Promoting Inclusive Business in Agriculture and Food Systems

Bangkok, 21 October 2022

BILL & MELINDA GATES foundation

OSMEP

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Agenda

13:30 – 13:40	**Opening Remarks**
13:40 – 14:00	**Inclusive business: An overview**
14:00 - 14:40	**Inclusive business models in Agriculture: Opportunities and Challenges**
14:40 – 15:00	*Coffee Break*
15:00 – 16:00	**IB in agriculture and agribusiness in Thailand – Brainstorm and Discussion**

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

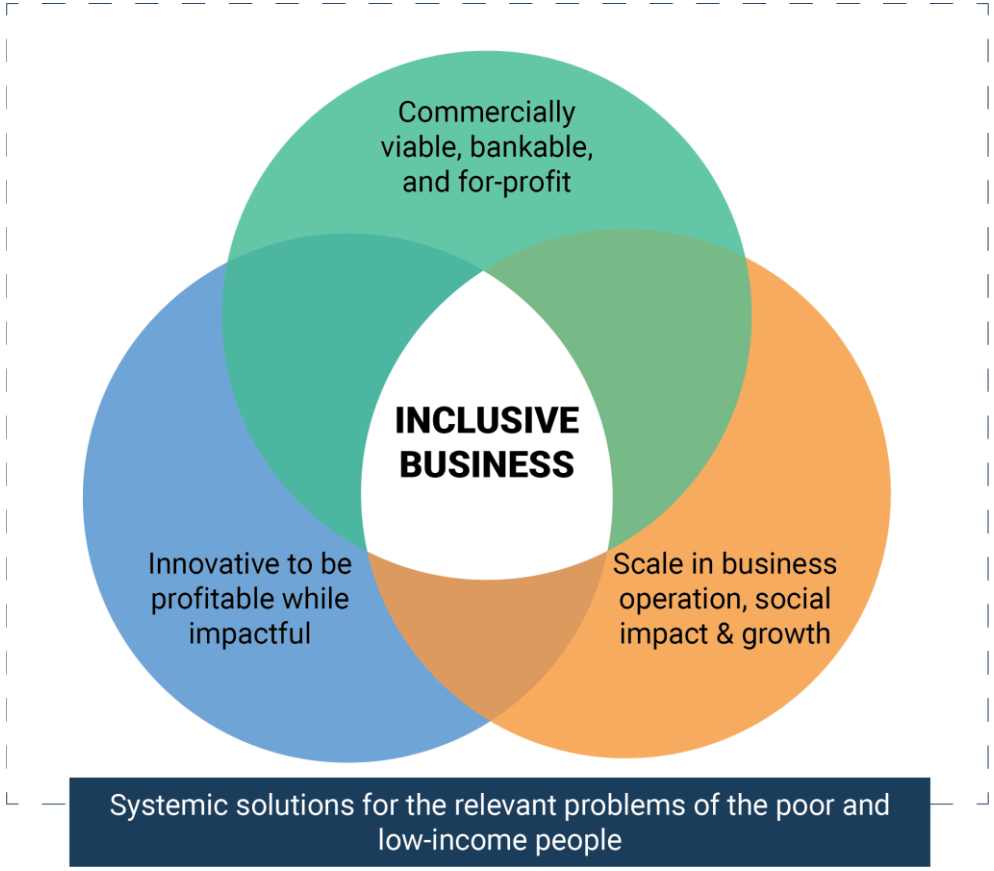
Inclusive businesses

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?



POOR AND LOW-INCOME POPULATIONS

- Above market-rate **income generation**
- Access to affordable **essential goods and services**
- Access **to technologies, expertise, and new suppliers & markets for micro and small enterprises**



COMPANIES

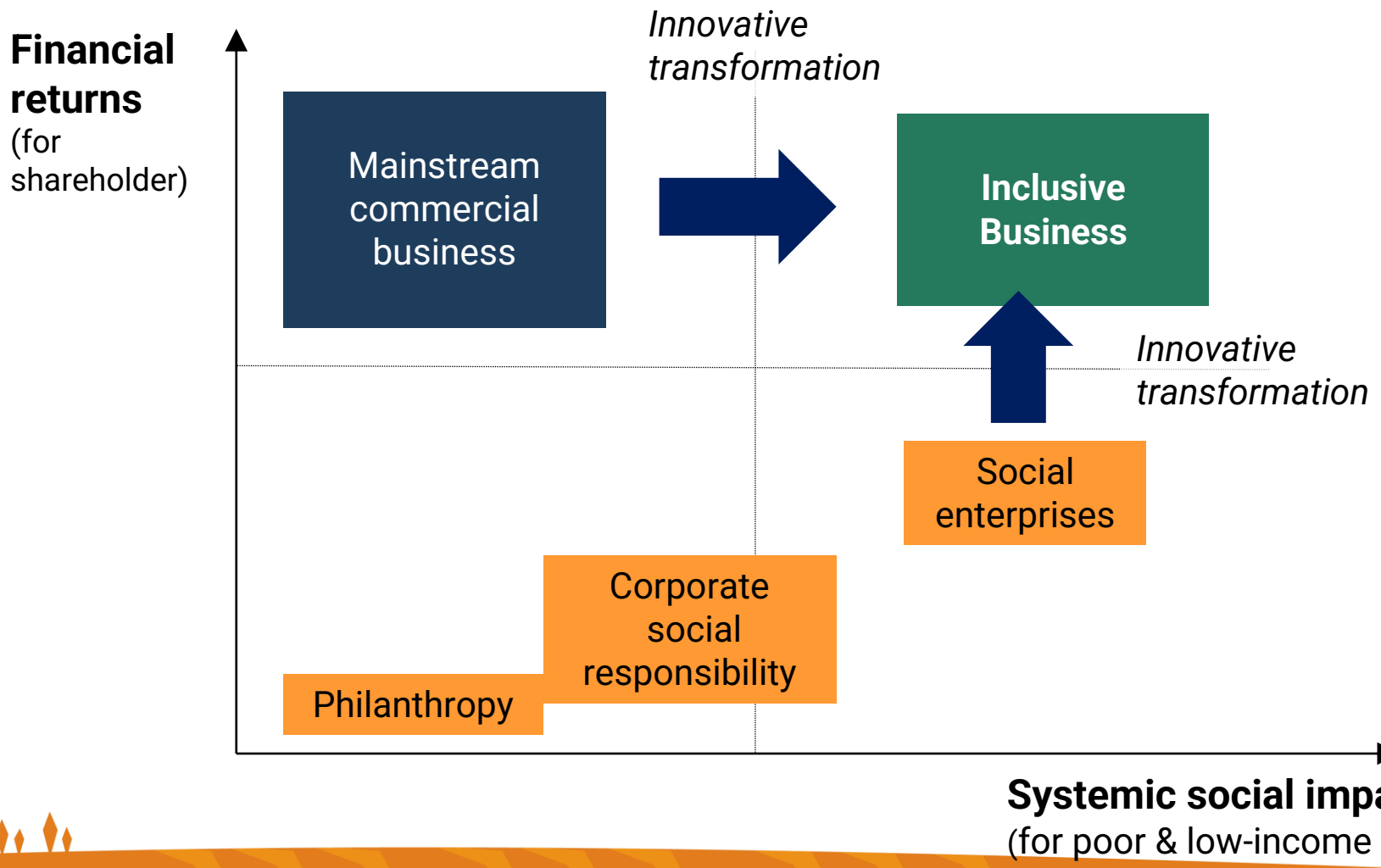
- Higher-profit, investment opportunities, new markets, branding and visibility



GOVERNMENTS

- **Lift people out of poverty** at scale
- Deliver relevant and affordable goods and services

Inclusive Business models can be built



IB is about:

Structural transformation and

Innovation to reduce business risk and enhance social impact

Impact at scale

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**

	Agribusiness input company	Online market place
Commercial viability		
- **The company** - **The business line** [Note: ESG/Responsible business vs. IB]	• Consolidated firm • Clear product line designed for small holders (micro-irrigation)	• Yet to breakeven • No clear product line for smallholder
Social impact		
• **Reach** (number, targeting, women) • **Depth of impact** • Relevance, affordability of services • **Systemic change** (geographic, sector, gender, poverty)	• 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	• +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		
• **Innovations** (business, technological, environmental, social) **for low-income**	• Facilitates access to finance & training • Equipment designed for smallholders	• 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 & policy advice

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

REGIONAL LEVEL

- **ASEAN Inclusive Business Summits**

Thailand 2019, Viet Nam 2020, Brunei Darussalam 2021, Cambodia 2022

- **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

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

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

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

Myanmar: Strategic Framework developed

Regional guidelines for promoting IB in ASEAN – Policy Recommendations

1. **IB Strategy and action plan**
2. **Institutionalizing of IB promotion:** Focal points (govt / biz assoc.), Steering committee
3. **Accreditation:** to recognize IB, enhance participation of firms, 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:** such as tax incentives
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**

REGIONAL INCLUSIVE BUSINESS MODELS IN AGRICULTURE & FOOD SYSTEMS

PURPOSE

To promote and deploy inclusive business models in Agriculture and Food systems in South & South-East Asia

3 COUNTRIES

REGIONAL LEARNING

FIVE PATHWAYS

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

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ESCAP support in Thailand

POLICY ADVISORY

Advice government officials on instruments to promote inclusive business.

- Assess landscape of IB in the country
- Advice on IB accreditation, IB awards, IB facilitation, tax incentives
- Facilitate dialogue with firms

KNOWLEDGE TRANSFER

Facilitate exchange of knowledge on IB models and IB promotion.

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

PROMOTE PARTNERSHIPS

Sponsoring dialogues among key stakeholders to identify and take action to promote IB.

- Government-business dialogues
- A national IB investment forum

ESCAP support in Thailand - Policy

Would your agency be interested in promoting IB?

What type of information/ research would you need to help you design your potential actions to promote IB?

Landscape Study of IB in Thailand

Background study to inform future policy decisions on how to promote IB

ESCAP in collaboration with Office of SMEs Promotion (OSMEP)



Tentative outline

- Understanding inclusive business [WHAT is IB?]
- Market opportunities for IB in Thailand [WHY it matters?]
- IB models in Thailand
  - Real
  - Potential: identify support needed
- Building an enabling environment for IB
  - Agriculture and agribusiness development
  - Private sector and associations
  - Finance and investment
  - CSR, Social Enterprises, SME Development
- Strategic recommendations to promote IB in Thailand [HOW TO promote IB?]

Inclusive Business Landscape Study – Viet Nam

Requested by Agency for Enterprise Development, Min. of Planning and Investment

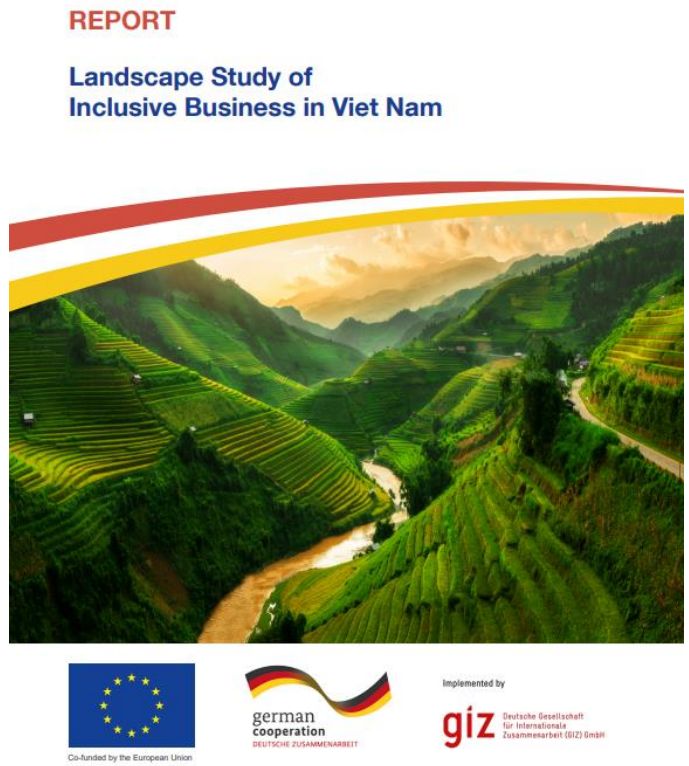
Conducted by ESCAP and iBAN in 2019

Impact of Inclusive Business

- IB companies assessed expect a **65% increase** in revenue (2018 – 2023). This is higher than expectations by non IB companies interviewed (38%)
- **13 agribusiness IB** offered **income opportunities to 1.8 million persons.** This is expected to increase to 2.5 million by 2023

Inclusive businesses have **larger & deeper social impact** and are **more profitable and innovative** than mainstream business

Following the study, Prime Minister has approved programme to promote Inclusive Business



Landscape Study of IB in Thailand

Tentative outline

- Understanding inclusive business
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  - Private sector and associations
  - Finance and investment
  - CSR, Social Enterprises, SME Development
- Strategic recommendations

Focus?

Which firms should we interview?

Critical issues to build an enabling environment for IB?

Tips to get actionable recommendations?

ESCAP support in Thailand - Policy

What type of public support would be most useful for firms to develop an inclusive business model?

- Awareness & learning: IB awards, regional events, social impact reports
- Facilitation: IB coaching facility, schemes supporting IB models
- Accreditation: self-assessment, review the inclusiveness of a business model
- Incentives: tax incentives, access to impact financing, government facilitation

ESCAP support in Thailand – Knowledge and Facilitation

What format of government-business dialogues are useful for you?

- Sharing business challenges with government officials
- Focus on specific pre-identified challenges

What would make an investment forum useful for you?

- Receive more information about different financing opportunities
- Understand how to be investment ready
- Showcase/pitch my business model
- Explore partnerships & financing opportunities

What would make the regional forums most interesting?

- Presentations of IB models
- Exploring options to finance IB models
- Focus on specific topics

THANK YOU

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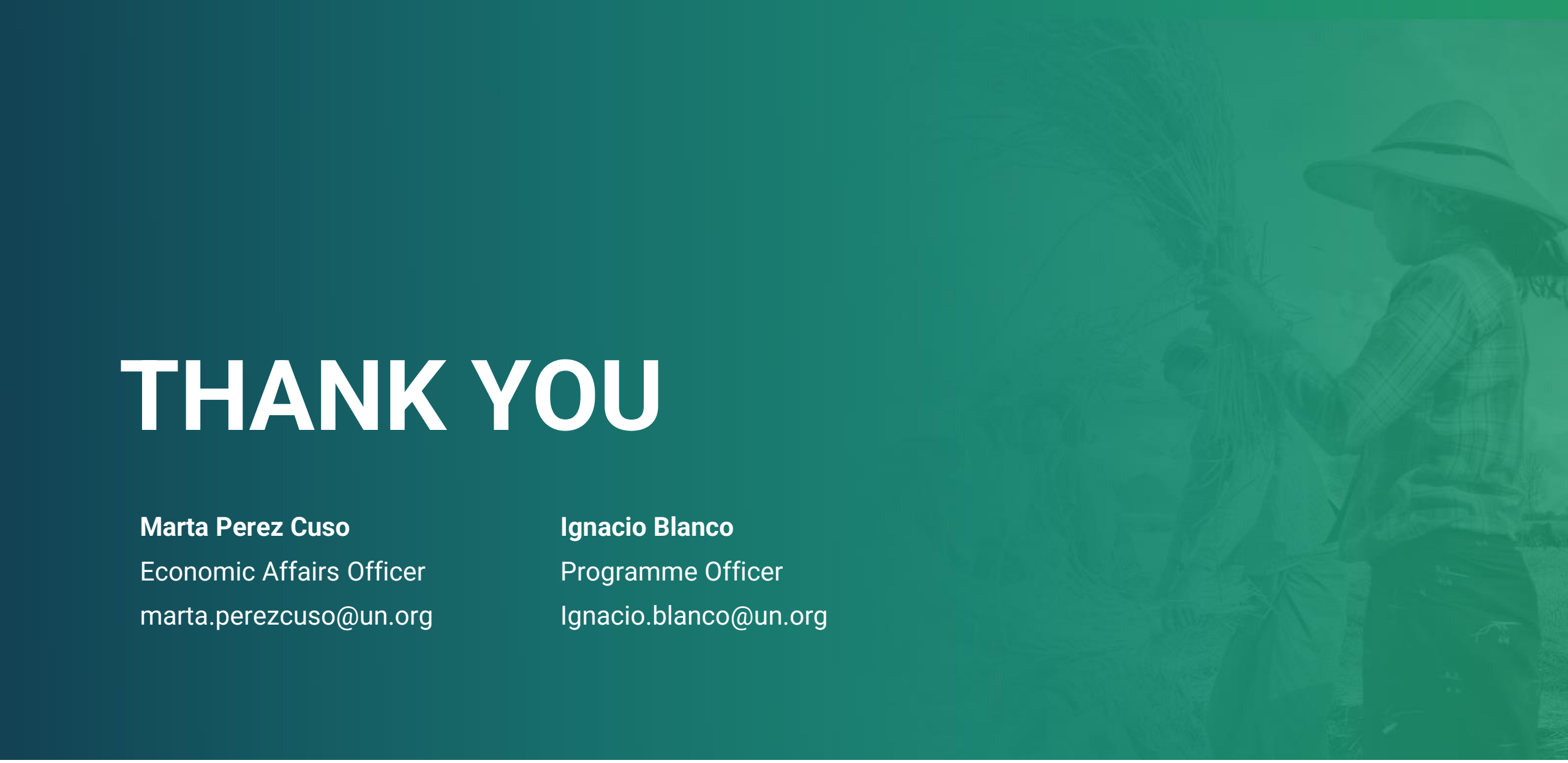

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Inclusive Business Models – Urmatt Group

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.

urmatt

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

Mr. Arvind Narula, CEO, Urmatt Group

Inclusive Business Models – Amru Rice Cambodia

Amru Rice is the **largest producer and exporter of certified organic rice in Cambodia**.

It is a **profitable business** that works with more than **20,000 farmers** and is able to **pay 20-40 percent more** to the small-holder farmers for the organic premium.

Amru Rice takes **contract farming to the next level**. It sources the rice from cooperatives of smallholder farmers in the **poorest regions of Cambodia**. With support of development partners, it has **upskilled growers' cultivation practices**. The growers have improved quality and yield over time and **now harvest 2.5 times more rice per hectare than in 2013** when the company started.
Amru rice has also supported the organisation of the sector and increased farmer's bargaining power with input providers.



Amru Rice invites **growers to be shareholders** and receive a share of the company's profits via dividends. This allows farmers to receive a bigger and fairer share of the revenues generated by their activities.

Inclusive Business Models – Kennemer Foods Philippines

Kennemer developed its **inclusive business model to source high quality cacao beans from smallholder farmers**. It works with a network of 12,000 cacao growers in Mindanao and Visayas.

Kennemer **provides end-to-end support** to help farmers achieve high quality beans and high yields. This includes:

- High quality planting material
- Technology and training in good cacao farming practices
- On-going mentorship and supervision
- Post-harvest assistance
- Guaranteed buy-back of the harvest
- Facilitation of access to financing.

Smallholder farmers that follow the basic growing protocol, can experience a **4x increase in yield.**

Kennemer developed a **cacao doctor network** to support the farmers. Cacao doctors provide ongoing coaching and support services to the farmers in their cluster as a business.

Kennemer is now using **climate finance** obtained through the planting of shade trees **to provide financial sustainability to cocoa growers**.