



# INCLUSIVE BUSINESS IN CAMBODIA

## Initial Results of a Landscape Study and Proposed *Inclusive Business Enabling Environment for Cambodia (IBeeC)* Strategy

Background document for the  
**First Inclusive Business Forum for Cambodia**  
7 August 2019, Hotel Sofitel

In 2017, ASEAN Countries adopted the ASEAN Inclusive Business (IB) Framework. In the same year, during the ASEAN Summit, the Heads of State and leaders of ASEAN issued a statement calling for “[...] greater emphasis on creating an enabling environment for inclusive businesses [...]”.

Since then, various governments in the region have embarked on raising awareness and establishing policies to promote inclusive business. An increasing number of companies – supported by impact investors – have established commercially viable and profitable IB models, providing innovative solutions for the poor and low-income people.

Driven by the Ministry of Industry and Handicraft (MoIH), Cambodia is the third country in ASEAN to develop a comprehensive strategic framework for promoting inclusive business, the proposed Inclusive Business Enabling Environment for Cambodia (IBeeC) Strategy. This framework builds on the findings of the Inclusive Business Landscape Study developed in 2019, which includes the analysis of IB cases and of the enabling environment and the identification of policy recommendations with practical steps for strengthening IB investments and outcomes in Cambodia.

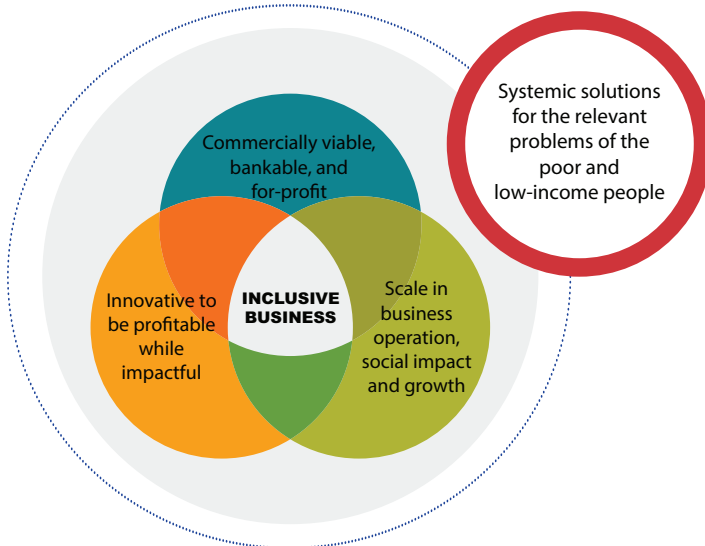
While this study is expected to be published at the end of 2019, this document has been developed to offer brief background information for the First Inclusive Business Forum for Cambodia, to be held on 7 July 2019, in Phnom Penh, Cambodia. The information here presented can also be relevant for other events aiming at raising awareness on IB in the country.



# INCLUSIVE BUSINESSES

## Definition and concept

Graph 1: Elements of Inclusive Businesses



Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers.

To serve the low-income market and make profit at the same time, IB companies must innovate by applying novel business models or providing innovative solutions.

While many firms work with or sell to the base of the economic pyramid, only few provide them with relevant solutions to address poverty. That is, only few firms provide solutions that enable low-income people to earn substantially more than the market

rate or buy, at affordable rates, goods and services relevant to overcoming poverty and exclusion. Only such companies can be called inclusive business.

## Targeting the BoP

IB models are consciously designed to provide solutions to the income and access problems of the poor and low-income people; the income groups that make the bottom of the economic pyramid.

The BoP typically comprises the bottom 40% income groups (B40) as well as socially excluded population groups. As countries in ASEAN have different poverty, vulnerability and low-income thresholds, the composition of the BoP might change depending on their socio-economic status.

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.

## BoP engagement modes

IB lines engage the BoP typically in two ways:

- **As consumer:** IBs provide goods or services relevant to overcome poverty at affordable prices, and through market mechanisms appropriate to address BoP needs.
- **As income earner:** IBs engage the BoP as suppliers (e.g. in agribusiness, tourism), labourer (manufacturing), distributors (trading), or shareholders. Mainstream businesses may also engage the poor in economic activities. However, IBs go beyond mainstream businesses and pay better than the market rates (so that the BoP can exit poverty and overcome vulnerability) and apply business innovations that reduce the risk of the poor in their relationship with the market (e.g. guaranteeing repayments of loans to banks, or paying for essential parts of the business process required by the firm). Most IBs engage the BoP as income earners.

## Types of IB company

Globally, companies' investments in IB typically have an annual revenue of USD 0.2-10 million. However, these can be much larger and reach USD hundreds of millions. IBs can be found in all sectors, and they are particularly established in finance, agribusiness, health, education, urban utilities, and renewable energy. IB is implemented through three distinct approaches:

- **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.
- **Social enterprise (SE) 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.
- **IB activity:** is a commercially-oriented corporate social responsibility (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.

## Triple wins for the poor, the private sector, and for society

IB models, SE initiatives and activities are private sector contributions to poverty reduction and the SDGs and create multi-faceted wins for society:

**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).

Inclusive business helps making economic growth more inclusive for the BoP and structurally transforming the economy to become more innovative and inclusive.

### IBs, SEs and CSR

IB differs from the traditional, charity-oriented, CSR work of large firms and from not-for-profit and NGO-driven social enterprises in their profit orientation and scale of social impact. IBs seek large profit as well as large impact.

IB is also distinguished from mainstream business in its emphasis on not compromising systemic social impact for profit maximization. Rather, social impact drives profit and vice-versa.



# INCLUSIVE BUSINESSES IN ASEAN

The ASEAN region offers a rich environment for inclusive businesses. In the past years, IB has gained ground in the private sector and countries have made important progress towards creating enabling environments:

**Businesses:** There are many examples of successful IB companies in ASEAN Countries. In the Philippines, Manila Water is expanding access to safe and reliable water to 2.8 million households in the slums of the city and Kenner Foods is creating income opportunities for over 10,000 coconut farmers by promoting inter-cropping with cacao. In Myanmar, OnDoctor is creating a profitable and non-subsidized business model to provide free medical advice – mainly to mothers and their children – to 3.4 million remote rural households.

**Governments:** Governments in ASEAN are designing special policies and programs to involve the private sector in providing solutions to the poor and low-income people. For example, the Philippines has included IB in their priority investment plan, granting incentives to accredited IB investments. Myanmar and Cambodia are in the process of institutionalizing a comprehensive strategy for IB support. Viet Nam and Malaysia are conducting landscape studies to inform the promotion of IB including through existing private sector support initiatives (including those on SME promotion and social enterprises). In addition, there are focused SEs and CSR laws, regulations and policies in Indonesia, Malaysia, Thailand, Singapore, and Viet Nam, and opportunities exist to link them to IB.

**Investors:** The IB market is becoming a new asset opportunity for investors. Currently, deal flow is low in ASEAN countries (compared to India and China for example). However, individual profit margins of deals are good. Impact investors, therefore, actively promote business coaching and risk reduction methods to increase their investment potential in the region. It is estimated that around 20 relevant impact investors are active in the region, having placed an estimated \$30 billion in equity and loan investments in impact companies between 2012 and 2017. While some of these investments are large (generally from institutional investors such as the International Finance Corporation or the Asian Development Bank), most investments are between \$0.2 and \$5 million.

**Support programs:** Accelerators, incubators and other support programs are emerging in all countries. While these often focus on start-ups with a technology or environmental focus, there is an increasing interest in broadening services to encourage companies establishing IB lines that target the poor and low-income people.

**Business associations:** Private sector associations are increasingly interested in promoting branding and knowledge-sharing for IB companies. Some, for instance, promote IB awards. In Myanmar and Cambodia, leading business associations have appointed IB focal points that are involved in joint IB accreditation with the government.

**Development partners:** Development actors support many private sector development programs in the region including business coaching, business development, marketing support, and access to finance. However, these private sector development support has rarely focused on companies that create value for the poor on a commercially viable basis, that is on supporting inclusive businesses. Where IB support programs exist, selected development partners are increasingly interested in adjusting their approach and adopting a stronger IB focus.

At the regional level: ASEAN through its ASEAN Coordinating Committee on SME development is promoting Inclusive Business following the ASEAN leaders call for creating an enabling environment for inclusive business. Policy work and advocacy in the region is supported by iBAN and ESCAP.



# INCLUSIVE BUSINESS IN CAMBODIA

Cambodia is a rapidly growing economy based on new dynamics in agriculture and foreign direct investments in a few industries (e.g. garment and construction). While the country was very successful in reducing income poverty from 53% in 2004 to about 22% in 2011, as well as in substantially improving the living standards of the poor and low-income people, inclusive development achievements have slowed down and new challenges are emerging.

There are increasing needs to engage the private sector for: a) creating new income opportunities for the young population, and; b) expanding affordable delivery of essential social and municipal services (housing, water, local transport, etc.).

The government and business community are interested in broadening and transforming the basis of future growth, and make the economy and society more inclusive. To this end, investments in new and deeper inclusive business models, that provide large scaled private sector solutions to the poor, are necessary and welcomed.

The number and size of IB models, SE initiatives and IB activities in Cambodia remains small, also given the relatively small size of the population.

The Inclusive Business Landscape Study – developed in 2019 by the MoIH, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) –, found about 20 to 30 real and potential IB cases (refer to page six for additional information). In contrast, Cambodia has many social enterprises, most NGO-driven, not commercially viable and with a limited impact (even when aggregated).

IB models in Cambodia are seen mostly in agribusiness, insurance, energy, and microfinance, some being very innovative. Compared to other countries, innovations in health, education, job placement, housing and municipal services, however, are less developed.

The enabling environment for promoting Inclusive Business in Cambodia is favourable. There are key business associations [such as the Cambodia Chamber of Commerce (CCC), Young Entrepreneurs Association of Cambodia (YEAC), Federation of Associations for Small and Medium Enterprises of Cambodia (FASMEC), and Cambodia Women Entrepreneurs Association (CWEA)] interested in advocating for investments in more and deeper IB models among their members. There are impact investors who want to scale-up their portfolio, with a focus on bigger deals with larger social impact. There are support institutions increasingly looking at engaging private sector actors beyond start-ups and social enterprises. And there are also development partners interested in supporting IB [such as the Department of Foreign Affairs and Trade of Australia (DFAT), European Commission (EC), GIZ, Japan International Cooperation Agency (JICA), Korea International Cooperation Agency (KOICA), SwissContact, United States Agency for International Development (USAID), among others].<sup>2</sup>

The Government of Cambodia is currently the most dynamic driver for the new IB agenda in the country. It has introduced Inclusive Business in its new Small- and Medium-Sized Enterprise Development Strategy 2019-2024. Consequently, IB is also expected to be featured in the new National Strategic Development Plan (NSDP 2019-2024). The Government is also in the process of approving a strategic framework for IB (the IBeeC Strategy) and setting-up incentives and a multi-stakeholder institutional mechanism to promote IB. The MoIH is the key champion, supported by the Ministry of Economy and Finance (MoEF), the Ministry of Commerce (MoC), the Ministry of Agriculture, Forestry and Fishery (MAFF), and the Cambodian Investment Board, under the Cambodia Development Council (CDC).<sup>3</sup>

<sup>1</sup> The IB Study included the identification and assessment of companies. It employed interviews with companies and a composite rating tool (similar to the system proposed for IB accreditation in the government's IBeeC Strategy. Refer to Page 5-6 for additional information)

<sup>2,3</sup> The actors here listed have been identified through informal discussions. The information provided has not been endorsed by the various actors and, thus, should not be understood as any form of commitment by these stakeholders.

# THE IBeeC STRATEGY – A FRAMEWORK FOR PROMOTING IB IN CAMBODIA

The proposed IBeeC Strategy builds on extensive consultations with IB stakeholders and the findings of the Landscape Study of Inclusive Business in Cambodia. In total six government agencies, five business associations, over 40 companies implementing IB lines, nine impact investors, 17 development partners, and various IB accelerators and facilitators provided substantial inputs and championed this process.

The IBeeC Strategy would promote IB through eight strategic mechanisms and was accepted by the MoH in June 2019. Moving forward, the MoH wishes to submit the IBeeC strategy for endorsement by the Supreme National Economic Council (SNEC) before the end of 2019. Moreover, the IBeeC might be followed by an Action Plan endorsed by a multi-stakeholder steering committee. The strategy would be implemented by government actors, business associations and other stakeholders, some of which have already informally committed to supporting IB efforts.

Eight strategic recommendations to promote inclusive business:

1. **Coordination:** Establish IB champions through focal points in government agencies, business associations, among other actors, and form a multi-stakeholder IB steering group. Government agencies and business associations have already officially nominated IB focal points, and the terms of reference for the IB steering committee and its composition are being finalized.
2. **Awareness:** Raise IB awareness for IB by promoting information sharing. Actors could promote information sharing networks through publications, workshops, website, seminars, etc. Following IB accreditation, IB awards (non-material) could be established. A joint website on IB in Cambodia is also planned to be developed.
3. **Accreditation:** Establish a transparent and easy to use IB accreditation system with joint ownership by business associations and various government agencies. IB accreditation is a necessary condition for any targeted support to IB companies. Government agencies (such as MoH, CDC, MoC, MAFF, and MEF) and business association (such as CCC, YEAC, and FASMEC) have already expressed interest to join the IB accreditation system. A composite rating tool based on criteria jointly defined by stakeholders is proposed for the assessment of companies and an initial capacity building workshop was organised by MoH, ESCAP and iBAN with potential actors of this system.
4. **Incentives:** Consider the establishment of IB incentives in the new investment law, and other government policies. The Cambodia Investment Board under the CDC is considering this option.
5. **Public Procurement:** Prioritize IB and social enterprises in public procurement. A separate study could be prepared to outline opportunities and targets.

## IMPACT OF IBs IN CAMBODIA\*

In the next 3 years, in Cambodia, it is estimated that IBs in the country could:



CREATE AROUND  
**100,000**  
INCOME OPPORTUNITIES



PROVIDE INSURANCE TO  
**600,000 PEOPLE**  
AT THE BOP



TRAIN AND PLACE  
**10,000 PEOPLE**  
IN SKILLED JOBS



PROVIDE HOUSING AND MUNICIPAL SERVICES TO  
**70,000 HOUSEHOLDS**  
INCLUDING WATER AND ELECTRICITY



PROVIDE HEALTH CARE TO  
**20,000 PEOPLE**  
AT THE BOP

6. **Technical Assistance:** Create a IBeeC technical assistance facility for promoting the implementation of the Strategy and facilitating a better enabling environment, by: (a) serving as secretariat for the IB steering committee and the IB strategy; (b) supporting policy work on inclusive business, and; (c) promoting business coaching and impact assessment of companies. This facility could be placed outside of government structures, e.g. linked to a business association, to facilitate implementation and stronger linkages with the private sector. A technical cooperation paper was developed and shared with various development partners. Some (such as JICA, KOICA, EC, and UN) have shown initial interest in financing (or co-financing) the IBeeC Facility.
7. **Finance:** Establish a risk reduction fund for impact investors and banks. The Ministry of Economy and Finance is inclined to support this under its new SME Bank or/and the Entrepreneur Development Fund. Development partners such as JICA and the French Development Agency (Afd) may be interested in financing the Fund.
8. **Monitoring and Reporting:** Carry out coherent IB monitoring and reporting, including in the context of the private sector contributions to the sustainable development goals.

**The way forward:** The MoH has confirmed moving forward with the IBeeC Strategy, and having it submitted for endorsement by the SNDC by November 2019. While more in-depth discussions around the implementation arrangements of IB accreditation (including capacity building), IB risk reduction fund, and IB facilitation are currently ongoing, an Action Plan could still be prepared within 2019 for the first meeting of the proposed steering committee by early 2020.

### **The importance of a clear, simple and transparent IB accreditation system:**

Many times, companies have innovative IB models, solving problems of the poor, but these are not identified as such. As IB is a cross-cutting category - it cannot be identified by a sector or company size approaches. There are few studies in South-East Asia identifying and bringing visibility to IB examples. In Cambodia, the recent Landscape Study is the first to systematically identify IBs. Also, currently there is no systemic effort to identify such companies as part of existing business registration processes or support programs. Hence the need for a transparent, easy to apply, broadly accepted and voluntary IB accreditation systems. Accreditation allows companies to gain visibility, enhance marketing and branding, in addition to access government incentives.

The First Inclusive Business Forum for Cambodia to be held on 7 August 2019, will outline the results of the IB Landscape study, opportunities for impact investors, and the directions of the IBeeC strategy.

The Royal Government of Cambodia will report its strong progress on establishing an IB support policy for Cambodia during the ASEAN IB Summit on 1st November 2019. Cambodia could thus serve as a leading example to its neighbouring countries.

## **EXAMPLES OF IBs IN CAMBODIA\***

- Agribusiness: Amru Rice, Lyly Foods, Agribuddy, SolarGreen
- Social Protection and Insurance: Prevoir, Cambodia Microfinance Association (AMK), BIMA Mobile
- Housing and Urban Services: MyDreamHome, WorldBridge Social Housing, Khmer Water Supply (KWSH), Thira Partner
- Energy Services: ACE, Khmer Green Charcoal, (Lighting Engineering Solution) LES Solar, Sun EEE
- In skills training and job placement: Artisan d'Angkor, Phare Circus,
- In FinTech: Banhji
- In microfinance: LOLC Cambodia (Cambodia has numerous microfinance institutions that could qualify as IB. However only few, such as LOLC, have innovative models to solve the problems of the BoP)

In health services, tourism, garment, manufacturing: no specific IB models with innovative features could be identified.

\* The IB Study assessed around 100 companies and interviewed 45. This list offers examples of companies assessed during the IB Study. There might be other companies with IB lines that have not been identified and assessed through the study.

# United Nations ESCAP and the Inclusive Business Action Network (iBAN) partner to strengthen the policy environment for Inclusive Businesses in Cambodia

The development of the Landscape Study of Inclusive Business in Cambodia as well as of the IBeeC strategy have been supported by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN).

In 2019, ESCAP and iBAN launched a joint initiative to help governments to enhance the policy environment for Inclusive Business in South-East Asia. The iBAN-ESCAP partnership focus on three main areas: country-level analysis and advice, regional policy dialogue, and knowledge exchange.

## ABOUT ESCAP

The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 Member States and 9 associate members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed insight into the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which 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.

<https://www.unescap.org>

<https://www.artnet.unescap.org/sti>

## About iBAN

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

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

**For further information, please address your enquiries to:**

### Mia Mikic

Director, Trade, Investment and Innovation Division  
Economic and Social Commission for Asia and the Pacific (ESCAP)  
United Nations Building, Rajadamnern Nok Avenue  
Bangkok 10200, Thailand  
Tel: 66 2 288-1410  
Fax: 66 2 288-1000

Supported by



In partnership with

