



G20 Call on Financing for Inclusive Business

Bridging the financial gap for Inclusive Business

1. We recognize the contribution of inclusive businesses to inclusive economic growth and sustainable development, in line with the G20 Action Plan on the 2030 Agenda and its Sustainable Development Sectors. We reaffirm the G20 definition of Inclusive Business as a private sector approach that provides, “goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.”
2. We acknowledge that the rapidly changing nature of production chains, markets and technology is reshaping the global economy by creating new challenges, but at the same time providing economic opportunities and benefits. We recognize, however, that access to these benefits is more readily available to those with educational opportunities, suitable skills, existing resources and the capacity to adapt, consequently putting enormous pressure on employment, welfare, equality and inclusion. We note with concern that 4.5 billion people are living at the base of the economic pyramid (BOP) on less than eight dollars per day in developing and low-income countries (LICs), including within the G20 itself.
3. We are convinced that inclusive businesses represent an innovative alternative to reach and provide opportunities to citizens at the base of the pyramid and help bridge the gaps caused by fluctuating global labour markets by boosting employment, enhancing decent work, reducing income inequality, and creating livelihood opportunities for them. This is particularly apt for those low-income farmers, women, youth, people with disabilities, migrants and refugees, who are in vulnerable situations. We emphasise that inclusive businesses not only provide solutions to pressing challenges, but they have also proven to be highly innovative and commercially viable.
4. We underscore the critical role women play in social and economic development and recognize that gender disparities ultimately hinder development and economic growth. We express our concern that women face significant barriers to financing, owning and growing businesses, accessing and owning land, attaining decent jobs as well as accessing capital, markets and knowledge, and that these biases are sometimes embedded in legal and policy frameworks. We therefore stress the need for collective action regarding inclusive business approaches to strengthen women’s economic and financial inclusion to help further reduce the gap in labour force participation rates between men and women in line with the related goal committed to in the G20 Brisbane Communiqué as well as increase their opportunities to do business and access assets, services and quality jobs. We recognise the Women Entrepreneurs Finance Initiative (We-Fi) and encourage efforts, including those of the G20 Business Women Leaders Task Force (BWLT), to promote the economic empowerment of women.
5. We reconfirm the G20 Initiative for Rural Youth Employment and the G20 Food Security and Nutrition Framework, recognizing that three-quarters of the world’s poor live in rural areas and that more than four-fifths of them depend on agriculture as a key foundation for their livelihoods. Inclusive businesses can provide decent employment, entrepreneurial and livelihood alternatives for low-income producers, processors, traders and households. We will thus encourage and support inclusive businesses in agricultural and food value chains, highlighting also their potential contribution to sustainable food systems and to food security and nutrition.

Constraints for the Creation, Scaling, Replication and Sustainability of Inclusive Business

6. We acknowledge that inclusive businesses at different scales, particularly start-ups, Micro, Small and Medium-sized Enterprises (MSMEs), social enterprises, co-operatives and not-for-profits, cope with several challenges that affect their capacity to scale and reach financial sustainability. Constraints at both the market and company level were identified in the G20 Inclusive Business Framework across four core policy areas, including: (access to) financial resources, information, rules and regulations, and capacity.
7. We echo the results of the 2016 survey by the G20 Global Platform on Inclusive Business' (GPIB), which showed that of all policy areas, access to adequate financing represents the greatest bottleneck for 60 per cent of businesses for which the BOP is central to their strategy. Limited access to long term financing poses challenges particularly for companies in developing countries, when implementing or expanding their Inclusive Business models and incorporating the BOP into their businesses.
8. We thus recognize the importance of tackling the gap in finance and support new approaches to Inclusive Business financing and investing. This includes the use of traditional and the development of innovative financial mechanisms and partnerships, as well as the design and implementation of policy instruments that help drive the demand for goods and services from the BOP.
9. We take it upon ourselves to provide, in line with national capabilities and in partnership with the private sector and all relevant stakeholders, the enabling conditions for greater resource mobilisation towards Inclusive Business, particularly in developing and low-income countries. We recognize that intervention around financing may be needed to address market failures by sharing the early stage risks of investing in inclusive businesses with and within the private sector. Therefore, we call for stronger and better coordination between governments, the private sector and development stakeholders to promote access to finance for inclusive businesses, promoting programs and action-oriented platforms, as well as maximizing strategic cooperation with ongoing efforts in the field.
10. We are deeply convinced that inclusive businesses can create greater positive impact in favourable enabling environments where all of the abovementioned constraints are overcome, targeting the specific needs and requirements of the different business forms, sizes and approaches. We commit to continue advancing this agenda through collective and concrete actions and dialogue with the private sector, international organisations (IOs), partner countries, engagement groups and other development stakeholders. Aiming to avoid duplications, we leave it at the discretion of future G20 presidencies to address other constraining areas.

Government Involvement

11. We underscore the significant role of governments in generating conducive environments for sustainable business behaviour through diverse policy and financing instruments, lowering regulatory and registration burdens and in doing so incentivising companies to pursue inclusive business approaches.
12. We acknowledge and embrace public policies and the promotion of regulatory frameworks focused on making it easier to start a business, to improve the BOP's access to finance and integration into sustainable and inclusive value chains. These may include advocacy for financial literacy programs and strategies and increasing access to financial services, end-user subsidies as may be necessary, insurance programs, savings products, and credit facilities for people living at the BOP and inclusive MSMEs. In this sense, we welcome the efforts of the Global Partnership for Financial Inclusion (GPII) in implementing the G20 Financial Inclusion Action Plan and promoting voluntary policy recommendations to facilitate digital financial services through the G20 Financial Inclusion Policy Guide on Digitisation and Informality, specifically targeting MSMEs in unserved or underserved segments of the MSME population.
13. We also support government policies that promote access to finance for companies pursuing inclusive business approaches namely by trying to operate in low-income markets or integrating the BOP into their value chains. This includes the promotion of lending programs, credit guarantees, grants, challenge funds and other incentives, including capacity-building programs to help build local sustainable business models.

14. We note that governments of G20 countries are the largest consumers in the global and domestic marketplace, commissioning billions of dollars each year in goods, services and works and spending almost one-third of their government expenditure on public procurement. Moreover, we note that LICs and developing countries have the largest share of public procurement as a proportion of GDP, representing in some cases up to 30 per cent.
15. We recall that efficient, effective and transparent public procurement of goods, services and works is vital to the core purposes of government. We recognize that public procurement is a powerful tool that holds a substantial purchasing power to contribute to more inclusive economic growth, including by supporting MSMEs and by encouraging inclusive businesses that benefit the BOP, promote women's entrepreneurship, gender equality and sustainable development.
16. We, the G20 members, are determined to lead by example and, according to the capacities and legal framework of each country will endeavour to support inclusive businesses' capacities and improve the conditions for them to compete in public tenders, inter alia, by addressing regulatory and administrative barriers and thus making public procurement opportunities more accessible. We recognize that in doing so, these efforts can contribute to increasing purchases of products and services from inclusive businesses and responsible suppliers, whilst ensuring the integrity, transparency and effectiveness of our public procurement frameworks. Furthermore, we encourage all IOs and development partners to reinforce their own procurement policies and publicise related bidding opportunities, promoting awareness among and enhancing purchases from inclusive businesses and socially and ecologically conscious providers. Notwithstanding this, we also take it upon ourselves to deepen our efforts to expand access to finance for inclusive business approaches through traditional financial mechanisms as well as other policy instruments.
17. We highlight that governments participating in international cooperation initiatives also play a crucial role in directly promoting Inclusive Business and sustainable public procurement through their development agendas by providing support to and exchanging experiences with LICs and developing countries, or encouraging domestic companies to develop Inclusive Business initiatives overseas.
18. We as the G20 commit to foster and engage, in accordance with our respective capabilities, in international cooperation initiatives related to inclusive business, particularly in those addressed to low income and developing countries, in coordination with Multilateral Development Banks (MDBs), bilateral partners, IOs, the private sector and other development partners. This includes South-South and Triangular Cooperation in which a diversity of actors, resources and instruments can be integrated.

Engagement of and Dialogue with the Private Sector

19. We acknowledge the call of the Addis Ababa Action Agenda to all businesses "to apply their creativity and innovation to solving sustainable development challenges". We support the premise set out by the G20 Leaders' Call on Inclusive Business, underlining that private sector engagement is integral to achieving the development objectives of the G20.
20. We thus recognize the need for stronger dialogue with the business community, as well as closer coordination among governments, the private sector, MDBs, academia and other development stakeholders in our efforts to support inclusive business. We commit to advancing and deepening our exchange and collaboration with all relevant parties of the business community. We encourage the B20 to incorporate inclusive business as a core topic among its actions.
21. We emphasize the important role and responsibility of the private sector in creating decent jobs, providing access to quality services and goods, fostering innovation as well as bringing direct benefits at scale to people, particularly women, living at the BOP. The corporate sector, including multi-national corporations (MNCs) and large domestic enterprises, has the potential to transform the business-operating environment, create benefits for the wider community and help move the inclusive business agenda forward due to its scale and resources.

22. We thus call for the private sector, especially large domestic companies and multinationals, to continue reinforcing and improving their respective corporate objectives and strategies to help address the needs of the communities in which they operate and integrate them into their value chains, in order to achieve inclusive growth. In particular, we encourage the private sector to help address the social and environmental impact of its activities by fostering sustainable, responsible and inclusive supply chains. We also recognise innovations in the areas of sustainable corporate due diligence and development impact reporting and will engage with the private sector to further explore these topics.
23. We note that in recent years private sector flows for development financing and social impact investing have experienced a considerable increase. Impact investment, with USD 228.1 billion assets under management, represents a valuable contribution to help reach the identified funding gap for the achievement of sustainable development targets. Private investors and other emerging actors have gradually been adopting innovative approaches to mobilize greater private capital for impact driven businesses that are optimized not only for risk and financial return but also seek to maximize inclusiveness and social and environmental impact. This includes the use of impact funds, social bonds, matched funding, corporate venturing, private equity and quasi-equity, concessional finance vehicles, crowdsourcing for Inclusive Businesses, blended finance and results-based schemes, including social impact bonds. Financing through these instruments is still nascent and there are bright prospects ahead in terms of the amount of capital that can be mobilized and the high impact that can be achieved.
24. We highlight that MDBs and IOs play an important role in contributing to improve access to finance for inclusive business, especially those with a specific focus on this sector. We recognize that these institutions not only provide direct financing solutions themselves, but they also enable funding from other development partners and private sources.
25. We thus make a strong call for increased financial mobilization and investment from the private sector, to be channelled through both traditional and innovative instruments, including impact investment vehicles, to scale, replicate and enhance the sustainability of inclusive businesses. We also call on MDBs and development finance institutions to boost their efforts towards the sector and continue advancing their longstanding activities to support inclusive businesses through financial and non-financial services, and strengthen the impact measurement, management and reporting of their investments.

Knowledge Sharing and Learning

26. We reaffirm the objective of the Global Platform on Inclusive Business (GPIB) to raise awareness, advance peer-to-peer learning, collaboration, knowledge exchange, and strengthen the capacity of inclusive businesses by identifying lessons learned and good practices.
27. We highlight that bridging the existing information gap is crucial to help advance inclusive businesses. We also recognize that many companies following an inclusive business approach could be unaware of the full range of financial tools available to them, and that the knowledge divide on access to public policies for promoting inclusive business remains an issue.
28. We therefore request the United Nations Development Programme (UNDP) to update the GPIB to provide governments, the private sector and development stakeholders with relevant, practical information on financing alternatives, policy instruments and experiences, especially those incorporating the use of innovative private financial instruments as well as public procurement practices to support Inclusive Business. We also encourage strengthening the GPIB's efficiency, sustainability and visibility, by working in partnership with other relevant stakeholders and optimizing synergies with other platforms.
29. We note that many governments and investors lack practical information to identify inclusive businesses when investing or directing their financing efforts to these models. In this regard, we ask UNDP to develop –in cooperation with the private sector and leading global institutions– optional operational guidelines for investors or governments wishing to identify Inclusive Business, or companies interested in self-assessing their own models. These guidelines, which are voluntary in nature, should be adaptable and tested by users bearing context-specific considerations and priorities in mind.

30. We also recognize that the knowledge base on the role of public policies to promote Inclusive Business needs to be strengthened and made accessible to relevant stakeholders. We note the OECD's work on blended finance principles. We call upon the OECD to develop an inventory of public policies and legal frameworks that compiles existing experiences and successful best practices across the G20 and beyond, to facilitate knowledge sharing on public procurement policies to promote inclusive business.
31. We acknowledge the need for more reliable, coherent and comprehensive data sources on Inclusive Business within and across countries. Data collection systems need to be strengthened to improve transparency and the production of comparable, timely as well as age and sex disaggregated data on inclusive and impact-driven business. It is of particular interest to collect, analyse and disseminate statistics regarding the share of inclusive businesses in total public procurement spending, their overall market participation and their contribution to job creation, social inclusion and to other relevant socio-economic indicators, in order to support evidence-based decision-making and policy monitoring. Corporate reporting, private sector operations and markets, particularly BOP markets, are also valuable sources of data that can contribute to a transformation of the business culture, including by helping raise awareness on the social and financial benefits from engaging with Inclusive Business.
32. We encourage IOs and MDBs to work together with all interested parties to identify data gaps and provide appropriate options to strengthen existing systems for collection, analysis and monitoring and evaluation of data, aiming to contribute to more practical, easily accessible and comparable statistics.