only do inclusive business models drive progress towards SDG 8: Decent work and economic growth, they also have the potential to catalyse progress across the board, be it towards gender empowerment, zero hunger or reduced inequalities.

As part of the work of IICPSD, Business+ reports were launched to provide an improved depth of understanding of the status of inclusive business around the world. We believe that this can complement the work of legislators and market actors – both globally and locally – in fostering an enabling environment for the inception, implementation and integration of inclusive

business practices. Thus far, the Business+ series has covered Turkey (2015) and the Philippines (2017), wherein it provided suggestions for pursuing a network-based approach which incentivizes and supports innovations in inclusive businesses. In both countries, several companies with inclusive business models already existed, yet low awareness of inclusive business models, limited support and collaboration of stakeholders has hindered coordinated efforts to structure and foster a vibrant inclusive business ecosystem, despite palpable enthusiasm among all stakeholders for integrating inclusive business into effective development strategies.

Therefore, together with UNDP Brazil and SEBRAE, I am delighted to launch the third Business+ report for Brazil. Throughout my career, I have paid close attention to the developmental challenges in Brazil. The progress Brazil has made in enabling poverty reduction – with 29 million people now out of poverty– in such a short space of time has been breathtaking. A private sector that generates decent-paying income opportunities, creates new markets and enhances business models through innovation will contribute to a more inclusive and sustainable business environment. This can be achieved with a nationwide awareness-raising programme and effective collaboration among actors to enhance the capacity of inclusive business models in Brazil.

Marcos Athias Neto
Director of the UNDP Finance Sector Hub



UNDP Country Office in Brazil

Inclusive and social impact businesses have been increasingly relevant within the context of the 2030 Agenda and to the localization of the Sustainable Development Goals (SDGs) in Brazil. This global agenda, among many other challenges, seeks to eradicate extreme poverty and hunger in Brazil and in the world. At the same time, this is an agenda of opportunities. It is estimated that approximately 3 to 4 trillion dollars per year will be directed towards investment in developing countries.

Over the last few decades, Brazil managed to reduce extreme poverty by 75 percent. In addition, the middle-class population increased to 29 million people, which contributed significantly to the achievement of the poverty reduction target included in the Millennium Development Goals. However, according to the most recent Regional Human Development Report on Multidimensional Progress produced by the United Nations Development Programme (UNDP), there are 224 million Latin Americans at risk of returning to poverty: 35 percent of the region's population. In Brazil, 3.6 million people are already in this situation.

The biggest challenge now is to reach new levels of development, prioritizing the inclusion of more vulnerable groups. After all, persistent inequalities remain, especially in the participation of black women, ethnic and juvenile minorities in the economic system, as well as in the spheres of citizenship. These inequalities must be removed from both the country and the productive sector if we want to move forward.

UNDP facilitates the articulation and expansion of innovative partnerships with key national and subnational organizations, strengthening its involvement with the federal government, public and private companies and working daily to build a fairer and more equitable country. In this sense, it is key to adopt measures that lead to new business models capable of generating scalable solutions to respond to concrete problems in essential services, as well as business strategies that include the lower income population as partners in their value chains.

Moreover, the private sector – thanks to its capacity to promote innovation, build productive chains and create value – can proactively contribute to the construction of a more inclusive society in a complex, dynamic and multifaceted country like Brazil. In this area, it is vital to mention the important role of small businesses, with their capacity to innovate, generate employment and contribute to 27 percent of GDP in Brazil.

Economic growth is an important driver of development. However, it is not enough to simply promote growth. After all, an economy must grow with a shared vision of prosperity, inclusiveness and respect for the environment. UNDP believes that this is the path that may lead the country to develop in a more harmonious way. This is also the aim of this publication, as it sets standards for the companies to understand and plan how they are linked to the low-income population and entrepreneurs in their business models.

Together with the micro and small businesses, the main route of articulation has been through the implementation of actions with SEBRAE, within the scope of the Iniciativa Incluir [Include Initiative] to sensitize and serve 2,000 entrepreneurs, as well as to support inclusive and social impact business in the country, to accelerate the implementation of the SDGs.

There is an opportunity, as stated by Mr. Achim Steiner, Administrator of UNDP, in “realigning business models for promoting the SDGs and with them human rights, good governance, integrity, gender equality, inclusion and environmental sustainability, to enhance the impact of private sector growth on all dimensions of the 2030 Agenda.”

Katyna Argueta
Resident Representative, UNDP, Brazil



SEBRAE

Brazilian Micro and Small Business Support Service



Since 2016, the Brazilian Micro and Small Business Support Service (SEBRAE) and UNDP have been partners in the implementation of Iniciativa Incluir – Strengthening Inclusive and Social Business in Brazil. Together, we have achieved excellent results.

SEBRAE has included in its strategic framework the commitment to support small businesses in alignment with SDG 17, as stated in the Strategic Guidelines for Assisting Social Impact Businesses.¹ These innovative business models can be distinguished by some fundamental aspects: generating social and/or environmental impact through their main business activity (i.e. when sustainability is inherent to its core business, and not only an idea or initiative); developing innovative solutions which are aligned with a digital or traditional business model (i.e. when innovative solutions are part of its distribution model, products and services or pricing system); having profitable business models that offer scalable solutions (i.e. when entrepreneurs and collaborators are committed to improving the quality of life of low-income people, presenting a structured economic model that guarantees profitability from the commercialization of products or services).

Small businesses seek to strengthen networking, to participate in governance that values shared management and community development. These three factors contribute to creating a favourable environment for public policies and territorial development, as is the case of municipal public procurement processes. When added to the identification of local potentialities – that is, businesses with the best conditions to strengthen the local economy – competitiveness and sustainability can be achieved.

In a country where there is a significant part of the population with unmet consumer needs and where more than 8 million formal entrepreneurs make up the base of the economic

pyramid (BOP), business opportunities with a social impact appear in subnational territories, either serving clients (B2C) or doing business with other companies (B2B).

Knowing the local context and designing compelling opportunities for action together with the public broaden the chances of effective and lasting results that benefit society. The “territorial” attribute recognizes integrated challenges, multiple influences and the need for cooperation at different scales. Relying on this and on the mobilization of local actors engaged in productive territorial development, we will build a genuine sustainable development movement.

Therefore, Business+ Brazil presents real-world examples of how to take advantage of the opportunities of inserting innovative small businesses into value chains, pointing to actions that can be implemented in alignment with the SDGs. It should be noted that the companies participating in the research pointed to two strategies: “establish partnerships in accordance with the SDGs” and “incorporate target SDGs into essential business strategies”. These results emphasize the importance of making sustainability a central part of business strategy, rather than having the development of inclusive and sustainable business practices as an afterthought.

The emphasis on establishing partnerships demonstrates the continued relevance of SEBRAE and UNDP’s role in encouraging the private sector to see the benefits of multisectoral and territorial integrated action to achieve the SDGs. Enjoy reading the report.

Bruno Quick
Technical Director, SEBRAE

¹ Available at www.sebrae.com.br



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BCTA	– Business Call to Action
BOP	– Base of the economic pyramid (population living off <US\$8/day – 2011 purchasing power parity)
BRIC	– Brazil, Russia, India and China
CEPAL	– United Nations Economic Commission for Latin America and the Caribbean
CEO	– Chief Executive Officer
ESG	– Environmental, social and governance
ECLAC	– Economic Commission for Latin America and the Caribbean
G20	– Group of 20 (international organization)
GDP	– Gross domestic product
GNI	– Gross national income
HDI	– Human Development Index
IICPSD	– Istanbul International Centre for Private Sector in Development
MDGs	– Millennium Development Goals
MERCOSUR/L	– Southern Common Market (Latin American trading bloc)
MSME	– Micro, small and medium-sized enterprises
NGO	– Non-governmental organization
OECD	– Organisation for Economic Co-operation and Development
PPA	– Multi-Year Plan (Brazilian policy tool)
PPP	– Purchasing power parity
SEBRAE	– Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Micro and Small Business Support Service]
SDGs	– Sustainable Development Goals
SMEs	– Small and medium-sized enterprises
UNDP	– United Nations Development Programme
WBCSD	– World Business Council for Sustainable Development



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The key findings of this report are as follows: although awareness of inclusive business among business respondents is low, their appetite to learn more – especially through UNDP workshops – is high. Moreover, the survey and extensive literature review indicate that in Brazil, the ease of doing business is low, informality is high, and capacity is limited. Notwithstanding, inclusive business has the potential to considerably enhance the resilience of developmental gains in Brazil, as well as lifting further people out of poverty.

The United Nations Sustainable Development Goals (SDGs) set targets for overcoming global economic, social and environmental sustainability challenges by 2030. Governments remain a key player in driving sustainability, but private sector solutions are also necessary to bring the dynamism, innovation and expertise required to meet the ambitious 2030 Agenda.

One of the most effective ways businesses can contribute to the SDGs is through “inclusive business”. The Group of 20 (G20) (2015) defined inclusive business as “a private sector approach to providing goods, services and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) by making them part of the value chain of companies’ core business as suppliers, distributors, retailers or customers”. Inclusive business models provide a sound basis for building a resilient economy that gives due importance to human and economic development while providing an alternative model for businesses to be profitable and responsible.

Given the potential of inclusive business for delivering market-based solutions to the SDGs, the United Nations Development Programme (UNDP) decided to accelerate the implementation of inclusive business practices by identifying capacity gaps and barriers to the adoption of relevant models and the identification of drivers that would enable businesses to better promote and implement inclusive business models. In 2015, UNDP released a comprehensive report entitled *Inclusive Markets in Brazil* outlining the status, challenges and opportunities of inclusive business in Brazil.² This report presented the key actors, institutions and theory associated with bolstering Brazil’s fledgling inclusive business ecosystem and provided recommendations. To accelerate these efforts, UNDP developed the *Business+* research study series as a tool to understand the companies with inclusive business models in the private sector in different countries and guide development actors towards a more inclusive economy.

Following successful research studies conducted in Turkey (2015) and the Philippines (2017), in close collaboration with the UNDP Brazil Country Office, esteemed academics and business associations, IICPSD initiated the *Business+* research study in Brazil in late 2017. Brazil provides a particularly interesting context for inclusive business. It is a country that has made huge developmental leaps over the past few decades and is central to the industrial drive of the Latin American continent. Nonetheless, in the past few years Brazil has experienced an unfortunate deterioration in its developmental progress, and the resilience of the nation’s growth has been rigorously tested. As of 2017, it is estimated that approximately 69.1 million people live under the BOP threshold in Brazil.³ The BOP is defined by the G20 Inclusive Business Framework as people who earn less than US\$8/day.⁴ Since inclusive business creates wealth with the BOP, inclusive business models have the potential to have a hugely transformative effect in Brazil.

This *Business+ Brazil* report aims to analyse the state of inclusive business in Brazil three years on from the comprehensive *Inclusive Markets in Brazil* report. Furthermore, this report provides specific recommendations which could be useful for policymakers, business leaders and development practitioners in their efforts to advance inclusive business practices and the role of the private sector in development.

The key findings of this report are as follows: although awareness of inclusive business among business respondents is low, their appetite to learn more – especially through UNDP workshops – is high. Moreover, the survey and extensive literature review indicate that in Brazil, the ease of doing business is low, informality is high, and capacity is limited. As such, the priority for stakeholders henceforth is to unlock the potential of inclusive business in Brazil. The research herein suggests that the key identifiable barriers to this are limited knowledge and information, awareness and institutional capacity.

The survey, on which the report’s findings and suggested policy implications are based, was conducted with 355 participants – Brazilian businesses, or businesses with significant operations in Brazil – of different sizes, degrees of formality and professional sectors. The three best represented industries were administration and consultancy, education and information technology (IT). The survey sought to examine the levels of awareness that Brazilian businesses had of inclusive business models, strategies and practices, as well as the ways in which firms could grow their capacity and establish a strong regulatory environment for inclusive businesses to operate in.



Raising awareness and interest

Awareness comprises four distinct categories: conceptual awareness, awareness of the commercial viability of inclusive business, awareness of implementation strategies and network exchanges.

One of the key findings of the survey was that most of the Brazilian firms that participated in the survey were unfamiliar with the concept of inclusive business. Just under 70 percent of respondents were unaware of inclusive business, yet when informed about the concept, expressed enthusiasm for finding out more about it and only 5 percent less, 85 percent, declared their intention to participate in UNDP training on the topic. This level of support for the concept of inclusive business was also shown in the Turkey (2015) and Philippines (2017) Business+ studies and demonstrates a link between the viability of inclusive business and the potential contribution that such strategies and practices could make.

The levels of awareness of the SDGs were much higher than that of inclusive business. A total of 93.8 percent of respondents stated that they would aim to align their business activities with the SDGs. The SDG in which the respondents thought that they were currently having the most impact was SDG 8: Decent work and economic growth. This disparity in the awareness of inclusive business and the SDGs may, in part, be due to linguistic differences, or at least the difference in terminology in Brazil, where the theoretically interchangeable terms “impact business” and “social business” are used instead of “inclusive business.” However, it could be argued that this explanation overcompensates for the lack of awareness of what the term “inclusive business encapsulates”, rather than simply the term itself.

Capacity-building

The degree of interest in inclusive business and the enthusiasm demonstrated by Brazilian businesses indicate the potential for businesses to adopt and incorporate inclusive business strategies and models in their existing structures. However, the progress already made in this area, from which to improve upon, is relatively minimal. On average, the respondent businesses scored 3.4 out of 7 for their degree of inclusiveness, with “employing poor people” (3.67) and “considering the poor as entrepreneurs in your business model” (3.69) being the most prominent and effective forms by which they could engage with the BOP. Underlying constraints to the integration of inclusive business strategies within their current business structures include “last mile infrastructure deficiencies”, bureaucratic burdens, high levels of informality and a restrictive regulatory and political environment. The process of establishing and developing innovative capacity is multifaceted and comprises multiple stages needed to evolve their products and services and market them effectively and directly to the BOP.





1. Introduction

1.1 Defining inclusive business

According to the G20 Inclusive Business Framework:

“Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BoP), making them part of the value chain of companies” core business as suppliers, distributors, retailers, or customers.” ⁵

G20 Inclusive Business Framework

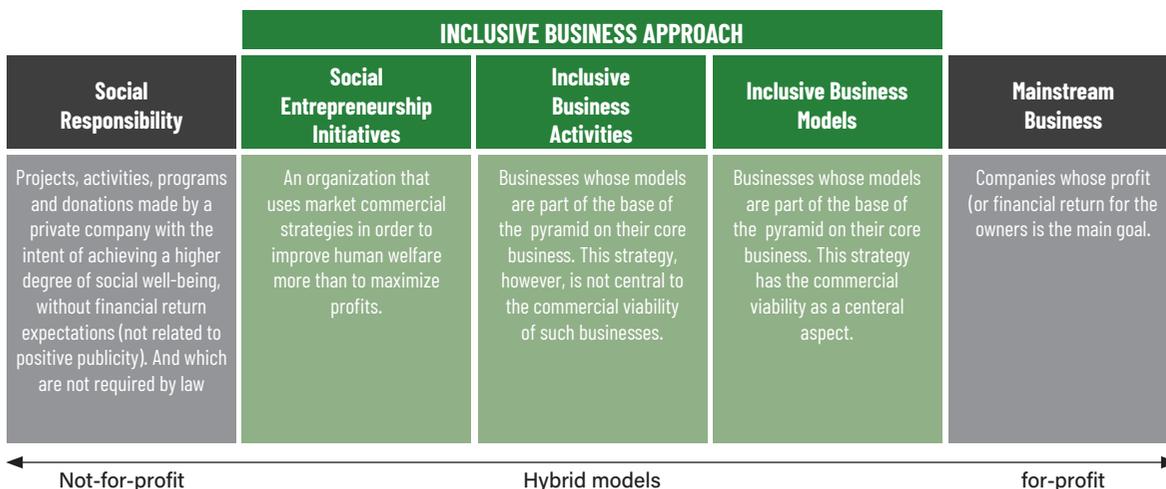
The base of the economic pyramid (BOP) is a term is used to describe people who have low income or who lack access to basic goods and services. The low-income segment is commonly considered to include people earning up to US\$8/day¹¹ in purchasing power parity terms (PPP). Setting the maximum in PPP terms adjusts the real figure to equate the relative purchasing powers among different countries.⁶

Inclusive business models have the capacity to improve the livelihoods of BOP populations, serving as a conduit to affordable products and services, and increasing productivity – activities that can yield inclusive growth and sustainable development.⁷ In other words, inclusive business models constitute long strides towards achieving the SDGs.

The BOP – who earn less than US\$8 per day (PPP, 2005) – is understood to be approximately 4 billion people worldwide, with a collective buying power of US\$5 trillion/year.⁸ Nonetheless, these groups of potential suppliers, distributors, retailers and customers offer a great opportunity for generating wealth and consequently, social inclusion, if they are made part of the value chain.

In contrast with corporate social responsibility (CSR), inclusive business does not depend on the generosity of a business, but instead creates value with the BOP, an essential part of inclusive businesses. Inclusive business practices are therefore commercially viable and seek to align corporate self-interest with the interests of the BOP. Businesses can integrate the BOP into their value chain in four key roles: suppliers, distributors, retailers and customers.

Figure 1: Approaches to private sector engagement with social inclusion



Source: United Nations Development Programme (UNDP) (2015). Inclusive Markets in Brazil: Challenges and Opportunities for the Business Ecosystem. New York. Available at <https://www.undp.org/content/dam/istanbul/docs/Incluir%20Report.pdf>

¹¹ UNDP Business Call to Action has updated this figure to US\$10 per day. See <https://www.businesscalltoaction.org/business-call-action>.

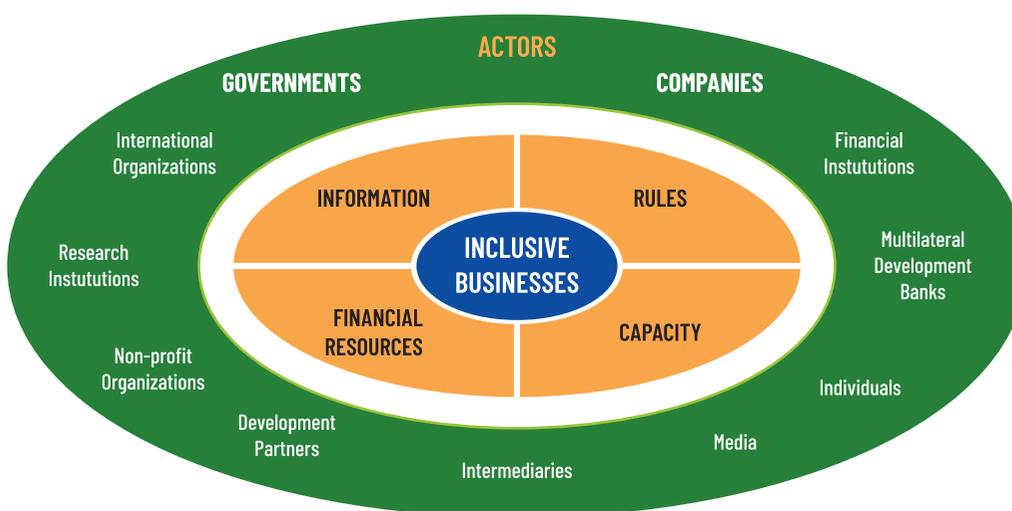


1.2 Inclusive business ecosystem

“Business ecosystem” refers to the network of relations, synergies and co-dependencies present within a group of businesses. Businesses within an ecosystem depend on one another to thrive, and actors within the ecosystem influence each other and work together to create standard practices.

As such, inclusive businesses operate more effectively within an ecosystem of other inclusive businesses, and within a commercial and regulatory framework that supports the particularities of inclusive businesses. Hence, this report provides several policy recommendations and guidelines for governments, the media, independent organizations and other companies to create the conditions for their success. The G20 Inclusive Business Framework defines the actors of inclusive business ecosystems as shown in Figure 2.

Figure 2: An inclusive business ecosystem



Source: G20 Inclusive Business Framework.

The 2015 Inclusive Markets in Brazil⁹ report effectively outlines the various actors within the emerging Brazilian inclusive business ecosystemⁱⁱⁱ. It examines the ecosystem through the lenses of:

- a) information
- b) incentives
- c) investment
- d) implementation support.

While these perspectives are often interconnected and interdependent, key actors, such as research institutions, national organizations like SEBRAE, the Brazilian Institute of Geography and Statistics (IBGE), non-governmental organizations (NGOs), firms and international development organizations all act as information hubs in the inclusive business ecosystems. However, inclusive business actors still often experience difficulty in receiving, interpreting and building on market information, mostly due to lack of or inaccessible data.

1.3 Findings of the Business+ reports

The UNDP IICPSD has already compiled two reports on the state of inclusive business practices in two focus countries: Turkey (2015) and the Philippines (2017). These cases followed a very similar methodology to the previous Brazil report, although the survey questions were adapted to the local context. There were several commonalities between the two cases, although there were differences too, as can be seen in Figure 3.

ⁱⁱⁱ It is important to note that the terms “social business” and “social impact business” are used instead of “inclusive business” in Brazil.



Figure 3: Similarities and differences between Business+ findings in Turkey and the Philippines

Similarities	Present State of IB		Key Proposals	
	<ul style="list-style-type: none"> • Low awareness of terminology • Low uptake • Employment is the leading involvement of the BoP in IB value chain 		<ul style="list-style-type: none"> • Collaborate with different stakeholders • Support a network approach • Support innovation • Improve awareness of working with the BoP, not at the Bop 	
Differences	Present State of IB		Key Proposals	
	Turkey	Philippines	Turkey	Philippines
	<ul style="list-style-type: none"> • 38% of inclusive businesses are SMEs, 27% are multinational companies, 9% are social enterprises • Education levels and financing posed the key barriers to IB expansion 	<ul style="list-style-type: none"> • 51% of inclusive businesses are SMEs, 25% are large national companies, 16% are multinational companies, 8% are social enterprises • Regulations as the dominant burden 	<ul style="list-style-type: none"> • Pursue viable business models • Assist in grappling with financial challenges 	<ul style="list-style-type: none"> • Incentivize IB models • Reduce regulatory burden

Business+ reports are publicly available through the UNDP website.¹⁰

1.4 Obstacles to inclusive business

Although the strong potential of inclusive business models for fostering inclusive growth is recognized, substantial difficulties exist in the implementation of inclusive business models and activities. The barriers can roughly be categorized as external (market) and internal (organizational) barriers. The former category includes obstacles such as rules and regulations, financial resources, information and capacity.¹¹ The latter category refers to issues related to the particular context of the companies, such as size and origin, i.e. a local small and medium-sized enterprise (SME) in the northern hemisphere or a large corporation from the southern hemisphere.¹²

While there has been some movement in the financial world towards SDG alignment – multilateral development banks have allocated US\$15 billion for inclusive business approaches and private investors have contributed an additional US\$6 billion for businesses with explicit social goals¹³ – there remain significant obstacles towards securing appropriate financing for inclusive business enterprises. With investment being a key component for a fully functioning inclusive business ecosystem, difficulty in securing appropriate investment is an obstacle to inclusive business.

Limited or lack of information is another obstacle to the development of inclusive businesses. The first Business+ study conducted in Turkey showed that although the private sector’s role in development is moderate, “companies in Turkey have very low levels of engagement in inclusive business models and activities.”¹⁴ Likewise, this study’s predecessor, Business+ Philippines, which engaged more than 200 businesses, revealed that the current levels of awareness and engagement in inclusive business practices are very low.¹⁵ Against this backdrop, for inclusive business models and activities to be sustainable and commercially successful, three pillars have been identified: the business model (inclusivity as a core business strategy), partnerships (collaboration with stakeholders), and innovation.¹⁶

Studies in Turkey and the Philippines suggest that addressing these issues requires building awareness and interest, capacity-building, strengthening the ecosystem, operating in a more favourable regulatory environment, and implementing policies that support inclusive business.¹⁷



1.5 Purpose of this study

The purpose of Business+ studies is to quantitatively analyse the inclusiveness of the private sector's business operations and to understand the level of companies' awareness, knowledge and engagement of inclusive business models. The tool is designed to generate meaningful results to be used by policymakers, business leaders and development practitioners that are specific, measurable and realistic, to be used in the creation of a conducive inclusive business ecosystem.

In the countries studied thus far – Turkey and the Philippines – awareness of inclusive business practices is understandably low, even where companies have inclusive business models without explicitly referring to themselves as “inclusive.” Moreover, the contextual and global nuances of inclusive business practices mean that more work is required to enrich and challenge the understanding of inclusive business. As the wealth of data improves, more detailed guidelines can be established to assist both policymakers and market actors in their navigation of the possibilities of inclusive business, especially to incentivize and assist in the implementation of inclusive business practices.

The pilot Business+ survey, conducted in Turkey, proposed recommendations for improvements in three main fields: awareness-raising, promotion of innovative inclusive business models and practices, and multi-stakeholder collaboration. The steps taken include: the creation of an informative website by the Ministry of Science, Industry and Technology to engage private sector actors,¹⁹ the creation of an inclusive business workshop series¹⁹ by the Turkish Informatics Association and the launch of undergraduate courses on inclusive business at Koç University.²⁰ Following the report, two inclusive business projects have been initiated: Turk Telekom's Life is Simple with Internet project, and Koton's Handmade Collection.¹⁹ The former project targets underprivileged groups in less economically-developed cities in Turkey, and provides them with basic Internet skills, bringing almost 30,000 people online within two years of its launch. The latter project, run by a textile company, relocated embroidery work to women's groups in four cities in eastern Turkey.

The Filipino Government has taken several positive steps over recent years to create a regulatory environment that is conducive to a healthy inclusive business ecosystem.²¹ For example, as of 2015, the Philippines is a permanent invitee to the G20 inclusive business dialogues. In addition, since the Business+ Philippines report, the Filipino Senate passed the Sagip Saka bill, which provides tax incentives for firms who purchase directly from agricultural suppliers, rather than through middlemen.

Given that primary producers are often BOP citizens, this fits the inclusive business requirement of incorporating the BOP into a corporate value chain as a supplier. The UNDP Country Office in the Philippines continues to work on improving awareness of inclusive business, while also improving inclusive business models and seeking to build capacity. To list a few concrete initiatives, the office has partnered with the Board of Investments and Philippine Business for Social Progress – a government agency and a private enterprise, respectively, to host the Inclusive Business Leaders Conference. This provided an opportunity for active participants in the inclusive business ecosystem to showcase, share and develop their knowledge. Moreover, the Board of Investments is currently completing the first full year of its 2017–2019 Investment Priorities Plan, wherein there are provisions for an inclusive business incentive scheme aiming to stimulate inclusive business activity. Finally, the Country Office is working to strengthen strategic partnerships with both governmental and private agencies to co-develop their inclusive business strategies. In conjunction, these efforts seek to break down the incentive and capacity barriers that were highlighted as being obstacles to a healthy inclusive business ecosystem in the Philippines.

The internal developmental progress that Brazil has already made render it a fascinating case study for assessing the present state of inclusive business. Two decades of conscious effort towards advancing development goals have consolidated a widespread cognizance of both the terminology and practices of development. It is in this spirit that the world's ninth largest economy by GDP²² can help align private sector strategies with the SDGs, and potentially act as a global leader in inclusive business practices.

¹⁹ For more information on these two initiatives, see <https://www.turktelekom.com.tr/en/AboutUs/SocialResponsibility/Pages/turk-telekom-group-social-responsibility-projects.aspx> and <https://www.businesscalltoaction.org/member/koton> respectively.



In 2015, UNDP released a comprehensive report entitled *Inclusive Markets in Brazil*, outlining the status, challenges and opportunities of inclusive business in the country.²³ This report presented the key actors, institutions and theory associated with bolstering the nation's fledgling inclusive business ecosystem and provided recommendations. For example, attempts to overcome infrastructural capacity gaps and onerous bureaucratic systems were cited as integral for the advancement of inclusive business enterprises.

This *Business+ Brazil* report aims to analyse the state of inclusive business in Brazil three years on from the comprehensive *Inclusive Markets in Brazil* report. Furthermore, this report provides specific recommendations which could be useful for policymakers, business leaders and development practitioners in their efforts to advance the inclusive business practices and the role of the private sector in development.





2. Context

The twenty-first century was proclaimed to be “Latin America’s century”.²⁴ The opening decade witnessed a rising tide of continent-wide democratic consolidation,²⁵ booming growth, declining inequality^{26,v} and poverty,²⁷ and significant advancements towards achieving development targets.^v The continent is home to 650 million people, as well as some of the world’s most extensive biodiversity hubs and resource reserves, thus Latin America remains pivotal for the realization of the Sustainable Development Goals (SDGs).

With the recent economic downturn and its impact, the region faces pressing challenges. The absolute poverty rate increased from 8.2 percent in 2014 to 10 percent in 2016, and the total size of the low-income population increased from 28.5 percent to 30.7 percent over the same period.²⁸ A total of 25 to 30 million people in the region are at risk of falling back into income poverty, which amounts to more than a third of the population that have emerged from poverty since 2003.²⁹

Despite the challenges, the region is slowly recovering after a decline in economic activity. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) estimates that regionwide growth for 2019 is 1.7 percent.³⁰ Momentum is gathering towards sustainable development in the region, with growing awareness of and enthusiasm about sustainable development among businesses. Seventy percent of Latin American CEOs believe that a “sustainability strategy is necessary for a competitive company”³¹ and the Business and Sustainable Development Commission claims that sustainable development could unlock US\$1.2 trillion in annual additional value for Latin America by 2030.³²

Hosting one third of the region’s population, and generating around 40 percent of its GDP,³³ the economic and political fates of Brazil and Latin America are intricately interwoven^{vii}. Despite a recession between 2014 and 2017, Brazil remains the strongest economic and political force in the region. Brazil is currently ranked sixth for foreign direct investment (FDI), which amounts to US\$61 billion.³⁴ Investors remain confident in Brazil’s trajectory towards prosperity.³⁵ It holds pivotal seats in several of Latin America’s diplomatic and economic multilateral organizations, such as the Lima Group, MERCOSUR/L, and ECLAC. In addition, Brazil has the largest capital stock and vote share of any Latin American country in the Inter-American Development Bank.³⁶ Moreover, with Brazil’s macroeconomic outlook improving, and business confidence returning to pre-crisis levels,³⁷ the time is right to gear resources towards harmonizing economic growth and sustainable inclusive business. As such, Brazil will undoubtedly play a pivotal role in Latin America’s developmental future.

2.1 The Brazilian context

Figure 4: Brazil fact file



^v As per the Gini coefficient, from 0.538 in 2002, to 0.467 in 2016.

^{vi} As per HDI. From a regional average of 0.686 in 2000, to 0.758 in 2017.

^{vii} Brazil’s 2017 Human Development Index score is 0.759, which is almost identical to the regional average for 2017 – 0.758.



Figure 5: Key Brazilian macroeconomic statistics (%)

	2014	2015	2016	2017	2018	2019
Real GDP growth	0.5	-3.8	-3.5	1.1	2.2	2.4
Inflation (average for the year)	6.3	9	8.7	3.6	3.9	4.2
Investment	-4.2	-13.9	-10.3	-2.5	2.5	2.7
Private consumption	2.3	-3.9	-4.4	1.1	3	2.5
Poverty (absolute poverty - US\$1.9)	2.67	3.37	4.27	4.83	-	-
Poverty (BOP poverty - US\$8)	30.1	32.22	33.07	33.09	-	-
Unemployment	6.8	8.5	11.5	12.7	11.2	9.4

Source: Poverty (absolute and BOP) (2019). PovcalNet. Available at <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>; Organisation for Economic Co-operation and Development (OECD) (2018). OECD Economic surveys: Brazil. Available at <http://www.oecd.org/eo/surveys/Brazil-2018-OECD-economic-survey-overview.pdf>

After experiencing decades of structural inequalities along axes of class, race, gender and geography, Brazil stepped into the twenty-first century abound with promise and progress. Between 2003 and 2014, Brazil underwent several socio-economic improvements. More than 29 million people left poverty and inequality declined significantly when the Gini coefficient dropped by 8.6 percent to a value of 0.533 over that period of time,³⁸ while the income level of the poorest (40 percent of the population) increased by an average of 7.1 percent per annum.³⁹

However, the country's growth rate has been slowing since the beginning of the millennium, from an annual growth rate of 4.5 percent (between 2006 and 2010) to 2.1 percent (between 2011 and 2014).⁴⁰ There was a significant contraction in economic activity in 2015 and 2016, with GDP dropping by 3.6 percent and 3.4 percent, respectively.⁴¹ Poor economic performance threatens to undermine the substantial developmental progress made over the past few decades. The recession has slowed the consolidation of development gains.⁴² Growth has been primarily export-driven – with trade comprising between 25 and 30 percent of gross national income (GNI) in the twenty-first century⁴³ – and Brazilian per capita investment in research and development remains less than 10 percent of that of other exporting giants such as Germany, Japan and South Korea.⁴⁴ The underinvestment in skills development, industry and innovation mean that breaking out of a primary-product dependent growth model, contingent as it is on the whims of global markets, will be remarkably difficult.⁴⁵ Additionally, significant capacity gaps remain: infrastructure remains sparse in Brazil's rural northern states; businesses still face bureaucratic challenges, high taxes,^{46,viii} and a lack of incentives; and structural inequalities continue to fracture society, creating a fragmented base upon which to build further progress towards achieving the SDGs.⁴⁷ The Brazilian economy remains obstructed due to global market volatility and the country consistently ranks in the bottom half of the global tables, with a current rank of 109 out of 190 on the annual Ease of Doing Business report released by the World Bank.⁴⁸

In February 2019, Brazil experienced its lowest unemployment rate in over a year: ⁴⁹ 11.6 percent.^{ix} In addition, the inflation rate has decreased to 3.78 percent⁵⁰ – less than the 4.5 percent central bank target.^{51,x} While 2017 witnessed Brazil's tentative climb back to positive GDP growth of 1 percent, growth in 2018 appears to have stagnated at 0.2 percent.⁵² The slowing down of macroeconomic progress has required the Brazilian Government to adopt a new inclusive growth strategy that aims to develop impact businesses in order to deliver developmental results.⁵³

^{viii} The national rate of tax is 34 percent and the corporate income tax rate is a minimum of 15 percent.

^{ix} However, this figure conceals record levels of informality, and 0.4 percent in the following month. See Endnote 34.

^x Including a 1.5 percent tolerance band.



Brazil's national strategy for impact businesses is based on four different key strategies:⁵⁴

1. Increasing the amount of capital available for impact businesses
2. Increasing the number of impact businesses
3. Strengthening intermediary/support organizations
4. Creating a suitable macro environment for impact businesses.

A recent survey conducted by Pesquisa Inovativa em Pequenas Empresas (Small Business Innovative Research Program – PIPE) found that most of the businesses that are recognized as social impact businesses are still at an early stage of development – 40 percent have been in business for less than three years – the majority of them (68 percent) are located in the south-east region of the country and 58 percent have male CEOs.⁵⁵ These impact businesses are distributed across six areas: education (38 percent), green technologies (23 percent), access to services (12 percent), health (10 percent), financial services (9 percent) and mobility (8 percent). Data collected by UNDP shows that 77 percent of the impact businesses generate up to R\$60,000 per year.⁵⁶

The Brazilian Micro and Small Business Support Service (SEBRAE),^{57, xi} a private non-profit organization established in 1972, has been one of the key actors advancing this strategy. The organization is part of the “S System”^{xii} – a term established by the Brazilian Constitution defining a set of corporate entities focused on professional training, technical and social assistance, consulting and research. SEBRAE supports the growth and development of small businesses while facilitating the competitiveness and sustainability of micro and small-scale ventures across the country. The OECD estimates that if the inclusive growth reform agenda continues, consistently and at the current rate, GDP could increase by as much as 20 percent over a 15-year period.⁵⁸

There have also been other efforts to reform the relationship between public and governmental institutions by reducing informality, such as the “individual entrepreneur” law⁵⁹ and the streamlining of investment, as well as the creation of a strategy to support inclusive and social incubators and accelerators. Therefore, in part due to these innovative policies and agendas, the economic situation in Brazil – when examined from both a regional and global perspective – continues to offer reasons for cautious optimism.

Brazil has exhibited considerable progress towards becoming a green growth economy by reducing its greenhouse gas emissions as a result of an 82-percent reduction in deforestation in the decade leading up to 2014 and with 44 percent of energy supply coming from renewable sources in 2015.⁶⁰ However, the level of energy-related and agricultural emissions have risen to become parallel to those of the wider economy, particularly emissions from the agricultural sector, that also contributes to deforestation. Four million acres of primary forest were deforested between 2001 and 2018, primarily for cattle ranching, farming, land speculation, internal irregular migration and both legal and illegal mining and logging.⁶¹ Brazil remains a focal point for environmental debates and a sobering example of ecological decline. Sixty percent of the Amazon rainforest is found within Brazil's borders and it is home to more species of animals, birds, fish and plants than any country in the world.

^{xi} SEBRAE and its seven sister organizations (which together form the “S system” of industry information and education organizations) make efforts to build bridges between governance and industry.

^{xii} The following organizations are part of the S System: National Service of Industrial Learning (SENAI); Social Service of Commerce (SESC); Social Service Industry (SESI); and National Service for Business Education (SENAC). The remaining organizations are: National Rural Apprenticeship Service (SENAR); National Cooperativism Learning Service (SESCOOP); and Social Transportation Service (SENAT).

^{xiii} It should be noted that the currency conversion rate used to equalize the \$8 a day purchasing power parity (PPP) varies according to the local currency.



2.2 Who are the poor and vulnerable in today's Brazil?

According to the Brazilian Institute of Geography and Statistics (IBGE), **the poverty line in Brazil** is an income of R\$387.07 per month, which is approximately US 5.50 a day. It is noteworthy that the number of poor people (i.e. people living on less than US\$5.50 a day) increased from 52.8 million in 2016 to 54.8 million in 2017.⁶² IBGE also reports that the low-income population increased from 25.7 percent to 26.5 percent between 2016 and 2017, driving approximately 4 million people back into poverty, and a further 1.8 million have fallen into absolute poverty.⁶³ The proportion of the population living in **absolute poverty** has been noted to be 4.83 percent or 11.1 million people in 2017.⁶⁴

The G20 Inclusive Business Framework defines the **BOP** as people who earn less than US\$8/day.⁶⁵ Since the early 1990s, the number of people in Brazil with an income of less than US\$8 per day,^{xiii} who can therefore be categorized as the BOP, declined from 70.9 percent in 1990 down to 30.1 percent in 2014. However, due to the recent economic instability, the number of people living under the BOP threshold has increased to 33.09 percent as of 2017 – or approximately 69.1 million people.⁶⁶

Race and **location** are factors that sharply influence the likelihood of an individual being counted among the extreme poor. On average, 'white' Brazilians earn twice as much as 'black' Brazilians.⁶⁷ While significant steps have been taken over the past few decades to narrow racial gaps in income, employment, schooling and health,⁶⁸ significant disparities remain. Some 52.9 percent of Brazilians self-identify as black or brown-skinned and over 70 percent of Brazilians living in extreme poverty fall into this same category.⁶⁹ In this same vein, we can also analyse regional disparities in wealth. Wealth is concentrated around Brazil's southern coastal economic hubs – namely São Paulo and Rio de Janeiro. However, although 27.7 percent of the population live in the north-east, they only account for 15 percent of national GDP.⁷⁰ This disparity is also seen in **schooling**^{71,xiv} and **urban/rural**^{72,xv} inequality. For example, rural Brazilians account for 46.7 percent of people living in absolute poverty in Brazil, despite comprising only 15 percent of the nation's population.⁷³



^{xiv} North-eastern Brazilians over the age of 60 have 2.2 fewer years of schooling than south-eastern Brazilians.

^{xv} Around 15.6 percent of Brazilians live in urban areas, yet they account for 46.7 percent of the extreme poor.



Women remain underrepresented in the labour market. Despite the gender employment gap halving since 1990, as of 2018, only 52 percent of women are actively employed in the labour market,⁷⁴ compared to 74 percent of men.⁷⁵ Moreover, male workers are paid, on average, 50 percent more than women, which forms a gender pay gap that is 10 percent higher than the OECD average. Women are also more likely to be in informal employment.⁷⁶ This is likely due to higher concentrations of women in low-paid labour sectors, such as domestic work (98 percent female) when compared to industries such as commerce (33 percent female) and public administration (38 percent female).⁷⁷

Youth unemployment, during the 2014–2017 recession, climbed to 45 percent, leaving 4.5 million Brazilians under the age of 24 out of work.⁷⁸ This occurred despite improving levels of education among young people. Indeed, student debt repayments are simultaneously negating the potential productivity of this generation and turning the group into a demographic burden, by forcing them to either drain the resources of economically active family members or to take jobs that do not match their skill sets. Poverty is highest among children and unemployment among youths is more than twice the overall average.⁷⁹ Hence, youth inclusion is another perspective through which to understand the “tight nexus between productivity and inclusive growth”

A growing **elderly population** is currently the most prominent demographic trend in Brazil. The rate of growth for the elderly population increased by 40.3 percent from 2002 to 2012.⁸⁰ In 2017, 8.6 percent of Brazil’s population was aged 65 or above, an increase of 1.4 percent from 7.2 percent in 2012.⁸¹ Furthermore, it is predicted that this demographic challenge will worsen in the coming years because the number of elderly people per 100 young people is due to increase from 39 in 2010 to 153 in 2040.⁸²

In Brazil, 24 percent of the population – more than 45 million **people – live with a disability** or impairment of some sort.⁸³ The proportion of employed people aged 10 years or older with a disability is 51.8 percent, more than 10 percent lower than the 63 percent of men who have not declared a disability.⁸⁴ The disability rate among the elderly population – people aged 65 years old and above – is much higher, at 67.7 percent, according to the latest Brazilian census, which was completed in 2010.⁸⁵ However, state-funded unconditional cash transfer programmes such as the Continuous Cash Benefit Programme (BPC), in operation since 1993, seek to address poverty among the elderly and disabled by making monthly cash transfers equivalent to the minimum wage.⁸⁶



2.3 SDG progress in Brazil

Achieving and frequently surpassing the targets of the Millennium Development Goals (MDGs), Brazil acted as a key interlocutor and reference point in the negotiation and establishment of the SDGs⁸⁷ and maintained its integral position in the process by internalizing and disseminating the SDGs in its domestic policy.^{88,XVI} Indeed, the post-2015 SDG agenda was launched in Brazil at the United Nations Conference on Sustainable Development (Rio+20), which took place in Rio de Janeiro from 20 to 22 June 2012.

The Brazilian Government keenly integrated the SDGs into its domestic agenda with the establishment of the National Commission for the Sustainable Development Goals (CNODS) in 2016. The 86 percent correspondence between the targets of the SDGs and the targets of the National Multi-Year Plan (PPA)⁸⁹ proved its enthusiasm. The overlap was most notable in the areas of hunger alleviation and health care improvements.⁹⁰ Real-time quantitative checks on Brazilian SDG progress – indicator-by-indicator – are publicly available through the IBGE online SDG platform.⁹¹

Another significant step was the localization of the SDGs. Brazil was one of the first countries to adapt the Human Development Index (HDI) to the municipal level, in 1998. The Government also developed a guide for municipalities to incorporate the SDG agenda into their local planning.⁹² However, it is important to note that the implementation of the SDGs depends on each territory's distinct development challenges, the engagement of local actors and the capacities of the state and municipal governments to deliver. For this reason, the 2030 Agenda remains a major challenge, from awareness-raising to implementation on the ground.

CSR has been a popular and strongly supported agenda and practice in Brazil since the late 1980s. The roots of the CSR trend and awareness of the role and potential impact of business on society lay in the democratization process and the engagement of civil society movements with the growing socio-economic inequalities in the country at that time.⁹³ Although they are by no means the only large and effective CSR groups in Brazil, the Group of Institutes, Foundations and Enterprises (GIFE) and Instituto Ethos are two of the most significant and influential organizations working in this area. GIFE first began operating in an informal capacity in 1989 but became a fully-fledged and regulated NGO in 1995. It currently has 129 members and an annual investment portfolio totalling R\$3billion.⁹⁴ The formalization and accreditation of the group in the mid-1990s was based on an increased need for ethical philanthropy in Brazil.⁹⁵ Instituto Ethos was established in 1998, to advise and support Brazilian businesses in the design and implementation of their CSR strategies.⁹⁶ In 1998, an estimated R\$4 billion (approximately US\$2 billion) was donated from the corporate sector. Most of those funds were distributed among projects focusing on social care, food and education.⁹⁷

Launched in 2003, the Brazil United Nations **Global Compact Network** is one of the major actors that work with companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption and that take action to advance societal goals. Today, it has more than 830 members and is the third largest network in the world.

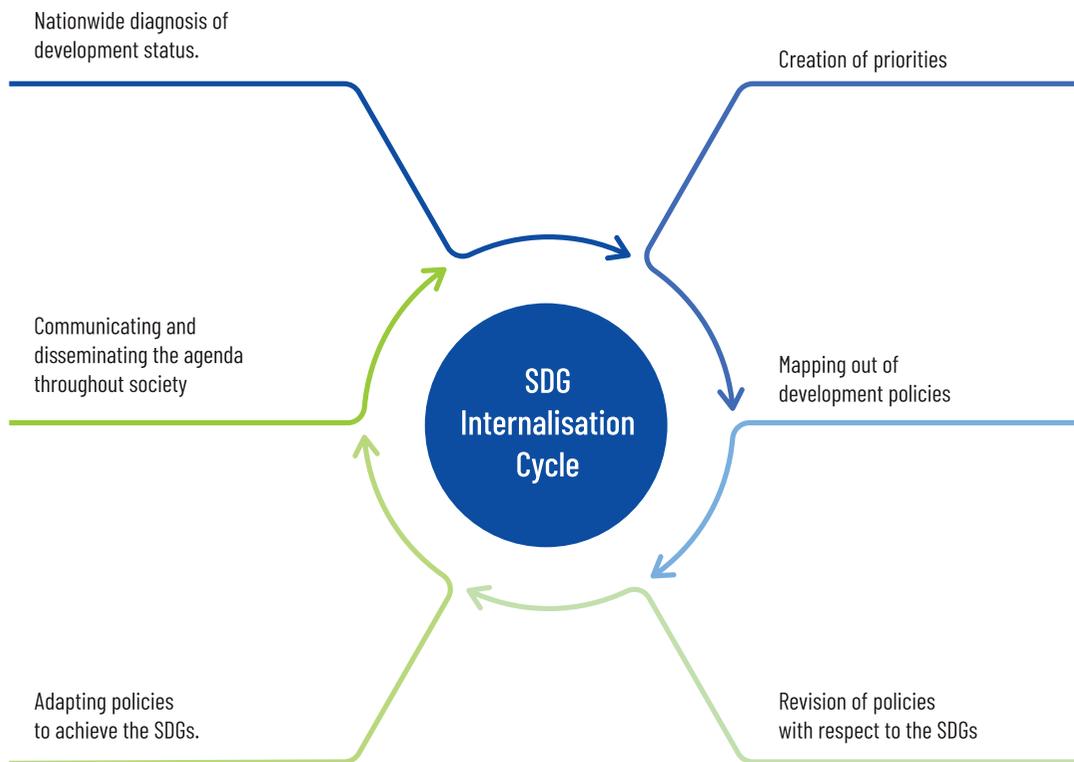
The Brazil Network presides over the Latin America & Caribbean Local Networks Council and the Global Compact Council. It is also the only network member that is part of the Global Compact Board, the highest level of the organization, presided over by António Guterres, Secretary-General of the United Nations. In Brazil, as well as answering to the Global Compact headquarters in New York, the network is linked to the United Nations Development Programme (UNDP).

Presently, it is undertaking 30 initiatives in the areas of Water and Sanitation, Energy and Climate, Food and Agriculture, Human Rights and Work, Anti-corruption, Communication and Engagement, as well as programmes intended to mobilize the business sector around actions linked to SDGs. Each theme is managed by a thematic group comprising representatives of companies and organizations that are part of the Brazil Global Compact Network.



Moreover, several platforms and information hubs were created to inform and foster dialogue and debate between civilians, civil society, business and government agencies.⁹⁸ For example, participa.br offers a social media driven platform for citizens and civil society organizations to debate and discuss, whereas the Municipal Vulnerability Atlas provides a detailed and open-access needs map of social vulnerability in 5,565 municipalities throughout Brazil.⁹⁹ The final tenet of the National Commission Action Plan is to assist in and monitor the progress of the SDG internalization process, including the preparation of periodic reports.^{XVII,100} The steps it takes to enact this can be summarized as shown in Figure 6.

Figure 6: SDG internalization cycle



^{xvii} This corresponds to article 2, clause 3 of Decree No. 8,892 of 27 October 2016, Diário Oficial da União of 27 August 2016 (Brazil) and Axis 5.



2.4 Why the private sector matters for sustainable development

"The sustainable development agenda can only be realised with a strong commitment to partnerships at all levels between governments, the private sector, civil society and others."

António Guterres



Sustainable development is a multifaceted process and requires cooperation from all sectors: the Government, civil society, academia and the private sector. Given its potential, the private sector stands as a critical partner in the achievement of the Global Goals by 2030. On average, in developing countries, the private sector accounts for 60 percent of gross domestic product (GDP), 90 percent of jobs and 80 percent of capital flows.^{xviii}

Transition to sustainable and SDG-aligned business models provide economic opportunities for companies. As highlighted by the Business Commission on Sustainable Development, up to \$12 trillion in new economic opportunities could be generated through investments in areas such as agriculture, cities, energy and health and 380 million jobs could be created (90 percent in developing countries) by 2030. Businesses are increasingly capitalizing upon the SDGs as a market opportunity and reconfiguring their business models accordingly.¹⁰¹ For instance, according to research conducted by Accenture, 87 percent of CEOs perceive SDGs as a chance to reconsider approaches to sustainability, and almost half say that businesses are the most important actors in delivering the goals.¹⁰²

In partnership with governments, civil society and businesses, UNDP seeks to enhance the private sector's role as a vital actor in advancing the SDGs by assisting private sector actors in the process of adopting them as the main framework for their strategies and operations so that all business outputs are contributing to the SDGs. UNDP aims to support governments to establish enabling policy and regulatory environments while facilitating multi-stakeholder partnerships.

The private sector plays a key role in delivering sustainable solutions at the local level, creating employment opportunities, leading innovation, developing market-based solutions by mobilizing private finance and promoting viable investments, assisting the cities in keeping up with technological and cultural transformations, and facilitating the transformation towards environmentally-conscious operations.¹⁰³ A successful alignment of business objectives with the SDGs can simultaneously achieve the Global Goals and generate revenue, as exemplified by the fact that individuals with a daily income of up to US\$8 invest a total of US\$710 billion every year in infrastructure, and consequently, the provision of infrastructure products and services presents a unique opportunity for the private sector.¹⁰⁴

Likewise, the SDGs open up US\$12 trillion worth of market opportunities in four economic systems: food and agriculture, cities, energy and materials and health and well-being.¹⁰⁵ The total economic value that can be unlocked in the Latin America and the Caribbean region is estimated at US\$1.2 trillion.¹⁰⁶ These numbers indicate a proliferation of the understanding that businesses constitute a vital partner in achieving the SDGs.¹⁰⁷

^{xviii} See the Donor Committee for Enterprise Development (DCED) evidence framework on how private sector development increases income and welfare for poor people at <https://www.enterprise-development.org/what-works-and-why/evidence-framework/>



“Achieving the SDGs will create a world that is more sustainable, equitable, and ultimately more prosperous. In order to get there, investors must adapt and transform their strategies to deliver not only financial results, but social and environmental ones as well.”

UNDP Administrator, Mr. Achim Steiner



The private sector plays a crucial role in Brazil's development. There are 12.9 million companies in Brazil employing approximately 40 million people (33 million are workers and 7 million are partners or business owners). Efforts should be made to focus on SMEs, as they account for 85 percent of this ecosystem, responsible for 52 percent of formal job positions.¹⁰⁸ Brazil has a higher rate than other BRIC countries in the creation of new businesses. However, business discontinuance is a challenge. The business environment can be strengthened by stimulating incentives, investments, access to information and implementation support for business models capable of serving the low-income segments.¹⁰⁹ The global growth in the market for sustainable investment has been recapitulated in Brazil, with almost US\$3 billion having been procured for green bonds since 2015.¹¹⁰ The 2015 UNDP-led Inclusive Markets in Brazil¹¹¹ report offers extensive insight into the early developments regarding corporate SDG alignment in Brazil. It tracks exciting early actors, such as the adaptive learning platform Geekie, which makes use of machine learning and online connectivity to provide tailored education, research and recommendations for all Brazilians. The firm has global aims and works to empower BOP citizens to increase their opportunities and their individual skills. In addition, fintech firms are booming in Brazil, a country with a high concentration of banks and low rates of formal financial transactions among the low-income population. Investments in this overlooked market may reconfigure the financial services industry, benefiting SMEs and reducing the financing gap for the productive sector. Given the size of this market, the amount of the population who potentially stand to benefit from it and the high potential to scale, fintech firms are seen as strategic by social development institutions. As such, SmartMEI – a digital account and mobile application for business finance management – and Firgun – a platform for collective financing – are two fintech firms selected as finalists of the **Initiativa Incluir** 2017 call for start-ups that have identified business opportunities to serve low-income entrepreneurs and clients in Brazil.^{xix}

On a national scale, civil non-profit organizations, such as the Brazilian Business Council for Sustainable Development, work to raise awareness and approval of sustainable business strategies while also coordinating the energy of the private sector towards the realization of the SDGs.

^{xix} For more information on social and inclusive businesses in Brazil, please see <http://www.iniciativaincluir.org.br/>.



3. Methodology

3.1 Business+ Brazil research stages

Literature review: Recent academic and non-academic studies on inclusive business and the private sector's role in development were reviewed, including articles, books and grey literature reports published by development agencies, the private sector and public institutions such as UNDP, OECD, the World Bank and the Ministry of Planning, Development and Management of Brazil. The information derived from the literature guided the subsequent research stages in constructing and adapting the in-depth interview and survey questions, and also formed a strong base for the discussions in this report.

In-depth interviews: Five semi-structured in-depth interviews were conducted in Brazil with owners or managers of companies of various sizes from different sectors, including technology, health and services. The participant companies were found to be involved in development efforts to various degrees, which provided the research team with insight that allowed them to adapt the Business+ survey tool to suit research needs.

Survey: The Business+ survey tool was developed as a baseline survey to determine the current level of awareness, knowledge and engagement of inclusive business in the private sector in different countries. This tool was first developed during the Business+ Turkey project, which was followed by the Business+ Philippines and Business+ Brazil projects. Most of the questions included in the survey are applicable to all countries. However, some questions and items related to country-specific contexts require adaptation in order to gain better insight and increase the project's potential impact.

Findings of the in-depth interviews were used to adapt the survey to the Brazilian context. Several meetings were held to adapt the country-specific questions and items, which were followed by a pretesting session. Feedback from pre-test participants was used to finalize the survey tool, which comprised nine main sets of questions with multiple items, followed by demographic questions that consisted of seven-point Likert scale questions, open-ended and semi-open-ended questions and multiple-choice questions. The link to the online survey was sent via email to senior executives of companies from various sectors (Figure 7). The survey had responses from 355 companies, which were included in the data set for analysis.

3.2 Operationalization of key constructs

Level of inclusiveness

The level of inclusiveness was measured through eight questions using a seven-point Likert scale, with the lowest response 1 indicating that poor people were not at all included in a company's operations and the highest response 7 showing that poor people were included to a great extent. In the first six items of the survey, respondents were asked to rate how much they included poor people in their business models for different entry points, which refers to the roles poor people can take in an inclusive business model (employee, consumer/customer, supplier, distribution channel member, entrepreneur or local community). The last two items asked the respondent about the extent to which inclusivity is emphasized in their company's mission statement and business strategy, which revealed whether inclusivity was integrated into their company's core strategy.



Organizational format

Respondents were asked to select the organizational format in which those with low income fit in the business using terms derived from the literature reviewed and in-depth interviews. These included: formal worker, informal worker, self-employed, informal company, microenterprise, individual microentrepreneur, small business, agricultural producer and cooperative.

Inclusivity intention

The intention of companies' senior management to include poor people in company operations within the next five years was assessed through questions using a seven-point Likert scale.

Inclusive business awareness

Respondents were asked whether they were aware of the concept of inclusive business before participating in the research.

Adoption of the SDGs

Respondents were asked to select the top five SDGs for which they believed their company (including the value chain) currently had the greatest impact, as well as the top five SDGs which could provide business opportunities for their company in the future.

Implementation of the SDGs

Respondents were asked to select from a list the actions that their company will take in the next five years to implement their prioritized SDGs (as selected in the previous questions).

Interest in inclusive business models

Respondents were asked about their willingness to know more about and participate in activities related to inclusive business.



4. Findings

4.1 Summary of findings

The survey results indicate that respondents are not averse to inclusive business, but rather often appear to be unaware its relevance to their work. However, when they become aware of inclusive business, the companies are usually keen to deepen their knowledge and are open to exploring the possibilities of transforming their business to benefit from inclusivity and skills development. In general, the main finding shows that companies' enthusiasm for **inclusive business is hindered by a lack of conceptual awareness**, which corresponds to the findings of the previous Business+ projects in Turkey (2015) and the Philippines (2017).

Of the 355 respondents of the survey for the Business+ Brazil study, 69.85 percent were unaware of inclusive business, with 89.82 percent expressing interest to learn more about the concept and 84.98 percent indicating their wish to participate in UNDP-led inclusive business workshops. This demonstrates the **urgent need to raise awareness of inclusive business and its merits**, so that all stakeholders can communicate using a shared terminology. Beyond demonstrating a volition to improve their knowledge of inclusive business, respondents also expressed a moderate interest in adopting inclusive practices, scoring 4.06 out of 7 with respect to their intention to integrate the BOP into their activities within the next five years. The related interest to learn more about and shift towards inclusive business practices indicates the need to educate companies and assist them in effectively making necessary changes. Enhanced focus on inclusive business practices will build upon existing inclusivity within Brazilian business. In terms of their **general degree of inclusiveness, respondents scored 3.4 out of 7, with "employing poor people" (3.67) and "considering the poor as entrepreneurs in your business model" (3.69) being the strongest forms of engagement.** These two options are particularly interesting as they form very distinct forms of inclusive business engagement: the first option is a good start for working with the BOP, though it needs to be coupled with skills development to ensure that the BOP are creating wealth, while the second option more strongly emphasizes the BOP as wealth creators.

Respondents were also asked about their involvement with incorporating the SDGs into their business practices. Brazilian businesses were asked to rank the top five SDGs for which they believed they had the greatest impact, as well as the top five SDGs they viewed as providing the best business opportunities. For both questions, **SDG 8: Decent work and economic growth scored highest**, with 216 companies selecting it for greatest impact and 179 for best business opportunities, followed by **SDG 3: Good health and well-being** (165 and 121 respectively), **SDG 4: Quality education** (165 and 136 respectively) and **SDG 12: Responsible consumption and production** (137 and 143 respectively). SDG 1: No poverty was not listed among companies' top five SDGs that could provide a business opportunity in the next five years, which points to the urgent need to create awareness of business opportunities that are brought about by inclusive business models.



Fortunately, businesses are eager to improve their knowledge about the SDGs and to engage with them, seemingly more so than inclusive business. In fact, **93.80 percent of respondents aim to take positive steps towards aligning their practices with the SDGs in the next five years**, with partnership development being the most popular option for achieving this. The creation of strong partnerships will provide an excellent platform for Brazilian businesses to improve their understanding of the SDGs and take effective action towards achieving them.

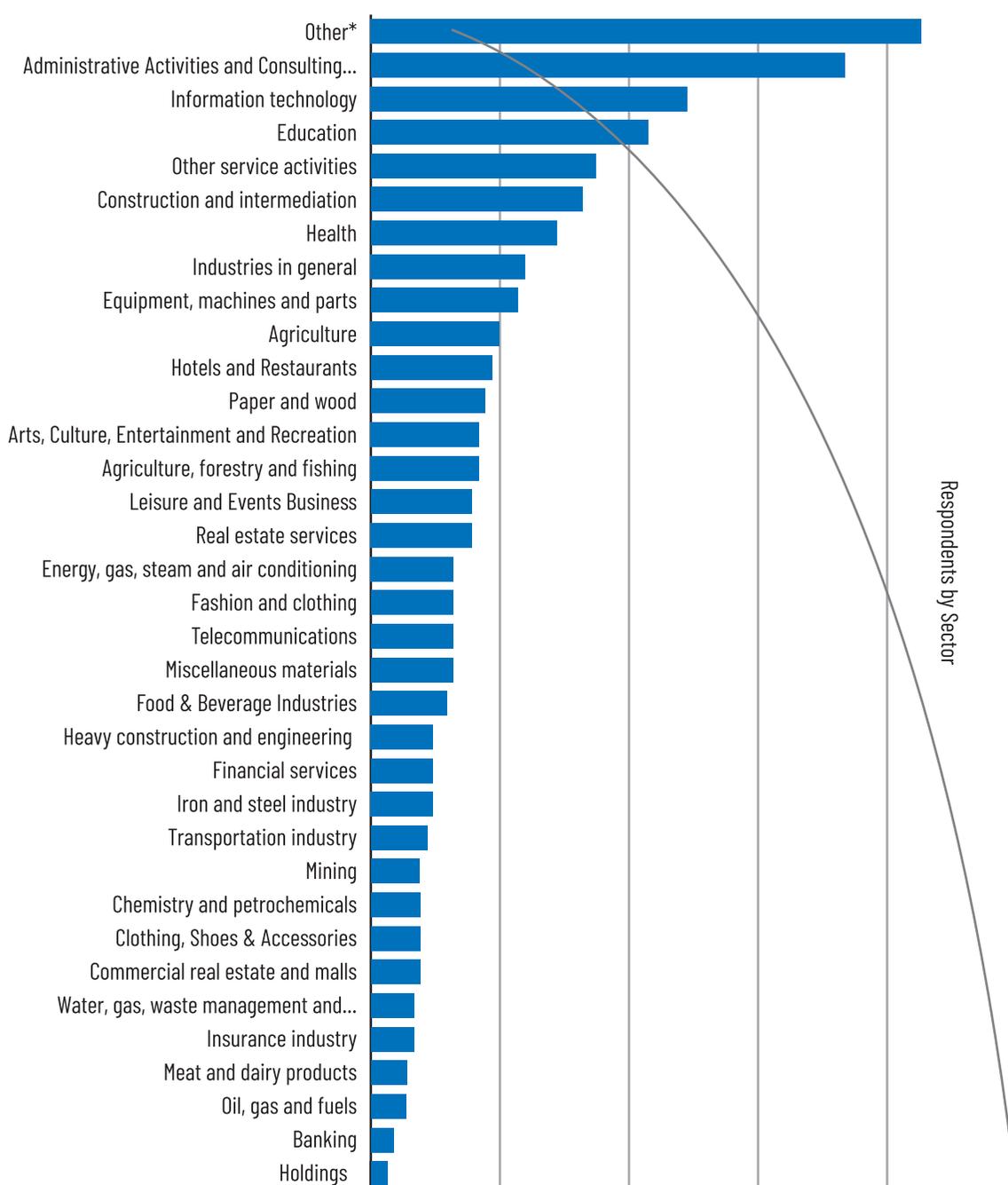
^{xx} Participants were able to choose more than one option to define the industries in which they operate. A full list of "other" respondents, including their approximate category, is included in the annex.



4.2 Respondents

The survey had 355 respondents representing a broad spectrum of industrial sectors.^{xx} The best represented sectors were **administration and consultancy (72)**, **education (42)** and **information technology (IT) (48)**. Labour-intensive industries such as construction, services and manufacturing also accounted for a significant number of respondents. The size of the employer is of crucial importance, since greater employment reach provides greater scope for engaging with the BOP through job opportunities.

Figure 7: Survey respondents by sector

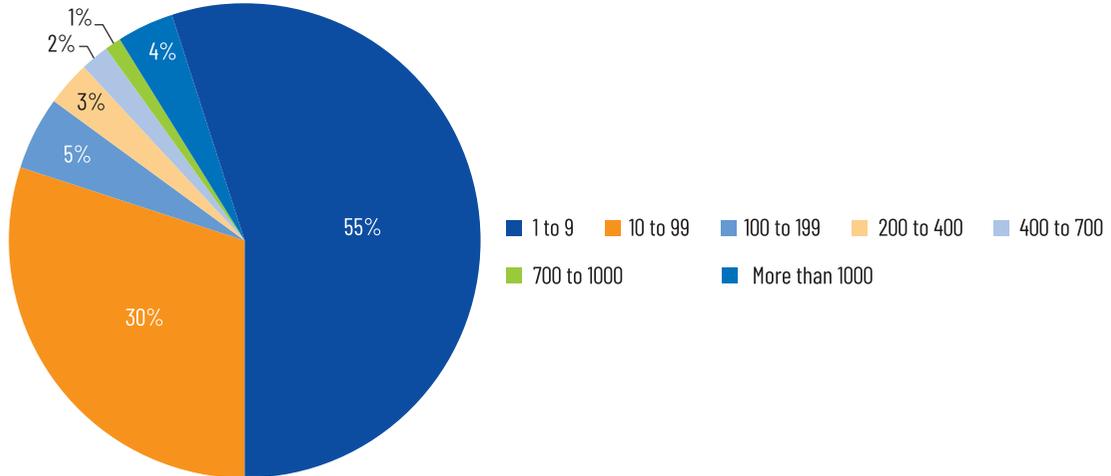


Note: The 355 survey respondents are from many diverse sectors. "Other" (see annex) accounts for the largest group, which demonstrates the reach of the survey to the different areas of the Brazilian economy.



Figure 8: Approximate number of employees

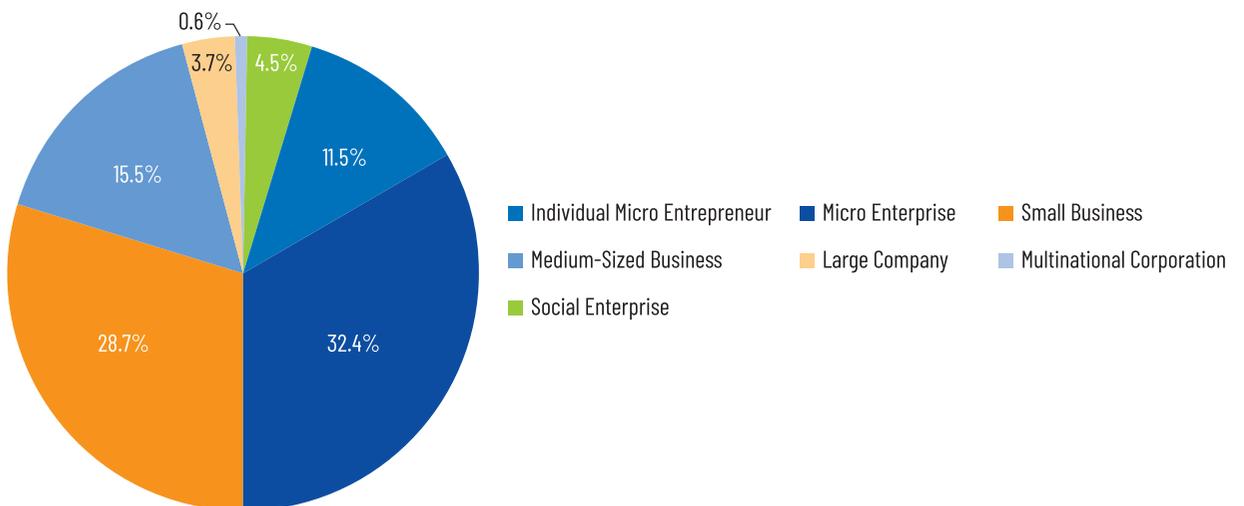
What is the approximate number of employees working in your organization?



Figures 8-10 show the spread of business sizes, which is important as this directly affects the amount of wealth that can be created through inclusive business. Most respondent companies were small: 85 percent of respondents had fewer than 100 employees, with 55 percent having fewer than 10. This is fairly representative of business sizes throughout Brazil,¹¹² as 66.7 percent of firms have 1-9 employees. However, among the survey respondents, large firms were over-represented, with 3.7 percent considering their companies as large and approximately 8.6 percent^{xxi} reporting 200-400 employees, even though only 1.2 percent of Brazilian businesses are this size. **Most of the respondent companies (90.99 percent) were micro, small and medium-sized enterprises (MSMEs).** Only 15.99 percent of respondents undertook operations outside of Brazil and only 0.58 percent described their companies as multinational corporations. Social enterprises comprised 4.5 percent of respondents.

Figure 9: Company size by category

In which of the categories below does your company fit?



^{xxi} Assuming a uniform distribution throughout the 200-400 employee category.



Figure 10: Number of respondents operating outside Brazil

Does your company operate outside of Brazil?

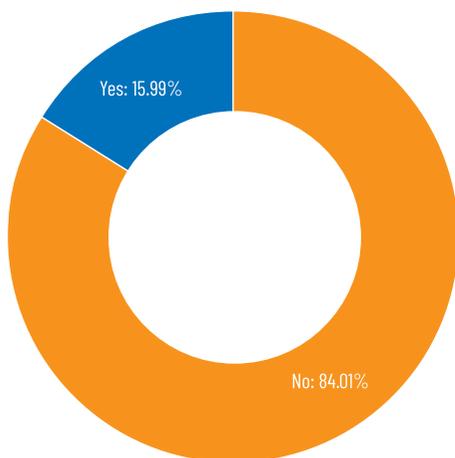


Figure 11: Employment format and organization size

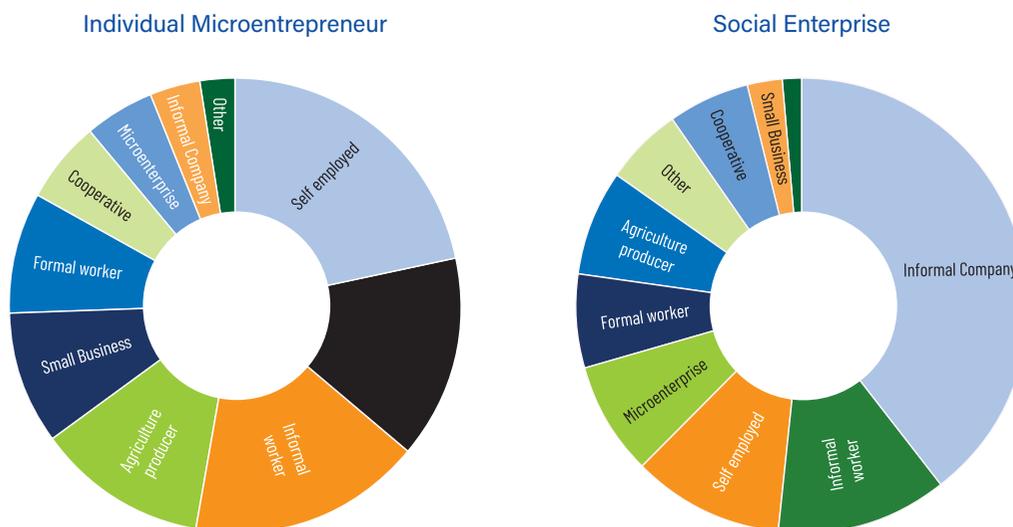


Figure 11 shows the relationship between organization sizes and BOP engagement in the respondent companies' business models, with BOP roles including formal and informal workers, entrepreneurs and cooperatives, among others.

As the figure demonstrates, **individual micro-entrepreneurs and micro enterprises mostly engage with the BOP through micro-entrepreneurs and informal workers, while more organized forms of business, such as small and large companies, engage with formal workers and small businesses.** This reveals that micro enterprises are currently engaging with the BOP through a vulnerable form of employment, which points to the need for more regulation and control within this domain.

The findings for social enterprises are more severe, as the poor largely take the role of informal companies or informal workers in such enterprises' business models. This surprisingly reveals a contradiction that requires further research, especially considering that social enterprises' generally accepted mission and strategy is to create long-term social impact through sustainable business practices. In the business models of large companies, the poor is mainly included in the form of cooperatives, though this is not listed as a main way of interacting with the poor for other organization types. **The proportion of informal workers and self-employed individuals is higher in the administrative sector, followed by the educational and IT sectors.** This is also the case for individual micro-entrepreneurs, who have a higher rate of employment in IT compared with other sectors.

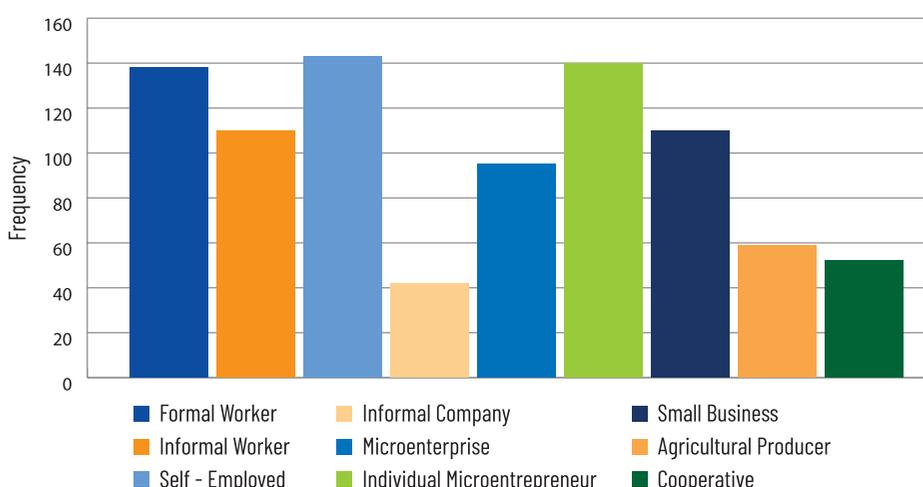


4.3 Inclusive business findings

Respondents were asked about their engagement with the BOP and the roles with which they most interact in terms of their business activities, such as informal workers, small businesses, agricultural producers, etc. The main roles were self-employed workers and individual micro-entrepreneurs, with 141 companies reporting that their worked with the BOP in this capacity.

One key finding from the way in which the BOP fits into businesses is the likely vulnerability of several of the employment formats, as 150 companies reported working with informal workers or informal companies. In contrast, only 53 respondent companies engaged with cooperatives, even though these are a more stable form of employment that collectivize risks and can secure legal recognition.

Figure 12: Organizational format in which those with low income fit into businesses



The survey findings offer crucial key learnings on inclusivity, awareness of inclusive business and the impetus for companies to become more inclusive, which are the primary themes of this study (Figure 13).

Figure 13: Key learnings

- 1- Conceptual awareness on inclusive business is still low.
- 2- Inclusive practices exist to a moderate extent within Brazilian businesses.
- 3- Companies are keen to learn about inclusivity and become more inclusive.
- 4- The degree of inclusive business in Brazil scored 3.4 out of 7.
- 5- Considering the poor as entrepreneurs is the leading form through which businesses engage the BOP (3.69).
- 6- Employing the poor is the second highest form of engaging with inclusive business (3.67).

Conceptual awareness of inclusive business is currently low, with 69.86 percent of respondents unaware of what inclusive business meant prior to the survey. Nonetheless, from the brief information gained through participating in the survey, 89.82 percent of respondents stated their desire to learn more about inclusive business, with 84.98 percent indicating interest to participate in UNDP-led inclusive business workshops. Concrete commitments towards inclusive business were less forthcoming, though not entirely absent. Respondents were asked to declare, on a scale of 1–7,^{xxii} the extent of their intention to make their business activities more inclusive. The results averaged 4.06, showing that the respondents intended to integrate the BOP into their activities to a moderate degree. The responses almost have a normal distribution, with a slight weighting towards higher scores, as around one third of responses answered either 1–3 (29.85 percent), 4 (34.65 percent) or 5–7 (35.49 percent).

^{xxii} Where 1 represented no intention to incorporate the BOP into business activities, 7 indicated an intention to integrate the BOP “to a great extent”, and 4 indicated a “moderate extent”.



Figure 14: Respondents' knowledge of inclusive business

Did you already know the concept of inclusive business before participating in this research?

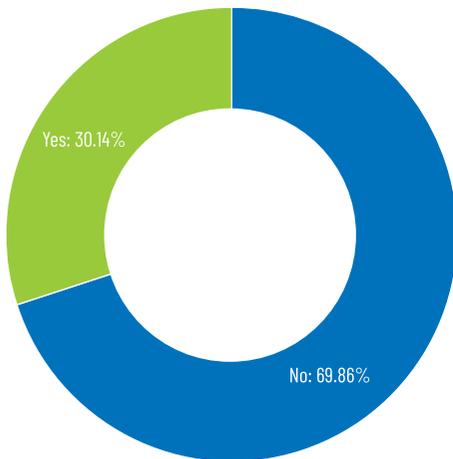


Figure 15: Respondents' interest to improve their understanding of inclusive business

Would you like to know more about inclusive business models?

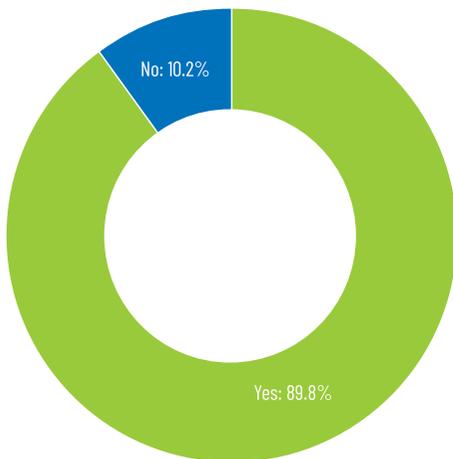
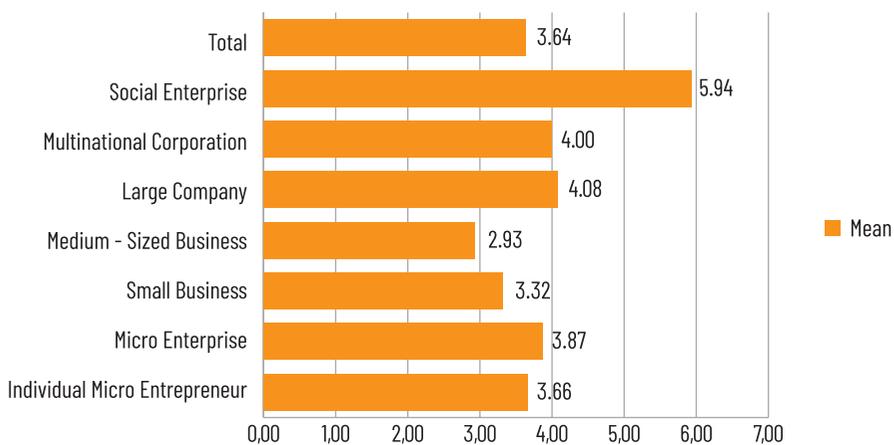


Figure 16: Organizational structures' emphasis of the poor in business strategies





As expected, **social enterprises rate their emphasis on the poor in their business strategy as 6 out of a possible 7 on average, making them the most inclusive sector in this regard.** The average score of 3.4 was surpassed by micro enterprises, large companies and multinational companies. One possible explanation for this could be that “emphasizing the poor in a business strategy” is a necessity for some and a luxury for others. For example, micro-entrepreneurs and enterprises are likely to be located on the outskirts of core business districts and will therefore be more likely to deal with smallscale clients and, as a result, the BOP. In contrast, large and multinational companies are more likely to have the resources to employ professionals and/or consultants to develop strategies that include environmental, social and governance (ESG)/SDG terminology, which can help the firm to derive value from improved public relations. SMEs are found between these two extremes and are less likely to need to engage with the BOP. SMEs are also likely to lack the corporate knowledge for adding value to their operations through adopting social and environmental perspectives. **There is a clear need to raise awareness of inclusive business** especially considering respondents’ enthusiasm towards learning more about the concept, with 84.98 percent of SMEs in favour of attending seminars and workshops.

Figure 17: Respondents’ interest in attending inclusive business workshops

Would you like to participate in UNDP-led seminars and workshops on inclusive business models?

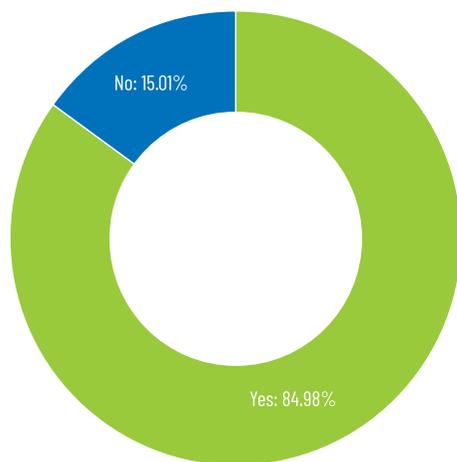


Figure 18: Management intention to include the BOP in company operations in the next five years

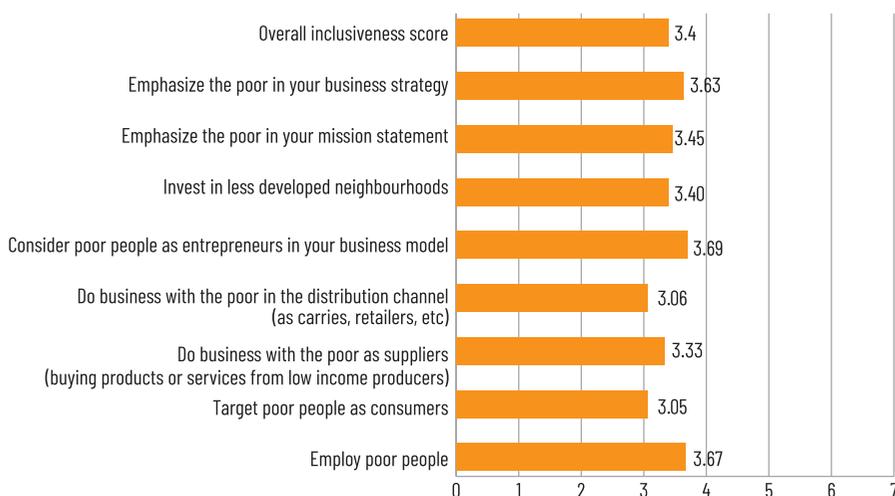
To what extent does your company's senior management intend to include poor people in the company's operations in the next five years?





With respect to how current activities relate to inclusive business, respondents answered questions on their involvement in certain inclusive practices, using a scale of 1–7 to identify the extent to which they engage in the practices. **The average score for the respondents' inclusivity was 3.40, indicating moderate engagement in inclusive practices for participating Brazilian businesses.** Of the eight available options, the range between the weakest scoring form of engagement (“targeting poor people as consumers” – 3.05) and the strongest form (“considering poor people as entrepreneurs” – 3.69) is only 0.64. This shows that across the 355 respondents, there is no strong difference in the types of inclusive practices adopted. One general trend sees a slight emphasis towards engagement with the poor through employment and strategy, rather than considering them as customers and distributors. **This points to a lack of awareness about the opportunities that targeting the BOP as customers and meeting their previously unmet needs can bring.**

Figure 19: Inclusivity by theme Commented [A6]: Uneditable text:



Despite a fair degree of similarity among entry points for the poor, “investing in less developed neighbourhoods” scores 3.40, which is the same as the mean inclusive business result for all practices, even though 30.42 percent of respondents selected 1, indicating that they do not invest at all in less developed neighbourhoods. This heavy weighting towards “not at all” is counter-balanced by 49.58 percent selecting 4–7. Similar distributions are replicated throughout the other responses, with 1 (not at all) and 4 (to a moderate extent) being the largest and second largest response in each case.

“Emphasizing the poor in your business strategy”, as was expanded by sector in Figure 16, **has an above-average score of 3.63,** which may indicate the growing problem among large firms of the potentially superficial incorporation of SDGs and/or inclusivity in strategies, thereby demonstrating the disjoint between pledges and action. Alternatively, it could indicate **an implementation lag between identifying the potential value of inclusive business and making structural changes to the value chain to benefit from such changes.**

A similar logic can be applied to **“emphasizing the poor in your mission statement”, which also has an above-average score of 3.45.** The reduced disparity from the mean value in this case may be due to mission statements being brief, binding and more central to a firm’s identity than its strategy.

“Considering the poor as entrepreneurs in your business model” is the highest scoring response with 3.69. The popularity of this option may be due to its vagueness, as it is not particularly measurable or quantifiable. This sharply contrasts with the second most popular option (“employing poor people”), which scores 3.67. Although employing poor people is a strongly tangible metric for inclusive business, it is only a helpful step towards inclusiveness if employees share in the firm’s wealth creation. For example, a firm that develops the skills of BOP employees and provides them with education and assistance can be considered more inclusive than a firm that employs the same people in unpaid or minimum wage positions.

Nonetheless, **employment is the most popular form of tangible engagement with the BOP,** scoring considerably higher than “engaging with the poor through distribution”, “treating poor people as customers” and “dealing with the poor as suppliers”, which all score below average. This may be due to labour being considered a commodity for



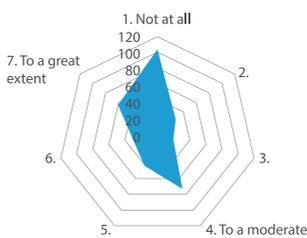
which the BOP can provide the lowest price and priority being given to reliability, established relations, formality, resources and economies of scale for supply, distribution and custom.

Focus should therefore be placed on improving companies' awareness of inclusive business by expanding their understanding on its breadth of opportunities and related advantages.

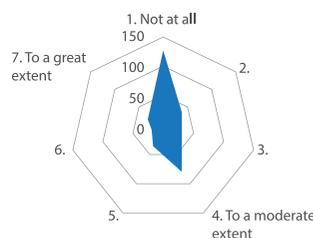
Figure 20 shows the spread of results within each entry point. All entry points spike for the values of 1 (not at all) and 4 (to a moderate extent). More popular options see a padding around values 5, 6 and 7, and are therefore slightly more weighted to the left of their radar diagrams. "Emphasizing the poor in your business strategy" has a slight skew towards 2, implying that several firms mentioned BOP in their strategy, though not thoroughly. This shows that the relevance of inclusivity in the Brazilian context is extensive, if not intensive.

Figure 20: Prioritization of inclusivity by entry point

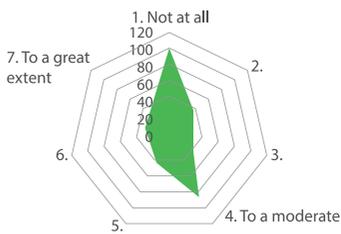
Employing poor people



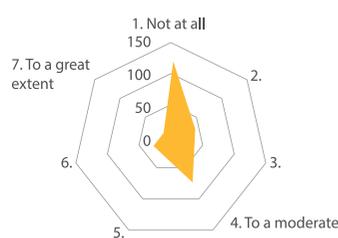
Treating poor people as consumers



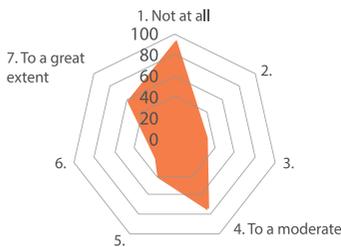
Dealing with the poor as suppliers



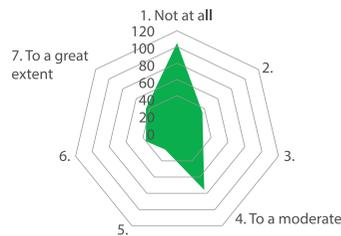
Engaging with the poor through distribution



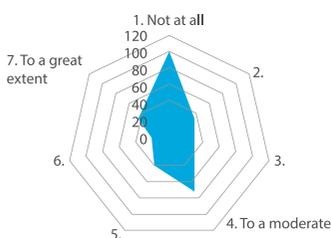
Considering the poor as entrepreneurs in your business model



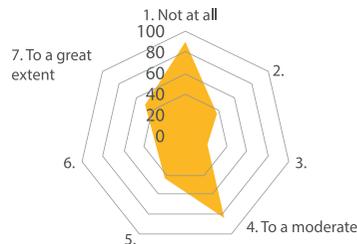
Investing in less developed neighbourhoods



Emphasizing the poor in your mission statement



Emphasizing the poor in your business strategy

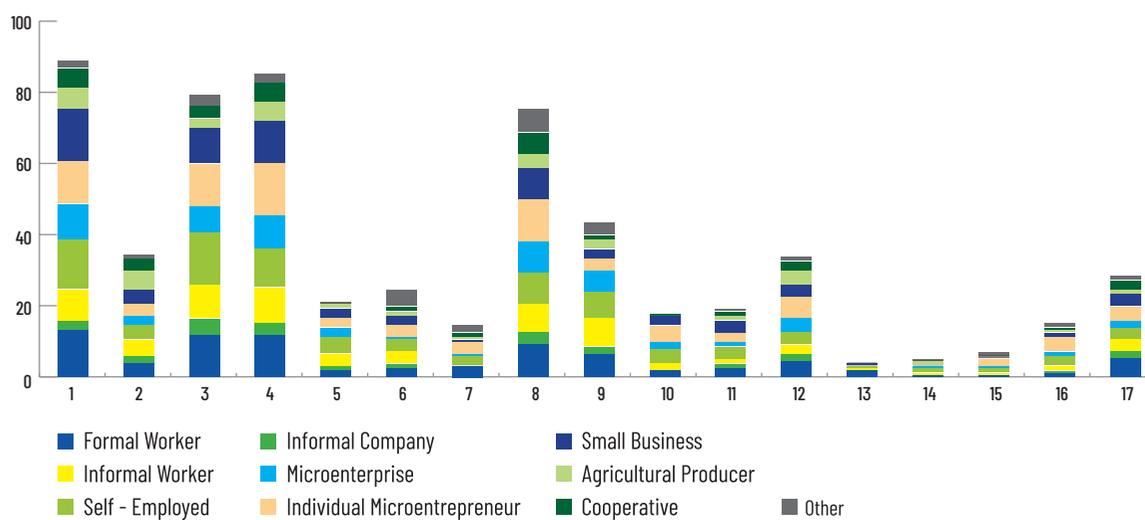




4.4 SDG findings

Corporate alignment with the SDGs is a central pillar of the 2030 Agenda and is crucial for the provision of resources and dynamism towards securing sustainable development. Brazilian businesses were asked to rank the top five SDGs for which they feel they have the greatest impact, as well as the top five that they believed provided the best business opportunities. For both questions, **SDG 8: Decent work and economic growth scored highest, with SDG 3: Good health and well-being, SDG 4: Quality Education and SDG 12: Decent work and economic growth** also appearing on both lists. SDG 1 – ‘No Poverty’ – was chosen instead of SDG 9 – ‘Industry, Innovation and Infrastructure’ – in the list of business opportunities. This suggests that Brazilian businesses still see their contributions to the SDGs within the area of economic development and in their products and services, rather than through embracing diverse aims into their core business models. Although this is not incompatible with the ethos of the SDGs, effective SDG education should include how all types of engagement with the SDGs can be relevant to the successful running of a profitable business.

Figure 21: SDG prioritization by organizational structure



Companies were also asked what actions they intend to take to align their practices with the SDGs. The two most frequently occurring strategies are “establishing partnerships in line with the SDGs” (198 respondents) and “embedding target SDGs to core business strategies” (172). These findings correspond with the main findings of the previous Business+ studies and the existing literature, emphasizing the importance of companies establishing partnerships and making sustainability a core part of their business strategies, rather than viewing it as an additional activity to add into inclusive and sustainable business models. The emphasis on establishing partnerships points to the continued relevance of UNDP’s role in encouraging the private sector to recognize the benefits of multisector action towards achieving the SDGs.

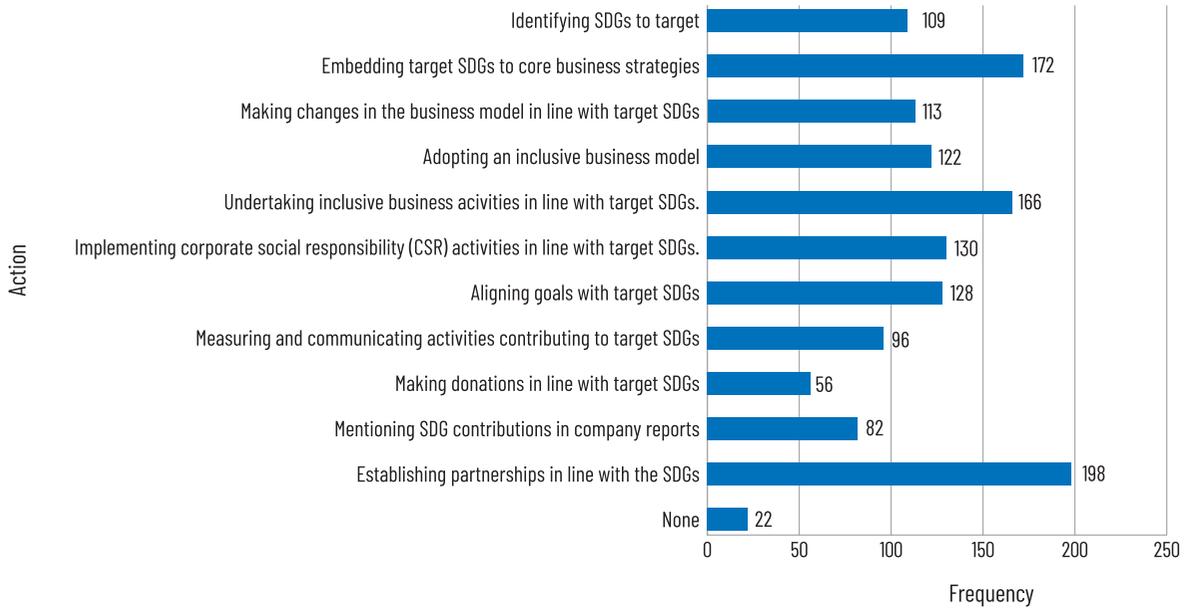
In contrast, the two least favourable strategies were “making donations in line with target SDGs” (56) and “mentioning SDG contributions in company reports” (82).^{xxiii} As awareness of more sustainable ways to contribute to development efforts increases, companies are focusing more on having greater social impact through their activities and incorporating social responsibility into their core strategies, rather than opting to make donations. This awareness may form the basis of a shift in perspective towards the adoption and implementation of the SDGs. However, companies should also be aware of the benefits of integrating the SDGs and an inclusive approach into their core strategies, which include improved brand image and access to alternative funding sources through impact investment. As indicated in the previous Business+ studies, measuring and communicating the impact created through inclusive business practices and the SDGs is a key success factor for companies. The low scores for “mentioning SDG contributions in company reports” therefore indicates that there is a need to emphasize the importance of measuring and communicating the impact to Brazilian businesses.

^{xxiii} Excluding the option “none” which was selected by 22 respondents.



Figure 22: Actions that will be taken by the business within the next five years to implement target SDGs.

Actions that will be taken by the business within the next five years to implement target SDGs



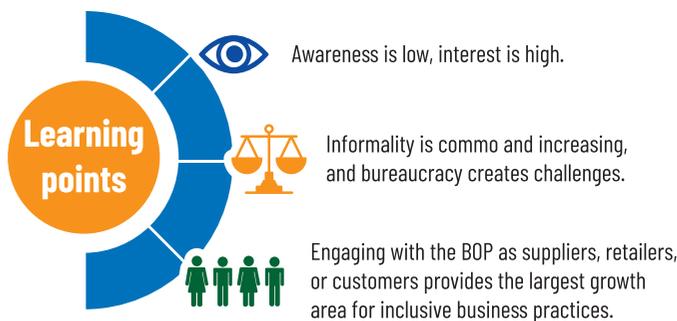


5. Policy implications: what's next?

The recommendations and policy implications presented in this section were derived from the findings of the Business+ Brazil research and are supported by empirical evidence from related studies.^{xxiv} It is important to note that it is beyond the aim and scope of this project to advise which actors should be responsible for developing and implementing recommended strategies, as this would require further research. A coordinated effort is required to clarify the roles that different actors can take in the ecosystem and to strengthen their collaboration in the way that increases the impact of their work. The implementation of the policy recommendations should be tailored to Brazil's specific development challenges, the engagement of local actors and the capacities of state and municipal governments.

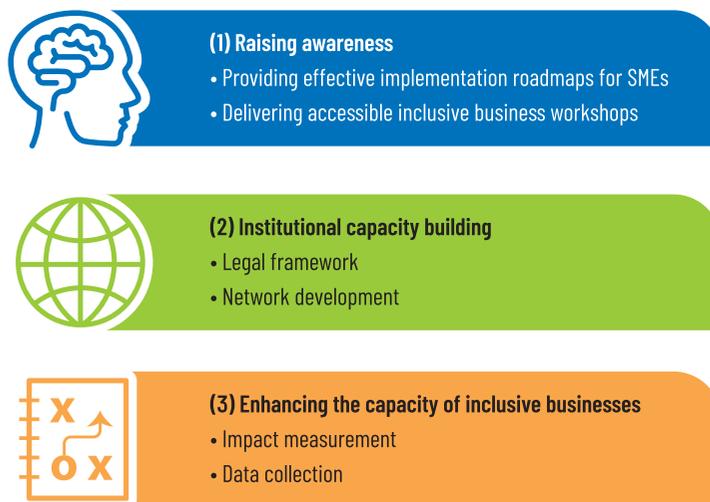
As Figure 23 shows, three main conclusions have emerged from the literature review and survey data, which provide a platform for establishing policy implications.

Figure 23: Conclusions from the literature review and data survey



These conclusions reveal the areas of inclusive business policy that require development. Policy measures should complement the current support for policy-based multisector inclusive business.

Figure 24: Integral working areas of inclusive business policy



(1) Raising awareness

- Providing effective implementation roadmaps for SMEs
- Delivering accessible inclusive business workshops

(2) Institutional capacity building

- Legal framework
- Network development

(3) Enhancing the capacity of inclusive businesses

- Impact measurement
- Data collection

^{xxiv} Such studies include the MAPS Mission Engagement and SDG Implementation Report of the United Nations Brazil Country Team (2018) and the Human Development Report (2016).



5.1 Raising awareness

An encouraging outcome from the Business+ studies in Turkey (2015) and the Philippines (2017) is the keen interest to more about inclusive business following the brief knowledge gained on the subject matter through respondents participating in the survey.

Similarly, the Business+ Brazil study revealed that 89.98 percent of the respondents are interested in learning about inclusive business, which provides fertile ground to deliver assistance on inclusive business implementation. This interest is particularly apparent in Figure 17, which shows that 84.98 percent of respondents indicated interest in attending UNDP-led workshops on inclusive business models. This suggests that the main priority in raising

Awareness working areas

1- Conceptual awareness

Most respondents had not previously heard of the term “inclusive business.” Priming exercises, such as the Business+ survey, are therefore a good first step for developing recognition of the role that the private sector can play in implementing sustainable development practices that engage the BOP and vulnerable populations to create a positive socioenvironmental impact. The initial exercise should aim to create a conceptual awareness of businesses’ broader societal impact and the impact of ESG issues on a business’ performance. Follow-on exercises should indicate that inclusive business practices are widely applicable and can generate additional revenue sources through tapping into new markets, fostering systemic innovations and unlocking impact-minded finance. One of the most efficient ways to build this awareness is to collaborate with partner networks in the private sector, such as SEBRAE, to disseminate knowledge and connect potential inclusive business practitioners with educational resources. SEBRAE plans to develop strategies with corporations to train and establish standards for applying the inclusiveness index in order to raise awareness among corporations in Brazil.

UNDP has an extensive track record of organizing awareness-raising programmes. One good example of such an activity is the programme offered by the [SDGs Holistic Innovation Platform \(SHIP\)](#),^{xxv} which is designed to help companies comprehensively understand the SDGs and how they relate to their business. Another example of a successful activity is the [2017 Iniciativa Incluir call](#) for best practices in inclusive and social impact business models, which has helped mobilize 857 micro and small enterprises in Brazil.

There are several ongoing and foreseen SDG-related training activities among government institutions, which could integrate inclusive business training. The National School of Public Administration (ENAP) is preparing courses on specific SDGs or groups of SDGs, with the support of United Nations organizations and other partners on food security (SDG 2), the environment (SDGs 13–15), innovation and industrial policy (SDG 9), gender equality (SDG 5) and partnerships (SDG 17).¹³

One current and valuable source of inclusive business resources is the [digital global platform of the Inclusive Business Action Network \(iBAN\)](#),^{xxvi} a global initiative supporting the scaling up and replication of inclusive business models funded by the Federal Ministry for Economic Cooperation and Development and the European Union. It includes all G20 publications on the concepts and roadmaps required for inclusive business. The website also contains a knowledge-sharing platform, and inclusive business training tools. While the iBAN resources archive contains a plethora of global resources on inclusive business, which are beneficial for understanding inclusive business in a variety of forms, sectors and regions, inclusive business implementing actors in Brazil may also profit from the stories and experiences of local companies with inclusive business models. Case studies from Brazilian Business Call to Action (BCtA) member companies, such as [Banco Santander](#), [Natura](#), [PUPA](#), Sustainable Management of the Brazilian Amazon ([SAMBAZON](#)) and [Itaú Unibanco](#), can provide relevant local insight to carrying out inclusive business in Brazil in a variety of different models and sectors. These case studies demonstrate how inclusive business can engage the BOP as employees, suppliers and entrepreneurs, and also as customers and consumers of their goods and services.

^{xxv} SHIP is a global programme jointly run by Japan Innovation Network (JIN) and UNDP, and is supported by a network of partners. Information available at <https://www.sdg-ship.com/en/#ship-program>

^{xxvi} Information on the Inclusive Business and Action Network (iBAN) available at <https://www.inclusivebusiness.net/>



Finally, a thorough analysis of the ecosystem of social-driven organizations in Brazil should be conducted to understand how businesses can generate greater socioenvironmental impact in different regions and to develop strategies to improve the field of social impact business with the participation of different actors. No analysis has been conducted by geographic region.

The different stakeholders and information hubs within the potential inclusive business ecosystem include universities, NGOs, international organizations and governmental organizations. Partnerships should be established to encourage the private sector to provide reliable and relevant theory and data about local applicability, networks and opportunities for inclusive business.

2- Awareness of the commercial viability of inclusive business

Central to inclusive business awareness-raising – both passive and active – is the need to clearly underline that inclusive business models are, by definition, commercially viable and will increase revenues, rather than hinder them. Those at the BOP are underserved by mainstream business, despite having an enormous wealth potential. It is therefore in businesses' interests to make full use of the BOP's talents, specific needs and spending power, since this will prove a profitable exercise.

The survey participants expressed their interest in learning about the scope for social impact that inclusive business can have, and how it can directly improve opportunities and resilience in their communities. It is estimated that inclusive business has the potential to unlock the US\$5 trillion market at the BOP.¹⁴ It is vital for businesses to broaden their long-term investment objectives beyond traditional financial metrics to include the economic, environmental and societal impact of their investment programmes, which would create impact-driven profit. A consumer-focused inclusive business model is one way of directly targeting the BOP through creating products and services that have high levels of consumer demand and that are priced appropriately for consumers.

An awareness of the economic opportunities that would arise from business structure adjustments would undoubtedly increase the levels of private sector engagement with inclusive business strategies.

3- Awareness of implementation strategies

The success of sustainability-oriented incubators, innovation hubs and accelerators can be drawn upon to develop a range of methodologies and roadmaps for creating new inclusive business models or transforming existing models. This can help rectify the implementation lag between identifying the potential value of inclusive business to a firm and the business model transformation necessary to start generating impact and wealth through inclusive business. To assist in the provision of effective implementation strategies, inclusive business support networks must build upon the previous awareness-raising steps, which include open access to UNDP inclusive business workshops, free access to inclusive business resources online, open publication of inclusive business transformation methodologies, effective network support and ongoing hands-on consultation. These access points for awareness-raising can provide a two-way exchange of information, with participant firms providing a continuous flow of data learnings, best practices and feedback about the inclusive business implementation process.

Multi-stakeholder platforms like the BCtA, a global membership community for inclusive business practitioners hosted by UNDP, seek to create a worldwide community of inclusive business practice. Such membership platforms enable companies to tap into best practices in their industry and region, as well as to explore success stories from other countries and sectors. In an effort to provide further insight for companies on inclusive business implementation, BCtA partnered with the multinational professional services company, Deloitte, to map inclusive business maturity, which resulted in a report and an accompanying tool for companies to identify their inclusive business maturity level. Helping companies understand that inclusive business is a journey of their awareness, exploration and championing of concept, rather than something they are or have, is critical to long-term adoption and success of inclusive business.



4- Network interchange

Existing inclusive business platforms within Brazil should be utilized to facilitate knowledge exchanges and resource awareness. Mainstreaming these interchanges will also provide effective multilateral entry points for stakeholders within the inclusive business ecosystem in Brazil. For example, a communicative exchange network could connect impact-minded financiers with capital-seeking inclusive businesses or could connect inclusive businesses with similar business to promote unionization and accreditation. To facilitate this kind of collaborative environment, convening parties such as UNDP and SEBRAE can develop platforms that enable free knowledge exchanges and provide network access to Brazilian inclusive business practitioners.

In Brazil, there are various inclusive business-related initiatives focused on, for example, impact alliance, social business mapping ([Pipesocial](#), [Iniciativa Incluir](#), [Impact Hub São Paulo](#) and [PPA in Amazonia](#)), impact accelerator platforms (Guide 2.5), incubator training ([Anprotec](#), [SEBRAE](#), [Ice initiative](#)), academic networks ([Ice initiative](#)), large corporations and social business platforms ([Deloitte Match & Matters](#)).



PUPA



PUPA Vencer product line: Education curricular for children aged 6 years and under. "Pupa packets" are learning activities, learning materials and toys.

Inclusive business strategy and engagement with the BOP:

- Employment: "Last mile distribution" through a network of micro franchises that enable low-income women to gain employment in sales and marketing of the products to children and families in areas that are often underserved by early years public education.
- Customers: Products have been priced at a level that are affordable for poor and low-income families. Each PUPA kit retails for R\$50, which is roughly equivalent to US\$21.

Areas of social impact: Women's empowerment, quality education and decent work.

PUPA's inclusive business goals:

- Improve and track the progress of up to 500,000 children across Brazil by 2023.
- Empower low-income women entrepreneurs to thrive by creating employment opportunities and providing training for 2,000 women, and by enabling them to each establish micro franchises.
- Training up to 250,000 childcare givers on how to effectively deliver the PUPA programme.



Sources: Business Call to Action (BCTA) (2015). PUPA: Bolstering Early Childhood Development. Available at: https://www.businesscalltoaction.org/sites/default/files/resources/BCTA_Case%20Study_Pupa_web.pdf
UNDP (2013). Brazilian Company PUPA commits to expand access to education for 500,000 children, 5 June. Available at <https://www.undp.org/content/undp/en/home/presscenter/pressreleases/2013/06/05/brazilian-company-pupa-commits-to-expand-access-to-education-for-500-000-children.html>



5.2 Institutional capacity-building

Although Brazil has a higher rate of creation of new businesses than other BRIC countries, the literature review identified capacity gaps impeding business in Brazil. These capacity gaps are particularly burdensome in peripheral regions and among low-income communities, and include “last mile” infrastructure deficiencies, bureaucratic burdens, high levels of informality and rigid politicized oversight of potential support actors.¹¹⁵ Improvements to physical infrastructure will require centralized governmental action, which is beyond the remit of inclusive business policy implications. Instead, the issue can be viewed as an opening for inclusive business to overcome obstacles posed by physical capacity shortfalls. One good example of this is the [Programa Vivenda](#) [Housing Programme], which creates amenity renovation packs specially tailored to poorly connected faveladwellings. However, reducing the business discontinuation rate is still a challenge, which could be addressed by strengthening the business ecosystem through incentives, investments, access to information and implementation support for business models that can serve low-income areas.

Incentive frameworks

Establishing institutional capacity to underpin a healthy inclusive business ecosystem should be prioritized. According to the foundational G20 Inclusive Business Framework, four broad dimensions have been identified that can help inclusive businesses and networks grow: information, rules and regulations, finance and capacity. For incentives, flagship initiatives, such as the [Iniciativa Incluir](#) a call for businesses, can help spur interest in inclusive businesses and thus raise awareness of their practices among the public and investors. As the implementing partner in this survey, SEBRAE can examine the scope for creating incentive frameworks for inclusive businesses. Such incentives could include tax holidays, network support schemes, accreditation systems and regular competitions. Caution should be taken when designing incentive schemes and structures so that they do not have a counter-productive or distortionary impact upon businesses, regardless of whether they receive the incentives.¹¹⁶

Accreditation

Accreditation is a way to calibrate and benchmark inclusive businesses, providing them with a new way to measure their value while simultaneously generating awareness of and enthusiasm for inclusive business practices. An accreditation system also provides the opportunity for participating firms to form inclusive business unions and associations, which can advocate the interests and practices of inclusive businesses and facilitate knowledge-sharing and best practices. Another valuable outcome of accreditation is that it allows firms and consumers to differentiate between business models, offering a distinction between inclusive and non-inclusive businesses, with the former representing best business practices.

An official certification scheme that nationally or regionally recognizes a firm's inclusive business status would act as a clear form of brand differentiation within its particular market or industry. The existence of a certification scheme that has clear parameters and eligibility requirements would also provide for national and regional consistency and would help increase both the understanding and value of inclusive business by providing a clearer definition and more coherent conception of the term. The potential shortcomings of such a system, however, are that strong institutional and regulatory structures would need to be in place in order to maintain the high standards that ensure both trust in and adherence to the system. An effective certification scheme would be administered by government ministries and would require close collaboration with national and local businesses to help spread awareness of the scheme. The success of the system would also depend on the proximity of individual businesses to a larger inclusive business network that includes businesses, business associations and government ministries.¹¹⁷

Within a functioning certification scheme, firms would be incentivized to join through the aforementioned methods. In addition, they would also be prioritized when further funds, grants, competitions and opportunities become available. By creating a more attractive operating environment for businesses, the positive socio-economic results would be twofold: first, communities with certified inclusive businesses would benefit from positive externalities created by the firms (increased employment, higher environmental and labour standards, etc.) and second, the incentives would encourage greater investment and micro-level economic growth for business.



Legal assistance and one-stop shops

Beyond incentivization, changes in the policy environment are necessary to aid the creation of inclusive businesses. For example, the previously cited consistent low score for “ease of doing business”^{xxvii} in Brazil and prolific informality are particularly harmful to many inclusive businesses. There is a need to expand business to hitherto neglected consumers, suppliers, retailers and distributors. Several approaches can be taken to overcome this situation, such as data collection on the informal economy and use of learnings from this research to advise both the Government and businesses on how to ease formalization. Not only will formalization aid governmental resource mobilization, but will enhance the ease of doing business that will enable businesses to grow sustainably. Policy measures to build institutional capacity in this regard can include the creation of “one-stop shops” in low-income districts, providing free legal consultation and paperwork for all the steps needed to legitimize a business. Moreover, tailoring this service to inclusive business could include protracted consultative assistance, such as informing networks of inclusive business clients about any legislative changes and incentives that may directly affect their business. Influential frameworks, such as the SDGs, should also be integrated into national laws and regulations.^{xxviii} Positive actions can only be achieved when firms take responsibility for their activities and are mindful of their impact. If businesses do not engage with these core concepts voluntarily, then laws and regulations impose a minimum obligation to do so. However, a process of discussion and consultation would first be required to gauge the support and level of understanding of these issues among the private sector.

Developing innovative capacity

Innovation is a multi-stage process whereby organizations transform ideas into new or improved products, service or processes in order to advance, compete and differentiate themselves successfully in their marketplace.^{118,119} Innovation is a core aspect of inclusive business models that involves the identification of effective solutions for development challenges that add value for the public. This is because engagement with the BOP in a business environment requires innovative practices and often involves the need for inventive systemic solutions, such as alternative payment and financing solutions or products tailored to BOP-specific requirements. Going forward, there is therefore a need to raise awareness of the relevance and potential of inclusive business within the innovation hub scene.

A three-policy approach has been advocated that would effectively promote inclusive business by: (1) enabling companies through the creation of a suitable environment and removal of any barriers; (2) encouraging companies to invest through the provision of clear information and long-term guarantees; and (3) empowering BOP households to engage with companies.¹²⁰ Firms should work closely with government ministries,

research institutes and private sector partners and networks to identify the key areas of need, which can then be used to design and invent innovative strategies and solutions to directly address those issues. In South-East Asia, inclusive businesses have benefited from the conscious and active attempt of business councils and associations, and government ministries in Indonesia and the Philippines, respectively.¹²¹ The attention and importance given to inclusive business in these countries comes from their understanding of the importance of businesses as an engine for economic growth, particularly for specific geographic areas (rural) and industries (agriculture and rural sanitation) that are often outside of the reaches of government ministries and institutions.



^{xxvii} See endnote 40.

^{xxviii} <https://www.globalreporting.org/resource/library/Small%20Business%20Big%20Impact%20Booklet%20Online.pdf>

^{xxix} The network of partners includes the International Finance Corporation (IFC), Global Reporting Initiative (GRI), Global Impact Investing Network (GIIN), Social Value International (SVI), World Benchmarking Alliance (WBA), Principles for Responsible Investments (PRI) and Global Steering Group for Impact Investing (GSG).



5.3 Enhancing the capacity of inclusive businesses

Impact measurement

Demonstrating the value of inclusive business to governing entities or impact investors will require a demonstrable positive impact. Moreover, given the internalization of the SDGs as a priority area, as outlined by Brazil's 2017 Voluntary National Review, measuring impact in terms of the SDGs will be a fundamental tool for demonstrating impact. Ascertaining reliable insight on impact will require close and ongoing partnerships with inclusive business practitioners, which can be developed through effective network support mechanisms.

To unlock investments in the SDGs, which would also be relevant to inclusive businesses, UNDP, in collaboration with the Impact Management Project's (IMP) network of partners,^{xxix} launched the SDG Impact initiative in September as a one-stop shop for all types of investors to access information, tools and resources. The initiative offers the following resources:

- standards that clarify the policies and practices for impact measurement and management to which investors are expected to voluntarily adhere when making SDGenabling investments
- online training and a certification training programme for accredited independent certifiers
- an SDG Impact Seal, which is given to companies and investors to authenticate their adherence to the standards.

While in its early development stages, the SDG Impact's toolkit will also include country mapping reports for investors and investor convenings, all of which will help firms interested in identifying opportunities for SDGenabling investments.

By assessing the different aspects of impact management, the IMP endeavours to streamline the process of aligning an enterprise's commercial activities with socially impactful targets and outcomes. Impact management can be divided into five separate and distinct dimensions: (1) what; (2) who; (3) level of depth, scale, duration; (4) contribution; and (5) risk. Impact classifications vary on the degree of beneficial impact and severity. The impact measurement tools also have inbuilt financial considerations which determine the viability of sustainable and socially impactful initiatives. Frameworks such as this provide a concrete set of guidelines and solutions to businesses which should reduce the ambiguity around identifying the outcomes of SDG-related programmes.^{xxx}

BCtA has also launched an online initiative, namely the Impact Lab, with the aim of supporting companies to identify, measure and manage companies' impact in order to support business decisions. It covers the full impact measurement cycle to help companies understand and improve their impact, while integrating insight gained from the cycle back into their strategic and operational management decisions. The Impact Lab uses the SDGs as a framework for measuring companies' impact and helps them to visualize how operations, strategies and goals link and contribute to the SDGs.

It is therefore important to build on Brazilian companies' eagerness to establish partnerships for achieving the SDGs, as well the need to measure and communicate the impact made by companies, the Government, development organizations and the private sector. A regional success story from Colombia may provide useful insight in this regard: through partnering with the Global Reporting Initiative, UNDP and the BCtA, the National Planning Department of Colombia and the Colombian Government developed a roadmap for collecting and analysing data from the private sector relating to its impact and contribution towards the SDGs, which was used to inform the Colombian Voluntary National Review at the High-level Political Forum in 2018. A multi-actor team worked with companies across the country to align frequently reported corporate sustainability metrics with the SDGs and capture companies' impact in a more streamlined manner. Identifying, adapting and building on even the most nascent corporate sustainability reporting so that companies' impact on the SDGs and lowincome communities is clearer will help companies better understand how their core business intersects with sustainable development and commercial and social profit.



Improved data collection

Reliable data collection is vital to impact assessments. Several actors are integral to the process, including: local networks, which help ensure collaborative and ongoing assistance for inclusive businesses through facilitating up-to-date information exchanges; information hubs, such as the UNDP, research foundations and international organizations, as these develop similar research processes to the Business+ project to provide more accurate insight into the status of inclusive business in Brazil, which can be openly published to assist implementation partners; businesses, which can be encouraged to publish reliable reports on their inclusive business activities; and an effective and well-curated inclusive business platform, since this helps with data collection through providing businesses with direct access to information.

UNDP Brazil, in partnership with SEBRAE, have published the following set of reports to provide relevant data for the inclusive and social impact businesses ecosystem in Brazil:

- [Knowledge management of inclusive and social business ecosystem](#) (Gestão do conhecimento no ecossistema de Negócios de Impacto no Brasil)
- [Inclusive and social Business Acceleration: an overview of current practices](#) (Aceleração de Negócios de Impacto: um olhar sobre as práticas atuais)
- [Profile of social impact business in Brazil](#) (Retrato dos Pequenos Negócios Inclusivos e de Impacto no Brasil 2017).

Information distribution network development

Although information should be distributed according to the target audience, business courses that include inclusive business at universities and other learning institutions is one way of distributing information. Alternatively, practicing inclusive businesses or inclusive business-convening organizations can recycle data back into their business or advisory practices to act as a guide.

Connecting inclusive businesses to specialized finance

It is evident that inclusive business requires more investment and funding. Failure to incorporate and integrate the target beneficiaries of inclusive business, primarily the BOP, into the formal economy could have both short-term and ongoing long-term negative consequences. Further exclusion of the BOP would exacerbate existing issues and create further economic inefficiencies and negative externalities which would put further pressure on already financially stretched public services and institutions.¹²²

Building on the solid foundations of the G20 Inclusive Business Framework will require developing a unified set of inclusive business criteria that will enable inclusive businesses to be identified more effectively and consistently. A structured set of high-level commonly used features would provide governments with further guidance to develop inclusive business promotion policies, support investors in identifying inclusive business investment opportunities and provide companies with selfassessment tools.

Having a clear understanding of what constitutes an inclusive business is also important for business associations, incubators and development partners, as it will help them to align their work more effectively around such practices. Value chain participation that is enabled and facilitated through limited strategic financing would be an efficient way to target and evenly distribute resources to employers of the BOP and those at the BOP themselves. This approach would also improve the capacity of all firms and may be especially beneficial to SMEs and MSMEs that need to increase the scale of their operations in order to participate and benefit from inclusive business network structures. The ways in which impact investment tools and impact investors are utilized within the sphere of inclusive business is very important in determining the effectiveness of long-term investments. Both inclusive businesses and investors must ensure that business models are sustainable and that their impact is real and significant, so that activities do not "become another form of 'philanthrocapitalism', invading the grant-making space and crowding out 'real' mainstream private investors"¹²³ Like many other forms of development finance, collaboration with the private sector, private investors and monetary financial institutions will most likely establish the necessary long-term funding structures that are needed for inclusive business to develop and grow within the Brazilian business community.¹²⁴

^{xxx} <https://impactmanagementproject.com/impact-management/how-enterprises-manage-impact/#anchor2>



Convening agents can help inclusive businesses present their impact data in the appropriate format for potential investors and can also organize networking events or specialist training sessions to connect inclusive businesses to appropriate funding systems. As regards the BOP, treating individuals within this group as entrepreneurs may require the utilization of non-traditional funding mechanisms, such as microcredit and crowdfunding. Fostering appropriate financing solutions and providing financial literacy skills development training will therefore be a vital policy step towards creating a vibrant inclusive business ecosystem in Brazil.

Increasing businesses' resilience and enhancing continuity

The vast majority of the survey's respondents (90.99 percent) are characterized as MSMEs, which are at risk of business discontinuation – an ongoing challenge in Brazil.¹²⁵ The ability to absorb external shocks from financial crises or natural disasters without any major social and economic setbacks is crucial. In this regard, MSMEs can be strengthened by stimulating incentives, investments, access to information and support for implementing business models capable of serving low-income areas. To help make communities more resilient and increase local capacity, UNDP provides operational and technical support to MSMEs to help them develop business continuity plans through the [Connecting Business Initiative \(CBI\)](#).

Through integrating inclusive business strategies into the Government's long-term business policies, both firms and government ministries are able to overcome several challenges associated with growing inclusive business and ensuring its sustainability. Cross-sectoral cooperation is needed to best target ways of incorporating the BOP into long-term business strategies and supporting those at the BOP as beneficiaries, as well as customers of inclusive businesses' products and services. The long-term opportunities and benefits to be gained from adopting clear and coordinated inclusive business strategies far outweigh the short-term design, investment and implementation costs.



Annex

Companies listed under "other" sector (section 4.2)

*Other	Comércio internacional
Camping e hospedagem	LICITAÇÕES PÚBLICAS
Certificação	Revenda de bijuterias, e perfumes
Comércio de alimentos secos e molhados com assados aos finais de semana	Turismo
PRESTAÇÃO DE SERVIÇOS	SUPERMERCADO
Logística	Bijuterias (vendas)
Comércio de bebidas e alimentos	QUÍMICA
Recuperação de áreas	Ind. de cosméticos
Viagens e turismo	INDUSTRIA BRINQUEDOS
RELIGIOSO	FEIRAS E EVENTOS
Psicoterapias	Holdings
Auto peças	Comércio
Logística integrada	Saúde e beleza
Desenvolvimento de projetos	COOPERATIVA
AUTOESCOLA	Comunicação
Serviços de contabilidade e consultoria	Serviços especializados de personalização e fornecimento de equipamentos de primeira linha para pilotos do automoto
IMPORTAÇÃO E EXPORTAÇÃO	Serviços
Comércio de alimentos naturais	Silvicultura
Marketing	Marketing
Beleza	Prestação de serviço
Importação e fornecimento de capacetes e acessórios para automobilismo, e personalização (pinturas especiais personalizadas em capacetes para automobilismo)	Consultoria em pesquisas
Mobiliário	Turismo
Consultoria e treinamento	Alimentação natural
BELEZA	Iluminação e elétrica
MEDICINAS ALTERNATIVAS	Saúde integrativa
Comércio de higiene e limpeza	Consultoria
CONSULTORIA DE ENGENHARIA E MEIO AMBIENTE	Transporte
Advocacia	Papelaria
Alimentos	Veículos



PANIFICAÇÃO	Escola de consciencia e de meditação - mindfulness advaita
Coaching	Desenvolvimento de bairros planejados
COMÉRCIO	Representação
Conservação ambiental	Empoderamento de mulheres
Terceirização	CEMITÉRIO
Apoio governamental	Agroindustria
Capacitação para gestão eficaz nas ações de políticas públicas voltadas aos maiores de 60 anos	Consultoria contabil e financeira
Assessoria para o terceiro setor	CONTABILIDADE E ADVOCACIA
Palestras e treinamentos	VAREJO ALIMENTICIO
Latoaria	FITNESS
Desenvolvimento de produtos globais - bens duráveis e semi-duráveis Importação, exportação e distribuição	Turismo de base comunitária, produção associada ao turismo, economia criativa
JURIDICO	Celilos



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