REPORT

Landscape study of Inclusive Business in Cambodia
Economic and Social Commission for Asia and the Pacific

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 is reinforced and deepened by promoting regional cooperation and integration to advance responses to shared vulnerabilities, connectivity, financial cooperation and market integration. ESCAP’s 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.

Inclusive Business Action Network

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 (www.inclusivebusiness.net) on inclusive business and offers a focused Capacity Development Programme for investment seeking 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.

iBAN is jointly co-funded by the German Federal Ministry for Economic Cooperation and Development and the European Union. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

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The Royal Government of Cambodia, as envisaged in our National Strategic Development Plan 2019-2023, seeks to make economic growth more inclusive and diversified. The private sector plays a greater role in this endeavour.

Inclusive Business models, in particular, can play a major part in supporting poor and low-income people to access relevant and affordable goods and services as well as improved income opportunities. These commercially viable business models generate significant profits while providing, at scale, relevant products, services and income opportunities for poor and low-income people.

Our nation has already a number of business leaders that are continuously innovating to serve the low-income market and make profit at the same time. These examples, as illustrated in this report, tell us that Inclusive Businesses can make a large social impact in our society.

On this basis, the former Ministry of Industry and Handicraft requested the support of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) to conduct a market study of Inclusive Business in the country, analyze the environment in which they operate, and suggest possible avenues for promoting Inclusive Business in Cambodia.

The insights and policy recommendations contained in this study are very valuable for the government to promote the transformation of mainstream businesses into Inclusive Business models. They have helped inform the design of the Inclusive Business enabling environment for Cambodia (IBeeC) Strategy. The strategy seeks to promote IB, under the guidance of a multi-stakeholder steering committee, through raising awareness on IB through business associations, establishing an IB accreditation system, providing business coaching services, and setting-up an IB risk investment reduction fund.

The IBeeC Strategy was developed based on the inputs and feedback provided by government agencies and business associations, and in consultation with business facilitators, investors, development partners and other experts. The Government has already started the process to adopt the IBeeC Strategy and to institutionalise its implementation, including through the appointment of focal points and the establishment of an IB unit in the new Ministry of Industry, Science, Technology and Innovation.

We hope the study will also be helpful for a range of other stakeholders in Cambodia, particularly business associations and development partners, to join efforts to create new opportunities for businesses to invest in commercial solutions for addressing relevant problems of the poor and low-income people.

We would like to thank ESCAP and iBAN for supporting this study and the development of IBeeC Strategy. Cambodia stands ready to promote Inclusive Businesses at the regional level, including through sharing its experience in the development and implementation of the IBeeC Strategy.

Senior Minister
Minister of Industry, Science, Technology & Innovation

Kith Sellaph Pandita CHAM Prasidh

FOREWORD
PREFACE

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 pyramid, making them part of the value chain of companies as suppliers, distributors, retailers, or customers.

To meet the ambitions of the global 2030 Agenda for Sustainable Development, the private sector will need to play a greater role in supporting development objectives. Inclusive Businesses offer the opportunity to address development challenges and leave no one behind. While most private sector firms work with or sell to low-income people in some way or another, only few business lines provide low-income people with enhanced income opportunities or with goods and services relevant to overcome poverty and exclusion.

Governments can encourage more Inclusive Businesses to emerge and thrive through policies that generate greater awareness on these business models, recognise and reward them with targeted incentives, and facilitate services and investments that enable firms to be inclusive while meeting profit targets.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) teamed up in 2019 to support governments enhance the policy environment for Inclusive Business in various ASEAN countries and at regional level.

To do so, ESCAP and iBAN have, at the request of national governments, conducted national landscape studies and provided policy advise to help design and implement national strategies to promote Inclusive Business. This study is one of the five studies (Cambodia, Indonesia, Malaysia, The Philippines and Vietnam) that are being developed. ESCAP and iBAN have also helped sharing policy learnings across ASEAN member states.

The strategic framework for a better enabling environment for Inclusive Business in Cambodia (the IBeeC strategy) proposed in this report, when implemented, will help Cambodia maximize the contribution that the private sector can make for more inclusive growth. It will contribute to the implementation of Cambodia’s National Strategic Development Plan (2019-2023) by supporting structural transformation towards more dynamic and inclusive industries while creating better income opportunities and affordable and relevant goods and services for the poor and low-income people.
ACKNOWLEDGEMENTS

This study has been prepared by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), in cooperation with the Inclusive Business Action Network (iBAN), following a request from the former Ministry of Industry and Handicraft of Cambodia.

The work has been carried out by the United Nations ESCAP team of consultants, Armin Bauer, Pisey Khin, Tha Chanthan, and Ek Sreykhrouch, under the supervision of Marta Pérez Cusó, Economic Affairs Officer, Technology and Innovation Section, and with the support of Vivian Marcelino, Consultant, ESCAP. Mia Mikic, Director of the Trade, Investment and Innovation Division, and Jonathan Tsuen Yip Wong, Chief of the Science, Technology and Innovation Section provided the overall direction.

The study has been conducted in close cooperation with the Ministry of Industry and Handicraft (Now Ministry of Industry, Science, Technology and Innovation). The strategic stewardship and support for IB promotion provided by H.E. Kiti Settha Pandita Cham Prasidh, Senior Minister, Minister of Ministry of Industry Science, Technology and Innovation, H.E. Heng Sokkung, Secretary of State and Mr. Chorn Vanthou, Deputy Director of Department of Planning, Statistics, Cooperation and ASEAN Affairs of the General Department of General Affairs of the Ministry of Industry, Science, Technology and Innovation has been extremely valuable.

The study has also benefited from the insights and support provided by government officials from other ministries and their agencies, in particular the Ministries of Economy and Finance; Agriculture, Forestry and Fisheries; Commerce; Planning; and the Council for the Development of Cambodia.

Business associations, especially the Cambodia Chamber of Commerce, the Young Entrepreneurs Association of Cambodia, the Cambodia Women Entrepreneurs Association, the Federation of Associations for Small and Medium Enterprises of Cambodia, and the European Chamber of Commerce in Cambodia have provided valuable insights and support for this study.

Finally, the information provided by the companies interviewed has been especially useful. Their interest in Inclusive Business models and their openness to share information about their business is highly appreciated. A note of gratitude also goes to the multiple facilitators, investors, development partners, and other experts that contributed their insights and helped shape the assessment provided in the report.
The Royal Government of Cambodia 5-year National Strategic Development Plan 2019-2023 calls for making economic growth in Cambodia more inclusive and beneficial to poor and low-income people. To this end, the Government is promoting a more diversified economy and engaging the private sector to generate income opportunities and relevant and affordable goods and services for poor and low-income people.

Companies with Inclusive Business (IB) models can play a strong role in supporting these strategic objectives. Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis and at scale, to people living at the base of the pyramid. While most private sector firms work with or sell to low-income people in some way or another, only few business lines provide low-income people with enhanced income opportunities or with goods and services relevant to overcome poverty and exclusion. These businesses promote social transformations as they have a large and deep social impact. Inclusive businesses bring triple wins for companies, the poor, and for society.

To support the development of such strategy, the Government of Cambodia has requested the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) to conduct the present landscape study, which includes a market study of current inclusive businesses in Cambodia and an assessment of the enabling environment, and provides recommendations for promoting inclusive businesses.

The analysis of the enabling environment and the policy recommendations are based on an intensive consultative process with multiple stakeholders, including government officials, business associations, impact investors, IB facilitators, development partners, and other experts, through interviews with 200 key stakeholders, two workshops and one national forum organized from April to August 2019.

The market study is based on structured interviews with business leaders and uses a composite rating tool to assess the company’s IB line against 30 criteria to assess its commercial performance, social impact and innovation for addressing the needs of low-income people. For the market study, a longlist of 119 potential IB companies was established, 71 firms were shortlisted, 34 were interviewed and 37 assessed using a composite rating tool.

Out of the 119 firms screened, the assessment identified 19 companies with inclusive business lines, 13 real and 6 potential. The IB companies are in various sectors, mostly in agrobusiness and few in health, education, housing and water services. While this study has only identified a few companies with Inclusive Business lines, these few firms have a large impact for society. In 2018, eight of the companies assessed created well paid income opportunities for 155,000 people, and the other 11 companies provided valuable services to about 680,000 people. Two companies provided social insurance for 530,000 people; two housing companies served about 6,600 people; two water and sanitation companies provided services to about 44,000 women, men and children, and five energy companies served about 100,000 people with lighting and cooking energy. In total, these 19 companies benefitted more than 800,000 people in 2018. More importantly, based on the projections shared by the business managers, these inclusive business lines are expected to double their impact and benefit about 1.7 million poor and low-income people and to increase their revenue from $74 million in 2018 to $152 million by 2023.
Based on the market study, the enabling environment and the interest indicated by key stakeholders, IB could be promoted in Cambodia through the proposed inclusive business enabling environment in Cambodia (IBeeC) Strategy. This comprehensive strategy builds on eight strategic actions:


2. Raising awareness on IB especially through business associations. This would include the creation of a joint IB website for Cambodia, publication of information material, film and social media on IB activities, and workshops and seminars.

3. Establishing an IB accreditation system, accrediting IB and providing IB awards to recognise business leaders that promote IB models and to be able to target support and potential incentives to IB. The accreditation system would be managed jointly by government and business associations.

4. Setting up a technical assistance facility to serve as the secretariat of the multi-stakeholder IB steering committee, facilitate business coaching, support further analysis and policy studies, promote IB awareness and support impact assessments. The facility would be managed by a private sector organisation.

5. Setting up a risk-reduction fund for impact investors and banks investing in inclusive business models.

6. Considering the establishment of IB incentives, for example, by incorporating a reference to inclusive business in the new Investment Law where existing incentives are made available to accredited IB companies, or additional incentive are specifically provided to accredited IB companies.

7. Considering prioritizing IB and social enterprises in public procurement.

8. Coherently reporting on the impact of IB.

The priority for implementing the IBeeC strategy is to identify financing for the technical assistance facility that would provide business coaching, institutionalize IB accreditation, raise awareness, and conduct further policy work. The costs of the technical assistance facility between mid-2020 and end-2023 are estimated at about $1.3 million, and the investment in the risk reduction facility would be about $21 million. An initial financing of $0.1 million would be required to develop the implementation arrangements.

Since 2019, when discussions on promoting inclusive business in Cambodia started, key national stakeholders (including various government, business associations, investors, facilitators and development partners) have developed greater interest in promoting IB.

To ensure that IB promotion receives adequate support in Cambodia, the first step to support inclusive business will be for the Ministry of Industry, Science, Technology and Innovation to approve the IBeeC Strategy, and to forward it to the Supreme National Economic Council for further endorsement by the Cabinet of Ministers. High-level commitment from government will encourage business associations and development partners to further commit resources to IB promotion.

The SME Development Policy and Action Plan already refers to inclusive business as a new cross-cutting theme and calls for promoting investments in such businesses. The new National Policy on Science, Technology and Innovation 2020-2030 also includes as one of its strategies to offer opportunities for inclusive business and social enterprises that demonstrate social and environmental responsibility nationwide.
អំពីការក្រែងក្តីវិញក្តីក្តីម្ពុវិញ (NSDP) ឆ្នាំ១៩០៨-១៩០៩ ដោយ ប្រការអាជីវកម្មសម្រាប់ការមិនប្រការអាជីវកម្មសម្រាប់ការតោះអំពីការមិនប្រការអាជីវកម្មសម្រាប់ការតោះ

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១. ការបង្កើតគ្រប់គ្រងប្រយោជន៍ បានស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្រោយការប្រយោជន៍ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

២. ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៣. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៤. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៥. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៦. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៧. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២ 

៨. ការបញ្ជាក់ការស្តារប្រយោជន៍ ១៤,៣,២ កែសម្រួលការស្តារប្រយោជន៍ ២២,៣,២ ក្នុងឆ្នាំ២០២៣ ដែលបានស្តារប្រយោជន៍ ១៤,៣,២
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<th>Full Form</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ACCMSME</td>
<td>ASEAN Coordinating Committee on Micro, Small and Medium Enterprises</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
<td></td>
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<tr>
<td>AfD</td>
<td>Agence Française de Développement (French development cooperation agency)</td>
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<tr>
<td>ARISE</td>
<td>ASEAN Regional Integration Support by the European Union</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<tr>
<td>BIF</td>
<td>Business Investment Facility</td>
<td></td>
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<tr>
<td>BMZ</td>
<td>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry of Economic Cooperation and Development)</td>
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<tr>
<td>BoP</td>
<td>Base of the (economic) pyramid</td>
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<tr>
<td>CPSA</td>
<td>Cambodia Partnership for Sustainable Agriculture</td>
<td></td>
</tr>
<tr>
<td>CDC</td>
<td>The Council for the Development of Cambodia</td>
<td></td>
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<tr>
<td>CIB</td>
<td>Cambodia Investment Board</td>
<td></td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
<td></td>
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<tr>
<td>DEG</td>
<td>Deutsche Investitions- und Entwicklungsgesellschaft mbH (private sector investment arm of KfW)</td>
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<tr>
<td>DFAT</td>
<td>Department of Foreign Affairs and Trade, Australia</td>
<td></td>
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<tr>
<td>ESCAP</td>
<td>Economic and Social Commission for Asia and the Pacific</td>
<td></td>
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<tr>
<td>EC</td>
<td>European Commission</td>
<td></td>
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<tr>
<td>EU</td>
<td>European Union</td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
<td></td>
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<tr>
<td>FMO</td>
<td>Financierings-Maatschappij voor Ontwikkelingslanden (The Netherlands’ entrepreneurial development finance bank)</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit (German agency for development cooperation)</td>
<td></td>
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<tr>
<td>GNI</td>
<td>Gross national income</td>
<td></td>
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<td>IB</td>
<td>Inclusive Business</td>
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<tr>
<td>IB-A</td>
<td>Inclusive Business activity</td>
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<tr>
<td>SE-I</td>
<td>Social enterprise initiative</td>
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<tr>
<td>IB-M</td>
<td>Inclusive Business model</td>
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<tr>
<td>iBAN</td>
<td>Inclusive Business Action Network</td>
<td></td>
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<tr>
<td>IBeeC</td>
<td>Inclusive Business enabling environment in Cambodia</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
<td></td>
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<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
<td></td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau (German development bank)</td>
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<tr>
<td>KHR</td>
<td>Cambodian Riel</td>
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<tr>
<td>KOICA</td>
<td>Korea International Cooperation Agency</td>
<td></td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
<td></td>
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<tr>
<td>RED</td>
<td>Regional Economic Development</td>
<td></td>
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<tr>
<td>RISE</td>
<td>Regional Investment Support for Entrepreneurs</td>
<td></td>
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<tr>
<td>SDGs</td>
<td>Sustainable development goals</td>
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</tr>
<tr>
<td>SE</td>
<td>Social enterprise</td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprise</td>
<td></td>
</tr>
<tr>
<td>SMED-AP</td>
<td>SME Development Policy and Action Plan</td>
<td></td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
<td></td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
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<tr>
<td>YEAC</td>
<td>Young Entrepreneurs Association of Cambodia</td>
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Exchange rate (OANDA) as of 30 August 2019: KHR 1 = USD 0.00024. In this report, $ and USD refer to United States dollar.
1. INTRODUCTION

The Royal Government of Cambodia 5-year National Strategic Development Plan 2019-2023 calls for making economic growth in Cambodia more inclusive and beneficial to poor and low-income people. To this end, the Government is promoting a more diversified economy and engaging the private sector to generate income opportunities and relevant and affordable goods and services for poor and low-income people.

Companies with Inclusive Business (IB) models can play a strong role in supporting these strategic objectives.

IBs provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the Base of the economic Pyramid (BoP), making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers. While most private sector firms work with or sell to low-income people in some way or another, only few business lines provide low-income people with enhanced income opportunities or with goods and services relevant to overcome poverty and exclusion. These business lines are called Inclusive Business (IB) models.

By creating high bottom-line returns; relevant products, services and income opportunities for poor and low-income people; and scaled-up solutions for poverty reduction and social inclusion, Inclusive Business provide triple wins. They provide wins for the private sector, the poor, and for society and government. Promoting Inclusive Business is therefore a strategic avenue for governments seeking to promote a more inclusive growth that is beneficial for low-income groups.

In November 2017, during their annual summit meeting, the heads of states and leaders of ASEAN countries issued a statement “… calling for greater emphasis on creating an enabling environment for Inclusive Businesses in ASEAN Member States...”. Since then, various governments in the region (including Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, and Viet Nam) have embarked on establishing IB promotion policies and raising awareness on IB, and an increasing number of companies – supported by impact investors – have established commercially viable and profitable Inclusive Business lines creating innovative solutions for poor and low-income people.

In this context of national efforts to promote more inclusive and diversified growth and ASEAN commitment to create an enabling environment for Inclusive Business, the Royal Government of Cambodia, through the Ministry of Industry and Handicraft, decided to develop a strategy to promote Inclusive Business.

To support the development of such strategy, the Government of Cambodia has requested the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) to conduct the present landscape study, which includes a market study of current Inclusive Businesses in Cambodia and an assessment of the enabling environment, and provides recommendations for promoting Inclusive Businesses.

In parallel with this study, a strategy for promoting Inclusive Business in Cambodia, the Inclusive Business Enabling Environment for Cambodia (IBeeC) Strategy, has been proposed and is currently for the Ministry of Industry, Science, Technology and Innovation approval and further endorsement by the Cabinet of Ministers. Cambodia is the second country in ASEAN developing a coherent strategic framework for promoting Inclusive Business. In addition, the new SME Development Policy and Action Plan (SMED-AP) is also referring to Inclusive Business as a new cross-cutting theme and calls for promoting investments in such businesses. Furthermore, the new National Policy on Science, Technology and Innovation 2020-2030 also includes as one of its strategies to offer opportunities for Inclusive Business and social enterprises that demonstrate social and environmental responsibility nationwide.

Section 2 clarifies the concept of Inclusive Business and the rationale for promoting IB. Section 3 analyses the social and economic context of Cambodia and identifies market opportunities for IB. Section 4 puts IB in the context of private sector development in Cambodia. Section 5 presents the key features of the IB market in Cambodia, and Annex 2 provides examples of companies with real and potential IB models identified during the market study. Section 6 analyses the enabling environment for IB, and Section 7 provides strategic recommendations for promoting IB in Viet Nam.
2. THE INCLUSIVE BUSINESS APPROACH TAKEN

2.1 Defining Inclusive Business

Inclusive Businesses are companies that: “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. In addition to these commercially inclusive activities, businesses may also pursue broader socially inclusive goals. Inclusive Business should promote sustainable development in all its dimensions – economic, social and environmental” as adopted by ASEAN member states in the ASEAN Inclusive Business Framework and defined by the Inclusive Business Framework of the G20.

While IBs can be found across all sectors and operate a broad range of business models, they have four key common features (see figure 1):

- Have commercially viable, bankable and for-profit IB models that are core to business operations;
- Provide systemic solutions for the relevant problems of the poor and low-income people;
- Have scale in business operation, growth and social impact;
- Display degrees of innovation, needed to reduce risks, be impactful and profitable while engaging the BOP.

IB models deliver solutions to the BoP through two main ways:

- Providing goods and services to the BoP relevant to overcome poverty (and thus involve them as consumer) or
- Creating income opportunities for the BoP, to bring them out of poverty or substantially improve their economic basis, and engaging them as suppliers (e.g. in agrobusiness and tourism), laborers (in manufacturing), distributors (in trading) or as shareholders. Most IB engage the poor as income earners.

IB apply business innovations that reduce the risk of the poor in their relations with the market. IB reduce the risk by, for example, guaranteeing the loan repayments of the BoP, paying for essential parts of the business process required by the firms, staggering payments of product and services costs to meet the payment process required by the firms, or introducing delivery mechanisms that reduce the poor’s risks of high transport costs and losses.

Figure 1. Defining Inclusive Business

2.2 Characteristics of Inclusive Business

Profit drives social impact and vice versa. IB are mainstream businesses with the peculiarity of being innovative and deliberately addressing relevant problems of the BoP. In IB models social impact and economic returns reinforce each other. Being a responsible business with good management governance paying taxes, respecting the laws and having high social and environmental safeguards is a precondition to be classified as an IB.

IBs differs from social enterprises (SEs) and corporate social responsibility (CSR) in terms of their focus and the scale of their impact and business. CSR and SEs are driven by the principles...
of impact first, while financial returns are secondary. SEs are often required to reinvest their profits into social obligations. In CSR activities, profits may not even be generated. IB also differs from SE and CSR in the scale of their operations and impact. Inclusive Businesses are driven by growth, and inherently seek to scale up investments, returns and market penetration. A few IB models with large value chains in Cambodia can have a larger reach and arguably social impact than the large number of social enterprises that are often financially unsustainable.

**A company can be a fully dedicated Inclusive Business or operate both regular and Inclusive Business lines.** For example, some large and multinational companies also innovate for the markets of the poor and set up specific business lines for the BoP.

Most IB companies are medium sized. Start-ups do often not qualify as IB given their low bankability. Similarly micro and small enterprises do not, or very rarely, qualify as IB.

**IBs must be innovative.** To serve the low-income market and make profit at the same time, companies must be innovative, particularly in their business design. In order to be inclusive, IBs often take on some of the risks of the BOP. IB companies reduce costs not through exploiting labour but by introducing innovations that enable the IB firm to move into higher value-added activities and/or that enable the IB firm to reduce the risks of involving the BOP in its value chain.

**IB models target the BOP.** IB models are consciously designed to provide solutions to the income and access problems of the poor and low-income and marginalised groups (the base of the economic pyramid). The BOP typically comprises the bottom 40 per cent income groups as well as socially excluded population groups. As countries have different poverty, vulnerability and low-income thresholds, the composition of the BOP might change in each country. IB models may not exclusively focus on the BOP but these always have specific features designed to target them, and in many cases the BOP are the largest beneficiaries of such business endeavours.

**Inclusive Businesses models can be created by mainstream businesses and social enterprises.** Through transformative innovation, mainstream businesses can transform their business models into inclusive ones or introduce specific Inclusive Business lines. In addition, social enterprise can also transform their models to increase their commercial returns and achieve higher social impact (Figure 2).

**Figure 2. Transitioning to Inclusive Business models**

![Diagram of transitioning to Inclusive Business models](image)

**Source:** Adapted from DaNa, DICA, DISI, UKAID (2018)
IBs can help structurally transform the economy, as they operate in key sectors with large unmet needs and at scale. For example, the four IB companies identified in this study in the agribusiness sector are among the most productive, export-oriented companies in the sector. The Industrial Development Policy 2015-2025 and the National Strategic Development Plan 2019-2023 of Cambodia emphasize the need for structural changes and economic diversification. IB can play an important role in leading these changes, while at the same time being beneficial for poor and having low-income people.

Inclusive Businesses generate triple wins (see figure 3):

- For the poor and low-income populations: IB models create income generation opportunities above the market rate and/or expand access to essential goods and services.
- For companies: IB models offer higher-profit business and investment opportunities, help reduce risks, develop new markets and foster innovation. IB models also enhance the branding and visibility of companies.
- For governments: IBs help governments create jobs and address essential needs of the poor, low-income and vulnerable people. This includes the generation of income opportunities that lift people out of poverty at scale and the delivery of relevant and affordable goods and services (including education, health, water, energy and housing).

**Figure 3. Triple wins through Inclusive Business**
2.3 **Inclusive Business types**

Inclusive Business are different from mainstream business (profit first), and from social enterprises and CSR activities (impact first). IB is implemented along the three major approaches \(^\text{11}\) (see figure 4):

1. **IB models** are commercially viable, for profit, scaled up solutions for relevant problems of the poor. An IB model is a business line that is a core operation of a company. IB models are mostly medium-sized enterprises, and are specifically designed for realizing both market returns and large-scale social impact.

2. **IB activity** is a commercially oriented CSR investment (mostly of larger firms) that has relevant scale and aims to pilot for the company a new core business line that can potentially scale-up and develop into an IB model.

   Traditional CSR approaches (charity oriented) invest in activities that are not linked to the core business of the firm, while strategic CSR links these activities to the core business of the firm ensuring often better quality of the intervention with more relevant impact.

3. **Social Enterprise initiative** is a smaller IB line with often smaller impact. These initiatives are commercially viable but accept lower market returns. These are mostly implemented by for-profit and growing social enterprises with a clear objective to scale their impact and are distinct from NGO-driven social enterprises. In some countries, these SE initiatives are called social businesses. \(^\text{12}\)

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**Figure 4. Types of businesses based on profit and social motives**

<table>
<thead>
<tr>
<th>Business Approaches</th>
<th>Non-business Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit first/ only profit</strong></td>
<td>Impact first</td>
</tr>
<tr>
<td>No trade-off between commercial and social returns</td>
<td>NGO projects and Philantropy</td>
</tr>
<tr>
<td>Mainstream business</td>
<td>Government programmes and others</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MB</th>
<th>IB model</th>
<th>IB activity</th>
<th>Social enterprise initiative</th>
<th>NGO-driven Social Enterprise</th>
<th>Traditional corporate social responsibility</th>
</tr>
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<tbody>
<tr>
<td>MB</td>
<td>MB-M</td>
<td>MB-A</td>
<td>SE-I</td>
<td>NGO-SE</td>
<td>CSR</td>
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<th>Shared value</th>
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Social enterprise initiatives can become an IB model but NGO-driven social enterprises or NGO projects will rarely become IBs. In Cambodia, there is a prevalence of NGO-driven social enterprises. While conducting company assessment, many SEs were preselected and interviewed. However, the study only reports on the few social enterprises that, under the Inclusive Business approach, can be classified as a social enterprise initiative.

**IB business lines are mostly done by medium sized companies.** Typical IB business models create revenue between USD 0.2 - 30 million, and impact 10,000s new jobs and millions of new customers. However, revenue and scale of social impact is sector and country specific. For example, an insurance company serving 5,000 households may have a small social reach, while an agribusiness company supplying from 3,000 farmers and paying substantially above the market rate may have a medium social reach. In social sectors reaching more than 1,000 customers may already be considered large impact.

The landscape study has established size brackets for revenues and for small, medium, and large impact by sector to defining the targets for IB rating for Cambodia (see chapter 5). When establishing these brackets, the team of consultants took into consideration the fact that many companies in Cambodia are rather small. Hence the rating targets for Cambodia differ from those used in other countries.

### 2.4 Inclusive Business in ASEAN

Since 2013, IB has been gaining ground in Asia (and particularly in ASEAN economies) among the private sector and governments. National landscape studies illustrate and have helped inform the promotion of Inclusive Business.

There are an increasing number of successful IB models in ASEAN. Box 1 provides a few well-known examples of Inclusive Business investments in South-East Asia. Box 2 provides other notable examples beyond the ASEAN region. These are only a few examples of Inclusive Business models.

**Box 1. Inclusive Business in ASEAN. Selected examples**

- In the Philippines, Manila Water has expanded access to safe and reliable water in the slums of the capital city to 2.8 million households.
- Kennemer Foods created new income opportunities for thousands of coconut farmers in the Philippines through intercropping with cacao.
- In Indonesia, Indofood supported thousands of farmers in its supply chain to produce value added products and substantially increased their income.
- In Myanmar, Greenland Planet established a pay-as-you-go solar light model serving thousands of poor households.
- OnDoctor created in Myanmar a profitable and non-subsidized business model to provide medical advice for mother and child health for 3.4 million remote rural households. The company, through public procurement, is also allowed to prescribe essential medicine through a telephone application.

*Sources: Based on DaNa, DICA, DISI, UKAID (October 2018), Asian Social Enterprise Incubator (2013), ADB and SNV (2013).*
Box 2. Inclusive Business beyond ASEAN. Selected examples.

Aravind eye hospital in India provides low-cost cataract surgery to over 300,000 patients a year. While outcomes are similar to those in top-tier western hospitals, the costs are several orders of magnitudes lower. Since its establishment, the Aravind group has handled more than 56 million outpatient visits and performed over 6 million eye surgeries in 13 eye hospitals, six outpatient eye examination centres and 75 primary eye care facilities in South India. With the help of the International Finance Corporation, the Aravind business model has been replicated in Mexico under the name of Salauno.

In India, HippoCampus developed a group of kindergartens for low-income rural communities with more than 80,000 students.

In Ecuador, Columbia and Chile, Promigaz, a utility company, developed a microfinance bank called Brilla that provides collateral-free credit based on the payment records of Promigaz customers.

Valuable investment opportunities in Inclusive Business models can be found in many countries and sectors. A 2018 report on Inclusive Business in ASEAN identified 90 investment ready IB models and 200 commercially viable social enterprises, and estimated 1.8 USD billion impact investments in IB in ASEAN. More importantly, the study projected that by 2025 there would be over 300 IB models and impact investments in IB would increase to 6.3 USD billion. The report also notes that, although increasing, the number and size of deals is small in ASEAN economies compared to India and China for example. Impact investors therefore actively promote business coaching and risk reduction methods to increase their investment potential in the region.

In 2019, there were 10-20 impact investors active in ASEAN countries, and at least five of them have presence in Cambodia. In addition, the International Finance Corporation (IFC) and Asian Development Bank (ADB) have IB investments in Cambodia, and bilateral development banks are considering diversifying their portfolio through new IB investments in Cambodia.

Impact hubs, accelerators, incubators and other start-up facilitator programs are emerging across all ASEAN member States. While they often focus on start-up companies with a technological or environmental focus, there is opportunity and interest to broaden their services to encourage companies establishing IB lines that target the poor and low-income people.

Governments in Asia, realising the potential that Inclusive Business offer for inclusive growth, are designing policies and programs to involve the private sector in providing solutions for poor people. For example, the Philippines is the first country in in South-East Asia to establish a registration system for Inclusive Business models and to fiscal incentives to firms with IB models in agribusiness and tourism. In 2018, the first full year of implementation of the incentive policy, five projects were approved. These five projects will collectively source USD 55 million worth of goods and services from micro and small enterprises and directly hire at least 185 and engage over 1,000 individuals, 30 per cent of which are women from marginalized sectors. Myanmar is in the process of institutionalizing a comprehensive strategy for IB support and IB accreditation. Indonesia, Malaysia and Viet Nam and are also conducting landscape studies to inform the design of public policies to promote Inclusive Businesses. Outside of ASEAN, the provincial government of Shanxi in China has established a credit line for accredited IB agrobusiness.

Business associations are increasingly interested building awareness on Inclusive Business and on recognising such firms, including through accreditation and awards. In Myanmar, Cambodia, Malaysia, and Viet Nam leading business associations have designated (or are in the process) IB focal points to, jointly with the government, support the process of accrediting Inclusive Business models.

Development partners in the region finance many private sector and SME development programmes through technical advice, business coaching and business development, marketing and trade support, or credit lines. While they have rarely focused on companies that create specific value for the poor on a commercially viable basis, selected development partners are increasingly interested in adjusting their approach and including a stronger IB focus in their programs.

At the regional level, following the its leaders’ call for creating an enabling environment for Inclusive Business, ASEAN is promoting Inclusive Business through its ASEAN Coordinating Committee on SME Development (ACCMSMED). Policy work and advocacy has been supported by the Inclusive Business Action Network (iBAN) and United Nations ESCAP.

2.5 Implications for promoting Inclusive Business in Cambodia

There is a need for raising awareness and understanding on Inclusive Businesses. IB is a new concept for Cambodia. While conducting this study, stakeholders often sought clarification on the concept of Inclusive Business, and how it differs from CSR, NGO-driven social enterprises, and mainstream businesses. Awareness about IB can be promoted through government, business associations, and the industry promotion programs supported by development partners and business incubators.

Need to clearly identify IB models. Companies with innovative business models addressing the problems of the poor, often do not recognise themselves as IB nor are they aware of such concept. Only a few studies in Asia report such business models, and there is no systemic effort to identify these companies (e.g. as part of business registration processes or SME support program). Even when understanding the principles of IB, different people may dispute the inclusiveness of specific business models. Unlike discussions on sectors or sizes of companies, IB models are harder to identify. Hence the need for a transparent, easy to apply, and broadly accepted voluntary IB accreditation system.

IB accreditation is needed for branding and for targeting support. Accrediting IB models will help recognise IB models (e.g. through IB awards). Accreditation is also necessary if incentives are to be provided to IB models. Hence the importance of creating a transparent IB accreditation system. Moreover, IB accreditation will be important for any government support program targeting such companies. Therefore, IB accreditation is strongly recommended for promoting IB in Cambodia.
3. MARKET OPPORTUNITIES FOR INCLUSIVE
BUSINESS IN CAMBODIA

3.1 Poverty and income generation
among the Base of the economic
Pyramid in Cambodia

Poverty rates in Cambodia have declined rapidly
over the past two decades. Official poverty data
estimates that the proportion of people living
below the poverty line in Cambodia was 13.5 per
cent in 2014 (the latest data available)\(^\text{16}\) down
from 53 per cent in 2004 and 21 per cent in 2012.\(^\text{17}\)
The National Strategic Development Plan aims
at reducing the proportion of population living
below the national poverty line (consumption
based) to 9.5 percent by 2019 and 5.5 percent by
2023.\(^\text{18}\) Poverty estimates for 2015-17 are currently
under review by the government, but preliminary
indications are that poverty continues to decline.\(^\text{19}\)

Economic progress is becoming less pro-poor, as
the increase in consumption per capita for the
bottom 40 percent income group grew less (13
percent) than the top 60 per cent income group
(22 percent).\(^\text{20}\) In result, the objective of reducing
poverty to 5.5 percent by 2023 will be difficult to
achieve, especially given new economic shocks
due to COVID 19 and slowing global trade, and
changes in the poverty dynamics.

Despite declining poverty, the level of vulnerability
to poverty is high. Cambodia’s gains in poverty
reduction are precarious, as most households
that escaped poverty did so by only a small
margin. A 2012 study found that a small negative
shock of $0.3 a day would cause Cambodia’s
national poverty rate to increase to 40 per cent.\(^\text{21}\)
Vulnerability is also shown in the high incidence
of vulnerable employment (50.9 per cent), and the high number of own account workers (47.3% of all employed). For a more sustainable poverty reduction, more well-paid income opportunities especially for those vulnerable to poverty are necessary.

According to the World Bank 2014 Poverty Assessment, poverty reduction took place largely in rural Cambodia (where 90 per cent of the poor live) and was driven by rice farming, including substantial increases in rice prices and rice production, better rural wages, and improved income from non-farm self-employment. Drivers of poverty reduction (and growth) were mainly the agricultural commodity boom in 2007-2012, the increase in off-farm employment, strong migration (to cities and abroad), the increase in domestic consumption, as well as the new jobs created especially in the garment and tourism sectors, and high remittances sent back by the poor to their rural families.

Cambodia is one of the smaller nations in Southeast Asia. According to Cambodia’s Socio-Economic Survey estimate by the government’s statistical office, in 2017, Cambodia had an estimated population of 15.8 million people, including 12 million people in rural areas. Of the 10.4 million working age population, 8.8 million (85 per cent) are in the labour force, of which 3.9 million (45 per cent) are self-employed. 37 per cent of the employed population work in agriculture, 26% in industry and 37% in the service sector. Most people work in low-productive, low-skilled and low-paid jobs, especially in agriculture, the informal sector, the garment industries, and in services and trade. About 5 million people depend on agricultural income but the sector contributes only 30 per cent to GDP. There is scope for both providing better-paid income opportunities and for the private sector to improve basic amenities for the poor and low-income people in municipal and social services.

3.2 Improving the living standards of the Base of the economic Pyramid

Social indicators have improved substantially over the past two decades. Yet, the poor and low-income people still face major challenges to access affordable essential goods and services. According to the Cambodia Socio-Economic Survey 2017, only 65 per cent of the households have access to safe or improved water source, and 76 per cent to improved sanitation. The most common health providers are private (about three quarters of households seek a private health provider when needing help for injury, illness or another health problem). Only a quarter of households use LPG gas for cooking, while the majority of population is still cooking with firewood. The costs of vocational/technical training is relatively high (average KHR 2.1 million ($511) per year). There is a shortage of more than 1.5 million affordable houses, especially in urban areas close to the city center. Access to reliable energy (electricity) and lighting provision, especially in rural areas, is another challenge. A summary of key living standard indicators is in Table 1.

Women play a major role in Cambodia’s economy. The labour force participation of women is one of the highest in the world (80 per cent in 2017). Female-owned enterprises comprise more than half of all business establishments in Cambodia (although these enterprises are generally smaller, less profitable and less likely to be registered than male-owned enterprises). Women are more engaged than men in the formal labour market (about 56 per cent of paid employees are women). This is partly because of the women represent 85 per cent of the garment sector labour force. However, there are major gender gaps in earnings and job quality. Most women in the garment sector are engaged in assembly, while the higher-paying quality and supervision work is done by men. In 2014, the gender earnings gap was up to 30 percent among those with low education. This landscape study has identified very few women leading Inclusive Businesses in Cambodia, despite women’s strong concern for the social development. A 2016 study by the Asian Development Bank on gender and women empowerment through IB suggests that Inclusive Businesses are bringing positive change for women’s lives, mostly by empowering them rather than by supporting gender equality. The study suggests that most IB support women implicitly (e.g. as they operate in sectors of relevance for women activities) rather than by explicitly aiming to empower women. Businesses that explicitly seek to include women only achieve this, and yield the associated business, if they design their business models in a manner that addresses gender-based constraints.
Table 1. Living standards in Cambodia

<table>
<thead>
<tr>
<th>Population</th>
<th>Total (million)</th>
<th>Percentage</th>
<th>Rural (million)</th>
<th>Urban (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>15.9</td>
<td>100%</td>
<td>12.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Women</td>
<td>8.1</td>
<td>51%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Households</td>
<td>3,438</td>
<td>100%</td>
<td>2.723</td>
<td>0.715</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income distribution (per capita)</th>
<th>Monthly income</th>
<th>Monthly expenditures</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile group</td>
<td>Riel</td>
<td>USD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest fifth</td>
<td>110,000</td>
<td>26</td>
<td>211,000</td>
<td>51</td>
</tr>
<tr>
<td>Second fifth</td>
<td>238,000</td>
<td>57</td>
<td>300,000</td>
<td>72</td>
</tr>
<tr>
<td>Third fifth</td>
<td>363,000</td>
<td>87</td>
<td>376,000</td>
<td>90</td>
</tr>
<tr>
<td>Fourth fifth</td>
<td>521,000</td>
<td>125</td>
<td>497,000</td>
<td>119</td>
</tr>
<tr>
<td>Highest fifth</td>
<td>1,090,000</td>
<td>262</td>
<td>897,000</td>
<td>215</td>
</tr>
<tr>
<td>Average per capita income per month</td>
<td>464,000</td>
<td>111</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of household consumption</th>
<th>Riel</th>
<th>USD</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average per household per month</td>
<td>1,822,000</td>
<td>437</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>783,460</td>
<td>188</td>
<td>43%</td>
</tr>
<tr>
<td>Housing</td>
<td>346,180</td>
<td>83</td>
<td>19%</td>
</tr>
<tr>
<td>Transport</td>
<td>182,200</td>
<td>44</td>
<td>10%</td>
</tr>
<tr>
<td>Health</td>
<td>127,540</td>
<td>31</td>
<td>7%</td>
</tr>
<tr>
<td>Education</td>
<td>18,220</td>
<td>4</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Municipal services</th>
<th>Number (million households)</th>
<th>Percentage of households</th>
<th>Number (million)</th>
<th>Percentage of households</th>
<th>Number (million)</th>
<th>Percentage of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and sanitation</td>
<td>Access to safe or improved water sources (% of households)</td>
<td>2.228</td>
<td>64.8%</td>
<td>1.299</td>
<td>58.3%</td>
<td>1.749</td>
</tr>
<tr>
<td></td>
<td>Access to improved sanitation</td>
<td>2.613</td>
<td>76.0%</td>
<td>1.853</td>
<td>70.9%</td>
<td>2.354</td>
</tr>
<tr>
<td>Low-cost housing backlog (million)</td>
<td>1.5</td>
<td>43.80%</td>
<td>Housing should cost less than $30,000 to be affordable for low-income families</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy</th>
<th>Number (million households)</th>
<th>Percentage of households</th>
<th>Number (million)</th>
<th>Percentage of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access lights</td>
<td>Electrical grid</td>
<td>2.68</td>
<td>78.0%</td>
<td>2.49</td>
</tr>
<tr>
<td></td>
<td>Solar</td>
<td>0.31</td>
<td>8.9%</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>Candle, kerosine, battery</td>
<td>0.41</td>
<td>11.9%</td>
<td>0.51</td>
</tr>
<tr>
<td></td>
<td>Generator</td>
<td>0.69</td>
<td>20.0%</td>
<td>0.01</td>
</tr>
<tr>
<td>Cooking</td>
<td>Firewood</td>
<td>2.29</td>
<td>66.7%</td>
<td>2.72</td>
</tr>
<tr>
<td></td>
<td>LPG</td>
<td>0.84</td>
<td>24.4%</td>
<td>0.45</td>
</tr>
<tr>
<td></td>
<td>Charcoal</td>
<td>0.25</td>
<td>7.4%</td>
<td>0.23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social services</th>
<th>Students (private and public, number)</th>
<th>of which in private institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Primary 2,288,540</td>
<td>44,470 1.9%</td>
</tr>
<tr>
<td></td>
<td>Lower secondary 736,236</td>
<td>10,521 1.4%</td>
</tr>
<tr>
<td></td>
<td>Upper secondary 446,250</td>
<td>9,712 2.2%</td>
</tr>
<tr>
<td></td>
<td>TVET and post-graduate 209,880</td>
<td>154,578 73.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual costs of schooling</th>
<th>Riel</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>513,000</td>
<td>123</td>
</tr>
<tr>
<td>Lower secondary</td>
<td>959,000</td>
<td>230</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>1,729,000</td>
<td>415</td>
</tr>
<tr>
<td>TVET</td>
<td>2,088,000</td>
<td>501</td>
</tr>
<tr>
<td>University</td>
<td>4,616,000</td>
<td>1,108</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social protection (estimated insurance coverage of low income people)</th>
<th>Million people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>0.8</td>
</tr>
<tr>
<td>Crop</td>
<td>0.01</td>
</tr>
</tbody>
</table>

3.3 Targeting the poor and vulnerable

The bottom 40 per cent income group in Cambodia have a low disposable income. As per the 2017 Cambodia Socio Economic Survey, the average disposable income per capita was KHR 464,000 per month (about $111 per month per capita at current exchange rate, or $3.8 per day). However, the bottom 20 per cent quintile could spend only KHR 110,000 per month (less than $1 per day) and the second lowest quintile could only spend KHR 238,000 per month (about $2 per day) (table 2). The bottom 40 per cent income group have only about half of the average disposable income, and the bottom 20 per cent income group (lowest quintile) have less than a quarter of the average disposable income (table 2).

Table 2. Disposable income per capita per day (USD)

<table>
<thead>
<tr>
<th>Quintile Group</th>
<th>Cambodia</th>
<th>Rural</th>
<th>Phnom Penh</th>
<th>Other urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest fifth</td>
<td>0.9</td>
<td>0.7</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Second fifth</td>
<td>2.0</td>
<td>1.7</td>
<td>3.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Third fifth</td>
<td>3.0</td>
<td>2.6</td>
<td>4.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Fourth fifth</td>
<td>4.3</td>
<td>3.8</td>
<td>6.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Highest fifth</td>
<td>8.9</td>
<td>8.1</td>
<td>12.3</td>
<td>11.9</td>
</tr>
<tr>
<td>Average</td>
<td>3.8</td>
<td>3.4</td>
<td>5.7</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Note: Calculations are based on an exchange rate of $1=KHR 4060 as of 25 September 2017.

Source: National Institute of Statistics, 2018

Income thresholds used in this study

IB models deliberately aim to impact the poor and low-income people. The current international poverty line (as established by the World Bank) is $1.90 per person per day in 2011 in purchasing power parity (PPP) dollars. Those below the international poverty line are the extreme poor. A global objective is to reduce the global percentage of people living in extreme poverty from 10 per cent to 3 per cent.\textsuperscript{36}

Countries also seek to increase shared prosperity, that is to increase the incomes and welfare of the poorest 40 per cent of the population (the Bottom 40 per cent income group). In Cambodia, poverty has substantially declined, and economic growth has been pro-poor. However, the World Bank suggests that poverty reduction gains slowed down between 2013 and 2017 “...mainly because economic growth benefited the non-poor more”. Moving forward, it will be important to continue sustaining strong growth and shared prosperity.\textsuperscript{37}

To complement to the $1.90 international poverty line, the World Bank also reports on a higher-value poverty line of $3.20 per day for lower middle-income economies to reflect the typical standard poverty line for these countries.\textsuperscript{38} International comparative poverty data for most countries is available at the World Bank’s PovCalNet.\textsuperscript{39} However, Cambodia is not included in that database.

Based on data from the Cambodian Socio-Economic Survey (CSES) and feedback from poverty experts, simple income (or expenditure)\textsuperscript{40} threshold levels where established for this report (table 3). The thresholds identify the extreme poor as those with an income below $0.8 per day per capita; the poor as those with an income below $1.6 per day; and the low-income people as those with an income below $2.8 ($2.4 in rural areas and $4.1 in urban areas). IB models would therefore mainly target vulnerable and low-income people with monthly household income of less than KHR 1.3 million ($300) in rural and KHR 2.1 million ($500) in urban areas. These income thresholds were adopted for their simplicity and to enable national stakeholders to have easy points of reference.
3.4 Implications for promoting Inclusive Business in Cambodia

The following are key insights on poverty and its landscape in Cambodia, to consider when promoting IB:

- Income business models, to be relevant for poverty reduction, need to provide not only employment opportunities but also to deliberately increase the value of the income opportunities. It is important that IB models to pay better than the market rate, as paying the market rates or slightly above will not contribute much to poverty reduction, and/or provide additional income opportunities (e.g. providing opportunities for cultivating higher value crops (e.g. organic) or intercropping).

- The market size for selling goods and services to people living in poverty (the very poor) is small and the income level of the bottom 40 per cent (the vulnerable poor) is low. IB would therefore tend to focus more on low-income people in urban areas with a spending power of $2-$4 per capita per day.

  - Most IB income models are found in agrobusiness and a few in handicrafts. These are important sectors to address income poverty. However, there is also a need to develop IB income models in other sectors such as tourism, high-value services and manufacturing.

  - There is substantive market scope for the private sector to innovate in price-sensitive products. Social enterprises partly address these needs, but they often depend on grants. IB have also a large scope to address the social needs in Cambodia, especially in the provision of affordable skills training combined with job placement, health services, water, energy and housing services. The market study conducted reveals that there are limited investments in those sectors.
4. PRIVATE SECTOR DEVELOPMENT IN CAMBODIA AND THE ROLE OF INCLUSIVE BUSINESS

4.1 Economic development – challenges and prospects

Between 1994 and 2018, Cambodia has achieved a remarkable annual GDP growth rate of 7.3% on average. Cambodia has attracted sizable foreign direct investments, stimulated the growth of SMEs, and established a good safety net for formal sector workers. Growth has been mainly export-driven (garment industry). Successful reforms in the 2010s in agriculture (to promote rice production and its export) also contributed to growth. In recent years, growth has been fuelled by tourism and by foreign investments in the construction sector. As a result of high growth levels, GNI per capita more than tripled from $321 in 1994 to estimated $1,254 in 2019. In the same period, the country created 6.3 million new jobs. However, those jobs were mainly in low productivity areas.

The high growth rates are currently due to large foreign investment in the export-oriented and low value-added garment sector, construction and tourism, and to export earnings from high-value (rice) agriculture. Foreign direct investments (FDI) currently finance about 11 per cent of GDP. There is a very low domestic saving rate (15 per cent) and low overall investment rate (gross fixed capital formation is less than 20 per cent, and more than half of it currently comes from FDI). Cambodia has also experienced a major shift in FDI in the last 5 years. In 2018, over 60 percent of FDI originated from China.

Going forward, Cambodia will face challenges maintaining its growth rate because of changes in global trade, the low national productivity and diversification base, the limits of agricultural extension to increase agricultural productivity, the limited number of firms investing in more efficient and higher value-added products, and because, typically, as the income base of a country increases, growth rates slow down. The government, therefore, is promoting – in its National Strategic Development Plan (2019-2023) and in the new SME Development Policy and Action Plan – an economic transition towards more innovative and higher value-adding industries and services. Inclusive Businesses, by being innovative and generating new value addition opportunities, can provide some of these higher value-added opportunities.

To sustainably reduce poverty, current growth levels will not suffice. Cambodia became a lower middle-income economy in the mid-2010s because of stable and high economic growth rates over the previous 10 years. Cambodia’s gross national income (GNI) per capita reached $1,230 in 2017. The Government of Cambodia aspires to become an upper middle-income economy by 2030. According to the World Bank, achieving this goal would require a sustained annual GDP per capita growth of 9.3% between 2018 and 2030. Between 2014 and 2018, GDP growth has averaged 7.06%, reaching 7.3% in 2018. However, growth rates are estimated to soften in 2019 and 2020. In this context, it is unlikely that Cambodia will reach the upper middle-income status by 2030. It is also unlikely that the poor will benefit through trickle-down effects as much as they did before, as growth has become less pro poor. Therefore, to further reduce poverty, specific poverty reduction government programs are needed as well as more investments from the private sector (e.g. IB models) specifically designed to target relevant problems of the poor and low-income people.

4.2 Private sector development

Doing business in Cambodia is still challenging. Cambodia ranks 138 out of 190 countries in doing business, behind its neighbours (see table 4). In export processing zones, foreign investors can benefit from support services. However, in general, starting a business, obtaining construction permits and enforcing contracts are key challenges for doing business in Cambodia (table 4). Unlike in other economies, access to finance is not considered a major challenge for doing business.
IB companies seem to be better equipped to handle the bottlenecks of doing business in Cambodia, as they tend to be very close to the market, know their partners well, and use mechanisms for risk reduction.

Cambodia ranks high in terms of access to finance (ranks 22 globally - see table 4). However, despite lowering medium-term mortgage interest rates, financing investments is still expensive, even on USD borrowings. For example, the annual interest rate for medium-term mortgage loans is 4 to 8 percent in 2019 (an improvement from 10 to 12 percent rates in previous years). This study therefore does not recommend providing additional financing (e.g. credit lines) to IB companies. Rather it suggests an instrument to reduce the perceived risk of investors in IB models. This instrument could be designed to reduce the high interest rates for long term borrowing (e.g. for housing finance).

Microfinance services have expanded over the past 10 years in Cambodia. Over half of the households in the country have loans from microfinance institutions, one of the highest percentage world-wide. In contrast, only 28 percent of the households avail loans from banks. Indebtedness in microfinance is very high with 29.4% of total outstanding loan amount of KHR 24,895 billion in 2017 (circa $6 billion), and the size of microfinance loans has rapidly increased to about $1500 on average, above the poor’s affordability to service debts. Over a third of households are indebted with an average loan amount of KHR 957,900 ($2,359). Responding to rising concerns about over-indebtedness among the poor, the Central Bank of Cambodia introduced in 2018 a cap on interest rates at 1.7% per month (20.4% per year). Industrial development and economic transformation is supported by multiple agencies in Cambodia, including business associations, the Ministry of Industry, Science, Technology and Innovation, the Ministry of Commerce, and the Ministry of Economy and Finance. The Cambodia Investment Board, under the Cambodia Development Council, is also, as identified in the 2015 Industrial Development Policy, a key agency to promote industrial development and to promote private-public cooperation through its Government-Private Sector forum among others.

### Table 4. Ranking in Doing business, Cambodia and other ASEAN countries, 2019

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>138</td>
<td>73</td>
<td>154</td>
<td>15</td>
<td>124</td>
<td>69</td>
</tr>
<tr>
<td>Starting business</td>
<td>185</td>
<td>134</td>
<td>180</td>
<td>122</td>
<td>166</td>
<td>104</td>
</tr>
<tr>
<td>Construction permits</td>
<td>179</td>
<td>112</td>
<td>99</td>
<td>3</td>
<td>94</td>
<td>21</td>
</tr>
<tr>
<td>Electricity</td>
<td>141</td>
<td>33</td>
<td>156</td>
<td>4</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Property registration</td>
<td>124</td>
<td>100</td>
<td>85</td>
<td>29</td>
<td>116</td>
<td>60</td>
</tr>
<tr>
<td>Access to finance</td>
<td>22</td>
<td>44</td>
<td>73</td>
<td>32</td>
<td>184</td>
<td>32</td>
</tr>
<tr>
<td>Protecting minority investments</td>
<td>110</td>
<td>51</td>
<td>174</td>
<td>2</td>
<td>132</td>
<td>89</td>
</tr>
<tr>
<td>Tax payment</td>
<td>137</td>
<td>112</td>
<td>155</td>
<td>72</td>
<td>94</td>
<td>131</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>115</td>
<td>116</td>
<td>76</td>
<td>48</td>
<td>104</td>
<td>100</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>182</td>
<td>146</td>
<td>162</td>
<td>33</td>
<td>151</td>
<td>62</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>79</td>
<td>36</td>
<td>168</td>
<td>41</td>
<td>63</td>
<td>133</td>
</tr>
</tbody>
</table>

*Note: Ranks coloured in green indicate strengths in doing business, those in yellow show difficulties, and those in orange show weaknesses in doing business.*

Cambodia Industrial Development Policy 2015-2025 seeks to promote the country’s industrial development to help maintain sustainable and inclusive high economic growth through economic diversification, strengthening competitiveness and promoting productivity. Inclusive Business, a recent concept only introduced in Cambodia in 2019, is not mentioned in the Industrial Development Policy. However, IB can contribute to the objectives of industrial development as they promote innovation, market expansion and employment opportunities in higher value-added chains.

IB is encompassed in the new National Strategic Development Plan 2019-2023, as it is included in the SME Development Policy and Action Plan (SMED-AP). The National Strategic Development Plan (2019-2023) calls for making economic growth in Cambodia more inclusive and beneficial to those at the bottom of the economic pyramid, for diversifying the economy, and for innovatively engaging the private sector to create good income opportunities and relevant and affordable goods and services for the poor and low-income people. The SMED-AP 2019-2023 refers to IB as a new type of businesses that can bring benefits for business, the poor, and society.

### 4.3 Inclusive Business and Small and Medium Enterprise promotion

In Cambodia, most firms are micro and small enterprises which, inherently, have limited potential to develop IB models. Micro and small enterprises, often in the informal sector, are less innovative and, as they provide low-income opportunities, have limited potential to improve the living conditions of low-income households. For this reason, micro-enterprises and most small enterprises do not qualify as IB.

Most firms in Cambodia operate informally. Only 16 per cent of firms (76,800 firms) are officially registered with the Ministry of Industry, Science, Technology and Innovation and Ministry of Commerce (see table 5). One reason for the low registration rate is the requirement for firms to have a bank loan. Firms cannot obtain bank loans or are not interested as obtaining these require substantive collateral. For instance, the Doing Business report estimates that the paid-in minimum capital to register a business in Cambodia represents 76 per cent of the income per capita.Both registered and unregistered companies could qualify as IB, as the qualification criteria is based on the social impact and the commercial performance.

| Table 5. Number of companies in Cambodia by size and official registration |
|-------------------------------------------------|----------|----------|----------|----------|----------|
| Micro | Small | Medium | Large | Total registered |
| Employees | 1-10 | 11-50 | 51-100 | >100 | 69,851 | 5,811 | 530 | 609 | 76,801 | 433,190 |
| % of all companies | 13.7% | 1.1% | 0.1% | 0.1% | 84.9% |
| Number of workers | 162,335 | 28,706 | 11,949 | 350,260 | 553,250 |
| Annual revenue (million $) | 396 | 300 | 94 | 2,500 | 3,290 |
| per company (USD) | 5,669 | 51,626 | 178,113 | 4,105,090 |

Sources: World Bank and Asian Development Bank (ADB), 2013; World Bank, 2013
The classification of Inclusive Businesses requires using ‘beneficiaries’ and ‘revenue’ data, as these are the main criteria for assessing the impact of a company. The Government of Cambodia, like other governments and international agencies, uses employment and asset data for classifying companies. However, the number of employees of a company or the size of assets are not a relevant criteria to determine whether an IB investment is small or large. The value of an IB is in the social impact they create, that is in the beneficiaries they reach and the depth of that reach. In terms of reach, the number of beneficiaries, rather than number of employees, is relevant. For example, an agrobusiness may have 100-200 employees, but source from 20,000 farmers. Similarly, an IT company may have only 30 employees but serve (benefit) thousands of customers. This study uses the number of beneficiaries to establish size thresholds (see table 6).

Revenue data, rather than asset data, is more relevant to assess the potential impact of an IB model: it reflects better the size of the company’s value chain and activity. This study, therefore, uses revenue data – and not asset data - to classify whether a company is small (revenue between $0.1 to $1 million), medium (revenue between $1 million and $5 million) or large (revenues above $5 million) (see table 6).

Cambodia has an SME promotion policy. However, the actual budget allocation to support SMEs is limited and focuses on the provision of training and marketing support. Unlike in other neighbouring countries, Cambodia has not had specialized SME financing schemes supported by the government. In 2019, the Government approved the establishment of an SME Bank. To support the implementation of the SME promotion policy, the Ministry of Industry and Handicraft has developed the SME Development Policy and Action Plan (SMED-AP). SMED-AP identifies Inclusive Business as a new cross-cutting theme for industrial development, diversifying the economy and engaging the private sector in a more innovative way to create good income opportunities and relevant and affordable goods and services for poor and low-income people. The SME-AP includes IB along three tracks:

| Table 6. Company classification, commonly used and used in Inclusive Business study |
|----------------------------------|---|---|---|---|
| Common classifications | micro | small | medium | large |
| **Government of Cambodia** | | | | |
| Employment (number of employees) | $<10$ | 11-50 | 51-100 | $>100$ |
| Assets (capital investment excluding land property, thousand dollars) | $<$50 | $50-$250 | $250-$500 | $>500$ |
| number of registered companies as per enterprise survey 2011 | 69,851 | 5,861 | 530 | 609 |
| **European Commission** | | | | |
| Employment (number of employees) and | | | | |
| Annual turnover (million euros), or | $<$€2 | €2-10 | €10-€50 | $>$€50 |
| Balance sheet (million euros) | $<$€2 | €2-10 | €10-€43 | $>$€43 |
| **Classification used for the IB landscape study** | | | | |
| Beneficiaries (number of beneficiaries) | - | 300-1000 | 500-3000 | $>3000$ |
| Revenue (million $ per year) | $<$0.1 | $0.1-$1 | $1-$5 | $>$5 |

1. Medium-sized enterprises as the main proponents of IB models;

2. Small enterprises with social impact that could develop into social enterprise initiatives; and

3. Micro and small enterprises that could develop by participating in the value chain of larger IB firms, and benefit from increased access to market, finance and technical capacity building.

4.4 Implications for promoting Inclusive Business in Cambodia

Inclusive Businesses can support the National Strategic Development Plan 2019-2023 and the Industrial Development Policy (2015-2025). Cambodia has experimented high economic growth but has seen difficulties in developing, at scale, decent income earning opportunities and in providing affordable relevant goods and services (e.g. health, education, housing and water services) to poor and low-income people. The country has many, often informal, small and micro-enterprises that can only make a limited contribution to improving the income and living conditions of the BoP. IB models are typically developed by innovative firms with high commercial returns and are relevant for the poor and low-income people. To further support poverty reduction and development, it will be crucial to support businesses not only for their potential to contribute to economic growth, but also for their potential to promote inclusive development. In this context, promoting Inclusive Business is very attractive.

The promotion of IB requires a multi-stakeholder support system, that includes government agencies (such as, the ministries of industry, commerce, economy and finance, agriculture, and the investment board) and business associations. Such work could be guided by a multi-stakeholder steering committee with the Ministry of Industry, Science, Technology and Innovation as the main champion. The work of this steering committee would need to be supported with adequate financing and institutional resources.

While there are many companies with business models encompassing the BoP, only few companies have business lines specifically designed to provide solutions for the relevant problems of the BoP. To promote these Inclusive Businesses, it is important to generate awareness, accredit IB models, and provide business coaching for mainstream companies with potential to develop IB models. IB coaching cannot be provided under traditional SME advisory services, as it is a very specialised and customized coaching. A business coaching facility that engages experts to address companies specific coaching demand. Business coaching needs to be properly financed and provided by an agency outside of the government system and in closer cooperation with business associations.

Access to financing is important for developing IB models. However, establishing new credit lines for IB may perhaps not be the most effective way to encourage innovation in the markets of the poor. As funding is actually available in the market, but does not reach IB companies, rather than establishing new credit lines for IB, what may be required is a risk sharing facility that reduces the risk of impact investors and helps unleash available private sector funding for IB.

Smart incentives would be useful to promote IB. To encourage FDIs in priority sectors, a comprehensive and relatively generous tax incentive system was established in Cambodia. These incentives benefit mainly foreign investors and have a limited impact on developing innovation and domestic value chains, and in supporting the BoP in Cambodia. The government (the Cambodia Investment Board and Cambodia’s Development Council) is currently considering substantially reforming the incentives system. It would be useful if smart incentives for companies that transform their mainstream business model into an IB model are included in the new investment law.

Many IB companies provide essential social or municipal services to the BoP, for which the government has public procurement schemes. One avenue to incentivise the development of Inclusive Business model. companies could be to prioritize accredited Inclusive Business in the public procurement system. Considering the development of such incentive would require a separate study and further discussions.
5. MARKET STUDY OF INCLUSIVE BUSINESS IN CAMBODIA

5.1 Methodology

The landscape study of Inclusive Business in Cambodia has three major parts: a market study with companies that implement IB models, an assessment of the enabling environment (done through interviews with key informants), and policy recommendations (based on discussions with government and other stakeholders).

Overall, about 200 stakeholders (business associations, leaders of companies, business accelerators and facilitators, government agencies, development partners) have been interviewed. Several workshops and the first National Inclusive Business Forum for Cambodia, were organized in August 2019 to discuss the concept of IB, possible IB promotion policies and the accreditation of IB (figure 5).

**Figure 5. Overview of activities carried out to inform the study**

<table>
<thead>
<tr>
<th>200 interviews</th>
<th>Key national stakeholders including government officials, private sector representatives, business leaders, investors, facilitators and development partners.</th>
</tr>
</thead>
</table>
| 2 workshops and a national forum | • A seminar on Inclusive Business Investments in North-West Cambodia, organized by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Siem Reap, 5 August 2019  
• A workshop on Inclusive Business Investments in Agribusiness, organized in partnership with the Ministry of Agriculture, Forestry and Fisheries – Phnom Penh, 6 August 2019  
• The First Inclusive Business Forum for Cambodia, organized in partnership with the Ministry of Industry and Handicraft – Phnom Penh, 7 August 2019. |
| 2 IB accreditation workshops and 4 IB briefing sessions | • Two workshops discussing IB accreditation, organized in partnership with the Ministry of Industry and Handicraft – Phnom Penh 30 May and Phnom Penh 9 August 2019  
• Four briefing sessions on IB |
| 34 companies interviewed for the market study | • Longlist of 119 potential IB companies  
• Shortlist of 71 potential IB companies  
• 34 companies interviewed  
• 37 companies rated through the proposed IB accreditation system  
• 19 companies classified as potential or real IB, of which 18 documented in this report |

The market study is based on semi-structured interviews with business leaders, interviews with key informants and an analysis of publicly available and restricted reports. It should be noted that there are no statistics nor previous market studies on Inclusive Business in Cambodia.

For the market study, a longlist of 119 potential IB companies was established. The long list was scaled down to a shortlist of 71 companies based on the following criteria:

- Is it business (company size, commercial orientation)?
- Does it deliberately create social impact (reach, social depth)?
- How is it innovative for the BoP and how does the company share the risks of the BoP?, and
- Does the company has any issue with governance and social and environmental safeguards?

The background information on those companies was obtained through internet, telephone, and key informants.

Of the 71 companies shortlisted, business
leaders or representatives of 34 companies were interviewed using a pre-defined structured interview guide and 37 IB rated. Other firms were not interviewed because following further desk research, it was clear that they would not qualify as IB or potential IB, or because it was not possible to interview them within the timeframe.

Interviews took on average one hour and a half. Some companies were reluctant to share financial data, information on social impact (especially on social depth and systemic impact) was sometimes anecdotal, and companies sometimes had difficulties in understanding social impact. In order to promote greater level and depth of responses, companies were promised data confidentiality and, therefore, only aggregated numbers are reported in this study. Quantitative information was complemented with qualitative questions and an analysis of existing market information. The interviewed companies were rated based on a composite rating tool against their commercial, social and innovation performance (see table 8). As a result of the assessment and rating, 19 companies have been classified as IB, of which 13 were real IB cases and 6 were potential IBs (see table 7).

Table 7. Number of companies assessed in the market study of Inclusive Business in Cambodia

<table>
<thead>
<tr>
<th>Number of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initially selected and screened (longlist)</td>
</tr>
<tr>
<td>119</td>
</tr>
<tr>
<td>Further assessed (shortlist)</td>
</tr>
<tr>
<td>71</td>
</tr>
<tr>
<td>Interviewed</td>
</tr>
<tr>
<td>34</td>
</tr>
<tr>
<td>IB rated</td>
</tr>
<tr>
<td>37</td>
</tr>
<tr>
<td>Companies with IB and potential IB identified</td>
</tr>
<tr>
<td>(1) (2)</td>
</tr>
<tr>
<td>19</td>
</tr>
<tr>
<td>of which real IB cases</td>
</tr>
<tr>
<td>13</td>
</tr>
</tbody>
</table>

Note: (1) This excludes microfinance institutions. (2) Potential IBs are those business lines close to the minimum required rating with strong strategic IB intent.

A composite rating tool with clear criteria and relevant benchmarks was used. The composite rating tool assesses the company’s IB line against 30 criteria along three broad categories: commercial performance, social impact and innovation for addressing the needs of the BoP. Each criteria is rated from 1 to 6 (based on a pre-established guidance with different targets depending on sector and size of the company) and allocated a weight to provide an overall scoring for each IB line.

The rating tool for this market study was developed based on IB rating tools used in other countries but the criteria and benchmarks have been adjusted to the Cambodia context. The requirement scores to qualify as an IB and, to a lesser extent, the weight of each criteria was adjusted to match the local context of firms and sectors. Sector requirement scores and guidance for how to rate each criteria were further refined based on the feedback received, including during two IB accreditation workshops. For example, the minimum requirements for revenue and reach were adjusted downwards to allow some social enterprises to qualify as a social enterprise initiative.

To qualify as an IB business lines, companies must achieve at the same time: (a) an IB overall rating > 3.2 (of a maximum of 6), (b) an IB commercial rating > 1.4 (of 2.7 maximum), (c) an IB social impact rating > 1.5 (of 2.94), and (d) an IB innovation rating > 0.4 (of 0.78). Companies also need to have a minimum score of 3 for governance and social and environmental safeguard standards, and for IB intent. Companies scoring close to the minimum required can be classified as potential IB, provided they have a strong IB intent and potential to introduce innovations that provide solutions to the relevant problems of the BoP (see table 8).

These thresholds are proposed by the consultants based on the findings of this report. They might be reduced somewhat in further discussions with the government and business association when the IB accreditation system is institutionalized, with the objective to allow more companies to be accredited as IB. However, we caution not to relax the criteria too much, as otherwise any business would qualify as IB and the social impact for society will not really be achieved.

Subject to its endorsement, the composite rating tool used for this landscape study could be used by the Government of Cambodia to accredit IB as proposed in the national IBeeC strategy (see section 7). While the thresholds may be reduced, to allow more companies to be accredited as IB, it is advisable not to relax too much the criteria, as then any business would qualify as IB and the social impact will not be achieved.

The IB rating criteria and weights are summarized in Table 8 and further detailed in Annex 1.
### Table 8. Proposed rating tool for assessing the Inclusive Business readiness of a company business line in Cambodia

<table>
<thead>
<tr>
<th>Rating criteria</th>
<th>weight</th>
<th>targets</th>
<th>Company 1 (example)</th>
<th>Company 2 (example)</th>
<th>Company 3 (example)</th>
<th>Maximum score (6 x weight)</th>
<th>Minimum score to qualify as IB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The commercial performance and financial returns of the business</td>
<td>41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Company assessment (size, profitability, bankability)</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 IB model (revenue, growth, business risks, profitability, governance, ESG standards)</td>
<td>25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 ESG standards</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The social impact of the IB model</td>
<td>46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Reach (number of beneficiaries, targeting, women empowerment)</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Depth and relevance</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for income models (engaging the BoP as suppliers, labourers, distributors, shareholders): income before and after, income compared to market rate, income compared to comparator, income sustainability and measures to address risks</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for consumer models (engaging the BoP as consumers): product relevance, affordability, delivery mode, measures to mitigate risks</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3 Systemic change for poverty reduction and inclusion (sector impact of the company, impact in the geographical region and for the country, relevance and transformation impact, gender considerations)</td>
<td>14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The innovations for poverty reduction and social inclusion</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Business innovations</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Technological innovations</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Social innovations (including labor standards and CSR)</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Environmental innovations</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Overall rating</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IB commercial rating = commercial performance (criteria 1) and business innovation (criteria 3.1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IB social rating = Social (criteria 2) + social innovations (criteria 3.3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IB innovation rating (criteria 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. IB strategic intent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result of the assessment</td>
<td></td>
<td>qualifies as real IB</td>
<td>qualifies as potential IB</td>
<td>would not qualify as IB</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: To qualify as an Inclusive Business line, companies must achieve at the same time: an overall rating > 3.2, a commercial rating > 1.4, a social impact rating > 1.5, and an innovation rating > 0.4. Companies also need to have a minimum score of 3 for social, environmental and governance safeguard standards, and for IB intent. Companies scoring close to the minimum required can be classified as potential IB, provided they have a strong IB intent and potential to transform their business into an Inclusive Business.
A short write-up of the IB case was prepared for each company based on the information provided during the interviews. Annex 2 provides a concise write-up of 18 of the 19 the real and potential IB models, IB activities and social enterprise initiatives identified in this study. These write-ups were approved by the companies for publication. Relevant aspects of business design of these firms are referred to in the main part of this report.

The preliminary results of the findings from the study were shared in multiple events organised in the context of this landscape study (figure 5).

The policy recommendations provided in this report (see chapter 7) are based on in-depth discussions with government, business associations, investors, IB facilitators and development partners, and developed in close cooperation with the Ministry of Industry, Science, Technology and Innovation.

5.2 Key findings of the market study

Valuable opportunities to invest in IB models are found in many countries and sectors. A 2018 report by the ADB on IB in ASEAN estimates 90 investment-ready IB models and 200 commercially-viable social enterprises for the region, and estimated $1.8 billion investments in IB. The study projected that by 2025 there would be over 300 IB models and investments would increase to $6.3 billion. In 2019, there are 10-20 impact investors active in ASEAN countries, and at least five of them have presence in Cambodia. The IFC and the ADB have Inclusive Business investments in Cambodia, and bilateral development banks are considering diversifying their portfolio through new IB investments in Cambodia.

This IB market study has identified 19 companies with Inclusive Business lines in Cambodia. Seven of them provide income solutions to the poor and 12 provide relevant goods and services. Five IB models were in agribusiness, one in handicrafts and manufacturing, one in trade, two in social services (including insurance), two in water and sanitation, two in housing, five in energy, and one in fintech (see table 9). While the market study identifies 19 companies with IB models, there may be additional IB models in the Cambodia market not discovered in this study.

Table 9. Overview - results market study

<table>
<thead>
<tr>
<th>Longlisted companies</th>
<th>Inclusive Business</th>
<th>Not IB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Longlist</td>
<td>Shortlist</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>38</td>
<td>21</td>
</tr>
<tr>
<td>Manufacturing and handicrafts</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Textile, garment, footwear</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Social services (health, education, job placement, insurance)</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Municipal services (housing, water, sanitation)</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Energy and transport</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Finance and fintech</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Trade, tourism, other services</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>71</td>
</tr>
</tbody>
</table>
IB models have scope for strengthening their commercial bottom line, social impact and the introduction of innovations that benefit the poor. The average IB rating for all the 19 real and potential IB companies is on the lower side (3.37, slightly above the minimum threshold of 3.2). While the overall rating for the real IB is good, potential IB need to substantially increase their current overall rating (2.43) particularly by becoming more profitable and growth oriented and enhancing social impact (Table 10). Business coaching can help companies grow and become more profitable, have a deeper social impact and introduce innovations that are relevant for the BoP. However, traditional training or business coaching is not be sufficient to strengthen the social impact of a firm. A more systematic IB coaching is required to help transform the company along the three dimensions (commercial, social and innovation). For this reason, a technical assistance facility to provide systematic IB coaching is proposed.

Table 10. Inclusive Business rating by sector

<table>
<thead>
<tr>
<th>Number of IB lines</th>
<th>Average rating of all IB models</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Income solutions</td>
<td>8</td>
</tr>
<tr>
<td>Agrobusiness</td>
<td>5</td>
</tr>
<tr>
<td>Crafts and industries</td>
<td>1</td>
</tr>
<tr>
<td>Trade and other services</td>
<td>1</td>
</tr>
<tr>
<td>Fintech</td>
<td>1</td>
</tr>
<tr>
<td>Relevant goods and services</td>
<td>11</td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>2</td>
</tr>
<tr>
<td>Housing</td>
<td>2</td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
</tr>
</tbody>
</table>

Minimum threshold                          | 3.2    | 1.4    | 1.5    | 0.4       |

Notes: (1) The overall rating is not the sum of commercial, social and innovation ratings. For more information on how these ratings are calculated see Table 8 and its note. (2) The average per sector masks large differences between the few companies assessed.

Microfinance business models are considered IB models in the international discussion. However, this market study did not include the 68 Cambodian microfinance institutions in the assessment, as their large numbers would distort the results. Furthermore, while microfinance institutions generally provide credit to low income people and hence directly benefit the poor, not many microfinance institutions providing innovative services for the poor were identified in the Cambodian market.

5.3 Inclusive Business investment opportunities by sector

The private sector can benefit the poor through two means. The first is by generating income opportunities. Such income models typically engage many poor in the value chain of the company and offer better income opportunities than the local market and the competitors. Income models are typically in agrobusiness,
manufacturing, tourism, microfinance and fintech. The second way is to offer goods and services, relevant to low income people, affordable to them, and with delivery methods that suit them. Such models are often in social and municipal services. The IB market study in Cambodia has identified 7 income and 12 service models.

The following section provides an overview of the challenges and opportunities for promoting inclusive development by sectors and discusses how IB could address them.

**Agrobusiness could offer enhanced income opportunities**

Cambodia has many agrobusinesses but very few of them are IB. Companies that buy from traders are rarely IB because they cannot ensure that the poor have a good income. Similarly, few companies with contract farming arrangements are IB because most of them pay market rates (and hence keep low-income people in their current low-income level). Agrobusinesses often have different business lines and sometimes only one of them qualifies as IB (see, for example, the case of LyLy Foods in Annex 2). While the study looked at 21 agrobusinesses shortlisted as possible IB, at the end it found only 5 which would qualify as real or potential IB. Discussions with the Ministry of Agriculture, Fisheries and Forestry and an IB workshop organized by the Ministry of Agriculture, Fisheries and Forestry also confirmed that there are few inclusive agribusiness. A good example of inclusive agribusiness in Cambodia is Amru Rice. Its organic business line works directly with more than 20,000 farmers, pays 20-30 per cent better than similar companies, has introduced innovations that reduce the risks of the poor, and is highly profitable (see Annex 2).

**Manufacturing and handicrafts first have limited social reach and usually pay market rates.**

In 2018, textile, apparel and footwear represented 74% of Cambodia's export value and generated more than one million jobs (mostly for women) in 1075 factories. The sector has specialized on low cost and low value-added products with limited local inputs. As the value added of this industry is low, salaries in the sector are very low (about $240 per month), despite of large wage increases in recent years. In addition, garment factories do not use innovations to reduce the risks of the poor (except the compulsory health and other insurance packages). Given the large size of FDI investment in the textile industry, one would expect to find some IB activities in this area. Seven companies in the garment sector were examined in this study but no IB models were found among them.

In other manufacturing and crafts businesses, the level of employment and salaries is typically low. There are some exceptions. For instance, Artisan d'Angkor, a potential IB, engages or sources from about 1200 crafts-persons (or families) at well-paid rates (see Annex 2). The company also provides training, although as a CSR activity and not as part of its core business. This enterprise, which is a model in the sector and 30 per cent government-owned, could deepen its IB strategic intent and develop an IB model with a larger transformative impact.

**Tourism, although it has potential, is rarely inclusive.**

Since the mid-2010s there has been an investment boom in tourism, responding to thriving tourist arrivals (6.2 million in 2018) mainly from neighbouring Asian countries such as China (32 per cent of all foreign visitors in 2018), Viet Nam, Laos, and Thailand. These investments are mostly in the coastal areas and in Phnom Penh. Despite being a flourishing industry, income opportunities for the BoP in this sector are very low. Most tourist establishments have a low-cost business model, which they often achieve through low salaries. As a result, only a few companies can provide income opportunities for the BoP above the market rate and even fewer have the potential to have a large reach. The market study did not find any IB model or social enterprise initiative in tourism in Cambodia. Business coaching could support some tourism companies to develop an IB line. Eco-tourism, for example, provides good opportunities for IB. There are also opportunities in support services to tourism such as catering, laundry, logistics, transportation, handicrafts, and organic food production.

**Promoting affordable housing requires addressing the lack of financing opportunities for the poor**

According to government estimates, Cambodia has a large housing backlog. It is estimated that more than 1.1 million homes (houses and apartments) are needed by low and lower middle-income households. Of this only 0.4 million is currently served, resulting in a huge potential market of 0.7 million possible clients in the coming 5-8 years. The
country currently experiences a large construction boom, but mostly for office buildings and more expensive apartments. According to a 2017 study by VTRUST (a real estate company), only 0.3% of all built homes were priced at less than $25,000\(^6\). Most houses cost more than $100,000, while poor and low-income people can afford only up to $30,000\(^7\) (for some this may be up to $50,000). A key challenge for providing affordable housing are rapidly rising land prices. Low-income housing developers either need to go outside of cities or to smaller provincial cities to make housing affordable.\(^7\)

Another key problem is bank financing. While a small house may be priced at $25,000 by the developer, the total cost will be $35,000 due to high interest payment for low-cost housing (10-12 per cent) and short maturity period (5 years).\(^7\) While developers are allowed by the Central Bank to provide housing finance, those selling to low-income people are not doing it, because of the perceived high-risk versus reward or lack of scale to engage in such activities. One way the government can promote the development of more social housing, is through implementing public procurement schemes that prioritize accredited IB firms and by securing cheap land in the city for such developers. The market study identified four firms that develop housing for the poor. It assessed the two housing firms that could potentially be inclusive, and the assessment confirmed that these two companies could be rated as IB models. One of them (My Dream Home) has a stronger IB strategic intent and interesting innovations benefitting the poor. The other one (a business line of World Bridges) has a potential to impact the sector, as it belongs to one of Cambodia’s biggest conglomerates and the firm could be interested in upscaling that business line. Both companies, however, will offer only 5,000 units by 2023, which is a small part of the huge market potential.

**Energy solutions available to address unmet energy needs of low-income people**

The demand for energy in Cambodia has grown in par with economic growth. Energy is a booming sector in the country, both for electricity as well as for burning and cooking needs. However, there are still large unmet needs in energy solutions for Cambodia as whole and specifically for the poor.

IB are often engaged in solar energy systems, given their potential to serve remote poor areas with relatively cheap energy. Currently, about 40 per cent of the electricity demand is supplied by hydropower and one third by coal fired powerplants.\(^7\) The government aims at 15 per cent for solar energy by 2020\(^7\). However, it should be noted that businesses selling solar energy to the grid are generally not Inclusive Businesses (as they provide limited income opportunities for the BoP given the low price of selling solar electricity to the grid\(^7\) and the lack of pro-poor targeting of such models).

Cooking energy is also very relevant for the poor. Seventy per cent of households still use biomass energy (of which 74 per cent use firewood and 16 per cent charcoal) for their cooking needs. For example, the primary wood demand (for firewood and cooking wood) is estimated at 4.3 million tons per year and a revenue of $350 million per year.\(^7\) Industry (especially those making bricks) is also a significant consumer of firewood and charcoal.\(^7\) Energy-efficient options for cooking are an important opportunity to help households reduce firewood costs and improve health, and for reducing CO2 emissions. However, there are very few IB models in that sector. Most firewood-efficiency options are provided by NGOs, NGO-driven social enterprises or mainstream small and informal businesses not using environmental, business or social innovations. Similarly, companies offering biogas for cooking are mainly low-scale NGO-driven social enterprises, with limited social impact and commercial return.

Seventeen energy companies were referred as possible IB. Six were interviewed, of which three were identified as real IB and two as potential IB lines. Two IB companies were IB models and 3 IB initiatives. The IB companies found are ACE (cooking); LES, Okra, and Sun EEE (solar energy providers companies); and Khmer Green Charcoal (cooking energy from coconut shell biomass). Their business models are described in annex 2. Sun EEE had a very interesting business model targeting last mile connections of households at high commercial performance.

**Inclusive Business water and sanitation solutions needed**

Access to clean and reliable water is still a major challenge, and climate change is worsening access, quality and cost of drinking water. In 2018, 41 per cent of rural households (down from 64 per cent in 2010) still relied on unprotected water from wells, ponds, rivers, streams, and non-properly treated water provision. Access to
improved sanitation in rural areas has improved significantly (from only 29 of households in 2010 to 70 per cent in 2017) but is still low. Practically all water and sanitation services are provided by the private sector, and there is a large market opportunity for companies with IB models. The study has identified only two IB in this sector. The reasons for the small number of IB companies in the water and sanitation sector despite of the level of needs are twofold. First, the government procurement system is not designed to favour water concessions that provide affordable quality services that target the poor. Second, sanitation and toilets in households are promoted through NGOs with unsustainable business models rather than through the private sector. Business coaching could help some companies interested in IB to change their business models to provide more relevant and affordable water and sanitation solutions for the poor.

Health, education, and training and job placement services

There are business opportunities in the health, education, and job placement services and there are many private investments in these sectors. However, the current solutions are typically designed for wealthier citizens or are a largely provided for NGO-driven social enterprises. While there is potential to generate revenue while addressing the needs of the BoP, during the preparation of this study, no IB models were identified in these sectors. This may be explained by the presence of a large social enterprise movement in Cambodia. Business leaders interested in IB, as noted during the interviews perceive that it is easier to engage in traditional social enterprise initiatives because of funding opportunities. However, as Cambodia becomes a middle-income economy, such funding will be drying up and some entrepreneurs are now realizing they will need to transform their social engagement from an NGO-driven social enterprise to an IB model. For example, Artisan d’Angkor, an IB in the handicrafts sector, is interested in further developing the training the provide to their own artisans (as a CSR activity) into offering training to other companies (as an Inclusive Business line with the potential to transform the whole craft sector. Similarly, Phare, a potential social enterprise initiative, offering the poor job opportunities in Circus activities, is potentially interested in developing a financially sustainable business line in providing training and other activities. To implement such ideas, companies would need IB coaching.

Social insurance

In 2016, the Government introduced the health equity fund providing health insurance coverage to 2.3 million people identified as poor (IDPoor). The government health insurance only works with government service providers, offers a limited coverage, and excludes a huge number of low-income families. The BoP still prefer private providers, as they often provide a better service, and there is a large unmet market among poor and low-income families. The insurance industry has rapidly expanded since 2012. Total assets in the sector are estimated at $297 million by 2018, and the gross premium is $143 million. However, most insurance companies in the country serve the upper middle-income market. There are only six companies that serve the low-income market.

A challenge for insurance providers is the recent Government decision to restrict the provision of insurance provision to those firms that have a financial office in the field. This is as a major challenge for companies that currently offer insurance packages through microfinance institutions in order to save costs and offer affordable and relevant products for the poor. There are some indications that under such new regulation, some insurance companies may refocus towards higher income groups.

Microfinance

Microfinance offers access to financial resources to those living in poverty. However, it also has its limitations (for instance, in terms of generating over-indebtedness and crowding out other types of funding). Between 2010 and 2018 there was a rapid growth in the microfinance industry in Cambodia. There are about 70 registered microfinance institutions (of which about two-third are commercially driven while the rest have NGO character) reaching about 1.8 million borrowers. This compares to 0.78 million clients in the mainstream banking sector. Seventy percent of microfinance borrowers are women. Outstanding microfinance loans represented in 2018 about 20 per cent of GDP. The average microfinance loan...
size was $2,372 in 2018 up from $1,483 in 2016. While the expansion of microcredit improves access to finance and have overall positive social impact, there are concerns that households may overborrow and microfinance institutions may become vulnerable. Microfinance interest rates are high (18 per cent per year in 2018, down from 25.7 per cent in 2016). Paying back the loans meanwhile requires on average 70% of the median annual income, indicating high levels of indebtedness among the poor. In 2018, the percentage of non-performing loans is 5 per cent in microfinance, compared with 3.1 per cent in the banking sector. Consumer studies have found a high incidence (22 per cent) of over-indebtedness, particularly through multiple and very short-term loan contracts. Over half of microfinance clients have two to four credit lines.

Microfinance is generally considered an IB, as it provides access to finance for large numbers of poor and low-income people. A quick assessment of the microfinance market in Cambodia suggests that most institutions provide traditional microfinance products and do limited innovation to reduce the risks of the poor or to provide them with more relevant products. For example, Cambodian microfinance institutions have very few mobile banking and IT functions that could reduce the high borrowing rate. Of the 68 microfinance institutions in the country, national stakeholders interviewed for this report identified seven MFIs may have stronger strategic intent for the poor (including AMK, Amret, HKL, LOLC, Kredit, Prasan, Sathapana). These institutions, and potentially others not yet identified, might qualify as IB. This market study has not assessed MFI but it would be valuable to do a separate in-depth study on IB in microfinance.

**Fintech**

There are many opportunities in fintech to introduce innovations that substantially reduce costs of the poor, promote last mile distribution, and develop new business lines for the BoP. While in recent years various fintech companies have started up, few have financial products designed to create solutions for poor and low-income people. Most fintechs cater for middle and high-income groups.

BhanJi is, however, an inclusive fintech company addressing the needs of the low-income and informal businesspeople. The company provides accounting services to micro-enterprises, linking them with banks, and giving them the opportunity to get loans at favourable conditions and without collaterals based on their financial performance data. The business model of BhanJi is further described in Annex 2. BhanJi is a highly relevant and innovative IB company, which has a strong social impact as well as a solid commercial bottom line.

### 5.4 Creating impact through Inclusive Business

Nineteen IB firms, a small number compared to the over 40,000 registered enterprises in the country, can achieve significant social impact through commercially viable business models.

The 19 potential and real IB lines have currently a revenue of $74 million, and their business plans foresees a substantial growth to $153 million by 2023 (more than double in just 5 years). The average profit margin of all these IB is about 14 per cent, but some of them have a larger profit margin (e.g. 20-30 per cent). In 2018, the 19 companies assessed benefitted about 830,000 persons. Eight of these firms created well paid income opportunities for about 155,000 people, and 11 firms provided relevant services for 680,000 low income people. If they all implement their new IB business plans, by 2023 their impact will double and benefit over 1.7 million people (Table 11).

The analysis of IB firms by sector, shows that two companies provided social insurance to 530,000 people; two housing companies served 6,560 people; two water and sanitation companies provided services to 43,706 persons, and five energy companies served 99,655 people. Five agrobusiness, one handicraft firm, and one service company provide income opportunities as suppliers or laborers to about 155,000 poor and low income people. Agrobusinesses generally apply less innovative features to address the risk of the poor and they also achieve lower social impact rating. Table 11 summarizes the overall impact assessment of IB firms by sector. As the company sample is small, it is not possible to draw more general conclusion.

The company ratings provide a general overview of their capabilities as Inclusive Business. To promote Inclusive Business, individual and more detailed discussions with companies regarding market opportunities, the firm’s strengths and weaknesses for developing IB models, and options to introduce or improve an IB line would be very important. This is what the proposed business coaching could provide.
<table>
<thead>
<tr>
<th>Company and sector</th>
<th>Engagement mode</th>
<th>Impact channel</th>
<th>IB type</th>
<th>IB readiness</th>
<th>IB rating (3)</th>
<th>Revenue (million USD)</th>
<th>Social reach (beneficiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Overall</td>
<td>Commercial</td>
<td>Social</td>
</tr>
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<td>Income increase</td>
<td>SE-I</td>
<td>Potential</td>
<td>2.60</td>
<td>1.29</td>
<td>1.25</td>
</tr>
<tr>
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<td>Supplier</td>
<td>Income increase</td>
<td>IB-M</td>
<td>Real</td>
<td>4.80</td>
<td>2.25</td>
<td>2.46</td>
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<td>Agrobusiness 3</td>
<td>Supplier</td>
<td>Income increase</td>
<td>IB-M</td>
<td>Potential</td>
<td>0.90</td>
<td>1.60</td>
<td>1.24</td>
</tr>
<tr>
<td>Agrobusiness 4</td>
<td>Supplier</td>
<td>Income increase</td>
<td>IB-M</td>
<td>Real</td>
<td>3.17</td>
<td>1.55</td>
<td>1.53</td>
</tr>
<tr>
<td>Agrobusiness 5</td>
<td>Supplier</td>
<td>Income increase</td>
<td>IB-M</td>
<td>Potential</td>
<td>2.72</td>
<td>1.58</td>
<td>1.08</td>
</tr>
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<td>Creative economy</td>
<td>Laborer</td>
<td>Income increase</td>
<td>SE-I</td>
<td>Potential</td>
<td>2.88</td>
<td>1.24</td>
<td>1.61</td>
</tr>
<tr>
<td>Energy 1</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>SE-I</td>
<td>Real</td>
<td>3.10</td>
<td>1.18</td>
<td>1.80</td>
</tr>
<tr>
<td>Energy 2</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>SE-I</td>
<td>Real</td>
<td>3.56</td>
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<td>2.02</td>
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<td>Energy 3</td>
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<td>Better living standard</td>
<td>IB-M</td>
<td>Potential</td>
<td>2.71</td>
<td>1.24</td>
<td>1.35</td>
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<td>Energy 4</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>SE-I</td>
<td>Real</td>
<td>3.68</td>
<td>1.81</td>
<td>1.81</td>
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<td>IB-M</td>
<td>Real</td>
<td>3.54</td>
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<td>Fintech</td>
<td>Consumer</td>
<td>Income increase</td>
<td>IB-M</td>
<td>Real</td>
<td>4.23</td>
<td>1.91</td>
<td>2.23</td>
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<td>Handicrafts</td>
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<td>Income increase</td>
<td>IB-M</td>
<td>Real</td>
<td>3.92</td>
<td>1.58</td>
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<td>Social housing 1</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>IB-M</td>
<td>Real</td>
<td>3.70</td>
<td>1.25</td>
<td>2.33</td>
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<td>Better living standard</td>
<td>IB-M</td>
<td>Real</td>
<td>4.04</td>
<td>2.36</td>
<td>1.62</td>
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<td>Social insurance 1</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>IB-M</td>
<td>Real</td>
<td>3.36</td>
<td>1.76</td>
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<td>Social insurance 2</td>
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<td>Better living standard</td>
<td>IB-M</td>
<td>Real</td>
<td>4.50</td>
<td>1.91</td>
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<td>Water and sanitation 1</td>
<td>Consumer</td>
<td>Better living standard</td>
<td>IB-M</td>
<td>Real</td>
<td>3.92</td>
<td>1.64</td>
<td>2.16</td>
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<td>Water and sanitation 2</td>
<td>Consumer</td>
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<td>SE-I</td>
<td>Potential</td>
<td>2.79</td>
<td>1.15</td>
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<td><strong>Average</strong></td>
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<td>3.37</td>
<td>1.60</td>
<td>1.80</td>
</tr>
</tbody>
</table>

Notes:
(1) The consultants looked at a longlist of 119 companies, assessed in more detail 71 of them, interviewed 34, and did IB rating for 37 companies. The team found 19 companies with IB business lines, 13 real cases and 6 potential cases.
(2) To qualify as an Inclusive Business line, companies should achieve at the same time: an overall rating > 3.2, a commercial rating > 1.4, a social impact rating > 1.5, and an innovation rating > 0.4. Companies also need to have a minimum score of 3 for governance and social and environmental safeguard standards, and a strong IB intent (minimum 3). Companies scoring close to the minimum required can be classified as potential IB, provided they have a strong IB intent and potential to introduce innovations that provide solutions to the relevant problems of the BoP.
(3) A family size of 4.1 was used to calculate the number of beneficiaries.
(4) The IB rating is based on the methodology outlined in section 5.1 and Appendix 1 of this report. The IB rating was done by the consultants and is not confirmed by the companies nor the government or business associations.
(5) For confidentiality reasons, the company names are not reported in this table and the detailed company data used for the assessment is not published.
5.5 Implications for promoting Inclusive Business in Cambodia

Cambodia will benefit from having more IB with stronger social impact. The analysis indicates that there is a need to encourage the development of more IB models to create larger and deeper reach and have a transformative social impact. Even within some of the identified IB lines there is ample scope for improving impact, especially among those rated as potential IB.

Business coaching can help transforming mainstream businesses and NGO-driven social enterprises into IB models and SE initiatives. Business coaching can help the five potential IB identified in this report to transform their business into real IB. In addition, business coaching could also help some NGO-driven social enterprises to transform into SE initiatives, and some traditional CSR to become IB activities. It might also be useful to do a more detailed study on the potential to develop IB lines among companies with CSR and among NGOs.
Landscape study of Inclusive Business in Cambodia
6. BUILDING AN ENABLING ENVIRONMENT FOR INCLUSIVE BUSINESS

Building an enabling environment for IB requires the contribution of several actors (institutions and influential individuals) that provide relevant information for IB, adequate policies and incentives, facilitate access to finance and develop the capacity of business leaders and those in the supply chain to develop IB models (figure 6). In an enabling ecosystem, governments prioritize IB in their investment, industry and SME development strategies and establish support programs for IB. Business associations can promote awareness and facilitate knowledge sharing about IB. Business facilitators provide business coaching and investment linkages. Impact investors have specific financing schemes for IB and share investment risks. Development partners may finance IB projects. This chapter discusses the contribution that different actors, including social enterprises and the impact investing industry, can make towards building an enabling environment for IB in Cambodia.

Figure 6. G20 Inclusive Business Ecosystem Framework

Source: G20, 2015: Inclusive Business Framework
6.1 Champions to promote Inclusive Business in Cambodia

Before the start of the IB discussion in mid-2019, as part of this study, the ecosystem for IB was practically non-existent. However, the discussions and capacity building efforts carried out as part of this study have raised awareness on IB and generated strong interest among many stakeholders for supporting a strategy that promotes and enabling environment for IB in Cambodia (the proposed IBeeC strategy).

The following organisations have indicated strong interest in promoting IB:

Among government agencies, the Ministry of Industry, Science, Technology and Innovation is championing IB in Cambodia. In addition, the Ministry of Agriculture Fisheries and Forestry, the Cambodian Investment Board, under the Council for the Development of Cambodia, the Ministry of Economy and Finance, and the Ministry of Commerce have in principle agreed to actively promote IB and may establish focal points to support IB accreditation, and be part of the IB Steering committee.

Among business associations, the Cambodia Chamber of Commerce, Young Entrepreneurs Association of Cambodia (YEAC), the Federation of Associations for Small and Medium Enterprise of Cambodia, and the Cambodia Women Entrepreneurs Association have agreed to establish IB focal points, be part of the IB Steering Committee, be engaged in IB accreditation, and support IB awareness activities. The European Chamber of Commerce is also supportive.

Business facilitators, including SwissContact (under its RISE program), Oxfam (under its rural income generation program), the Cambodian Partnership for Sustainable Agriculture (under the Grow Asia initiative), and the Phnom Penh Impact Hub, also welcome the promotion of IB.

Various development partners are interested in linking their SME promotion and other economic and poverty reduction programs to the IB agenda. Of particular importance are the business coaching work of Agence Française de Développement (AFD), Department of Foreign Affairs and Trade, Australia (DFAT), European Commission (EC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (under the RID and ASEAN Regional Integration Support by the European Union (ARISE) cooperation), Japan International Cooperation Agency (JICA), Korea International Cooperation Agency (KOICA), United Nations Industrial Development Organization (UNIDO), and United States Agency for International Development (USAID). Some development partners (such as AfD and JICA, and eventually also GIZ, KOICA, and UNIDO) have shown initial interest in co-financing the proposed technical assistance facility for business coaching, working with the private sector in IB awareness and promotion, and supporting further policy work.

Development partners, while interested in IB, are cautious in committing funds for IBeeC, because (i) IB is a new agenda with limited track record in Cambodia, (ii) the promotion of IB is not in their approved cooperation plans, and (iii) they are waiting for the formal approval of IBeeC strategy by the government before exploring to commit funds. An engaged government champion, like the Ministry of Industry, Science, Technology and Innovation, and active support from Ministry of Economy and Finance and the Council for the Development of Cambodia will help indicate Government’s commitment to promote IB.

The Ministry of Industry, Science, Technology and Innovation is playing a leading role in the promotion of IB at the strategic level and will be the secretariat for IB promotion. The Ministry of Industry, Science, Technology and Innovation is driving the wider government endorsement of IBeeC through the Supreme National Economic Council, and engaging development partners to finance the proposed technical assistance and the risk reduction facility. Staff at the Ministry of Industry, Science, Technology and Innovation have been very committed to support IB. The Ministry of Industry, Science, Technology and Innovation is currently seeking funding from its 2020 budget to establish an IB unit. It is important that the unit is adequately staffed and financed. Continuing with current resources will not be sufficient to promote IB.

The Cambodian Investment Board, under the Council for the Development of Cambodia, is a strong promoter of IB as it recognises that IB are a new cross-sectoral investment opportunity, crucial for the development of the country. It is considering including IB in the new investment law (being finalized in early 2020).
The Ministry of Agriculture Fishery and Forestry indicated it is interested in having a specific IB strategy for agrobusiness. The Ministry of Agriculture, Fisheries and Forestry plays an important role in promoting IB with a focus on agrobusinesses (not farmers per se). It has designated its IB focal point, has agreed to participate in IB accreditation, has organized an IB seminar for agribusiness, is open to reorient some of its programs to focus more on IB lines, and wishes to take part in the IB business coaching work proposed under IBeeC and aligning IB with their current agrobusiness promotion programs. The Ministry of Agriculture, Fisheries and Forestry has asked for assistance to develop an IB strategy for agrobusiness, as part of the overall IBeeC.

The Ministry of Economy and Finance is a strong advocate for economic change in Cambodia. It is perceived as a highly effective government agency and that its involvement in the IB strategy is of particular importance. The Ministry of Economy and Finance has nominated an IB focal point, and would consider supporting the Ministry of Industry, Science, Technology and Innovation pushing forward the IBeeC strategy with the proposed IB risk reduction fund in close link to the SME Bank and the Entrepreneur Development Fund. Development partners like JICA and AfD showed initial interest in investing in this fund.

**YEAC is the business association most actively promoting IB.** YEAC also seems to have among its members the larger number of companies with IB models. The Government is very interested in promoting IB in close collaboration with the private sector, and YEAC is very well placed to coordinate the IBeeC technical assistance facility. YEAC is interested in coordinating the technical assistance facility in close cooperation with other business associations and the Ministry of Industry, Science, Technology and Innovation.

### 6.2 The social enterprise landscape

Social enterprises (SE) are commonly understood as companies with a mission of achieving social / environmental impact while operating a revenue-generating basis. Traditional SE, unlike IB, while being revenue generating may not be fully commercial and still depend on grants to be viable. Furthermore, SE, unlike IB, may not necessarily focus on the social needs of the BoP but address, for example, environmental objectives or needs of people not at the BoP.

Cambodia does not have a specific policy to promote social enterprises. Furthermore, the law on commercial enterprises does not comprise any reference to social enterprises. On the other side, many economic activities in Cambodia call themselves social enterprise, and the country is seen as having more SEs per population as most of its neighbours. Social Enterprise Cambodia is a platform that exchanges information on the SE sector; it is linked to the Phnom Penh Impact Hub.

Three types of SEs can be distinguished:

1. **NGO-driven social enterprises:** Enterprises with a strong social/environmental motive (impact first), but small in scale, with low rate of returns (if any), mainly financed by grants and not commercially viable. This type of social enterprise is very common in Cambodia. An example would be the various training initiatives in Cambodia, where profits from a mainstream business model are used to finance training activities or educational programs. Many of these NGO-driven social enterprises do not have or even do not want to have a business case for creating profit. Consistent with the G20 Inclusive Business framework, in this study, such NGO-driven SE are not counted as IB.

2. **SE initiatives:** Commercially viable SE with small social impact and low profit margin, which often do not register as SE but as a mainstream business, to have more freedom on how to use the profit generated. These SE have a higher financial rate of returns than NGO-driven enterprises, a stronger business approach, and a larger scale in revenue ($0.1 to $0.5 million) and impact. Unlike NGO-driven enterprises, SE initiatives have a stronger drive to use the profit they earn for scaling up and growth, to enhance their social impact. Such companies are considered IB. This study has identified six SE initiatives in Cambodia but there are probably more.

3. **Enterprises that provide social or environmental solutions at large scale for the government.** These firms, mostly found in developed economies, are often
contracted by the government to provide social services (e.g. manage hospitals, kindergartens or prisons). They are commercially viable and bankable, but they do not have profit maximization as their business goal. They often belong to large social foundations or church-based organizations. Examples of these include the social enterprise Caritas running most of the kindergarten and hospitals in Germany, or the Red Cross which is running most of the emergency first aid cars. With some exception (e.g. parts of the Grameen movement in Bangladesh), such enterprises are not present in developing countries. This is because the government believes that social services shall be offered only by public institutions, or because it cannot provide sufficient funding for outsourcing quality service delivery to the private sector. Sometimes there is also lack of interest (or skills) among the private sector to engage in such activities. The study has not found this type of SE in Cambodia.

Since the peace accords of 1991, Cambodia has seen an impressive growth in international and national NGOs. By 2018, there were about 5,000 NGOs and 260 revenue generating NGO in Cambodia. Of these revenue generating NGOs, about 127 are a social enterprise. Most of these NGO-driven social enterprises operate in hospitality, microfinance, education and agriculture business. Very few of them qualify as a SE initiative. Discussions with the owners or managers of NGO-driven social enterprises revealed limited awareness about IB, and limited interest to change/ scale up their enterprise to achieve larger social and commercial returns. They often belief that seeking profitability works against achieving social impact.

The market study could not identify CSR activities ready for transformation into IBs. Unlike in other neighbouring countries, CSR is still in its infancy in Cambodia. Some large firms, especially multinational companies, have a strong CSR culture. However, their CSR activities are generally along traditional projects (such as scholarships, environmental and local area improvements, livelihoods, women projects). The projects are typically small in scale, reach and depth and do not seek to make a profit. CSR activities are usually not in the commercial business lines of the company. The European Chamber of Commerce in Cambodia is actively promoting CSR among their member companies. It would be a good partner to advocate among larger foreign companies to use their traditional CSR in a more strategic way as an IB activity.

6.3 Impact investing

While private social investment comes in a variety of forms and conditions, its common purpose is to generate positive social impact. Impact investing is different from mainstream investing as it seeks to optimize risks, returns, and impact to benefit people and the planet at the same time, by setting specific social and environmental objectives alongside financial ones, and measuring achievement.

Globally, impact investing is on the rise since 2012. The Global Impact Investment Network (GIIN) estimates the global impact investing market at 502 billion dollars by 2018, of which Southeast Asia represented only 6%. The largest impact investment markets are in OECD countries, South Asia and Latin America.

In Southeast Asia, based on self-reporting to GIIN, between 2007 and 2017, private impact investors have deployed about $0.9 billion and development finance institutions $11.3 billion through 225 and 289 direct deals respectively.
Impact investing is a broader concept than IB investing (see figure 7). Not all impact investments are made in Inclusive Businesses. Impact investments may be done in environmental projects or in social initiatives that do not target the base of the economic pyramid.

Impact investing comes in different forms:

- As a mission-driven investment into traditional social enterprises (and start-ups) with expected low return (often below the market rate or no return at all). Such funding is typically between $0.1 and $1 million and often comes as a fund. It can come from individuals (angel investors), company foundation, impact investors focusing on start-up companies, or crowdfunding.

- Investments in profitable and scalable social enterprises (SE initiative), strategic CSR (IB activity) or IB models seeking a double bottom line goals (providing social good and achieving financial returns). Such impact investments may come from impact investors, development banks, and through commercial financial institutions.

A study by the IFC noted that the performance of IFC’s Inclusive Business investments is at par with other IFC investments, indicating there is no discernible trade-off between profitability and inclusion objectives.

The strong presence of NGOs and the large social needs of Cambodia has attracted a large amount of social funding, mostly from foundations, companies’ CSR, donors and NGOs. Social funding has generally been in the form of grants (rather than loan/ equity social investments) that provide seed or long-term financing for social projects and do not seek financial sustainability. However, as Cambodia has become a low middle-income economy, grant financing is drying up and many NGOs are developing social enterprises. Some of these NGO-driven social enterprises are interested in reforming their business model to attract additional financing from more market-oriented sources.

There is no specific impact investing report for Cambodia. However, the Southeast Asia report by GIIN and Intellecap report (2018) estimates that $401 million cumulative impact capital was invested in 37 deals in Cambodia. Most
of the investments in Cambodia are very small. Impact investing in Cambodia has historically concentrated in microfinance. The main value of investments (about 85%) went to a few bigger microfinance deals (through debt deployment) with an average ticket size of $10.8 million, while other investments were very small.

There are few IB-relevant impact investors in Cambodia. Cambodia is a relatively small market for impact investors, and it is known for its strong NGO-driven social enterprise culture. This shies investors away from entering the Cambodia market. At the same time, the interest of the government and markets in impact investments is only emerging. Consequently, there are few impact investors currently active in Cambodia. The main impact investors currently active in Cambodia are Blue Orchard, Insitor, Nexus for Development, and Uberis. There are also a few sporadic investments from impact investors servicing the Cambodia market from outside the country, such as Bamboo Finance, IIX, and responsAbility. In addition, development finance institutions (e.g. IFC and ADB) have invested in larger IB models, especially in agrobusiness and in microfinance. Overall, the number of IB investments is quite limited, and most investments are small ($0.2-$3 million per deal, mostly in the lower range of $0.2-$0.5 million).

The main challenge impact investors face in Cambodia is finding good investment deals (in terms of with financial returns and social impact). Impact investors note that companies approaching them cannot present a business plan with financial projections sufficiently attractive to invest. Other companies find it difficult to transform their business to generate social impact and make it attractive for impact investors to invest. Impact investors in Cambodia have highly welcome the business coaching facility proposed in the report, as it would help making more companies impact investment-ready.

Impact investors are often close to making a deal but there are a few, perceived or real, risks which hinders them from making the investment in the company. In this instance, an instrument that helps reducing the risk of the investor would be very valuable. This is the objective of the IB risk reduction fund proposed in the IBeeC strategy. The IB risk reduction fund is a convertible debt fund, where the government co-invests in equity (and other forms of patient capital seed funding) in the initial growth stage (not in the start-up stage) of a company to kickstart the investment. The government co-invests a minimum fraction (around 10 to 15 per cent), while the impact investor would finance the remaining. If the investment is financially successful, the investment from the government becomes a loan that needs to be repaid. The government would then be able to re-invest the repaid loan in other companies (revolving fund mechanism). If the investment does not meet the agreed financial results criteria, it would be considered a grant. No matter the financial performance, the joint fund investment would yield social results. There are many business models, where such risk reduction facility would help unleashing investments, that otherwise would not happen. Impact investors in Cambodia have indicated that this risk sharing instrument would be very useful to stimulate more investments in companies that provide essential services for society.

6.4 Implications for promoting Inclusive Business in Cambodia

National stakeholders from government, business associations, business accelerators, and development partners have indicated that they are ready to support and contribute to IB promotion and the implementation of IBeeC. However, they have also indicated that they are waiting from senior officials to endorse and drive support for the IBeeC Strategy.
7. INCLUSIVE BUSINESS ENABLING ENVIRONMENT IN CAMBODIA – A COMPREHENSIVE STRATEGY TO PROMOTE INCLUSIVE BUSINESS IN CAMBODIA

7.1 Cambodia can be a leading example in Inclusive Business promotion

Various governments in ASEAN have set up –or are in the process of doing so– specific policies and programmes to promote Inclusive Business. For example, the Board of Investments of The Philippines established in 2016 an IB accreditation system and included IB in their investment incentives policies. Myanmar endorsed in 2018 a comprehensive IB strategy with IB accreditation, IB incentives, IB advocacy through business associations, a multi-stakeholder IB steering committee and focal points, a specific technical assistance facility, and a recommendation for an investment fund that would reduce impact investors’ risks. Malaysia is considering, since mid-2019, strategic actions to incentivize IB under its SME promotion and enterprise development policy. Viet Nam is exploring, since mid-2019, developing an IB accreditation system at provincial level. The Indonesian government is exploring a roadmap to promote IB in the wellness tourism industry.

Based on the findings of the market study, the enabling environment, the extensive consultations conducted while carrying out the landscape study and on experiences in neighbouring countries, IB could be promoted in Cambodia through eight key strategic interventions:

1. Institutionalizing support for IB by establishing: IB focal points in various government agencies and business associations; a multi-stakeholder steering committee to guide IB; and an IB unit in the Ministry of Industry, Science, Technology and Innovation to serve as secretariat to the Steering Committee.
2. Raising awareness on IB.
3. Establishing an IB accreditation system.
4. Establishing a technical assistance facility to promote awareness, facilitate IB coaching, conduct further policy studies on IB promotion, and serve as secretariat for the IBeeC steering committee.
5. Establishing an IB risk-reduction fund to facilitate investments into IB companies.
6. Prioritizing IB and social enterprises in public procurement.
7. Including IB in the new investment law and consider creating specific incentives for IB.
8. Reporting on IB impact.

Following a request of the government, a comprehensive strategy to promote IB has been developed based on the recommendations emanating from this landscape study. The Royal Government named this comprehensive strategy, the Inclusive Business enabling environment in Cambodia (IBeeC) Strategy. If the strategy is approved and implemented, Cambodia can be a leading example for promoting Inclusive Business in Southeast Asia.

IB is meanwhile also integrated in the new National Strategic Development Plan (2019-2023), which calls the Ministry of Industry, Science, Technology and Innovation to “Promoting and encouraging the implementation of Inclusive Business modeling or business activity, and social entrepreneurial initiatives to create a viable platform for a systematic solution to accelerate the innovative business of the private sector, which can help provide to solve problems for poor and low income people in the country.” A similar call for action will also be in the new SME Development Policy and Action Plan, which is currently awaiting final Cabinet endorsement through the Supreme National Economic Council. Based on this, the government is planning to finalize the IBeeC strategy also for the Supreme National Economic Council endorsement in 2020.
7.2 The eight strategic recommendations of the Inclusive Business enabling environment in Cambodia Strategy

This section discusses in more detail the eight strategic priorities to promote IB in Cambodia.

**Strategic action 1 - Establish Inclusive Business champions, through focal points in government and in business associations, and a multi-stakeholder IB steering committee**

- **IB focal points** will be established in five government agencies and four business associations, at both strategic and technical level. The IB focal points will be responsible for all IB related actions from their respective agencies and will form a core team to coordinate IB policy promotion. Within their own ministry or business network they will attend to concerns from companies with IB models and serve as IB support desk (handling concerns, inquiries, accreditation, incentives and IB support, and information sharing). The nine focal points will also jointly conduct the accreditation of IB models, Social Enterprise initiatives and IB activities (see recommendation 3).

- **An IB unit will be established in the Ministry of Industry, Science, Technology and Innovation:** The Ministry of Industry, Science, Technology and Innovation, as leading agency for IB promotion in Cambodia, will set up an IB unit under its Department of Planning, Statistics, Cooperation and ASEAN Affairs, and guided at high level directly by the Secretary of State of the Ministry of Industry, Science, Technology and Innovation. A specific budget allocation for the IB unit will be made from 2020 onwards.

- **A multi-stakeholder steering committee** will be established to guide the implementation of IB promotion in the country. The IB steering committee will comprise 15 voting members and additional observing representatives. The voting members will be:
  
  A) the focal points of government and business association (one person per organization), plus

  B) two representatives elected annually on a rotating basis from each of the following groups:

  - impact investors (including multilateral and bilateral development banks, and selected commercial banks),
  - IB business accelerators, and
  - development partners engaged in IB discussions.

  - The IB steering committee will also comprise one official representative from the implementing agency of the technical assistance facility, which serves as secretariat to the steering group.

  - The Ministry of Industry, Science, Technology and Innovation will be the chair of the steering committee, and a business association (selected by the steering committee on an annual rotating basis) will be the co-chair. Meetings of the steering group will be confidential but the results will be made public. The IB steering group will meet at least two times a year to guide the implementation of the IBeeC Strategy.

**Strategic action 2 - Raise Inclusive Business awareness**

All agencies involved in the steering committee will promote Inclusive Business through their networks. Business associations will have a special role in raising awareness on IB. Information on IB will be shared through publications, workshops, a national website on IB with links to the various institutions supporting IB, joint bi-annual reporting, film, social media and radio information on IB, and other awareness raising activities. As part of the IB awareness raising work, an annual IB Forum will be organised. The first IB Forum was held in August 2019 to launch the IB initiative and the IB strategy. IB awareness raising work can
be financed by the IB technical assistance facility but, in most cases, the involved agencies will self-finance awareness activities.

**Strategic action 3 - Establish Inclusive Business accreditation**

To recognise IB, a criteria and system for accrediting IB will be developed based on those developed in other Asian countries but adapted to the Cambodian context. The accreditation system will be based on a transparent composite rating tool and be jointly implemented by government and business associations to enhance ownership of the accreditation results. IB accreditation will apply to the specific Inclusive Business line (not to the entire company) and will be offered on a voluntary basis when companies register their business line. The primary purpose of IB accreditation is to recognise Inclusive Businesses (including through awards). IB accreditation can also be linked to incentives and support programs.

**Strategic action 4 - Create a technical assistance facility for Inclusive Business promotion**

To promote the implementation of the IB strategy, a technical assistance facility will be created. The facility will:

- Serve as the secretariat of the multi-stakeholder IB steering committee and support the implementation of the IBeeC Strategy through the Ministry of Industry, Science, Technology and Innovation;
- Support further policy work on Inclusive Business;
- Promote awareness raising activities, especially through business associations; and
- Facilitate – in collaboration with other development partners - business coaching for companies seeking to establish an IB model, to further grow their IB models, or to restructure their business to be more IB relevant.

To enhance ownership by the business community, the IB facility will be implemented by a business association. To finance the IB technical assistance facility, the Ministry of Industry, Science, Technology and Innovation will explore co-financing and parallel financing options from development partners, government budget, and the private sector.

**Strategic action 5 - Establish a risk-reduction fund for impact investors and banks**

The government may consider establishing a risk-reduction fund to reduce the investment risk of impact investors (and selected banks and development banks) in IB companies. Through the risk-reduction facility, the government would co-invest alongside the impact investor in the early phases of an IB deal (for instance, 10 per cent). If the investment is financially successful, the impact investor will return the government investment within 5 years (starting after 2 years) of the start of the Inclusive Business model. If the investment is not financially successful, the government investment would be counted as a grant to the impact investor. From a social perspective, the government investment will in any case not be a loss because a service or new income opportunity for the poor will be created. The risk reduction fund could be established by the government as an additional component of the new SME bank or the newly established Enterprise Development Fund.

**Strategic action 6 - Consider the establishment of Inclusive Business incentives**

The Cambodia Investment Board, under the Council for the Development of Cambodia, will consider to specifically incorporate a reference to Inclusive Business in the new Investment Law (currently being drafted) as a cross-cutting theme with existing incentives being opened up for accredited IB companies, or as a specific additional incentive for accredited IB companies. IB investment incentives may include tax, trade, investment, and other incentives for companies with accredited IB models. IB investment incentives may also comprise incentives (and even quota) for FDIs with IB business models or trade incentives. The prioritization of IB models will also be considered in the support programs of government agencies (such as those from the Ministry of Agriculture, Fishery and Forestry).
Strategic action 7 – Consider prioritizing Inclusive Business and social enterprises in public procurement

The Royal Government of Cambodia could explore giving targeted preferential treatment (through preferential points or even quotas) to the procurement of goods and, particularly, services produced by Inclusive Businesses and social enterprises. A study could be commissioned to explore the feasibility and potential impact and, where feasible, it will adapt procurement rules to prioritize purchasing from IB and establish targets for public bidding from IB models.

Strategic action 8 – Coherently report on Inclusive Business

The government could establish an IB reporting system, and carry out its first annual report in 2020, to report on the private sector’s, in particular Inclusive Business and social enterprises, deliberate and direct contribution to the sustainable development goals and leaving no one behind. The Government could also encourage discussions under the Public-Private Forum established by the Industrial Development Policy (2015-2025) on the intended and tangible contribution of the private sector to poverty reduction, improving the living standards of low-income people, and supporting the achievement of the sustainable development goals.

7.3 Inclusive Business enabling environment in Cambodia implementation – the proposed way forward

The policy recommendations of this strategic framework were developed through an intensive consultative process with multiple stakeholders, including government officials, business associations, impact investors, IB facilitators, development partners, and experts. A draft of this strategy was circulated for comments among key government agencies, business association and development partners, and comments have been incorporated into this strategy.

The Ministry of Industry, Science, Technology and Innovation is planning to approve the IBeeC Strategy and to forward it to the Supreme National Economic Council for further endorsement by the Cabinet of Ministers.

Business associations, development partners and impact investors are waiting for senior officials to endorse and drive support for the IBeeC strategy. Active leadership by the Ministry of Industry, Science, Technology and Innovation and its top decision makers could drive IBeeC implementation, including through the following:

1. Approving the proposed IBeeC strategy as soon as possible.
2. Actively approaching development partners for financing the technical assistance facility and the risk reduction fund.
3. Setting up the IB unit in the Ministry of Industry, Science, Technology and Innovation to coordinate IBeeC implementation.
4. A first activity to be undertaken is the constituting of the IB steering committee and the preparation of an IBeeC action plan. Detailed arrangements for the implementation of the IBeeC Strategy would need to be finalised and adopted by the Steering Committee for Inclusive Business, including:
   a) The terms of reference of the steering committee,
   b) The terms of reference and budget of the IB unit in the Ministry of Industry, Science, Technology and Innovation,
   c) The design of the IB accreditation system,
   d) The terms of reference and budget for the IB technical business facility for business coaching, advocacy, policy work, and impact assessment, and
   e) A three-year action plan for the implementation of the IBeeC strategy.
5. These preparatory activities would require some financial support to engage a team of experts to develop and put in place these arrangements, jointly with the technical assistance facility and the IB unit in the Ministry of Industry, Science, Technology and Innovation. Parallel to the process of approving the IB strategy, the Ministry of Industry, Science, Technology and Innovation will need to seek support from development partners to finance...
(between mid-2020 and mid-2023) the proposed technical assistance facility.

The first 3-year implementation (mid 2020-mid 2023) of the IBeeC strategy will require the following resources (table 12):

1. The IB unit in the Ministry of Industry, Science, Technology and Innovation will require:
   • The assignment of three government officials to support part-time the IB unit in the Ministry of Industry, Science, Technology and Innovation (no additional budget, allocated from existing resources).
   • The allocation of an annual budget (about 160,000 USD) to cover for the cost of travel, workshops, consultants, publications, and equipment.
   • Initial capacity building to help start the implementation of the IBeeC strategy (including detailing arrangements for the implementation of the strategy, establishing the Ministry of Industry, Science, Technology and Innovation unit and the technical facility, training on IB accreditation and IB coaching).

2. The technical assistance facility will require:
   • A total budget of 1,281,000 USD for three-years to cover for the cost of two staff, management and equipment; and to conduct awareness raising activities, IB accreditation, policy studies, business coaching activities, and impact assessments.

3. The IB risk-reduction fund will require
   • A fund of 21 million USD for three-years to be financed through a loan from development partners.


<table>
<thead>
<tr>
<th>Strategic action</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional setup</td>
<td></td>
</tr>
<tr>
<td>IB unit in MoIH</td>
<td>819,000</td>
</tr>
<tr>
<td>IB focal points in government agencies</td>
<td>482,000</td>
</tr>
<tr>
<td>IB focal points in business associations</td>
<td>120,000</td>
</tr>
<tr>
<td>Capacity building to help start the implementation of the IBeeC strategy (2)</td>
<td>97,000</td>
</tr>
<tr>
<td>Technical assistance facility (3)</td>
<td>1,281,000</td>
</tr>
<tr>
<td>Secretariat to steering committee and MoIH</td>
<td>414,000</td>
</tr>
<tr>
<td>Awareness raising activities (business associations)</td>
<td>150,000</td>
</tr>
<tr>
<td>IB business coaching (10 short + 10 intensive)</td>
<td>200,000</td>
</tr>
<tr>
<td>IB accreditation</td>
<td>110,000</td>
</tr>
<tr>
<td>Further policy work</td>
<td>197,000</td>
</tr>
<tr>
<td>Impact assessments</td>
<td>210,000</td>
</tr>
<tr>
<td>Risk reduction fund (4)</td>
<td>21,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>23,100,000</td>
</tr>
</tbody>
</table>

Notes: (1) These costs could be subsumed under the existing work plans of governments and business associations and would not require new financing. (2) This includes detailing arrangements for implementation of IBeeC Strategy, establishing IB unit and technical facility, training on accreditation and IB coaching. (3) It is assumed that the technical assistance facility is funded on a grant basis. (4) The IB risk reduction fund could be provided through a concessional loan from a multi- or bilateral development bank.
Landscape study of Inclusive Business in Cambodia
8. CONCLUSIONS

Cambodia offers multiple opportunities for Inclusive Business. Cambodia is a relatively small market, of about 16 million people with a gross national income (GNI) per capita of USD 1,230 (2017)\(^{134}\), and its export products are concentrated in low-value activities in textile and other industries. On the other side, low-income people have unmet needs that companies with innovative Inclusive Business lines can address on a commercial basis. Despite the market opportunities, there are only a few IB models. Lack of awareness in the business community about these market opportunities help explain the limited number of IB models.

The market study has identified 13 real and 6 potential IB models, out of a total of 119 companies screened. The IB companies are in various sectors, mostly in agrobusiness and energy, and few in housing and water. While there are a few IB companies, they have a large impact. In 2018, the 19 IB companies assessed created well-paid income opportunities for around 156,000 people; and provided relevant goods and services to around 680,000 people (table 13). These companies, which supported nearly 0.8 million people in 2018, are expected to support nearly 1.8 million people by 2023.

Table 13. Social impact (reach) of 19 the Inclusive Business lines assessed

<table>
<thead>
<tr>
<th>IB impact area</th>
<th>Number of companies</th>
<th>Beneficiaries (number of people)</th>
<th>2018</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income solutions</td>
<td>8</td>
<td>155,647</td>
<td>347,950</td>
<td></td>
</tr>
<tr>
<td>Agrobusiness</td>
<td>5</td>
<td>140,220</td>
<td>303,400</td>
<td></td>
</tr>
<tr>
<td>Crafts and Industries</td>
<td>1</td>
<td>1,200</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Trade and other services</td>
<td>1</td>
<td>1,927</td>
<td>2,050</td>
<td></td>
</tr>
<tr>
<td>Fintech</td>
<td>1</td>
<td>12,300</td>
<td>41,000</td>
<td></td>
</tr>
<tr>
<td>Relevant goods and services</td>
<td>11</td>
<td>679,921</td>
<td>1,425,007</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
<td>530,000</td>
<td>1,100,000</td>
<td></td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>2</td>
<td>43,706</td>
<td>108,240</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>2</td>
<td>6,560</td>
<td>22,017</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>5</td>
<td>99,655</td>
<td>194,750</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>835,568</td>
<td>1,772,957</td>
<td></td>
</tr>
</tbody>
</table>

Based on the results from the market study, the analysis of the enabling environment and the interest and policy suggestions indicated by key stakeholders, IB could be promoted in Cambodia through the proposed comprehensive strategy for an IB Enabling environment in Cambodia (the IBeeC Strategy). The IBeeC strategy builds on eight strategic actions:

1. Establishing IB champions, through focal points in government and in business associations, and a multi-stakeholder IB steering committee
2. Raising awareness on IB
3. Accrediting IB
4. Setting up a technical assistance facility for IB promotion:
5. Establishing a risk-reduction fund for impact investors and banks.
6. Considering the establishment of IB incentives
7. Considering prioritizing IB and social enterprises in public procurement
8. Coherently reporting on IB

The priority for implementing the IBeeC strategy is to establish the IB unit in the Ministry of Industry, Science, Technology and Innovation, IB focal points in government agencies and business associations, and the IB steering committee. In addition, the Ministry of Industry, Science, Technology and Innovation – the designated IB champion in Cambodia – would need to identify financing for the technical assistance facility (which would provide business coaching, do IB accreditation, and conduct further policy work). Then, the establishment of a risk reduction facility would help impact investors realizing potential investment deals with IB companies.

The costs of the technical assistance facility for 3 years (mid 2020 to mid-2023) are estimated at $1.3 million, and the investment in the risk reduction facility at about $21 million. To help start the implementation of the IBeeC strategy some additional capacity building support would be required. During the preparation of this
landscape study and the drafting of the IBeeC strategy, development partners showed some interest in financing. However, development partners are cautious when investing in new areas. Among others, they expect to see high-level commitment from government to implement the IBeeC strategy.

Cambodia is building up a support for IB. While previously there was limited awareness on IB, since the start of this landscape study in April 2019, key national stakeholders (including government, business associations, investors and development partners) have developed a keen interest to promote IB.

In the government sector, the Ministry of Industry, Science, Technology and Innovation is the key champion for IB and is seeking to approve a comprehensive strategy for promoting a better enabling environment for Inclusive Business in Cambodia (the IBeeC strategy). This IB work is supported by the Ministry of Agriculture, Fisheries and Forestry, the Ministry of Commerce, the Ministry of Economy and Finance, and the Cambodian Investment Board under the Council for the Development of Cambodia.

Among business associations, the Young Entrepreneurs Association (YEAC), the Cambodia Chamber of Commerce, the Federation of Associations of Small and Medium Industries and the Cambodia Women Entrepreneur association are supportive of promoting IB. YEAC is interested in coordinating the implementation of the IB technical assistance facility. Stakeholders consider this would be a good way to build a strong public-private partnership in IB promotion.

Various organisations with SME development programs (such as DFAT, EC, GIZ, JICA, KOICA, Oxfam, SwissContact, SDC, UNIDO, JICA, KOICA, and the Phnom Penh Impact Hub) are interested in adapting parts of their work to target IB.

Development partners supporting the IB agenda include the European Union, France, Germany, Japan, the Republic of Korea, the United Nations system (especially UNIDO and One UN), and the United States of America. This is in addition to the Asian Development Bank and the International Finance Corporation, which both have active IB investment programs. Some of these partners are interested in co-financing the technical assistance facility and the risk reduction facility proposed in the IBeeC Strategy. Support for the technical assistance facility is particularly important, because without such facility it will be difficult to implement the IBeeC Strategy.

To support the promotion of IB in Cambodia, more detailed implementation guidelines for promoting IB have been developed separately, and initial discussions seeking support and funding for IB promoting have been held with various development partners.

To ensure that IB promotion receives adequate support in Cambodia, the first step for will be for the Ministry of Industry, Science, Technology and Innovation to approve the IBeeC Strategy, and to forward it to the Supreme National Economic Council for further endorsement by the Cabinet of Ministers. With high-level commitment from government, business associations and development partners will be able to further commit resources to IB promotion.
1 Adapted from the G20 and ASEAN definition of Inclusive Businesses (G20, 2015 and Association of Southeast Asian Nations 2017a).

2 In January 2020, the Ministry of Industry and Handicraft became the Ministry of Industry, Science, Technology and Innovation.

3 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 (www.inclusivebusiness.net) on inclusive business and offers a focused Capacity Development Programme for investment seeking companies and policymakers in developing and emerging countries. iBAN is jointly co-funded by the German Federal Ministry for Economic Cooperation and Development and the European Union. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Since 2017 iBAN supports the ASEAN Secretariat and ASEAN member countries to promote Inclusive Business as part of their industrial policies.

8 The SME Development Policy and Action Plan has been developed, but not yet approved, as of 19 June 2020.


10 There is a difference between viability and bankability. While viability requires positive financial returns, bankability typically requires high financial returns (at least 10 per cent) plus some scale so the opportunity cost of the money invested in IB are justified against other potential use.

11 G20 Framework on Inclusive Business: http://www.g20inclusivebusiness.org/

12 There is no single definition for social enterprises. The British Council defines social enterprises as “business activity that is primarily motivated by social good where profits are reinvested towards a social cause (British Council, 2018). There are multiple types including a) NGO-driven enterprises - these are seldom self-sustainable (they depend on grants), are not bankable and have low profit margins (i.e. below 5 per cent); b) social enterprise initiatives – which are commercially viable social enterprises, and c) social enterprises that provide social or environmental solutions at large scale for the government – these firms are commercially viable and bankable, but they do not have profit maximization as their business goal. For further discussion see section 6.2.

13 Between 2013 and 2017, the Asian Development Bank (ADB) conducted landscape studies for Bangladesh, China, India, Indonesia, the Mekong region, Pakistan, Sri Lanka, Tajikistan, The Philippines and Viet Nam, and invested in an IB agrobusiness project in China. In 2018, with financing from the UK Department for International Development, a landscape study was done in Myanmar. In 2019, United Nations ESCAP and iBAN have conducted landscape
studies for Cambodia, Indonesia, Malaysia and Viet Nam.

15 Based on discussions held with national stakeholders while undertaking this study
16 Measured based on the consumption expenditure concept using the 2014 data from the Cambodia Socio-Economic Survey
19 World Bank, 2018a.
20 World Bank, 2018a.
22 International Labour Organisation, 2018a.
26 The population data exclude the 1.2 million Cambodians working or living outside of the country.
30 Housing, to be affordable for low-income people, should cost less than $30,000. Average costs for 60 sqm housing in cities and semi-urban areas is currently about $42,000 (based on information provided by housing developers).
33 World Bank, 2017a.
34 World Bank, 2017a.
35 Asian Development Bank, 2016b.
36 World Bank, 2018c
37 World Bank, 2019
40 To establish these thresholds the World Bank’s poverty line for lower middle-income economies of $3.2 per day was also considered. The thresholds used in this report are a simplification and do not consider differences between income and expenditure data.
41 Calculated from annual GDP growth statistics. See https://tradingeconomics.com/cambodia/gdp-growth-annual
42 This is equivalent to a GNI per capita of $3579 in constant 2011 purchasing power parity prices (PPP).
43 The World Bank’s Systematic Country Diagnostic of Cambodia (2017a) estimates labour productivity in Cambodia at 3.5%, compared to 4.7% in Viet Nam and 7.1% in Thailand.
44 World Bank, 2018a.
45 World Bank, 2018a.
46 Royal Government of Cambodia, 2018 p.44.
47 Calculated based on GDP and GNI data from the statistical office and the thresholds for lower, and higher income countries set by the World Bank. A similar calculation is in ADB’s Asia Economic Outlook 2019.
49 While there is no study confirming this, in the field interviews companies with IB models complained less about the business climate.
50 Phnom Penh Post, 2019a.
54 World Bank, 2019.
Three firms were assessed based on available information and were not interviewed. None of these three firms qualified as an IB or potential IB model.

This suggests that to promote Inclusive Business policy it will be necessary to raise awareness among business leaders, and to support companies in monitoring and reporting their socio-economic impact.

Potential IB are firms scoring close to the minimum required to be classified as IB, and that have a strong IB intent and potential to introduce innovations that provide solutions to low income people. With some business coaching, potential IB can become real IB.

One of the companies declined to have its write-up published for internal reasons but agreed to have the assessment included in the analysis of the report.

Average ratings mask important differences by sector (see table 10) and company. Due to the small numbers of companies in each sector, it is not meaningful to compare sectoral data. To safeguard confidentiality, this report does not compare individual companies’ data.

The IB study explored potential IB companies in the textile industry. Discussions with experts, business associations, and potential companies as well as a brief review of the literature indicates that textile firms in Cambodia have basic production facilities, and introduced limited innovations to increase productivity, develop opportunities to increase earnings or to reduce income risks of their workers except to adhere to labor standards and provide minimum wage increases as set by government policies.

Ministry of Tourism, 2018.
including impact investors, government officials and local consultants.

87 Banks (e.g. LOLC, ACLEDA) also have microfinance products but their product portfolio and transmission mechanism do not have innovations to target the BoP.

88 Entrepreneurship Development Fund is a platform to connect stakeholders interested in innovative business lines that benefit the BoP, and to mobilize investments – especially venture capital - in such companies. The Ministry of Economy and Finance oversees both Entrepreneurship Development Fund and SME Bank.

89 There is no single definition for social enterprises. Some common definitions are: ‘Business activity that is primarily motivated by social good where profits are reinvested towards a social cause (British Council, 2018)’. ‘Social entrepreneurship takes the principles of entrepreneurship to find sustainable solutions to social or environmental problems. A social enterprise uses revenue-generating strategies to directly serve its goal to create social value’ – Social Enterprise Cambodia (https://www.socialenterprise cambodia.org/#home)

90 AVPN, 2017.

91 The European Chamber of Commerce is doing every year 1-2 CSR awards.

92 As defined by the Global Social Impact Investing Group (GSG), established by the G8 in 2015. See: http://gsgii.org/about-us/#aboutgsg

93 GIIN and USAID, 2019.

94 GIIN and USAID, 2019.

95 GIIN and Intellecap, 2018.

96 Crowdfunding is the use of the internet to advertise a need or a social project and raise funds through a large number of small individual contributions.

97 IFC, 2018.

98 A large part of this impact capital went to grant-financed social enterprises and NGOs, to microfinance institutions, and to environmental and other projects not focusing on the needs of low-income people.

99 As confirmed by various impact investors consulted in the context of this study.

100 Blue Orchard so far only invests in Cambodia in microfinance deals.

101 Other impact investors (such as Omidyar or Leopard) have left Cambodia because they found it difficult to stay in business.

102 Based on discussions with the industry, there are about 20 deals.


104 The following institutions have confirmed their focal points: From government, the Ministry of Industry and Handicraft, Ministry of Economy and Finance, Board of Investment under the Council for the Development of Cambodia (CIB-CDC), the Ministry of Commerce, and the Ministry of Agriculture, Forestry and Fishery. From the side of business associations, IB focal points were established by the Cambodian Chamber of Commerce, the Young Entrepreneurs Association of Cambodia (YEAC), the Federation of SME Associations of Cambodia, and the Cambodia Women Entrepreneurs Association. Other government and agencies might also establish IB focal points and attend the steering committee.

105 The first IB Forum for Cambodia was held on 7 August 2019 in Phnom Penh. Further information is available here: https://artnet.unescap.org/sti/events/national-forum-inclusive-business-cambodia

106 To achieve systemic change and substantive impact, IB coaching and facilitation will focus on business growth and structural transformation rather than on start-up support. Coaching support will be provided on demand, for a short period, to medium-sized and large companies in transition.

107 Alternatively, the facility can also be implemented under the program of a development partner. A number of development partners have indicated interest in supporting such facility, focusing part of their private sector support work on companies with IB business lines, and concluding cooperation agreements outlining concrete IB implementation activities. Particularly interested in formalizing IB
cooperation are DFAT, GIZ, JICA, KOICA, SDC, and UNIDO.

108 Note: Cambodia has a strong tradition of philanthropic sponsoring. It also provides the honorary Oknha title to reward individuals that providing substantial funding for public services. While most of the giving is in traditional CSR, few Oknhas could be made interested in more systemic contributions to poverty reduction through a new private-public partnership like IB promotion.

109 Note: The Ministry of Economy and Finance is interested in considering this but would require additional concessional investments of $20-$40 million. Development banks like AfD, ADB, or JICA/JBIC and others might be interested in supporting this through a public sector investment.

110 Note: The objective of the new Investment Law is to encourage private sector investments that not only support economic growth, but also address social and environmental problems of society in a responsible manner, and Inclusive Businesses are such type of investments.

111 Note: Governments spend significant resources in procuring goods and services. However, public procurement rarely considers the potential social contribution of these purchases. Strengthening the demand for IB products through public procurement can help the poor, the companies, and the localization of products.

112 Note: The government could approach UNDP for support on IB reporting.

113 Note: Draft proposals have been prepared and shared with the Ministry of Industry and Handicraft

114 World Bank, 2018a.

115 For example, companies can tap into new markets of fair trade, and often have advantages against their competitors when they can prove how they help poor people. This is also relevant for export markets.

116 Investments that are less than two years old would qualify as new.

117 IB accreditation is related to the social impact of the business model. Many companies achieve social impact, beyond direct employment, by generating jobs and income through their supply chains and distribution channels, and by delivering relevant goods and services to low-income people.

118 To promote scale of social impact, companies with a revenue below $0.2 million will normally not be eligible for IB accreditation.

119 The initial questionnaire was developed and shared with the Ministry of Industry and Handicraft and business associations. It can also be used for company surveys done by business associations.

120 The detailed interview guide was tested during the 37 company assessments carried out as part of the market study.

121 The criteria and weighting provided is the preliminary criteria used by the consultants in the market study. The government and business associations may finetune the criteria and weights.

122 In 2018, about 5 per cent of the clients were medium-sized enterprises, 37 per cent were small, and 58 per cent were micro enterprises. Under the new approach, the share of SMEs will be reduced to 24 per cent by 2019 and to about 10 per cent by 2023.

123 The current loan offering for a BanhJi client is 8-10 per cent interest rate, while banks charge 10-12 per cent and microfinance institutions 18 per cent.

124 This digital loan approach is still being tested. As of April 2020, two loans had been issued through this platform.

125 Software as a Service gross margin is high, ranging from 50 to 80 per cent. The new BanhJi Accountant solution will increase its average monthly recurring revenue per user. In addition, the traditional bookkeeping services is charged on average of $150 per month, but BanhJi only charge $30 per month and still operates with a 40 per cent margin for this service.

126 The price for chick incubation system is between $1,350 and $2,500 (for 440 chicks to 1040 chicks), drying systems sell at $850, and solar pumps at $450-850.
ANNEX 1. METHODOLOGY FOR RATING AND ACCREDITING INCLUSIVE BUSINESSES

Inclusive Business accreditation is necessary for providing incentives to companies with Inclusive Business models

Public support to private companies needs to be justified through transparent criteria. Public incentives as often provided to companies based on these companies working in priority sectors, earning foreign exchange or being located in priority areas. Inclusive Business are provided incentives based on a separate criterion: the impact they have on improving the income or providing relevant and affordable goods and services to low-income people. As IB models exist in different sectors, operate in all geographical areas, and are not necessarily export oriented, they form a separate category for investment support. However, to receive any investment support, the social impact of IB (i.e. providing scaled up systemic and innovative solutions to the relevant problems of the people at the base of the income pyramid) needs to be proven.

Benefits of Inclusive Business accreditation for the private sector

A system that certifies companies that have IB business lines through a clear and transparent mechanism can provide the companies with valuable branding and recognition. Furthermore, IB accreditation will help companies approaching impact investors, especially if such accreditation also provides an overview of the business case and its social impact.

The Government of Cambodia is considering setting up a special incentive scheme for IB investments. To provide such incentives, an IB accreditation system that clarifies which business lines are inclusive needs to be in place. This is important because IB classification is based on more complex measures of impact achieved rather than on straightforward measures of company size or sector.

Principles of certification and accreditation

The key principles for an IB accreditation system are:

- **Voluntary accreditation**: IB accreditation is requested on a voluntary basis. It is different from the company registrations done at the Ministry of Industry, Science, Technology and Innovation and Ministry of Commerce, as IB accreditation would only be relevant for a very small number of firms.

- **Accrediting only new business lines**: To encourage the private sector creating new business models, the accreditation would be based on the new investment of a company, rather than on old investments. Furthermore, only the IB-related business line, not the whole firm, would be accredited. Companies might have various business lines and only one of them is an IB.

- **Same criteria and weights but different targets for small and larger firms**: IB accreditation is done for commercial business lines of small, medium-sized or large firms. The company size is determined by revenue criteria and not immediate employment (to account for the impact across the value chain). The landscape study suggests categorizing IB companies with annual revenue size of $0.2-0.5 million as small companies, while medium-sized companies are those with annual revenues $0.5-2 million, and larger companies are those with annual revenues above $2 million. Small, medium-sized and large firms will be assessed against the same criteria, but the targets for the criteria will vary to reflect the company size.

- **Considers the growth of the IB model as outlined in the firm’s business plan**: IB accreditation will be done in stages. First, initial accreditation will be provided
ex-ante based on the business plan, the company’s 3-5 years financial returns and social impact growth expectations. A company that is accredited will receive the initial accreditation seal upfront, which can be used for branding, and have access to business coaching. However, further incentives will only be provided if the company is actually implementing the changes to develop the IB line. To this end, for receiving incentives given by the government, the company and the government will sign an IB agreement stating the expected progress in achieving the social impact, and incentives will be disbursed based on the achievement of such commitments. The initial accreditation will be re-assessed every two years, and incentives will be released accordingly.

• The IB accreditation will be done based on transparent criteria and targets assessing three key business dimensions:

1. **The business case and commercial returns:** The business case will be assessed based on financial criteria such as revenue and growth, profitability, and bankability. This assessment will be done for both the company as well as the Inclusive Business line. Assessing the financial sustainability, scale, and growth perspectives of the Inclusive Business line is important. The business case rating also comprises an analysis of how the company complies with environmental, social and governance safeguard standards.

2. **Social impact:** Social impact will be assessed in terms of the company’s reach, depth and contributions to systemic change for the poor. The assessment goes beyond the number of beneficiaries (reach) and it also includes criteria on how deep the benefits are and what systematic change the business line is bringing to address poverty and exclusion.

3. **Innovations to achieve poverty reduction:** IB companies need to be very innovative to achieve good returns (particularly in a context of small margins due to the low consumption power of the poor) and to address the risks of working with low income people. Business innovations that provide additional avenues for income or that reduce the risks of the poor, further help the poor. In addition to business and technological innovations, IB firms may also apply social and environmental innovations. These innovations will be assessed on their relevance for generating good social impact for the poor.

• **Targeting the poor and low-income people:** IB models are designed to create solutions for people at the base of the economic income pyramid (generally the bottom 40 per cent income groups). They seldom target only the extreme poor (bottom 10-20%). IB models may also provide solutions to higher-income people. For example, a health provider might offer its services to low income and high-income people and cross-subsidize the same quality service provided to the poor. The impact rating tool will assess the share of the poor and low-income people (should be at least 51%) benefiting from the business solution. The target may vary depending on the main engagement mode of the IB business line. In rural areas, households with an income below $200 are considered very poor, those below $350 are considered poor, and those below $500 are considered low-income. In urban areas, the thresholds are higher at $250, $450 and $750 respectively. These numbers roughly tally with the international poverty lines of $1.9, $3.2 and $5.5 per capita per day.

• **Using a composite rating tool:** IB companies have small, medium or larger impact on the poor, and their impact can derive from various factors such as strong or weak business case, large or small social impact, and high or low innovation. To better clarify the range of impact and do justice to the diversity of business lines offered by the private sector, the assessment is based on a composite rating tool that distinguishes between small and large achievements (rating achievements from 1 to 6), and can determine where a company stands on an inclusiveness
Companies with business lines above a determined threshold will qualify as IB, while company above a smaller IB threshold will qualify as potential IB, and others below that threshold will not be IB.

• **IB questionnaire:** Companies seeking to be accredited as IB can voluntarily apply by filling out a preliminary questionnaire. Based on this questionnaire and additional information, the firm will be initially screened by an expert. Shortlisted firms, those identified as having potential to be IB, will be interviewed and further assessed based on a detailed interview guide. The assessment team will complete the interview guide and summarise the results of the interview in a 1-2 page write up with relevant quantitative data and qualitative information, and provide a preliminary IB rating. This information will be the basis for the final IB rating of the accreditation committee. Companies will be informed about the accreditation decision and a summary of the write up will be shared on a confidential basis. However, the detailed IB rating will not be shared.

• **The Inclusive Business seal:** The companies considered to have an IB model will be officially awarded an IB seal. The companies considered to have a potential IB model will be officially awarded a Potential IB seal. To enhance branding and recognition, the seal will be offered at a widely publicized official IB award ceremonies, hosted jointly by government and business associations.

• **IB agreement:** The accreditation can result in qualifying a business line as real or potential IB. Both will be accredited and can have access to IB business coaching. However, IB financial incentives will only be granted to real IB (i.e., those firms that actually implement an IB model). To receive government incentives, government and the company will officially agree on the steps the firm will take to transform the business model for social impact and the targets to be achieved. Incentives will be released against actual fulfilment of the agreed targets.

The composite rating tool and its criteria
The composite rating tool assesses the company's IB line against 30 weighted criteria in three broad categories (business, social and innovation). Each criterion is assigned a pre-established weight depending on its importance. The company is assessed and rated for each criterion from 1 to 6 (low to high achievement) based on pre-established benchmarks with different targets depending on sector and size of the company. Companies that pass the established thresholds will be eligible for IB accreditation, while those under a lower threshold may be rated as potential IB with the option to graduate into real IB once business changes take place. Table A1 provides an overview of the proposed IB accreditation rating.

Joint accreditation system
IB accreditation can be done by a government agency, by business associations, or by an NGO or research institute (as in the case of environmental and fair-trade standards). Accreditation by a business association alone is not encouraged as they may accredit only their members, and the results might lack the government endorsement. Accreditation by government alone might lack ownership by the private sector especially if such accreditation is mainly linked to branding. Accreditation by external agencies might not be accepted by businesses nor the government. The suggestion is therefore to set up a joint accreditation system with inputs from government and business associations. To this end, the Ministry of Industry, Science, Technology and Innovation, Ministry of Commerce, the Council for the Development of Cambodia, Ministry of Agriculture, Fisheries and Forestry (for agribusiness) and eventually also the Ministry of Economy and Finance will be involved from the government side, and Cambodia Chamber of Commerce, YEAC, Federation of Associations for Small and Medium Enterprises of Cambodia, and Cambodia Women Entrepreneurs Association will be the focal points from the private sector side. Relevant companies might approach either of these institutions in their voluntary request for IB accreditation. The institutions will do the initial assessment, based on an expert input, and recommend the results to an accreditation body. This body brings together the government agencies and business associations involved in accreditation. The members of the accreditation body will meet every six months to jointly decide on the final IB rating and qualification for IB accreditation.
Linking accreditation to incentives

The Government of Cambodia may consider introducing incentives for IB, such as tax incentives under the Council for the Development of Cambodia, procurement incentives, financing incentives under the new Entrepreneurship Development Fund or SME bank, and technical assistance incentives. Only accredited IB companies will be eligible for such incentives; hence the need for having an official transparent accreditation system.

Table A 1. Inclusive Business rating criteria

<table>
<thead>
<tr>
<th>Company name:</th>
<th>Sector</th>
<th>BoP engagement mode</th>
<th>Type of company (MB, IB, SE, NGO):</th>
<th>IB real or IB potential</th>
<th>Rating</th>
<th>Team rating</th>
<th>“Score (weight x rate)”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight</td>
<td>Actual assessed data / information</td>
<td>Company’s self assessment</td>
<td>Technical expert rating</td>
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<tr>
<td>1.</td>
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<td>1.</td>
<td>41%</td>
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<td>1.1.</td>
<td>11%</td>
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<tr>
<td>Size</td>
<td>5%</td>
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<tr>
<td>Profitability</td>
<td>4%</td>
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<tr>
<td>Bankability</td>
<td>4%</td>
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<td>1.2</td>
<td>25%</td>
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<td>IB model</td>
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<tr>
<td>Governance</td>
<td>5%</td>
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<tr>
<td>Revenue (today)</td>
<td>5%</td>
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<tr>
<td>Growth (3 years)</td>
<td>4%</td>
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<td></td>
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<tr>
<td>Addressing business risks</td>
<td>6%</td>
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<tr>
<td>Profitability</td>
<td>5%</td>
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<td>1.3</td>
<td>5%</td>
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<td></td>
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<tr>
<td>ESG standards</td>
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<tr>
<td>2.</td>
<td>46%</td>
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<td>2.1</td>
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<tr>
<td>Reach</td>
<td>17%</td>
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</tr>
<tr>
<td>Beneficiaries</td>
<td>8%</td>
<td></td>
<td></td>
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<tr>
<td>Targeting</td>
<td>6%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Women empowerment</td>
<td>3%</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.2</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Depth and relevance</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For supplier (labor, distributor) models</td>
<td>15%</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Before/ After</td>
<td>4%</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Competitor</td>
<td>6%</td>
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</tr>
<tr>
<td>Sustainability, addressing risks of the poor</td>
<td>5%</td>
<td></td>
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<tr>
<td>For consumer models</td>
<td>15%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>relevance of product (incl. income increase)</td>
<td>6%</td>
<td></td>
<td></td>
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<tr>
<td>affordability of product</td>
<td>4%</td>
<td></td>
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</tr>
<tr>
<td>Delivery mode, how the company addresses risks of the poor</td>
<td>5%</td>
<td></td>
<td></td>
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<tr>
<td>2.3</td>
<td>14%</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Systemic change for poverty reduction and inclusion</td>
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<td></td>
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<tr>
<td>2.3.1</td>
<td>3%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sector impact</td>
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<td></td>
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<tr>
<td>2.3.2</td>
<td>3%</td>
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<td></td>
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<tr>
<td>Geographical impact</td>
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<td></td>
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</tr>
<tr>
<td>2.3.3</td>
<td>8%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Relevance and transformation (how relevant is the core problem for systemic poverty reduction; how relevantly the company address the core problem)</td>
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<tr>
<td>3.</td>
<td>13%</td>
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<tr>
<td>Innovation</td>
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<tr>
<td>3.1</td>
<td>4%</td>
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</tr>
<tr>
<td>Business</td>
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<tr>
<td>3.2</td>
<td>3%</td>
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<tr>
<td>Technological</td>
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<tr>
<td>3.3</td>
<td>3%</td>
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<td></td>
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<tr>
<td>Social (labor standards, CSR, …)</td>
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<td></td>
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<tr>
<td>3.4</td>
<td>3%</td>
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</tr>
<tr>
<td>Environment</td>
<td></td>
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<tr>
<td>4.</td>
<td>100%</td>
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<tr>
<td>Total</td>
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<td>5.</td>
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<tr>
<td>IB strategic intent</td>
<td>3%</td>
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<td>6.</td>
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<tr>
<td>The IB rating summary</td>
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<tr>
<td>IB commercial rating = commercial business return + business innovation (criteria 1 + 3.1)</td>
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<td></td>
<td></td>
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<tr>
<td>IB social rating = social impact + social innovation (criteria 2 + 3.3)</td>
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<td></td>
<td></td>
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<tr>
<td>IB innovation rating (criteria 3)</td>
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<tr>
<td>Comments: Recommendations for promoting IB:</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Notes: (1) To qualify as an Inclusive Business line, companies must achieve at the same time: an overall rating > 3.2 (of 6.0), a commercial rating > 1.4 (of 2.7), a social impact rating > 1.5 (of 2.94), and an innovation rating > 0.4 (of 0.78). (2) Companies also need to have a minimum score of 3 for governance and for social and environmental safeguard standards, and a strong IB intent (minimum 3). Companies scoring close to the minimum required can be classified as potential IB, provided they have a strong IB intent and potential to introduce innovations that provide solutions to the relevant problems of the BoP. (4) The companies’ self assessments were asked only for broad criteria at aggregated levels not for all details.
ANNEX 2. PROFILES OF COMPANIES WITH INCLUSIVE BUSINESS MODELS IN CAMBODIA

This annex provides the profiles of the 18 of the 19 companies assessed in this market study that have real and potential IB models and that have agreed to have their profile published (table A2). The descriptions summarize the results of the company interviews and following IB assessment and IB rating. The companies have vetted the write-ups and provided their consent for their profile to be published. While the description was based on the assessment of the consultant team, neither ESCAP/iBAN nor the government of Cambodia take any responsibility on the accuracy of the profiles and data provided.

Table A 2. List of profiled companies with Inclusive Business lines

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the company</th>
<th>Sector</th>
<th>B40 engagement type</th>
<th>IB transmission</th>
<th>IB type</th>
<th>IB type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ACE solar cooking</td>
<td>Energy</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>SE initiative</td>
<td>Real</td>
</tr>
<tr>
<td>2</td>
<td>Agribuddy</td>
<td>Agribusiness</td>
<td>Consumer</td>
<td>Income</td>
<td>SE initiative</td>
<td>Potential</td>
</tr>
<tr>
<td>3</td>
<td>Amru Rice</td>
<td>Agribusiness</td>
<td>Supplier</td>
<td>Income</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>4</td>
<td>Artisan d’Ankor</td>
<td>Handicraft</td>
<td>Laborer</td>
<td>Income</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>5</td>
<td>BanhJi</td>
<td>Fintech</td>
<td>Consumer</td>
<td>Income</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>6</td>
<td>Fed Rice</td>
<td>Agribusiness</td>
<td>Supplier</td>
<td>Income</td>
<td>IB model</td>
<td>Potential</td>
</tr>
<tr>
<td>7</td>
<td>Forte insurance</td>
<td>Insurance</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>8</td>
<td>Khmer Green Charcoal</td>
<td>Energy</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>SE initiative</td>
<td>Real</td>
</tr>
<tr>
<td>9</td>
<td>Khmer Water Supply Holding</td>
<td>Water and sanitation</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>10</td>
<td>LES</td>
<td>Energy</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Potential</td>
</tr>
<tr>
<td>11</td>
<td>Lyly Foods</td>
<td>Agribusiness</td>
<td>Supplier</td>
<td>Income</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>12</td>
<td>My Dream Home</td>
<td>Housing</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>13</td>
<td>Okra Solar</td>
<td>Energy</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>SE initiative</td>
<td>Real</td>
</tr>
<tr>
<td>14</td>
<td>Phare Circus</td>
<td>Handicraft</td>
<td>Laborer</td>
<td>Income</td>
<td>IB model</td>
<td>Potential</td>
</tr>
<tr>
<td>15</td>
<td>Prevoir</td>
<td>Insurance</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>16</td>
<td>Signatures of Asia</td>
<td>Agribusiness</td>
<td>Supplier</td>
<td>Income</td>
<td>IB model</td>
<td>Potential</td>
</tr>
<tr>
<td>17</td>
<td>Sun-eee</td>
<td>Energy</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
<tr>
<td>18</td>
<td>World Bridges - Social housing business line</td>
<td>Housing</td>
<td>Consumer</td>
<td>Goods and services</td>
<td>IB model</td>
<td>Real</td>
</tr>
</tbody>
</table>

Note: There is an additional company, with a potential IB model, that declined to appear in the summary. However, its model has been included in the analysis (e.g. rating) provided in the report.
1. ACE solar cooking

ACE is a solar energy company that produces and sells cookstoves equipped with a fan powered by a solar panel. The technology is designed to increase firewood and other organic fuel efficiency and substantially reduce smoke emissions. The ACE business model is also implemented in three African countries, where ACE has already sold 25,000 units.

The innovative cooking stove equipment sells at $105 per piece. To ensure affordability, ACE provides a pay as you go system with an upfront payment of $25 and nine monthly fees of $10 to repay the cost of the stove. Payment is done through WING (a mobile banking provider) via a local agent or directly through a mobile phone. The product is sold mostly to low-income households (70%), in addition to poor and very poor (20%) and some better off households (10%).

The company started operations in 2016. It has grown rapidly to sell 2,000 units in 2018 (up from 1,000 in 2017) and expects to market 15,000 units by 2023. The revenue will then be $1.5 million, up from $0.2 million in 2018. Profit margin is still low but is expected to reach 10 per cent by 2022.

ACE stoves are more expensive than traditional woodstoves. However, they are more energy efficient, safer to use, and healthier (smoke emission free). ACE stove saves about 37 per cent (50 per cent) in energy costs for cooking compared to using wood (LPG gas). Moreover, the solar panel also provides solar lighting and phone charging which helps further reduce energy costs.

The ACE cookstoves are imported from Lesotho, where they are manufactured by the parent company African Clean Energy. In the future, the company aims to produce the solar cookstove in Cambodia, for the domestic and the global market, creating jobs and developing skills in the country. It may employ about 300 persons by 2023 from 20 persons in 2019).

The company believes that IB accreditation would help boosting its sales to the market, directly and through NGOs and development programs. The company has attained VAT exemption until 2023 from the Ministry of Economic and Finance, given its high social relevance and innovative technology. The company also welcomes business coaching to establish a more efficient sale system next to its existing model, consisting of door-to-door sales and referrals operated by localised sales representatives.

The business model is innovative, has good growth potential, is relevant and has medium social reach and depth rating. The company is currently rated as a social enterprise initiative.

2. Agribuddy

Agribuddy is an input and market provider which uses an innovative platform to connect farmers to banks, agricultural inputs manufacturers and crop buyers/processors. Its revenues come from commissions generated through the facilitation services it provides to those institutions.

The company is relatively small with a revenue of about half a million dollars in 2019 and a projected revenue of $1.3 million by 2022. The profit margin is very low (5 per cent). Agrobusiness provides its services currently to about 3,000 farmers. The company is planning to increase its reach to about 10,000 farmers by 2020 and 17,000 by 2023. Agribuddy works with farmers who typically own 1-3 ha of rice land and up to 5 ha of cassava land. By land size, about half of the farmers are low-income and the other half very poor and poor.

The company cooperates with Forte Insurance to provide crop insurance to farmers, a scheme aiming at protecting the farmers unable to cover losses due to major weather events.

It is early to say how Agribuddy can substantially improve the income of the poor as the company has not done any survey or identified indicators to track income improvements among the poor farmers.

The overall Inclusive Business rating for Agribuddy is below the threshold to be considered Inclusive Business. This is particularly due to low commercial returns, lack of specific targeting of the BoP, and low social depth (even if the company is fine-tuning its approach for working with farmers and stakeholders). However, given the strong strategic intent of the company, Agribuddy is a potential SE initiative, with strong scope for improving its business model and social impact.
3. Amru Rice

Amru Rice is the biggest organic rice exporter of Cambodia, with a market share of 90 per cent. Founded in 2011 with an initial investment of about half a million dollars, the company has now an annual revenue of about $45 million. About $25 million of the revenue comes from its Inclusive Business line of directly working with farmers in organic rice (up from $5 million in 2016). The company has achieved a huge revenue growth the last 5 years, and is pursuing further expansion ($100 million overall business revenue by 2030 and $40 million revenue in its IB line by 2023). The expansion plans include diversification into cassava and other crops, and adding value through producing high quality organic rice (and cassava), baby food and industrial products. Its profit margin is high (15 per cent). The company has a good bankability and impact investors (e.g. responsAbility, IFC) are lining up to fund Amru Rice.

In its IB line, the company works directly with about 25,000 farmers, up from 10,000 in 2016, and projects to involve 50,000 farmers by 2023. About 30 per cent of the smallholders working with Amru rice come from poor households and 65 per cent from low-income households. Farmers working with Amru Rice can earn up to $10 a day. The company can pay 20-30 per cent more than the going market rate because of its high productivity and external demand at good prices for high-quality, organic products. Amru's business model is well regarded among other rice producers and Amru Rice encourages other firms to follow its model. Similarly, given the geographical concentration of the company, its geographical impact is also strong.

Investing holistically in farmers to increase their income and reduce poverty is the business philosophy. The company has established and is coaching farmer cooperatives. It established 6 senior, 6 junior and 400 local trainers in the field to organize the farmers, and has an IB adviser in the head office to constantly improve the business model. The company also invests highly in sustainability, follows high environmental and social safeguard standards. Its philosophy is to reinvest in poor people.

Amru rice has introduced various business innovations to benefit farmers. It provides seeds, fertilizers, market research, invests in climate resilience, focuses on organic rice, facilitates cheaper credit for its farmers, and has established a decentralized production recording and monitoring system (blockchain). It increases productivity of the farmers through better inputs, farming technology and processes, and it guarantees the sale of farm produces at high prices. The company also helps reduce and shares the risk of the farmers. For example, it provides financial mentorship and it guarantees the repayment of the farmers’ loans. As it was guaranteeing the repayment, Amru rice has also been able to negotiate, on behalf of its farmers, lower interest rates from the financial institutions. In result, farmers with Amru rice pay typically interest rates of 1.2% compared to 1.8% in the market, and they do not need to provide a collateral.

Given the excellent commercial performance, the high social impact (in reach, depth and systemic change), the high degree of business innovations benefitting smallholder farmers, and the strong strategic intent for IB in the company's management, Amru Rice has one of the best IB ratings in Cambodia. It is a very good example of an IB model.

The company welcomes the IBeeC Strategy, especially the accreditation and the branding and award exercises, the establishment of IB focal points, and the business coaching facility.

4. Artisans d’Angkor

Artisans d’Angkor first operated in 1992 as a non-governmental organization and in 2003 officially registered as a company co-owned by French investors, the Association of Artisans Angkor employees, and the Royal Government of Cambodia. The company currently has two business lines: producing ancient Cambodian arts and crafts (core business line); and providing décor services for hotels, national institutions and private houses, and stone restoration for temples. The company has a strong CSR program providing arts and crafts training for disadvantaged people in rural areas, and recruits some of them as company staff. Since 1992, the company has trained 5,000 people, of whom 1,200 were still staff in 2019. Over the last three years, the company has trained
annually about 300 women and men. Beyond the trainees it recruits as laborers or suppliers for itself, Artisans d’Angkor does not provide job placement support for those trained. It also does not know the level of earnings of the artisans that they have trained but work outside of Artisan Angkor.

Artisans d’Angkor engages the poor and low-income people mainly as labourer (and a few as supplier). The company has currently about 1,200 staff and will increase to 1,500 staff by 2023. About 90 per cent of its employee comes from poor families and 10 per cent came from low-income families. The company pays wages above the market rate and provides very good social services to its staff. On average, craft people can earn a monthly salary of $180-450. They get also other benefits including seniority minimum wages, insurance with the National Social Security Fund (NSSF), internal healthcare and free medical services, language training (English, French, Chinese, and Khmer), as well as sanitation and nursery for their kids.

The company plans to double its revenues by 2023. This increase would be supported mainly by growth of its new business line (décor services and restoration), which would form 35 per cent of the revenue in 2023 (up from 10 per cent in 2018).

Artisans d’Angkor qualifies as an Inclusive Business model. However, to have stronger systemic change impact, the company could substantially increase its social impact through three ways. First, it could transform its training activities, currently provided as a CSR activity to form its own staff, into a separate commercial business line. The new training business line would provide training for other companies, place skilled people in well-paid jobs, and help trained people to set their own business. Such approach would help generate a systemic impact in Cambodia’s craft sector. Secondly, it could try to scale up its own business (this may be limited) and drive efforts to improve the quality and enlarge the markets for other business too. Thirdly, it could expand its geographical reach beyond Siam Reap.

The fact that the government has a 30 per cent stake in the company is a good reason for transforming Artisan d’Angkor to increase its social impact. To make such transition, Artisan d’Angkor will need to address a number of challenges including increased competition, managing new business establishments, and cooperate with other firms. While the company has a strong IB and social intent, it is not clear if it wants to become more transformative. Business coaching could help the company transforming from a scaling social enterprise to a real Inclusive Business model.

5. BanhJi

BanhJi is a FinTech start-up providing MSMEs with a financial platform and financial applications that are connected to Cambodia’s payment and financing ecosystem. The platform and applications enable MSMEs to make smart decisions, access digital financial services, and access working capital financing. This company’s vision is to reduce the Cambodian MSMEs $3.7 billion financing gap. BanhJi started its business in October 2016 providing free accounting software to SMEs. However, it found quickly that SMEs already have the skills and human resources to undertake sufficient accounting, and changed its business model to focus on microenterprises and on providing them with the accounting software, but also with a point of sale and broader financial services. With the data from the point of sale, the automated payment transactions from the bank, and the expense/ purchase transactions recorded by a BanhJi Accountant, BanhJi can facilitate access to finance to previously unbanked microenterprises. Microenterprises are now able to obtain bank loans at good terms, often without collateral, and simply based on proper accountant records. Through its business accounting advise, BanhJi also improves the commercial viability and sales performance of microenterprises.

BanhJi’s current revenue streams include the software subscription fee (an affordable rate of $30 per month), 0.25 per cent of the invoice value paid through banks and payment institutions, and a commission from the bank for facilitating bank loans to MSMEs through BanhJi platform. The company estimated its revenue to increase by 67 per cent in 2019. The company post-money valuation is currently at $1 million, and the company expects this to substantially increase to reach about $30 million by 2023-2025. The company is operating with a high gross margin of 67 per cent in 2018 and 75 per cent by 2023.
In 2018, BanhJi was working with more than 2,500 microenterprises that had a combined asset of $250 million (about $0.1 million on average). Clients include micro and small retail shops, small restaurants, handicrafts shops, laundry shops, retail agricultural cooperatives, and water utility companies. Their customers are generally low-income people (70 per cent). In addition, BanhJi has information on more than 300,000 invoice payments from the customers of the MSMEs BanhJi is working with. These invoice payments are mostly done by poor (30%) and low-income people (50%). With this information, BanhJi clients can transform their business by introducing new payments systems. At the same time, BanhJi clients, and the banks BanhJi is connecting them to, can monitor better the payments and hence the viability of BanhJi clients. In result, BanhJi expects that this information will reduce access to finance barriers of clients while real time data and loan monitoring allows for lender confidence.

Since 2019, BanhJi, as part of the subscription fee, also offers the service of accountants that provide microenterprises with low-cost and reliable bookkeeping service based on the BanhJi software. was introduced and it is expected it will help rapidly expanding the market of the company. BanhJi accountants, of which 60 per cent are women, are specially selected people (mostly first year university students) from low-income communities and receive training in accounting services from BanhJi. BanhJi provides coaching and supervision to its accountants through a centralized quality control system. This business line currently employs 37 people and the company is expecting to scale-up to 200 by 2023. A BanhJi Accountant can make $270 a month as an additional income. BanhJi is a very good case for IB accreditation. The company has an excellent commercial rating, a strong social impact and has introduced very relevant business and technology innovations. The management of the firm also has a strong IB intent. The company considers that IB accreditation, priority procurement, IB business coaching would be the key benefits of the IBeeC strategy.

6. Fed Rice

Fed Rice is a rice milling company, exporting about 70 per cent of its produce, especially organic rice. In 2018, the company had a revenue of about $4 million and expects sales of up to $8 million by 2023. The company has a moderate commercial return.

The company sources from 3,000 farm households, 70 per cent of them low-income households, in 4 provinces, and expects to double its reach by 2022. The company pays farmers about 10-15 per cent higher prices than traders, but has not introduced any specific and relevant innovation to share the risks of the poor, and its social impact (in terms of depth) is not so high.

To be a fully inclusive IB model, Fed Rice would need to target more poorer farmers; introduce features to reduce the risk of the poor and empower women. Fed rice has not shown a strong strategic intent to become an IB. However, Fed Rice could potentially become an IB model if it increases its impact on the poor through social depth and contributes to systemic change.

7. Forte insurance

Forte is a large insurance company active in Cambodia since 1999. The company had a revenue of about $39.5 million in 2018 and offers various insurance products. Car, asset and life insurance are its main products. These mainstream insurance products are not very relevant for poor and low-income people. However, in 2016, the company established crop/weather and social health insurance as a new business line to serve the poor and low-income farmers. This business line is relevant for Inclusive Business and is assessed here.

The revenue of the crop and social health insurance is about $2.1 million (2018) and expected to grow to $6.5 million by 2023. The business line has a good profit margin of about 10% (better than average returns for micro-insurance). The social and crop insurance packages are currently provided to about 0.3 million customers (1,000 for crop and 300,000 for health insurance). By 2023, the number of customers is expected to increase by many folds, subject to pending government regulations to support crop insurance.

The customers of the social insurance are poor (about 25% of customers) and low-income people (70%). The annual health insurance premium ($7.5 per year) is affordable to poor and low-income people. However, the health insurance only covers
$5 hospital cash allowance per day, and will not be sufficient to cover catastrophic health costs like surgeries and more expensive treatment costs.

The crop insurance costs $20-30 per hectare. Customers have an average land size of 2.5 hectares and are hence mostly low-income farmers (40 per cent) and higher income farmers (60 per cent) rather than poor farmers. Crop insurance is currently provided to about 1,000 people but the plan is to scale to 25,000 farmers by 2023, subject to realizing public procurement subsidies from the Ministry of Agriculture Forestry and Fishery.

Given the large social impact (reach) and the good commercial performance, the social insurance (health and crop insurance) business line of Forte qualifies as an IB model. The company could enhance its social impact by providing health insurance that also covers catastrophic risk costs.

8. Khmer Green Charcoal

In rural Cambodia, 60 per cent of households still use firewood for cooking. Firewood is increasingly scarce and expensive, and its use increases deforestation. Khmer Green Charcoal (KGC) has developed a charcoal product that is appropriate and relevant for the cooking needs of the poor. KGC was established in 2010 – initially as an NGO – to produce premium eco-char briquettes made from coconut shell char and wood-char residues. In 2012, KGC transformed into an enterprise with clear growth and bottom-line return expectations. Thanks to its advanced technology and industrial approach, KGC produces high-quality char-briquette made from organic waste that are 100 per cent sustainable.

The company has a revenue of $0.4 million in 2018 (up from 0.2 million in 2016) and a potential revenue of $0.5 million with the current production capacity of 120 tons/month. However, to meet the huge market demand, KGC is raising investments to build the largest char-briquette factory in developing countries (600 tons/month). The company currently sells its product to restaurants, street-food, hotels, households and retailers in Phnom Penh, and sees good prospects for increasing sales, especially as the future fully automatized factory will offer the same high-quality product at a very competitive price.

The company currently serves 250 customers (up from 130 in 2016) and plans to reach 1,000 customers by 2023. Customers of the company are mainly poor (20 per cent) and low-income families (50 per cent), while the very poor (20 per cent) still use wood, and those with higher income (10 per cent) use LPG gas provided by other companies. The charcoal is sold at a price slightly more expensive (KHR 1,700/kg) than traditional wood (KHR 900/kg) or charcoal (KHR 1500/kg). However, KGC’s product is much more energy efficient (i.e. 400% more than wood and 150% more than other charcoal products). In result, KGC charcoal provides a saving of $23 per month against buying firewood and $19 against using other charcoal products.

The company currently employs about 40 workers (projecting to increase to 120 in 2023) and pays them about 30 per cent better ($190 per month) than other charcoal producers. KGC also provides social benefits to its staff (13th month salary, social insurance, access to micro loans, bonus payments for overtime, seniority, attendance and skill level), and invests in CSR activities for children of the employees to access schools, and other social benefits for the local community.

KGC’s business model is inclusive, as it provides a relevant and affordable good to low income people. Given the highly relevant product of the company for the poor, and the strong IB intent, and despite of the still small commercial returns, the company can be considered a social enterprise initiative. KGC has a stronger commercial return; a more effective, cheaper and technologically advanced product; better labour standards and higher pay than its competitors. However, the company has a low systemic impact in the large energy for cooking sector. If the company enhances its business innovations and distribution system, it could substantially increase its social impact and bottom-line returns.

9. Khmer Water Supply Holding

Established in 2013 and rapidly growing since 2016, Khmer Water Supply Holding Co. Ltd. (KWSH) supplies clean water to semi-urban and rural communities in Kratie, Siem Reap and Takeo provinces. The company buys water concessions and reorganizes the management of local water
operators to increase household connections and generate meaningful returns on investment. While companies perceive expanding existing water concessions to remote areas as risky, KWSH sees this as an opportunity to reduce poverty and the core of its business model. Unlike many of the other 300 water companies in Cambodia, KWSH’s business model is focusing on inclusion of the non-connected rural households in its concession areas, and providing them with high quality water.

The company currently has 4 water stations and by end-2019 it would add a fifth station in Prey Veng Province. These 5 license areas cover almost 40,000 households, of which 10,000 are connected (up from 5,600 households across two stations in 2016). The company plans to scale its social reach by completing coverage expansion in its existing portfolio stations, and by acquiring two to four new water areas per year. KWSH is also exploring partnership opportunities with MFIs and other water operators to increase the breadth and depth of its impact. The company aims at serving 65,000 households across 18 stations by 2023, of which an estimated 15-20 per cent are very poor, 10 per cent poor, 50 per cent low-income, and 15-20 per cent are higher income families or industrial and commercial establishments.

The company has one of the highest water quality standards in the country, implementing quality control standards beyond what is required by the government.

KWSH’s revenue was about $0.9 million in 2019 (up from $0.22 million in 2016), and it is expected to reach $4.2 million across 18 stations by 2023. At the station level, the gross margin is high (70 per cent) and EBITDA margin is over 50 per cent. The company has a high overall IB rating, a high social impact rating, a good innovation for the poor rating, and a reasonable commercial rating.

KWSH is a very good example of an IB model that should be replicated across Cambodia given the large market needs (e.g. by 2017 only 11% of rural households had reliable piped water access). IB accreditation, branding, and priority procurement would substantially help scaling up the social impact and increase low income people’s access to reliable and high-quality water access.

10. LES

LES sells solar home lighting systems to the rural poor and, since 2018, it also markets chicken incubators, solar driers and solar pumps to smallholder farmers.

The company had in 2019 a revenue of $0.6 million (up from $50,000 in 2016), and expects to reach a revenue of $0.9 million by 2022 (relatively low business growth). About 60 per cent of the revenue comes from the sales of solar home systems through pay-as-you-go arrangements, while 40 per cent from selling equipment to smallholder farmers.

The sale of solar-lights is benefitting mainly poor (30 per cent) and low income people (50 per cent), while the sale of the solar farm equipment is mainly for low-income (60 per cent) and higher income (30 per cent) households.126 The company currently sells solar energy solutions to about 7,500 households, and solar farm equipment to about 250 households. The business plan foresees to reach 12,000 solar home system customers and 500 solar farm equipment customers by 2023.

LES overall rating is below the IB threshold as its commercial and innovation ratings were low. As the company has a reasonable strategic intent to become an IB and its product is relevant for the poor, LES is considered a potential IB. To become a real IB, LES would need to increase its commercial return, create more innovations to sell solar equipment also to poorer farmers, and expand its solar home system. LES could also innovate to better empower women, especially in the solar home and chick raising business as other companies outside of Cambodia have done.

11. Lyly Foods

Lyly Foods, established in 2002, is a medium-sized agrobusiness making processed foods. The company has two business lines: the mainstream business line purchases inputs from traders and pays market rates (this line would not qualify as IB), and the second business line (established in 2018) works with contract farmers to produce dried-food snacks from vegetable and fruits. Only the second business line, which adds value to farmers products and improves their income, would qualify as IB.
The commercial assessment of the company is good with a revenue of about $3 million for the IB line, a 10-20 per cent growth plan over the next three to five years, and a profit margin of 10 percent (expected to increase to 15 percent in the coming 3 years).

The IB line works with about 1,500 suppliers currently and plans to work with 5,000 suppliers by 2022. The IB model targets poor and low-income households (20 per cent of the suppliers are very poor, 40 per cent are poor, and 40 per cent are low-income). However, the depth of the social impact is relatively small as the company only pays five to ten per cent above the going market rate. The company has not yet introduced social innovations to reduce the risks of the poor. Its systemic impact on income generation in the region and the sector as well as on women empowerment is still low. However, the Lyly Foods management has a strong strategic intent to become more inclusive and business coaching could help the company be more inclusive.

The company narrowly qualifies as an IB model. The company does limited innovation and could increase its social depth. Business coaching could help transform Lyly Foods in an IB business with much higher commercial return and social impact for the poor.

12. My Dream Home

My Dream Home, a company established in 2015, develops and sells bricks that have a better environmental footprint, are easier to build (Lego style), are stronger, use less material inputs (e.g. cement, sand), and are sold at lower prices than traditional red clay bricks. In 2017, My Dream Home added a second business line to build houses for the poor, because it wanted to provide solutions to help address the lack of affordable housing for the poor. While the main business of the company is still the sale of Lego-style bricks, My Dream Home strongly wishes to support more directly the building of affordable houses for the poor through enlarging its house-building program.

The company’s expected revenue for 2019 was $0.7 million (up from $0.4 million in 2018 and $0.2 million in 2016). Currently, 63 per cent of the revenue ($0.4 million) comes from brick selling, and 37 per cent ($0.3 million) from house building. By 2023 the company is expecting, subject to closing a $1.25 million deal for land and infrastructure investment, a revenue of $5.5 million, of which $5 million (90%) will come from the housing business. The combined profit margin is currently about 23%, with (30%) in the housing business and 21% in the bricks sales. By 2023, while the profit margin will remain the same, the combined profit margin will increase due to an increase in the more profitable housing business.

In 2018, the company’s building program benefitted 10 households with access to low-cost housing (below $20,000) and 132 households through the sale of bricks. Between 2020-2023, it is expected that the company will benefit 137 households with low-cost housing and 5,365 household with better bricks.

The company builds houses 15-20% cheaper than other low-cost housing providers. My Dream Home is able to achieve this because it uses bricks that cost less; require less plastering, concrete and steel (saving additional costs); and require less labor costs (as they are faster to build and do not need highly qualified bricklayers). However, high land prices and high financing costs (interest rate of 12 percent and very short repayment period of 5 years) make it difficult for low income people to buy such houses.

The company plans to expand its business through: investing in a community housing program in Siam Reap (which will benefit about 180 low-income households); innovating on housing finance; reducing housing costs through using existing land of the poor; and expanding its brick making program by about 50 per cent. This expansion would substantially increase the social impact of the company for society.

The company was rated as an IB model, with strong strategic IB intent, currently with medium commercial returns and social impact (especially social depth, business innovation, and transformative systemic change impact). Its social reach is medium for a building company. Going forward, the company would need further business coaching and support to reduce the risk of customers defaulting on payments. Innovative investors that share the risks of the poor could
find in this company a good case for investment. Furthermore, the government could consider giving priority procurement for this company (in tenders related to housing building and purchasing bricks).

13. Okra Solar

Okra Solar, established in 2017, is a start-up that interconnects rural households that have a solar home system through a grid. By establishing a grid-based distribution system among solar home users in a small geographical location, households can draw excess power from their neighbours for productive use. The key innovation is a devise installed to distribute energy. As a result, households have increased access to electricity and there are opportunities to generate income, as households can now connect small devices (such as refrigerators, freezers, rice cookers, fans, consumer electrics) to electricity and start micro businesses. The company also innovates on such equipment and recommends purchase of the most suitable units for the solar grid.

Okra Solar revenues come mostly from selling to other companies that sell solar home systems (B2B relations) and not to end consumers, as this reduces the company’s distribution costs. The company uses a mobile system to get live data on energy use and has implemented a pay-as-you-go model. By May 2019, the company had sold 306 devices at a price of about $75 each. These units have electrified nine sites and generated 23.4 MWH to serve around 250 households (1,000 people). By 2023, it plans to boost its sales to about 20,000 households, and to have benefitted more than 418,000 persons between 2017 and 2023. About 20 per cent of the units are sold to poor households, 60 per cent to low-income households, the rest to higher income households. Okra’s novel direct current grid architecture costs about a third of traditional alternating current microgrid connectors. As the software automatically diverts power in the most efficient manner, connected systems require less solar panels and batteries to ensure grid stability.

Okra Solar, as other start-ups, has a small revenue ($0.1 million for 2019) despite a steep growth in the last two years. Its revenue may grow to $2.1 million by 2023 but the market potential is much larger ($30 million). While the company has not yet made profits, it plans to achieve a profit margin of 30 per cent by 2025. The company is also planning to expand its market to Africa and other Asian countries.

Okra Solar has an innovative business model to address the energy needs of the poor. The company has still a very low IB rating in commercial returns (the IB criteria requires a minimum revenue of $0.2 million), reach, and social depth, but a higher rating in innovation and social depth. Okra Solar is too small to be an IB model. However, given its innovative business model, the strong growth potential, and its stark IB strategic intent, the company can be considered a SE initiative.

14. Phare Circus

Phare Performing Social Enterprise was established as a private limited company (social enterprise) in 2013 derived from the NGO Phare Ponleu Selpak founded in 1994. Phare gives circus performances and generates income opportunities for those involved in the company through the Phare Creative Studio (illustration, painting, video, graphic design, and animation), the handicraft boutique and the coffee shop.

With a working capital of $0.6 million, the company generated a revenue of around $1.25 million in 2018, and aims at achieving a revenue of $4 million in 2023. The company has a low profit margin of about 8 per cent.

Phare Performing Social Enterprise has 120 laborers in the circus, including 70 performing artists and 12 visual artists (graphic designers/animators). It provides better compensation and social protection schemes to its employees than its peers. Most of the employees come from poor or even very poor households. However, as only 120 persons are directly involved in the company, the overall reach is small. Furthermore, the company does not have plans to expand its labour model. Providing a decent income to only 120 people is not fully sufficient to qualify as IB.

Phare Performing Social Enterprise also purchases products from more than 1,000 poor and low-income producers to sell them in its shops before and after the performances. The company does not have information about the income
increase of those producers. Creating income opportunities for the poor by buying from them is not the core intent of the company, and there is also no business strategy to ensure producers get better market rates or can expand their sales (through Phare or other channels).

Phare Performing Social Enterprise also provides, on a non-commercial basis, training to low-income people. As a social enterprise, Phare Performing Social Enterprise uses its net profits to finance the educational fees of 1,200 pupils attending public schools and 500 students attending vocational arts training programs in Battambang province. For Phare Performing Social Enterprise, this training program is at the core of being a social enterprise, although others may see that more as a CSR activity. Phare Performing Social Enterprise also considers that as a social enterprise it is not commercially oriented.

On the commercial side, Phare Performing Social Enterprise rates well in revenue but low in profitability. On the social side, social reach, depth, systemic change, and business innovation for the poor are relatively low. Phare Performing Social Enterprise can be considered as a growing social enterprise or potential social enterprise initiative.

15. Prevoir

Prevoir is the second largest social health insurance provider in Cambodia. It offers health insurance (80 per cent of contracts), accident insurance (15 per cent of contracts) and life insurance (5 per cent of contracts) to individuals and to companies (group insurance).

The company partners with microinsurance firms and offers insurance with an annual premium of $15 per person. This is very affordable. The insurance coverage includes health expenditures up to $5,000. Prevoir has the largest network of health providers (it works with 240 public and private health facilities). The health insurance package covers hospitalization longer than 6 hours without and with major surgery. Its payment record in case of claims is excellent, offering immediate cash payments to the service providers through electronic payment systems with their partner institutions.

The company has insurance packages with 0.23 million people and aims to reach 0.5 million individual clients by 2023. About five per cent of the clients are very poor, 65 per cent are poor, and 30 per cent are low income people. Some ID poor who have access to free health treatment in public hospitals also buy Prevoir insurance packages to be able to use private facilities (which are perceived to be more accessible and offer higher quality service than public facilities) and because they value Prevoir’s reimbursement record for treatments with private hospital providers and for accident insurance.

The revenue of the company ($1.5 million in 2018) is still low-medium. The business plan seeks to grow the revenue to about $4 million by 2023, provided it can continue to save costs by selling insurance policies through mobile applications, microfinance banks and B2B selling arrangements.

A major challenge for Prevoir (and other micro-insurance providers) is a new public regulation requiring insurance companies to have their own personnel selling insurance at their partners’ branch offices. As a result, micro-insurance companies can no longer sell insurance policies through microfinance institutions and their operational costs will go up substantially. Prevoir estimates that because of the regulation, the annual premium will increase from $15 to up to $50, making health insurance not any more affordable for the poor. The company is currently being sold to another investor that is already considering changing the business to focus more on the middle and high-income market.

Given the high relevance of the product, the large scale and deep quality of the social impact, the various business innovations, and its leadership in providing quality social insurance for the poor, the company is an IB model. Official IB accreditation and the establishments of IB focal points (especially in the Ministry of Economy and Finance) would help the company build its B2B and B2C relationships.

16. Signatures of Asia

Signatures of Asia was established in 2007 by a group of young dynamic people. In 2010, it rapidly expanded its business through operating a milling house investment in Banteay Meanchey, and in 2012 it became one of the top 10 rice exporters in

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Cambodia. The revenue of the company was about $16 million in 2018 and it is expected to grow to $25 million by 2023. The company has a profit margin of about 7 per cent, similar to the industry standard, and expects to increase it to 20 per cent by 2022.

From 2015, the company has expanded its direct sourcing from low income farmers. Signatures of Asia sells to the international market organic (15%) and conventional (85%) rice, as well as organic palm sugar and organic black pepper. The company is in a transformation period to be a leading organic rice and ingredient supplier from Cambodia, and seeks to ensure that by 2025 half of its exports will be organic produce.

Currently, the company works directly with 1,700 households (around 3,500 smallholder farmers). All of them practice sustainable agriculture. Signatures of Asia plans to increase its direct suppliers to about 3,000 households by 2023. Since 2016, the company sources organic rice directly from 13 cooperatives in Preah Vihear, Kampong Thom and Stung Treng provinces. In addition, it is expanding organic palm sugar value chain to source from two cooperatives in Kampong Speu and Kampong Thom, and since 2018 sources organic black pepper from one cooperative in Mondulkiri.

Signatures of Asia works with smallholder farmers and farmer organizations, and is committed to support sustainable agricultural solutions that bring positive impact to low-income people, especially for women and youth (which are 50 and 20 percent respectively of their supplying farmers). It targets low income people through providing them with skills training, access to markets, and supporting a revolving fund.

Signatures of Asia is looking for other partners to provide technical assistance and some co-investment for expanding its sustainable (organic) business lines. The company is currently classified as a potential IB. Business coaching would help transforming the company into a real Inclusive Business model.

17. Sun-eee

Sun-eee, established in 2010, is a rural electrification distributor. In Cambodia – as in other developing countries – the performance of energy grid connection is based on the number of villages connected to the electrical grid. However, this indicator may not provide the whole picture. For example, in Cambodia, while officially more than two third of villages have electricity connection, only a third of households are connected. Sun EEE business philosophy is to create solutions (i.e. through building a more efficient connection system) so that 95 per cent of the households in the village they work in have access to energy.

Sun-eee’s business model is innovative as it allows poor households to be connected to a solar grid system by (a) connecting individual solar-home systems and installing mini-grid solar generators, and (b) substantially reducing connection costs for households. Sun-eee has lowered the threshold to invest through: (1) using more transformers to reach last-mile consumers and reduce system losses, (2) innovatively using a variable profitability per person calculation (rather than net profitability per person as most other companies use), and (3) using capital costs based on 4 per cent interest rates (as the capital is originated in Singapore) and not 12-18 per cent as used in Cambodia.

Sun-eee is one of the few companies in Cambodia that has household connection (not just grid connection) at the core of its business philosophy. The company has connected 13,000 households (in two provinces) to the grid and projects to increase this further by 2023. About a 30 per cent of the connected households are poor families and 40 per cent low income families. The business model makes rural electrification more affordable for the poor.

The company is commercially sound with an EBITDA of 24%. In 2018, it had a revenue of $1.2 million which is projected to grow by about 40 per cent by 2023. As a Singapore registered company, Sun-eee maintains high financial standards, and uses this as key driver of commercial performance. Sun-eee was sold to a large Japanese energy corporation in mid-2019, a landmark cross-border acquisition in the Cambodian energy sector. This reflects the good financial performance of the company sold at three times the capital invested. This acquisition will not modify the business approach used by Sun-eee.

Sun-eee is a good example of an IB model. While the company is still small-medium, its business approach is commercially very viable, its social impact is good (because of targeted in-depth systemic transformation), and the business innovation is highly relevant for the poor. Sun-eee was founded with a strong strategic IB intent.
18. WorldBridge Group – Social Housing business line

The WorldBridge Group is one of the biggest conglomerates in Cambodia. Its core business is in providing comprehensive solutions for transport and logistics and property developments. In 2017, in response to a call from the Royal Government to address the 1.5 million housing backlog in Cambodia, the company started a new business line on low-cost housing.

The company purchased 45 hectares of land, 14 km south of the Phnom Penh central business district to build housing for low-income families. By the end of 2020, the company had built 2,457 houses (up from 400 in 2018); it will scale this up to 4,000 by 2023. Houses are typically 2-storey buildings on small lots of up to 80 sqm. The company sells a 56 sqm house typically for $25,000 to $30,000. The company has also developed a special financing scheme which reduces the high-financing cost that low-income families normally pay when borrowing from banks. The houses are sold typically to low-income families (not the poor) with a monthly income of $500-$700.

Beyond providing a relevant and affordable product to low-income families in a quality, safe and convenient living environment, the company has also introduced financial innovations with partner banks to reduce the risks of the buyers. The loans from partner banks are available at reduced interest rates from 9 to 10.4 per cent per year (lower than other similar developers’ rate which typically charge minimum 12 per cent per year) and the repayment term is up to 20 years.

Given the positive social impacts of the project (especially large reach and good targeting), the good commercial performance, and the innovative financing mechanisms, the low-cost housing business model of WorldBridge can be classified as an IB model.

The company is also applying its low-cost model to the development of commercial shophouses and is studying the development of safe and compliant dormitories for factory workers. Furthermore, the business line—having started small—has a clear vision to be a partner of choice of the Cambodian government in the provision of affordable housing to low- and middle-income Cambodian. When the government is ready to implement its Policy on Incentive and Establishment of National Program for Development of Affordable Housing, the company could then innovate to scale up and broaden its housing business more strategically based on the large need for social and affordable housing and the strong position of WorldBridge Group in the Cambodian business community.
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