

Consultative Dialogue to Promote Inclusive Business in Viet Nam

Private Sector Session

Hanoi, 19 May 2022



BỘ KẾ HOẠCH VÀ ĐẦU TƯ
CỤC PHÁT TRIỂN DOANH NGHIỆP

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Inclusive business models in agriculture & food systems

■ Viet Nam

Various tea and herbs companies create higher income for **low-income farmers** through substantial value addition

■ Thailand

Firm engages +3,000 **small hold farmers** to produce organic jasmine rice, chicken eggs & coconut water sharing the premium afforded to organic produce with the farmers

■ Lao PDR

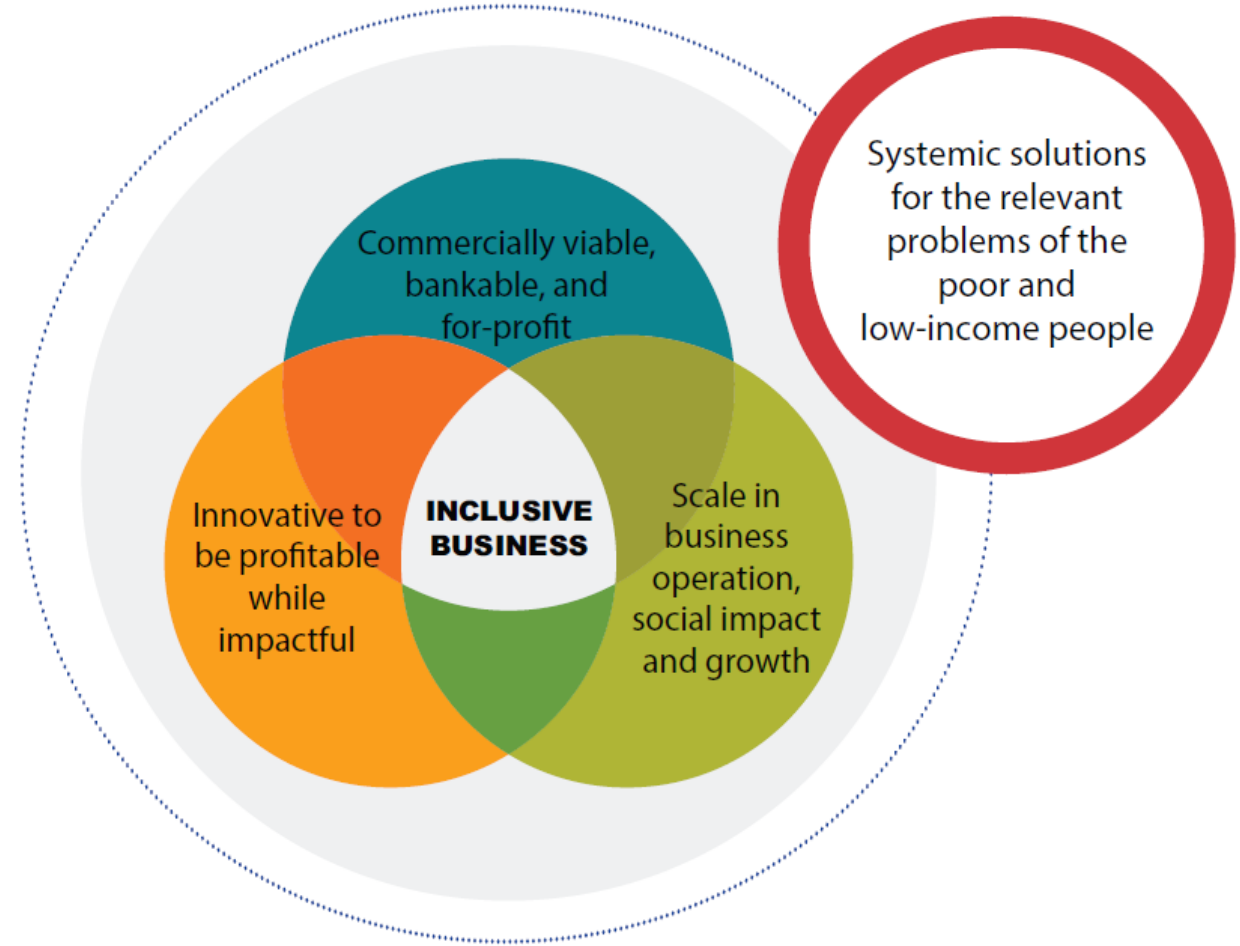
Agribusiness firm **increases farmers' income six-fold** & creates opportunities for local communities thru the citrus supply chain

■ Myanmar

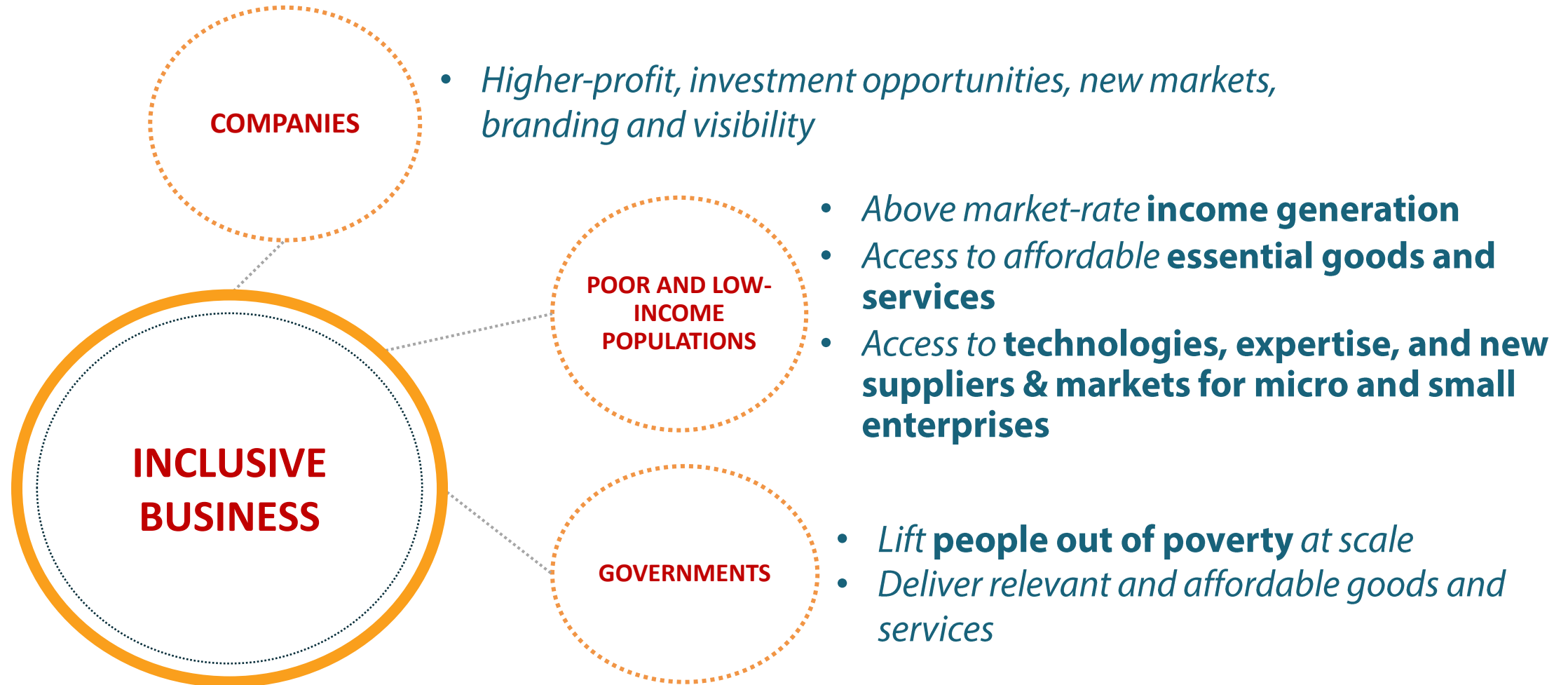
Agribusiness firm **engages the poor as shareholders**. Leases their land to use it in a more commercial way without buying it

Inclusive business

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; making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers

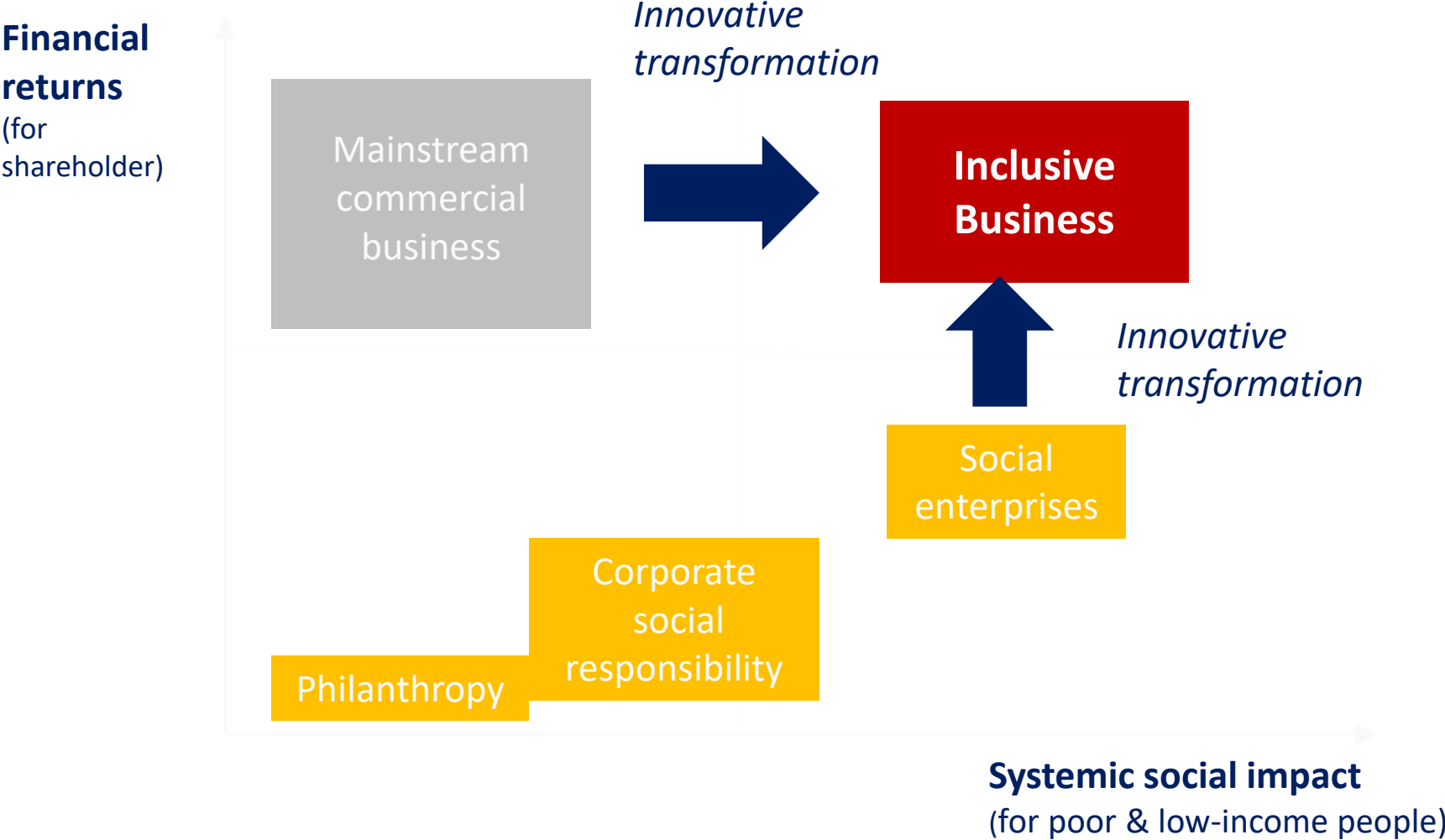


Why promote INCLUSIVE BUSINESS?



Inclusive Business models

Can be built through innovative transformation



IB is about:

Structural transformation and Innovation to reduce business risk and enhance social impact

Impact at scale



Examples of business models

Commercial viability

- **The company**
- **The business line**

[Note: ESG/Responsible business vs. IB]

Social impact

- **Reach** (number, targeting, women)
- **Depth of impact**
 - Relevance, affordability of services
- **Systemic change** (geographic, sector, gender, poverty)

Innovation for the BoP

- **Innovations** (business, technological, environmental, social) **for low-income**

Examples of business models	Agribusiness input company	Online market place
Commercial viability		
<ul style="list-style-type: none"> - The company - The business line <p>[Note: ESG/Responsible business vs. IB]</p>	<ul style="list-style-type: none"> • Consolidated firm • Clear product line designed for small holders (micro-irrigation) 	<ul style="list-style-type: none"> • Yet to breakeven • No clear product line for smallholder
Social impact		
<ul style="list-style-type: none"> • Reach (number, targeting, women) • Depth of impact <ul style="list-style-type: none"> • Relevance, affordability of services • Systemic change (geographic, sector, gender, poverty) 	<ul style="list-style-type: none"> • Working with marginalised • Relevant product • Provides access to finance • Provides training on agricultural good practices • Measurable results: annual yield increases between 60%–130%, income increases between \$500-\$6,000 for farmers • No information on gender impact 	<ul style="list-style-type: none"> • +1 million smallholders • Provides access to quality product (not more affordable). • Provides relevant (independent, timely, easy access) advice to farmers, but not holistic • Potential to have large reach
Innovation for the BoP		
<ul style="list-style-type: none"> • Innovations (business, technological, environmental, social) for low-income 	<ul style="list-style-type: none"> • Facilitates access to finance & training • Equipment designed for smallholders 	<ul style="list-style-type: none"> • Not particular innovation for BoP

Inclusive business model

Not yet inclusive

Potential to develop a more inclusive model



Promoting Inclusive Business - ASEAN

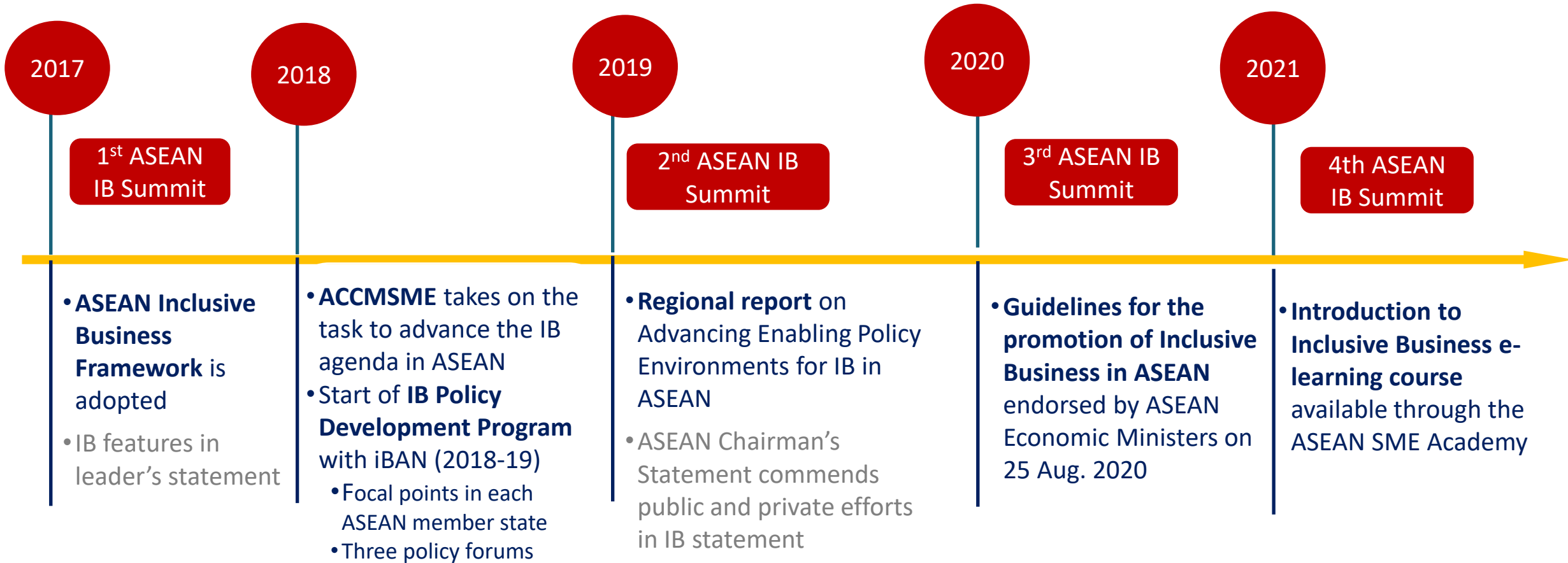
■ National level - Research and policy advice

- Cambodia
- Viet Nam
- Malaysia
- Indonesia
- The Philippines

■ Regional level

- **ASEAN Inclusive Business Summits** (Thailand 2019, Viet Nam 2020, Brunei Darussalam 2021)
- **Guidelines for the Promotion of Inclusive Business in ASEAN** (endorsed by ASEAN Economic Ministers and the first region in the world to adopt such guidelines)

Inclusive business in ASEAN – A shared agenda



Promoting inclusive businesses

12 policy instruments – Regional guidelines for promoting IB in ASEAN

1. **IB Strategy and action plan**
2. **Institutionalization of IB promotion:** IB focal points (govt agencies & biz assoc.)
Steering Committee
3. **Accreditation:** to recognize IB and enhance participation of companies and monitor social impact
4. **Awareness:** through workshops, publications, websites and IB awards
5. **IB coaching:** dedicated facility to support IBs through business coaching
6. **Investment incentives:** to stimulate the adoption & growth of IB models

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Promoting inclusive businesses

12 policy instruments – Regional guidelines for promoting IB in ASEAN

(cont.)

7. **Reducing impact investment risks:** to stimulate the adoption & growth of IB models
8. **Promoting IB in public procurement:** pro-poor targets in government contracts
9. **Target IB in sector and SME programs**
10. **Linking to social enterprise and corporate social responsibility programmes**
11. **Monitoring and report on impact**
12. **Create synergies at regional level**



IB in ASEAN – Policy development at national level

Philippines: IB registration and tax incentives implemented

Viet Nam:

- Landscape study conducted
- Prime Minister adopts the 2022-2025 Program on Support for private Enterprises in Sustainable Business

Malaysia: IB included in the National Entrepreneurship Policy 2030. Landscape study conducted

Indonesia: Market scoping study developed. Study on IB in wellness tourism



Cambodia:

- SME Development Policy refers to IB.
 - National Policy on Science, Technology and Innovation 2020-2030 identifies IB and SE.
 - IB Enabling Environment for Cambodia (IBeeC) Strategy adopted
 - 2nd round of accreditation of companies
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Myanmar: Strategic Framework developed

Landscape Study – Examples



Products: Herbal Medicine

Location: Lao Cai Province

IB Model -> Supply focused: Traphaco Sapa specializes in the production of herbal medicine. They provide inputs (seeds), advisory services and training (farming techniques), and purchase produce at 30% above market price

Commercial Performance: Revenue \$ 2.2 USD million (2018) with a 7% profit margin

Social impact -> income generation: The company works with 300 households and expects to work with 500 households by 2023. They have a focus on ethnic minorities and women

Innovation: They plant high value indigenous plants, maintain good relationships with local stakeholders, diversify production into functional foods and established a media center

BioKing

Products: Micro-biology products and solutions

Location: Mekong Delta

IB Model -> Consumer focused: the company introduced micro-biology products and solutions used to increase productivity in biological and organic agriculture at favourable prices

Commercial Performance: Revenue \$ 0.4 – 0.5 USD million (2018) with a 20% profit margin

Social impact -> Essential goods/income generation: BioKing's products reached about 20,000 farming households and expects to reach 39,000 by 2025

Innovation: distribution system of 500 agencies nationwide, trained directly by and working closely with BioKing. Most are managed by women and/or low-income people. They have a strong focus on R&D and highly skilled team.

The IB Landscape in Viet Nam

May 2019 - Agency for Enterprise Development, Ministry of Planning and Investment conducts a landscape study of inclusive business with the support of ESCAP and iBAN.



- Most IB models are in agribusiness
- By impact area, most IB models benefit the BoP through income generation activities
- Most IB models involve the poor and low-income men and women as suppliers
- Almost all models qualify as IB model
- Most IB models created social impact in northern Viet Nam, four in the South, three in central Viet Nam
- In 2018, IB companies and lines were mostly medium and large in size (revenues between VND 20 billion - 50 billion and above)

Landscape Study – Findings and Impact

- IB companies assessed expect a 65% increase in revenue from 2018 to 2023. This is substantially higher than what is expected by non IB companies interviewed (38%)
- 13 agribusiness IB have offered income opportunities to 1.8 million men and women, and this is expected to increase to 2.5 million by 2023



Inclusive business has **larger and deeper social impact** than mainstream businesses, and are **more profitable and innovative** than mainstream business

Landscape Study – Policy Recommendations

1. Indicating a **strategic commitment** to IB by including it in the 2020-2025 implementation plan of the Sustainable Private Sector Development (SPSD) Strategy (amongst others such as SME and agribusiness)
2. **Institutionalizing support** for IB by establishing a National IB Advisory Board (steering committee), an IB unit in AED and IB focal points (govt agencies & biz assoc.)
3. **Promoting Awareness** through business associations
4. **Launching an IB accreditation** to recognize IB and enhance participation of companies and monitor social impact (prioritize accredited IB)
5. **Provide IB coaching** to support companies upgrade their models
6. **Establish an IB risk – reduction fund** to facilitate financing (explore other incentives)
7. **Promote IB** in the 2020 ASEAN Agenda chaired by Viet Nam
8. Take forward **further analysis** and establish a coherent impact **monitoring and reporting system**

Regional Inclusive Business Models in Agriculture and Food Systems

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▶ **3 years**

▶ **Five pathways**

1. Building capacity of firms
2. Policy support
3. Facilitation and partnerships
4. Evidence generation
5. Knowledge transfer

▶ **Focus on 3 countries, regional learning**



ESCAP'S support

BUILDING IB MODELS

- IB Training
- IB Coaching (10 firms per country)
 - Support development/expansion of inclusive business model (commercially viable + social impact)
 - Tailored to firm priorities
 - With support of local institution – VIDA
 - Local experts to be selected by VIDA

FACILITATION

Dialogues among key stakeholders (gov't agencies, businesses, investors) to identify actions to promote IB.

- Government-business dialogues
- A national IB investment forum

KNOWLEDGE

Facilitate exchange of knowledge on IB models and IB promotion.

- A regional IB investment forum
- A regional IB community of practice
- 2 regional IB promotion forums

Thank you



Further references



National landscape studies

- [Landscape study of inclusive business in Cambodia](#)
- [Landscape study of inclusive business in Viet Nam](#)
- [Roadmap for promoting Inclusive Business in Wellness Tourism in Indonesia](#)



Policies

Viet Nam – The 2022-2025 Program on Support for Private Enterprises in Sustainable Business
ASEAN - [Guidelines for the Promotion of Inclusive Business in ASEAN](#)



Training

iBAN Introduction to Inclusive Business <https://www.inclusivebusiness.net/IB-training/online-course/introduction-inclusive-business>

General information on inclusive business

[Short video of inclusive businesses in Viet Nam](#) by ESCAP and AED

ARTNET on STI Policy platform <https://artnet.unescap.org/sti/policy/inclusive-business>

iBAN <https://www.inclusivebusiness.net/>

ENDEVA <https://endevo.org/>

GrowAsia <https://www.growasia.org/>