BACKGROUND

OUTCOME REPORT

SECOND ASEAN INCLUSIVE BUSINESS SUMMIT

Building enabling policy environments and promoting inclusive business in ASEAN: Celebrating advances and envisioning the future

A public private dialogue

Side event of the ASEAN Leaders Summit and the ASEAN Business and Investment Summit

Best Western Wanda Grand Hotel
Bangkok, 1 November 2019

Organised by OSMEP Thailand, United Nations ESCAP and the Inclusive Business Action Network (iBAN), in collaboration with the ASEAN BAC

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**Inclusive Businesses** (IB) provide goods, services, and livelihoods on a commercially viable basis, to people living at the base of the pyramid making them part of the value chain of companies as suppliers, distributors, retailers, or customers.

Since 2017, when ASEAN leaders called for “greater emphasis on creating an enabling environment for Inclusive Businesses in ASEAN Member States”, ¹ governments have started developing policies to encourage more IB to emerge and scale-up. At the same time, business leaders, the finance community and other key stakeholders have stepped up to the task of developing and growing IB models for economic growth and social impact at scale.

The **Second ASEAN Inclusive Business Summit** celebrated advances in building enabling policy environments and promoting IB in ASEAN Member States and for the ASEAN community. It provided an opportunity to discuss public and private partnerships on Inclusive Business and to envision the future of IB promotion in ASEAN.

The Summit was attended by 127 participants, including senior level officials developing and implementing IB policy instruments, CEOs from inclusive and mainstream businesses, financial institutions and multilateral development banks investing in IB, as well as organisations and development partners supporting IB models.

This outcome report presents the main messages of the Second ASEAN Inclusive Business Summit.

**HIGHLIGHTS**

- As a result of efforts to promote inclusive business at the ASEAN and national levels, the majority of ASEAN Member States are engaging actively in inclusive business policy development.
- ASEAN leaders have commended and encouraged governments and private sector actors to continue promoting inclusive business, as stated in the ASEAN Chairman’s Statement of the 35th ASEAN Summit, on 3 November 2019, following the Second ASEAN Inclusive Business Summit.
- A framework for the development of effective inclusive business policy instruments has emerged through the experience of frontrunner countries, highlighting eight strategic areas of inclusive business promotion.
- The joint ASEAN, ESCAP and iBAN report on **Advancing Enabling Policy Environments for Inclusive Businesses in ASEAN** launched during the Summit presents the state of IB policy development in ASEAN.
- Working together, companies with inclusive business models and impact investors can scale-up their impact. There are already impact investors supporting inclusive business in ASEAN and new cases are emerging.
- Inclusive business support micro-, small- and medium-sized enterprises (MSME) development, and several countries are connecting inclusive business promotion to existing policy instruments for MSME promotion.
- Public-private partnerships at national and ASEAN level are important for inclusive business to emerge and develop. Examples of successful partnerships on inclusive business are emerging across ASEAN.
- Viet Nam, the 2020 Chair of ASEAN, is committed to ‘carry the torch’ of promoting inclusive business and will further promote IB under the ASEAN umbrella next year.

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KEY MESSAGES OF THE SUMMIT

1. Public and private stakeholders have been promoting inclusive business in ASEAN since 2017, which is enabling increasing recognition and emergence of inclusive business models in the region.

ASEAN leaders recognized that governments have been putting in place strategies, frameworks and policy instruments to make IB a reality ever since 2017, when the ASEAN leaders first called for “enhancing enabling environments for Inclusive Business”. In less than a year since Cambodia, Malaysia and Viet Nam started discussing IB, we are witnessing impressive progress with the development of national IB studies, the identification of champions and focal points and the definition of policy areas for IB promotion. In Myanmar, a strategic framework and a steering group to promote IB and impact investment is in place. The Philippines — the first country to register inclusive businesses and provide incentives — is advancing further the IB agenda holding consultations to draft an Inclusive Business Bill. Indonesia is studying the potential of IB in wellness tourism. Other ASEAN governments are also exploring how these businesses may support inclusive growth in their countries. This represents an important advancement from the efforts of the Philippines as a pioneer country in 2017 to the widespread embracing of inclusive business among ASEAN Member States in 2019.

At the regional level, the ASEAN Coordinating Committee on Micro Small and Medium Enterprises (ACCMSME) has put IB firmly on its agenda and the ASEAN Business Advisory Council is actively promoting IB among its

\[2\] Ibid
stakeholders. Policy development at the national level has benefitted from capacity development at the ASEAN level with the support of the Inclusive Business Action Network (iBAN) and UN ESCAP.

In 2019, ASEAN leaders have commended public and private efforts to promote inclusive businesses as recognised at the Second ASEAN Inclusive Business Summit and has called for further collaboration in this area.

“32. We underscored the need to ensure that the AEC is inclusive and participatory and delivers real benefits to the people. We commended public and private sector efforts, culminating at the 2nd ASEAN Inclusive Business Summit held on 1 November 2019, in producing economic opportunities and improving Micro, Small and Medium Enterprises (MSMEs) with new socio-economic development paths. We noted the strong involvement of ASEAN Business Advisory Council (ASEAN-BAC) and its Joint Business Council partners, and called for more collaboration between medium and large enterprises with governments to promote Inclusive Business through conducive rules and regulations; enhance access to financial resources, education; and build capacity for entrepreneurs and underprivileged communities.”

ASEAN Chairman’s Statement of the 35th ASEAN Summit, 3 November 2019

2. Governments can promote inclusive businesses through a range of policy instruments. Awareness raising, coordination, technical assistance and accreditation have been identified as the most important initial steps for promoting IB models.

Governments can use a range of policy instruments to realise the benefits that IB models bring at scale for poor and low-income people. These include:

1. **Awareness**: Fostering information sharing and awareness raising through events, publications, websites, and IB awards.
2. **Coordination**: Identifying IB champions, establishing IB focal points in government agencies and private sector associations and establishing Steering Committees for aligned action.
3. **Accreditation**: Creating registration or accreditation systems to enhance participation of companies and monitor the social impact of the private sector in the country.
4. **Procurement**: Embedding pro-poor targets into government contracts and prioritizing procurement from IB companies, especially those that have obtained accreditation.
5. **Incentives**: Together with the private sector, designing suitable incentive systems, including tax incentives, to stimulate the adoption and growth of IB models.
6. **Finance**: Developing financial products for the needs of IBs, such as a de-risking fund for investors, and fostering suitable investments linkages, such as facilitating impact investment.
7. **Technical assistance**: Creating facilities specifically dedicated to support IBs by providing business coaching, supporting business development and fostering innovation exchanges, as well as to support actors to strengthen the overall ecosystem for IBs.
8. **Monitoring and reporting**: Developing strong monitoring systems and systematically report on the contributions of IBs to the SDGs.

Among these, the most important initial steps are awareness raising among government officials, business leaders and business associations, coordination (through focal points in government agencies and private sector associations), technical assistance and accreditation.
The joint ASEAN, ESCAP and iBAN report on *Advancing Enabling Policy Environments for Inclusive Businesses in ASEAN* launched during the Summit presents the state of policy development in promoting IB in ASEAN.

The Philippines was the first country in ASEAN to adopt a specific policy for promoting inclusive businesses. In the country, since 2017, registered IB models are eligible for fiscal and non-fiscal incentives. The incentives are aimed at businesses in the agribusiness and tourism sectors. Currently, five IB models have been registered, collectively targeting to source $55 million worth of goods and services from MSEs. These five IB models directly hire 185 people and engage over 1,000 individuals in their value chains, 30% of which are women. They will also raise the average worker’s income by at least 20% within three years of the IB projects’ operations. The country is currently drafting an Inclusive Business Bill that will strengthen the institutional support for IB. Myanmar has established a Steering Group to promote IB and is strengthening IB development supported by the DaNa Facility. Cambodia has identified IB champions and focal points and is in the process of approving its national IB Enabling Environment in Cambodia (IBeeC) Strategy. The country is focusing on awareness raising and IB accreditation, including support for branding and market access. Viet Nam and Malaysia are currently finalizing their national landscape studies and identifying policy instruments to promote inclusive business. Indonesia is conducting a brief assessment (through field interviews with private and public sector stakeholders and a key stakeholder consultation) to inform a roadmap to promote inclusive business in wellness tourism.

“For all of these, we know the road will not be easy. IB, in a sense, is a hard-nosed business strategy. Fortunately, it lies at the crossroads of profitability and social impact, and enables companies to strengthen their businesses and at the same time -- if I may be allowed to use a Christian analogy – to take care of the least of our brethren.”

*Mr. Jerry T. Clavesillas, Director, Bureau of Small and Medium Enterprise Development (BSMED), Dept. of Trade and Industry, The Philippines*

3. Governments have expressed their commitment to increase efforts to promote inclusive businesses.

Governments are committed to accelerating the development of enabling environments for IB. Government officials from Viet Nam and the Philippines noted that they will seek to accredit inclusive businesses, provide business coaching for those enterprises seeking to develop and inclusive business model, to continue raising awareness on IB and to further seek ways to integrate IB in SME support, including through assigning focal points and specific tasks. Government representatives of Indonesia have indicated interest in mainstreaming IB in tourism, manufacturing, agriculture, and the creative and digital economy. Government officials from Singapore expressed interest in promoting more meaningful overseas investments. Brunei is interested sharing information about IB among government officials. Myanmar will be offering its first national Inclusive Business Award in 2019. Cambodia is planning to adopt the IBeeC strategy, which would see the establishment of a Steering Committee and IB unit to support IB promotion, the development of an action plan, and the implementation of an accreditation system for IB. The strategy would also seek to leverage efforts to promote SME development. Lao PDR will seek to generate awareness on IB, to receive support from development partners and identify champions to promote inclusive business. Government officials from Malaysia and Thailand indicated interest in building the capacities in terms of quality and productivity, among the BOP and micro and small entrepreneurs to match the expectations of inclusive business anchors. They also suggested exploring public-private partnership forum that would generate awareness and mutual understanding on inclusive business and help encourage different stakeholders to work together.
“Businesses are engines of economic growth and play a crucial role in the sustainable development process by creating jobs, innovating and providing products that can transform the lives of poor people. With the aim to have a better and more sustainable future for all, it is right time to promote IB as a key part of the sustainable development policy for the private sector.”

Ms. Trinh Huong, Head of Policy Development, Agency for Enterprise Development, Ministry of Planning and Investment, Viet Nam

Moving forward, participants also indicated strong interest to further promote inclusive business at the ASEAN level. They would like to see increased sharing of information among ASEAN countries including through a central website and the sharing of good practices and IB models. They would also seek enhanced cross-cutting coordination in regard to the work on SMEs and inclusive business. Increased coordination in the area of IB promotion may include a harmonised system or common platform for IB accreditation. Some participants suggested exploring the possibility of providing ASEAN incentives for inclusive business. Participants also expressed their interest in promoting an ASEAN IB award.

Government officials, business leaders, organisations and development partners also expressed their desire to see a common theme for IB within the ASEAN Summit and Viet Nam, the 2020 Chair of ASEAN, committed to ‘carry the torch’ of IB forward and further promote IB under the ASEAN umbrella next year.

4. ASEAN has seen the emergence of multiple business models that provide, at scale, relevant goods and services and income opportunities to low income people and marginalized populations. These businesses exemplify the contribution that the private sector can make to inclusive and sustainable development in the region.

In the agribusiness sector, a variety of inclusive business provide increased income opportunities for farmers while reducing their risk: from an inclusive organic rice business line in Thailand, to a food conglomerate in Indonesia, organic spices in Myanmar or a moringa business in Viet Nam.

For example, Urmatt Group, a pioneer Inclusive Business in the region, produces and exports organic agricultural products at scale in a manner that is impactful for smallholder farmers. Urmatt contracts and supports smallholder farmers in Thailand to grow organic rice, chia, eggs and coconuts. Through organic production and value-addition, Urmatt produces high-quality products, which are sold at premium prices worldwide. This premium dramatically increases the income of farmers. Moreover, environmental degradation is averted in the process, while social capital develops as livelihoods improve and poverty falls.

“Inclusive Business is about structural transformation and not about trade-off between profit and social impact.”

Mr. Arvind Narula, CEO, Urmatt Group

In the services sectors a number of models are supporting affordable access to finance, water, housing or health services. For example, in Myanmar, OnDoctor connects poor and low-income people, especially in rural areas, to doctors through digital technology. Using the OnDoctor app, patients can access health information and directly contact a doctor for consultations. The company has over 100,000 users and serves daily around 3,000 patients. In Cambodia, Khmer Water Supply operates a portfolio of small-scale piped water networks in rural areas were 90 per cent of the population do not have access to clean piped water. Each network consists of a filtration system, ground well and water tower for storage, and underground piping that connects to end user households and provides water at a lower cost to consumers than the alternatives.
Technological innovations as well as organisational innovations can help the development of inclusive business models that achieve impact in par with returns on investments. For example, e-wallets can aid farmers access to finance and increase traceability, increasing the chances for the emergence of more inclusive agribusiness models. Introducing opportunities to diversify the sources of incomes and to access sufficient capital to produce efficiently help transform a mainstream business model into an inclusive one.

A critical element for developing inclusive business models is understanding the market landscape and, in particular, the needs and capacities of low-income people and marginalised groups. Choosing the correct partners that share an inclusive vision is another cornerstone for building inclusive business models.

“It is vital to highlight successful inclusive businesses and show other business leaders how they can also follow the footsteps of inclusive business leaders. This is why IB awards, such as the forthcoming Myanmar IB Award, are important”

Mr. Bradley Kopsick, Country Director, Insitor Partners, Myanmar

5. Impact investors in ASEAN are increasingly aware of Inclusive Business as opportunity for investment and some are already investing in IBs. Awareness raising and information is needed to connect more IB companies and impact investors in the region.

In Southeast Asia, the base of the economic pyramid market is estimated to be around 349 million people, or 56% of the population. Together, they have a purchase power of up to USD 320 billion.3 Inclusive Businesses have the potential to generate significant income while creating impact for a large share of the population. Impact investment offers an opportunity to grow existing Inclusive Businesses as well as to incentivise the development of new IB models. Southeast Asia’s impact investing ecosystem has developed significantly over the last decade, with USD 904 million deployed to the region by private impact investors and around USD 11.2 billion deployed by development finance institutions from 2007 to 2017.4

Impact investors are using a range of market finance tools to promote investments in inclusive business. For example, Nexus for Development, an NGO based in Cambodia, uses blended finance—that is, the provision of grants together with equity or loans—to encourage investors to invest in inclusive business models. Its Pioneer Facility is a blended finance impact fund with investments in growth stage enterprises delivering impact across the energy, water, or sanitation sectors.

Initiatives that can support impact investment in IB include: matchmaking platforms, business coaching, de-risking facilities, pilot IB funds and impact measurement tools. For example, KOTEC has developed a Social Venture Valuation Model to comprehensively evaluate the social nature and the innovation and growth potential of an enterprise. Such valuation tool supports impact investors valuate the social impact of a business, and thus facilitate access to finance for Inclusive Business models.

The Summit also highlighted that funding is required not only to invest in IB models but also to finance the development activities necessary to build an enabling IB ecosystem. That is, funding is required to enhance the capacities of different actors and organisations in the IB ecosystem, from the farmers who would then be more ready to participate in the value chains of IB models to providing business coaching for business leaders.

Funding is also required to support the flow of information and to develop linkages among different actors in the ecosystem.

“Many of these Inclusive Business models are possible because development partners have financed technical assistance, because business associations have built awareness and because civil society organizations have organized and uplifted producers and suppliers to be ready to participate in the supply chain of Inclusive Businesses.”

Mr. Kaveh Zahedi, Deputy Executive Secretary, ESCAP

6. Inclusive Business promotion in ASEAN has the potential to support MSME development through value chain integration and the provision of appropriate services to help business grow, as inclusive businesses often integrate MSMEs as suppliers, distributors or retailers in their operations.

Money, mentorship and markets are the three key factors for MSME development and success. Inclusive businesses when they include MSMEs in their value chains, often provide those. Strong IB-MSMEs linkages are found in agribusiness value chains, where companies regularly purchase from smallholder farmers. Amru Rice in Cambodia sources rice from 10,000 micro producers. It also offers capacity building to farmers, enabling them to produce at an export market standard and to access new markets in the process.

MSME development also impinges on their ability to grasp the opportunities that digitalisation offers. A number of IB models offer this opportunity to MSMEs. A good example is Banhji, a Cambodian middle-sized inclusive company offering a free online accounting software. This software enables small firms and entrepreneurs to manage their finances and even access bank loans, as they now have records of cashflows that can be used by banks to estimate their creditworthiness. Banhji supports micro and small enterprises to grow through their services.

In addition, most Inclusive Businesses in ASEAN are themselves middle-sized companies. As such, they also need support to scale and expand impact.

ACCMSME as well as ASEAN BAC recognize the potential of Inclusive Business for MSME growth and commit to continuing promoting Inclusive Business in the region.

“MSMEs are very important to the economy. In 2018, 3 million MSMEs in Thailand created employment for 14 million people and contributed to 43 per cent of the country’s GDP. Inclusive Business could play significant role in improving the competitiveness of MSMEs and the livelihoods of their stakeholders, as Inclusive Businesses often integrate MSMEs as suppliers, distributors or retailers in their operations and enhance market access for MSMEs.”

Ms. Wimonkan Kosumas, Acting Director General of OSMEP, Thailand

7. Despite the many advancements, awareness raising, capacity building and access to resources for Inclusive Business needs to be scaled up across ASEAN Member States. Investment in the ecosystem is required to effectively promote inclusive business models.

Accelerating the promotion of IB will require helping actors to expand support services to Inclusive Businesses, but also building the capacity of intermediaries and technical assistance providers.
The DaNa Facility is the first technical assistance organization in the region created to specifically support Inclusive Businesses. A similar facility is being envisioned in Cambodia. In addition, across ASEAN, numerous private sector support organizations exist that could be engaged to develop services to IB. Private sector associations, such as Chambers of Commerce and Young Entrepreneurs Associations, have been playing an important role in promoting Inclusive Business in ASEAN Member States and at the regional level and should be further engaged to support IB companies.

Other actors, including civil society organisations have also played a key role in the development of value chains, particularly on agriculture where they have been organising small scale producers, converting them to cooperatives, and linking them to markets.

In order to be truly transformational and inclusive, it would be worth exploring in more detail how gender equality is being promoted through the value chains of inclusive business.

“Capacity building is a primary requirement for increasing the number and impact of IB, there is still confusion about what IB is, and we need to share learning and information in the field in a collective manner, at the ASEAN level and wider as well.”

*Ms. Mia Mikic, Director, Trade, Investment and Innovation Division, ESCAP*

8. **Public-private partnerships are critical for the emergence and growth of IB models, including the building the capacity of the BOP and of MSMEs to engage in the value chain of Inclusive Businesses.**

Public-private partnerships are critical. The Summit underlined that many of the Inclusive Business models in ASEAN are possible because development partners have financed technical assistance, business associations have built awareness and civil society organisations have organized and uplifted producers and suppliers to be ready to participate in the supply chain of Inclusive Businesses.

Examples of public-private partnerships exist in the agribusiness sector, supporting sustainable livelihood programmes for smallholder farmers in partnership with large businesses. For instance, East-West Seed - an Inclusive Business from the Netherlands operating across the region - is working with development actors and civil society in Myanmar to support smallholder farmers to improve crop production. Khmer Water Supply, in Cambodia, is working with the Cambodia Water Association and UNICEF to connect poor households to water supply along the Mekong river.

Partnerships are further needed to facilitate the connection between IBs and the base of the economic pyramid, including by support infrastructure development that enable IBs to engage with poor and low-income populations, and to support the growth of MSMEs through mentorship, coaching and access to resources.

“Greater inclusivity will happen if there is a strong partnership between private sector and government. Prosperity of all is what binds the ASEAN group and countries. MSMEs are the backbone of the ASEAN’s economy, and account for 95-99% of all business establishments in the region. the ASEAN Mentorship for Entrepreneurs Network (AMEN), a public and private partnership platform, leverages the knowledge, expertise and business acumen of successful business leaders and entrepreneurs as potent tools for developing our economies.”

*Mr. Joey A. Concepcion III, Co-chair of ASEAN BAC, The Philippines*
9. ASEAN and the ASEAN Business Advisory Council play a key role in promoting the inclusive business agenda and encouraging ASEAN Member States to create enabling policy environments for IB.

The Inclusive Business programme implemented by iBAN and ACCMSME in partnership with the United Nations ESCAP has helped ASEAN Member States advance in this area, especially by providing capacity development, forums for exchange, supporting the development of national landscape studies on Inclusive Business and assisting countries to identify and design policies for IB promotion.

Government representatives at the Summit urged ASEAN to continue to provide platforms for discussion and cooperation on IB and to explore ways to further support Inclusive Business promotion among ASEAN Member States, especially on IB policy development and IB accreditation, and to promote increased private-public partnerships. By conducting activities that target these points and increasing the levels of cooperation, the capacity of ASEAN Member States regarding IB will be raised significantly. Initial activities could include the development of an ASEAN guideline for IB promotion and an ASEAN guideline for IB accreditation that could guide policy development across Member States.

Viet Nam, as the new Chair of ASEAN, has indicated its support to promote policy guidelines for developing IB promotion frameworks, including on the IB accreditation model, among Member States. It has also indicated interest to organise the Third ASEAN Inclusive Business Summit in 2020.

“Regional collaboration will strengthen the promotion of Inclusive Business on a national level and provide a platform for global engagement.”

Mr. Christian Jahn, Executive Director, iBAN
Figure 2: Group photo. Participants of the Second ASEAN Inclusive Business Summit.

FURTHER INFORMATION

United Nations Economic and Social Commission for Asia and the Pacific

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About ESCAP
The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 Member States and 9 Associate Members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed insight into the evolving economic, social and environmental dynamics of the region. The Commission’s strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which it does by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments aims to support countries’ sustainable and inclusive development ambitions.

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About the Inclusive Business Action Network (iBAN)
The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. Through its strategic pillars iBAN blue and iBAN weave, iBAN manages an innovative online knowledge platform on inclusive business (inclusivebusiness.net) and offers a focused Capacity Development Programme for selected companies and policymakers in developing and emerging countries. iBAN creates a space where evidence-based knowledge transforms into learning and new partnerships. With its focus on promoting the upscale of inclusive business models and consequently improving the lives of the poor, iBAN is actively contributing to the achievement of the United Nations Sustainable Development Goals.
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www.inclusivebusiness.net