

Fourth Sector Development Initiative

September 2017

The Fourth Sector Development Initiative (FSDI) is a collaboration of public, private, and philanthropic institutions committed to accelerating sustainable, inclusive development by catalysing trillions of dollars of fourth sector growth globally by 2030.

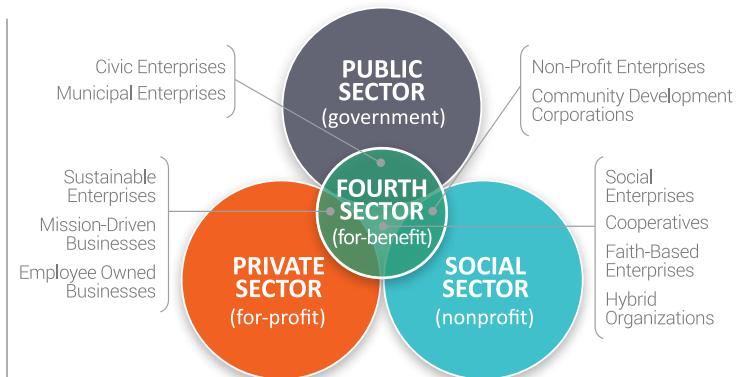
The Opportunity

Many of the social, environmental, and economic challenges we face are downstream consequences of outmoded economic systems and organisational models whose roots date back to the industrial age. The scale, urgency, and complexity of these challenges demand a fundamental upgrade to business-as-usual.

To advance inclusive, sustainable growth and achieve the Global Goals for Sustainable Development by 2030, it is estimated that tens of trillions of dollars must be invested into enterprises across the world that can deliver market-based solutions to a wide range of social, environmental, and economic problems.

These investments are more likely to achieve their intended development outcomes—and not generate counterproductive harmful externalities in the process—if they are directed toward **for-benefit enterprises**. Combining attributes of traditional for-profit businesses and NGOs, for-benefit enterprises are hybrid business structures whose primary purpose is delivering social and environmental benefit. They constitute a **fourth sector of the economy** which has been growing at the intersection of the traditional private, public, and nonprofit sectors for decades.

While there is a dearth of good data on the fourth sector, there are indications that it could account for as much as 10% of GDP as well as nearly twice the job growth rate as traditional for-profit businesses in the US and Europe. Globally, many traditional businesses and NGOs have adopted for-benefit approaches, and there are millions of for-benefit start-ups being launched each year. Numerous studies signal significant demand for for-benefit enterprises (see infographic), indicating a massive growth potential for the sector.



The fourth sector complements the other sectors and extends their capacities to drive positive change. For business, the fourth sector's growth will bring access to expanded markets, new customers, and business and investment opportunities. It will enhance stakeholder engagement, improve productivity, and strengthen supply chains. For nonprofits, the fourth sector will bring new contracting and partnership opportunities, increased philanthropic resources, and the opportunity to build self-sustaining, scalable solutions. And for governments, its growth will bring increased revenue and greater private investment, and it will stimulate job creation and economic growth while reducing the liabilities linked to social and environmental degradation.

The fourth sector promises to unleash a wave of innovation and entrepreneurship that can deliver scalable solutions to pressing global challenges. Its growth accelerates a transition toward more inclusive, sustainable, and resilient economic systems.

“ We are on the edge and business-as-usual will drive more political opposition and land us with an economy that simply doesn't work for enough people. We have to switch tracks to a business model that works for a new kind of inclusive growth... Delaying a better world is wrong, and decent board members, employees, consumers and investors want to do the right thing. And if progress is too slow, there may be no viable world to do business in. ”

- Lord Mark Malloch-Brown, Chair, Business and Sustainable Development Commission

The **World Economic Forum Global Future Council (GFC) on International Governance, Public-Private Cooperation and Sustainable Development** exists to promote, syndicate and discuss latest trends, technologies and solutions at the nexus of public-private cooperation in support of the 2030 Agenda for Sustainable Development. The over arching objective of the GFC is to accelerate the upgrading of economic systems and enterprises globally as a means for advancing inclusive, sustainable development.

The **Fourth Sector Group (4SG)** is a multi-stakeholder platform for collective leadership and action to accelerate the growth of the fourth sector worldwide.



FOURTH
SECTOR
GROUP

The **Fourth Sector Development Initiative**, an initiative of the GFC in partnership with 4SG, aims to boost sustainable, inclusive growth by structuring, promoting, and scaling the fourth sector globally.

Strategic Priorities

Fourth sector development is emerging as a high priority for governments, development institutions, corporations, investors, and other actors. However, for the sector to realize its potential, much work needs to be done to strengthen its supportive ecosystem. To succeed at delivering on both their commercial and impact objectives, for-benefit enterprises need access to financial markets that seek positive social and environmental impacts, enabling policy and regulatory environments, integrated assessment and reporting standards and tools, specialized technical and legal assistance and training offerings, and more. In short, the mechanisms that make a market function

The FSDI is a collaboration of public, private, and philanthropic institutions working to address this challenge by creating the enabling ecosystem required for the fourth sector to flourish. FSDI serves as a platform for collective leadership and action to advance the following strategic priorities globally:

1. Enhance **knowledge** and raise **awareness** about for-benefit enterprises and the fourth sector.
2. Develop more **enabling policy and regulatory environments** for the fourth sector.
3. Promote **new business and investment models** that are aligned with for-benefit enterprises.
4. Increase **educational and training opportunities** for fourth sector practitioners and leaders.
5. Develop **local and regional hubs** to foster collaboration and accelerate fourth sector development in communities.

Core Activities

To advance these priorities, FSDI will bring together stakeholders from business, finance, government, philanthropy, academia, civil society, international organizations, and development institutions to collaborate on a mutually reinforcing set of initial activities:

- **Policy** – Initiate a global multistakeholder effort to develop a comprehensive policy framework for enabling the fourth sector.
- **Knowledge** – Conduct a global census of the fourth sector and its ecosystem to support data-driven policy and decision making. Create a public data commons with visualization and analysis tools to house the census and bridge it with existing data sources.
- **Awareness** – Coordinate a global campaign to raise awareness about the need to upgrade our economic systems, and the role of the fourth sector as an accelerator and leapfrog strategy.
- **Training** – Develop a global platform to equip policy makers, practitioners, and students with necessary knowledge and skills.
- **Business Models** – Identify and promote effective structures, models, and practices, including accounting systems, non-financial metrics, management practices, and governance models.
- **Investment Models** – Identify and promote specialized investment models needed to finance for-benefit enterprises, and identify the tools, procedures, and processes required to make them fully operational.
- **Hubs** – Support the development of a network of local and regional hubs that serve as innovation laboratories and accelerators, providing shared resources and support services to for-benefit practitioners.

Demand for the Fourth Sector



EMPLOYEES
...consider corporate social responsibility when deciding where to work.¹



INVESTMENTS
...under professional management in 2014 (totaling \$21.4 trillion) were involved in sustainable and responsible investing (up from 21.5% in 2012).⁴



MILLENNIALS
...of Millennials in the U.S. won't take a job if a company doesn't have strong corporate social responsibility values.⁷



CONSUMERS
...globally say they seek out responsible products whenever possible.²



STUDENTS
...would take a 15% pay cut to work for an organization whose values are like their own.⁵



START-UPS
There are tens of millions of social entrepreneurs starting up in the world every year.⁸



CEOs
...regard sustainability as key to the future success of their business.³



JOB GROWTH
23.2% projected growth in U.S. jobs in "charitable" vs. "non-charitable" occupations between 2004 and 2014, compared with a 13% growth in jobs in all occupations.⁶



EXECUTIVES
...emphasize governments need to set a policy framework for "economic development within the planetary boundaries of environmental and resource constraints" for the global economy.⁹

¹2013 Cone Communications/Echo Global CSR study. ²2015 Cone Communications. ³The UN Global Compact-Accenture CEO Study on. ⁴GSIA Global Sustainable Investment Review 2014. ⁵2014 Net Impact Business as Unusual Report. ⁶Nonprofits and Business: A New World of Innovation and Adaptation Sustainability 2013. ⁷2016 Cone Communications Millennial Employee Engagement Study. ⁸Global Entrepreneurship Monitor (2009). ⁹The UN Global Compact-Accenture CEO Study on Sustainability 2013

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