Inclusive Business in Viet Nam

Initial results of market study and strategic recommendations for IB promotion

Presentation for Policy Seminar
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Content of discussion

1. Why IB
2. What is IB
3. The company assessment, initial findings
4. The enabling environment
5. The policy recommendations
6. Questions and answers
Why IB
Background and rationale
IB Background - globally

- IB is emerging as a global discussion
- Investors increasingly move towards impact investing (estimated $160 billion investments in impact investing (up from $23 billion in 2010), 15% of IFC portfolio is in IB)
- Many interesting private sector investments
- Increasing emphasis on the role of the private sector in delivering social results for the bottom 40% (B40) through governments
- Increasing interest of development partners
IB Background in ASEAN

ASEAN leaders statement (Nov 2017): “... We called for greater emphasis on creating an enabling environment for Inclusive Businesses in ASEAN Member States ...” (Chairman’s statement of the ASEAN Summit, Nov 2017); renewed statement proposed for 2019 ASEAN leaders summit (Bangkok)

IB as a topic in ACCMSME
IB awards in ABAC

- IB landscape studies: CAM (ongoing) CHI, INO, MYA, PHI, VIE (2014), (BAN, IND, PAK, SRI, TAJ), ... but no update on Viet Nam
- IB and SE promotion policies in various ASEAN countries, (PHI, MAL (ongoing), MYA, CAM (ongoing); KOR, SIN, THA, CHI), .... but nothing so far in Viet Nam
Where do we stand with IB promotion in ASEAN plus?

- Philippines: IB accreditation, IB incentives, since 2016
- Myanmar: IB strategy endorsed in 2018, IB accreditation and incentives being established in 2019, information sharing through business associations, IB steering group and focal points since end 2018, IB TA endorsed, discussion on a IB fund
- Cambodia: is in process of approving IBeeC, a comprehensive strategy for promoting an enabling environment for IB in Cambodia
- Malaysia: currently (2019) develops IB strategic recommendation, with accreditation, focal point, business coaching, risk reduction facility
- Indonesia: some initial discussions in IB
- Singapore, Thailand: focus more on Social Enterprise
- China: IB focused investment fund in Shaxi province
- South Korea + Japan: are interested in promoting IB in their FDIs
- Viet Nam: suggests IB accreditation at national and provincial (cluster) level, will be ASEAN chair in 2020 and could highlight the status of IB promotion in the region
- IB landscape studies: CAM (being finalized), MAL (in preparation), MYA, INO, PHI, CHI, VIE, (IND, PAK, BAN, SRI, TAJ); VIE: needs updating
Why should the government be interested in IB? The triple win

**Good for the poor:**
- creates income opportunities above the market rate (BoP as supplier, distributor, laborer, shareholder);
- provides affordable goods and services that are relevant for to improve livings conditions (BoP as consumer)

**Good for business:** creates returns, profit first but not only, reduces costs, develops new markets, engages new producers, huge unserved market, out-of-the-box solutions, but business needs to be innovative to address all the risks at the BoP (requires very good understanding of the poor and their economy)

**Good for society and government:** reduces poverty, effective and efficient alternative to government intervention, pushes private sector to be socially responsible (private sector can effectively deliver services where government has limitations)

IB are the private sector contributions to poverty reduction and the SDGs → specific reporting

More IB investments mean
- better living standards of bottom 40-60% and those specifically excluded
- Better and more profitable business
- Structural transformation of the economy; innovation and growth
What is IB?
Clarifying concept

IB Definition (see G20)

Features of IB models:
- commercially viable and bankable for-profit core-business models,
- that provide scaled-up, innovative and systemic solutions
- for the relevant problems of the poor and low income people

4 key aspects:
1. commercial return and business (includes also ESG standards),
2. scale for business growth and social impact,
3. systemic (social) solutions for BoP,
4. innovations

- All sectors
- Done mostly by medium sized enterprises ($1-$10 million revenue and bigger)
- Large social impact (reach thousands, high depth, systemic change)
- Innovative
- No trade-off between commercial return and social impact (not SE, not CSR, not mainstream business)
IB can be made – it is about structural transformation

Inclusive Business - no trade off between the business bottom line and benefits for the poor and low-income people / the private sector’s contribution to a society that leaves nobody behind

IB is about:
Structural transformation and
No trade-off between profit and social impact
Innovation to reduce business risk and enhance social impact
(not just doing good on a small scale)

1. main stream commercial business (trade-off between financial return and social impact)
2. bankable
3. innovative transformation
4. Inclusive Business models, activities, and initiatives (impact drives return and vice-versa)
5. social enterprises (impact first; can be for-
6. CSR (strategic and
7. Philanthropy
8. systemic social impact for the poor and low income people (and benefits for inclusive society) in scale

INCLUSIVE BUSINESS (IB)
IB differs from

<table>
<thead>
<tr>
<th>Impact first/only</th>
<th>Business designed to drive social impact and vice-versa</th>
<th>Bottom-line only, impact perhaps as trickle down</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropy</td>
<td>IB initiative</td>
<td>Mainstream business</td>
</tr>
<tr>
<td>Traditional CSR</td>
<td>IB activity</td>
<td></td>
</tr>
<tr>
<td>NGO-driven social enterprise</td>
<td>IB model</td>
<td></td>
</tr>
</tbody>
</table>
How IB differs from

- **SE and CSR** → commercial viability, scale, growth, profit
- **Mainstream business** → targets solutions for the B40 (business drives impact and vice-versa)
- **Common contract farming** → better income than usual
- **Impact investing** → for B40
- **Microfinance** → included in IB but importance of innovation for social results, not just financial inclusion (access)

- Responsible business → high ESG standards are a given for IB; (we assess during accreditation)
- SMEs → most IB are medium sized or larger enterprises; most SMEs do not have the strategic intend of creating (through business) social impact in scale
- Value chain financing, contract farming → social impact only if accordingly designed
- Traceability → more an environmental concern
- ESG standards → IB goes beyond is about creating impact, nit just guaranteeing safeguards
- Creating shared value → IB thinks from solutions for poor perspective, not only expanding large businesses top BoP
# Three types of IB

<table>
<thead>
<tr>
<th>IB types</th>
<th>IB-I</th>
<th>IB-A</th>
<th>IB-M</th>
</tr>
</thead>
<tbody>
<tr>
<td>scale of social impact</td>
<td>small-medium</td>
<td>medium</td>
<td>high-medium</td>
</tr>
<tr>
<td>business return</td>
<td>small-medium</td>
<td>small</td>
<td>high</td>
</tr>
<tr>
<td></td>
<td>small-high</td>
<td>medium-high</td>
<td>medium-high</td>
</tr>
<tr>
<td>typical investment (million USD)</td>
<td>0.5-3</td>
<td>1-3</td>
<td>&gt;3</td>
</tr>
<tr>
<td>growth phase</td>
<td>accelerating</td>
<td>pilot</td>
<td>mature</td>
</tr>
<tr>
<td>size of company</td>
<td>small</td>
<td>large</td>
<td>medium-large</td>
</tr>
</tbody>
</table>
IB is mainly done by medium sized enterprises

<table>
<thead>
<tr>
<th>what is a small-medium-large company in Viet Nam?</th>
<th>household (micro)</th>
<th>small</th>
<th>medium</th>
<th>large</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>VND (bio)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agrio, const</td>
<td>&lt;3</td>
<td>3-50</td>
<td>50-200</td>
<td>&gt;200</td>
</tr>
<tr>
<td>trade + serv</td>
<td>&lt;10</td>
<td>10-100</td>
<td>100-300</td>
<td>&gt;300</td>
</tr>
<tr>
<td><strong>employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>no of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank / ILO</td>
<td>&lt;10</td>
<td>10-50</td>
<td>50-250</td>
<td>&gt;250</td>
</tr>
<tr>
<td>this study</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

not relevant
Revenue and reach counts for IB, not asset and employment

<table>
<thead>
<tr>
<th>Revenue and Reach in IB</th>
<th>micro (not IB eligible)</th>
<th>small IB</th>
<th>medium IB</th>
<th>large IB</th>
</tr>
</thead>
<tbody>
<tr>
<td>revenue (bio. VND)</td>
<td>&lt;3</td>
<td>3-50</td>
<td>50-200</td>
<td>&gt;200</td>
</tr>
<tr>
<td>revenue (Mio USD)</td>
<td>&lt;0.2</td>
<td>0.2-1</td>
<td>1-3</td>
<td>&gt; 3</td>
</tr>
<tr>
<td>reach</td>
<td>&lt;100</td>
<td>100-500</td>
<td>500-3000</td>
<td>&gt; 3000</td>
</tr>
</tbody>
</table>
IB targets the B40, not the extreme poor

New international poverty lines (World Bank) since 2018: LLDC = $1.9, L-MIC = $3.2, U-MIC = $5.5, HIC = $21.7;

VIE is a L-MIC (as per World Bank GDP/capita) with excellent poverty reduction achievements

According to PovCalNet with poverty data for 2016, in Vietnam 2% of population live under the $1.9 poverty line, 8.4% under $3.2, 29% under $5.5, 53% under $8, and 67.4% under $10

The B40 have household income up to VND 15 billion (= $700, current)

Sources: World Bank PovCalNet (Apr 2019 update), Viet Nam poverty data are for 2016
The proposed household income thresholds (5, 7, 12, 14 million VND)

<table>
<thead>
<tr>
<th></th>
<th>per capita per day</th>
<th>per family per month</th>
<th>percent of population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>VND (current)</td>
<td>say</td>
</tr>
<tr>
<td>very poor</td>
<td>1.9</td>
<td>44,650</td>
<td>50,000</td>
</tr>
<tr>
<td>poor</td>
<td>3.2</td>
<td>75,200</td>
<td>75,000</td>
</tr>
<tr>
<td>low income</td>
<td>5.5</td>
<td>129,250</td>
<td>130,000</td>
</tr>
<tr>
<td>bottom 40%</td>
<td>6.6</td>
<td>155,100</td>
<td>160,000</td>
</tr>
<tr>
<td>BoP</td>
<td>8.0</td>
<td>188,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

The BOP in Viet Nam (household income)

Data are from PovCalNet (World Bank, update 7 June 2019); based on Viet Nam income and expenditure survey 2016. We used an exchange rate of 23,500. For determining household income 2 income earners were used and 30% extra income (remittances, social transfers, income in kind), and an average household size of 4.5 were used.
Some examples of IB in Asia and beyond

**Agrobusiness:** Rocky Mountain Coffee (PHI), Kennemer (PHI), IndoFoods (INO), Golden Sunland (MYA), Amru rice (CAM), scallion (CHI), millet (CHI), Chigu skin care (CHI), Nestle coffee (PHI), Jain irrigation (IND)

**Social sectors:** Aravind eye hospital (IND), Hippocampus (IND), J-SAT (MYA), OnDoctor (MYA), blue-collar-job satisfaction (CHI)

**Energy:** Greenlight Planet (MYA, IND), …

**Trade:** Metro (PAK), CitiMart (MYA)

**Finance:** Tribanco / Grupo Martins (BRA), Brilla-Promigas (COL+CLE+ECU), Agrofinanzas (MEX), BanhJi (CAM), microfinance?

**Urban utilities:** Manila Water (PHI), Cemex (MEX)

And many more…

What matters is not the number of companies being IB, but the scale and depth of their social impact
IB companies assessment (preliminary findings)
Methodology

The company assessment
- got company suggestions from experts, business associations, government, literature, former studies, government
- Interviewed based on interview guide
- Input results of the interviews in a database
- Company assessment and rating (team discussion)
- Write up, getting company endorsement,
- publishing as part of study

The study
- Clarifies concepts and definitions
- Summarizes market overview
- Discusses enabling environment for IB
- Makes policy recommendations
$97 mio revenue and 2.1 million B40 people
good growth in next 5 years: $97→$171, 2.1 million people →2.9

<table>
<thead>
<tr>
<th>total (# companies)</th>
<th>revenue</th>
<th>social reach (million, number)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2023</td>
</tr>
<tr>
<td></td>
<td>billion VND</td>
<td>million USD</td>
</tr>
<tr>
<td>all companies rated</td>
<td>39</td>
<td>8,646</td>
</tr>
<tr>
<td>non IB</td>
<td>21</td>
<td>6,363</td>
</tr>
<tr>
<td>potential and real IB</td>
<td>18</td>
<td>2,283</td>
</tr>
<tr>
<td>real IB</td>
<td>6</td>
<td>1,599</td>
</tr>
<tr>
<td>potential IB</td>
<td>12</td>
<td>684</td>
</tr>
</tbody>
</table>

source: IB company analysis under the Viet Nam ESCAP study

- Looked at 141, shortlisted 88, proposed for interview 55,
- Interviewed and rated 39, of which
  - 29 in agri, 4 craft+manuf, 2 tourism, 1 each in edu, health, energy, finance
  - 33 income, 6 services;
  - 30 supplier, 8 consumer, 1 labor, no distributor, no shareholder
  - 1 IB-I, 17 IB-M, no IB-A; 2 SE and no CSR,
- We found 18 IB (of which 6 are real and 12 potential), 17 mainstream businesses and 2 social enterprises; will do some more
  - IB Reach: 2.1 million people (2018) / 0.5 mio households → 2.9 million (2023) / 0.7 million households
Lacks social innovation and social depth

- Mainly income models, not much service models
- Predominance in agrobusiness,
- More traditional, not much innovation, (“same same but different”)
- Lacking social depth
- Potential for growth not sufficiently explored
- Many potential IB → the need for business coaching

<table>
<thead>
<tr>
<th>IB rating and strategic intend (average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>no of companies</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>all companies rated</td>
</tr>
<tr>
<td>potential and real IB</td>
</tr>
<tr>
<td>real IB</td>
</tr>
<tr>
<td>potential IB</td>
</tr>
<tr>
<td>non-IB</td>
</tr>
<tr>
<td>maximum possible</td>
</tr>
<tr>
<td>IB benchmark</td>
</tr>
</tbody>
</table>
18 (6+12) IB examples in Vietnam

Agrobusiness:
3 real: Bio King, Traphaca Sapa, Viet Trang,
10 potential: AgriMedia, Cricket One, Dakado, Harmona, HTC, My Lam, Pepsi, Sao Thai Duong. TMTM-Moringa, Pepsi,

Energy: Green Gen
Finance: TYM
Crafts and industry: Quang Vinh (P), Bobby Craft
Health: Glink (P)
Tourism:
Trade:
Urban utilities:

Probably many others, once IB is more known
What do companies need to develop IB models?

**Stronger IB climate and awareness**
- IB as part of a national approach
- Awareness raising, recognition (awards)
- Champion and focal points to contact for information / support

**Business coaching**
- Not for start-ups and not for mainstream business without transformation potential
- Very specific help for companies that either want to set up an inclusive business line or transform an existing business line
- Emphasize deeper social impact
- Focus on innovation, growth and returns

**Risk reduction financing for investors**
- not grant or subsidy or tax; more an innovative financing that unleasing investments from the private sector
Enabling environment for IB

IB business climate

Companies with (real and potential) IB business models

- Government
- Investors
- Business associations
- Business accelerators
- Other experts

actors
Actors in the Viet Nam IB ecosystem

**Government**
- AED, CIEM (MPI)
- MoIT, MOLISA, MARD, MoST/NPI/NATEC, …
- Provincial government: CSID (HCMC), SME Promotion Center Hanoi

**Business associations**
VCCI, VinaSME, VYEA, VAWE/VWEC, others

**Accelerators:** PSAV, SME, impact hub, SME programs, Oxfam, CSIP, SNV, Agriterra, VSEN, BNI, others

**Investors,** among others
- Impact investors: Uberis, Patamar, LGT, IIX, Lotus, Dragon, responsAbility,
- Development banks: IFC, ADB, AfD, FMO,
- MFI, banks, venture funds: …
- Angel investors: Trusting Social, AVPN, VIISA

**Development partners:** AfD, DFAT, EC, GIZ, JICA, KOICA, SECO, UNIDO, UNDP, USAID, others
Going forward

AED would need to develop a concrete action plan who is committing what to promote IB

Focal points
Business association commitment to co-champion
IB business climate

- Misconception on IB as engagement deeply entrenched: many companies (and business associations and government agencies) think (wrongly) that engaging the B40 is enough
- Poverty agenda is becoming less important
- Emphasis on innovation, Industry Revolution 4.0, circular economy, growth (agri) → need to link to IB
- Dormant social enterprise discussion not active → can IB-I reactive?
- Government rationalizes spending → more private sector solutions can help
- Investors don’t drive because of venture capital focus, but are open
- Some frustrations among development ´partners

→ danger of revitalizing IB as old wine in old bottles; we need to create a new dynamics based on better understanding and concrete actions
Suggestions for IB promotion
Strategic framework for IB promotion in other countries

1. Comprehensive IB strategy and action plan
2. Institutionalizing multistakeholder steering group, focal points and champions (government, business associations, development partners) with clear ToRs
3. Information sharing, branding, advocacy, seminars, participating in international events as leaders
4. IB accreditation, IB awards
5. TA facility for business development and impact assessment
6. IB fund to de-risk impact investors and banks
7. Prioritizing IB in public procurement and existing SME promotion programs
8. Investment incentives (tax, …)
9. Coherent IB reporting (in context of SDG and national government and business associations’ reports)

VIE wants mainly 2, 3, 4
Strategic framework for IB promotion in Viet Nam

AED is prioritizing accreditation (pilots in 2-3 regions)

We suggest to go beyond and explore also:
- Institutionalizing IB
- Business coaching (with business associations)
- Advocacy and knowledge (with business associations)
- Risk reduction facility
- Prioritizing IB in existing programs and procurement

→ requires commitment and funding and Support from development partners
**IB accreditation**

- Based on business model (ex ante) of the new investment
- For relevant IB business line only
- Ex-ante, done during registration process but separate and voluntary;
- Joint assessment from government and business association, done twice a year
- Easy to do through a composite rating tool: We expect 20-50 proposals per year maximum
- Brief feedback to the company what can be improved to be accredited as IB
- Announcing the accredited firms → IB awards
- Linked to branding and incentives
- Incentives after checking: year 0 = accreditation, year 1 incentive 1, year 3 incentive 2

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**Summary Assessment**

<table>
<thead>
<tr>
<th>IB Business line rating</th>
<th>weight</th>
<th>actual rate (1-6)</th>
<th>score (S=WxR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The commercial return</strong></td>
<td>41%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>company (size, profitability, bankability)</td>
<td>11%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>IB model (governance, revenue, growth, addressing business risks, profitability)</td>
<td>25%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>ESG standards</td>
<td>5%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td><strong>The social impact of IB model</strong></td>
<td>46%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>reach (no of beneficiaries, targeting, women empowerment)</td>
<td>17%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>depth and relevance</td>
<td>15%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>systemic change for poverty reduction and inclusion (sector, geographic, gender, empowerment, others)</td>
<td>14%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>13%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>business</td>
<td>4%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>technological</td>
<td>3%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>social (labor standards, CSR, …)</td>
<td>3%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>environment</td>
<td>3%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Overall IB rating</strong></td>
<td>0%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>IB commercial rating (financials + business and technological innovation)</td>
<td>0%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>IB social impact rating (social impat + social innovations)</td>
<td>0%</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>IB innovation and transformation rating</td>
<td>0%</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

To qualify as an IB business lines, companies must achieve at the same, (a) an IB overall rating > 3.2 (of 6.0 maximum), (b) an IB commercial rating > 1.5 (of 2.1 maximum), (c) an IB social impact rating > 2.0 (of 2.92), and (d) an IB innovation and transformation rating > 0.35 (of 0.71). Companies with ESG ratings <3 will not be eligible for IB accreditation.
Proposed IB accreditation process for Viet Nam

**step 1**

Business associations (national and in 2 regions) consult their members on IB readiness, some companies apply voluntary for IB certification.

**step 2**

A consultant team assesses the company's reply to the initial questionnaire and is then doing company interviews.

**step 3**

Business associations confirm the initial IB rating and communicate the results to the joint accreditation body.

Business associations inform companies that are not potential IB.

**step 4**

IB accreditation body (composed of government and business associations) discusses (in 3 regional gatherings) the initial rating and assessment of IB accreditation, and makes final IB accreditation (twice a year).

Business associations inform the companies about the results of the rating and invite for IB award.

**step 5**

Business associations and government jointly hold IB award.
Technical assistance for IB

For IB companies (main focus): business coaching
- Improving the business plan
- Social impact assessment
- Help with access to impact investors

For IB policy support (government and BA)
- Policy studies
- Information materials, film, website
- Capacity building for focal points
- IB awards
- Workshops, participation in international events
- Annual reporting

Next steps
- Government agrees whether it wants technical assistance (TA)
- We suggest TA outside of government structure with steering committee and government oversight
- Consultant will write concept paper and ToRs
- Approach potential donors
- $0.5-$1.5 million for 2-3 years
## IB financing options for government support

<table>
<thead>
<tr>
<th>instrument</th>
<th>goes to</th>
<th>mechanism</th>
<th>pros and cons</th>
<th>finances % of the investment</th>
<th>unleashing finance potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Line</td>
<td>company</td>
<td>reduces interest rates (2%), longer repayment (2 years), longer grace (+1 year)</td>
<td>government finances IB investments at special rates and conditions; can best be done through cross-subsidization; financial benefits only after targets in IB contract are achieved (e.g. repayment of interest); example of China-Shanxi</td>
<td>100%</td>
<td>low</td>
</tr>
<tr>
<td>Guaratee</td>
<td>bank</td>
<td>reduces risk perception of bank; should result in lower interest rate charged</td>
<td>example of ADB investment in PHI job placement and skills training (BPOI)</td>
<td>3%</td>
<td>medium</td>
</tr>
<tr>
<td>Convertable grant for social development results</td>
<td>impact investor</td>
<td>unleashes funding; investment achieves social impact, even if the company is not 100% financially successful; impact investor takes 90% of risk and investment</td>
<td>government investment in the impact investor becomes loan of total investment is financially successful; otherwise it is a grant that achieved social impact (many examples in Latin America)</td>
<td>10%</td>
<td>high</td>
</tr>
<tr>
<td>Pay for services, social bonds</td>
<td>company</td>
<td>government sets targets and outsources to private sector; private sector delivers against those social targets and is paid accordingly as a (often more efficient) service provider</td>
<td>reduces innovation potential of the private sector; does not unleash private sector’s own risk and investment potential</td>
<td>100%</td>
<td>low</td>
</tr>
<tr>
<td>Equity investment</td>
<td></td>
<td></td>
<td>not recommended because government should perhaps not take stake in an IB company; impact investors can do</td>
<td>20-40%</td>
<td>medium</td>
</tr>
</tbody>
</table>

Money alone is not enough: IB financing requires parallel financing in **business coaching**, because it is about helping companies making structural transformation.
**IB funding - De-risking impact investing**

**Rationale**
- Enough money available but deal not good enough to invest
- Importance of de-risking the potential investment
- Work with existing institutions instead of creating new ones
- Investors

**Structuring the fund**
- with dedicated extra money
- For impact investors, banks, development banks
- Investing in accredited IB business lines
- de-risks their investment, not to finance directly the business
- Additionality

**Next steps**
- Government decides whether it wants
- Integration in SME Fund
- Consultant can write concept paper
- Allocate some funds in budget and approach potential investor
- Potential investor: ADB, AfD, IFC, KfW, EC, JICA; KOICA, FMO, others, grant institutions, angel investors, philanthropy
- $50 million for 5 years (phased approach)
Selected further Readings


IFC and IB:


IB in Asia: https://www.inclusivebusiness.net/IB-policies/ASEAN

ESCAP IB website:

... and many more