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Inclusive Business and IBeeC in Cambodia

Presentation at the 1st Inclusive Business Forum for Cambodia

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Content of discussion

1. What is IB
2. Why IB
3. IB in Cambodia
 - Preliminary company results from company assessment
 - Recommendations of the IBeeC strategy
4. Questions and Answers



What is IB?



How does it differ from mainstream business, social enterprise and corporate social responsibility (CSR)?



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IB definition

Features of IB models:

- commercially viable and bankable for-profit core-business models,
- that provide scaled-up, innovative and systemic solutions
- for the relevant problems of the poor and low-income people

4 key aspects:

1. Commercial return and business (incl. ESG standards)
2. Scale for business growth and social impact
3. Systemic (social) solutions for BoP
4. Innovations



- All sectors
- Done mostly by **medium sized enterprises** (\$1-\$10 million revenue and bigger)
- **Large social impact** (reach thousands, high depth, systemic change)
- **Innovative**
- **No trade-off** between commercial return and social impact (not SE, not CSR, not mainstream business)



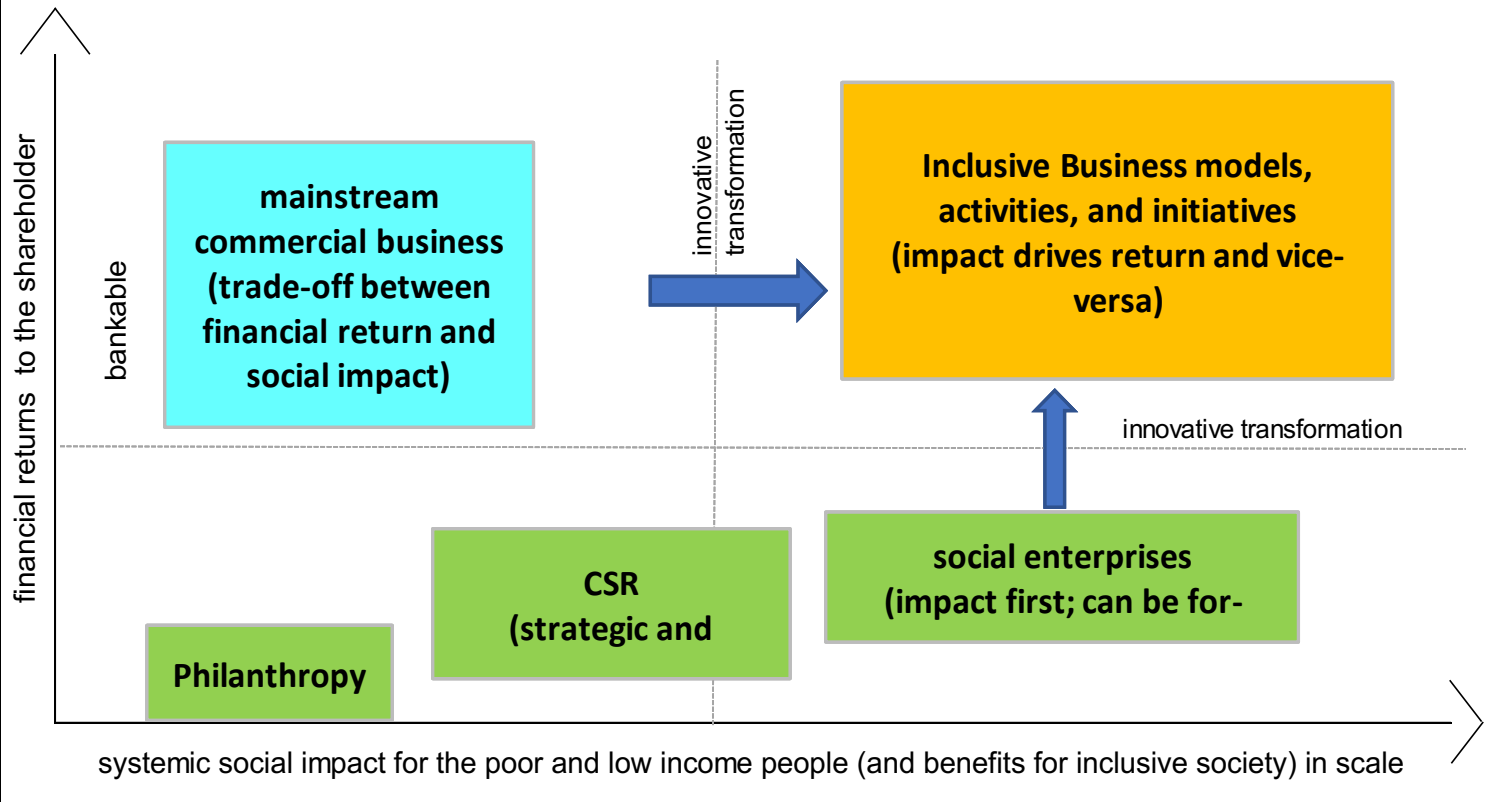
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IB can be made – it is about structural transformation

Inclusive Business - no trade off between the business bottom line and benefits for the poor and low-income people / the private sector's contribution to a society that leaves nobody behind



IB is about:

Structural transformation and

No trade-off between profit and social impact

Innovation to reduce business risk and enhance social impact (not just doing good on a small scale)

IB is different from SE and CSR, and from mainstream SME



- **NGO-driven social enterprises** → IB is profit oriented, emphasis growth and scale of impact
- Traditional **corporate social responsibility (CSR)** → IB are core-business models that can be scaled-up
- **Responsible business** → High ESG standards are a given for IB (these are assessed during accreditation)
- **Mainstream business** → no focus on social impact
- **Creating shared value** → IB thinks for solutions from poor perspective, not only expanding large businesses to the BoP
- **SMEs** → most IB are medium sized or larger enterprises; most SMEs do not have the strategic intend of creating (through business) social impact in scale
- **Value chain** financing, contract farming → social impact only if accordingly designed
- **Traceability** → more an environmental concern
- **ESG standards** → IB goes beyond ESG. IB is about creating impact, not just guaranteeing standard social and environmental safeguards or good business governance

IB types

IB is implemented through three distinct approaches

Three (3) types of Inclusive Business						
	traditional CSR	NGO-driven social enterprise	Inclusive Business			mainstream business
			IB activity	IB initiative	IB model	
type of company companies investing	large	micro+small	large	small+medium	medium+large	micro, small, medium, large
commercial viability, returns, scale of investment and revenue	tiny	tiny	small	small	medium to high	tiny to high
viability	not intended	perhaps intended	low	high	high	
bankability	not intended	low-high but limited		medium to high		
profitability	loss making	not intended	low-medium	medium	high	
social impact						not intended
reach	small	small	all but pilot for large	medium	large	
depth	low	low-high but limited		medium to high		
systemic change	not intended	low		medium to high		
innovation	not intended	not intended	intended to reduce investment risks and risks of the poor			sometimes intended, mostly not



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The IB landscape study for Cambodia



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There are many good examples of IB business lines in Asia and beyond

Agrobusiness: Kennemer Food (caco-PHI), IndoFoods (INO), Golden Sunland (MYA), Amru rice (CAM), scallion (CHI), millet (CHI), Chigu skin care (CHI), Nestle coffee (PHI), Engro milk (PAK), Jain irrigation (IND)

Social sectors: Aravind eye hospital (IND), Hippocampus (IND), J-SAT (MYA), OnDoctor (MYA), blue-color-job satisfaction (CHI), Prevoir (CAM)

Energy: Greenlight Planet (MYA, IND), ...

Trade: Metro (PAK), CitiMart (MYA) Olam ?

Finance: Tribanco / Grupo Martins (BRA), Brilla-Promigas (COL+CLE+ECU) , Agrofinanzas (MEX), microfinance ?

Urban utilities: Manila Water (PHI), Cemex (MEX),

And many more...



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... but how does it look in Cambodia?

Few but some very interesting

The landscape study

- Examined an initial longlist of 196 companies, later screened down to 94 and prioritized 72 potential IB cases for closer assessment, of which we interviewed 33 potential IB investments
- **Identified 20 IB cases:**
 - 15 are actual IB models and 5 are potential IB models
 - 17 were IB models and 3 IB initiatives; we did not find IB-activities.
- 13 of the 33 interviewed companies could not be classified as IB as 8 were mainstream business and 5 were NGO-driven social enterprises.

There may be more IB cases in the economy now ...
and there will be much more IB models in the future if IBeeC is implemented



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IB examples in Cambodia

Agrobusiness: Amru Rice, Lyly Foods, AgriBuddy, Fed Rice (p), Khmer Organic (p)

Manufacturing: Artisan d'Angkor,

Education, training, and job placement: Phare Circus

Health and insurance: Prevoir (CAM), Forte (p), BIMA

Energy: ACE, LES Solar, Okra Solar, Khmer Green Charcoal, Sun EEE

Trade and services:

Finance and FinTech: BanhJi, microfinance

Urban utilities, MyDream Home, World Bridge, Thira Partner, KWSS,



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But what is the social impact?

By 2023, just 20 companies with IB business lines will

		year 2023	compared to 2018	no of companies
create well paid new jobs	people	119,000	23,000	4
facilitate access to lighting and cooking energy	households	36,000	15,000	5
build new homes for the poor	households	14,000	3,000	2
connect to reliable drinking water	households	11,000	7,000	2
create accounting opportunities for micro-entrepreneurs	firms	40,000	3,000	1
provide technical training and job placement	people	2,000	1,000	2
provide insurance coverage (health, crop)	people	1,600,000	900,000	3
total number of beneficiaries (calculated by using a multiplier of 4.2 for households, and 7 for micro-firms)	people	2,257,200	1,050,000	19

They will have a total revenue of \$181 million by 2023, up from \$66 million in 2018 (good growth).



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Why is IB a public matter ?

The IBeeC strategy



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Why should the government be interested in IB? **The triple win**

➔ **Good for the poor:**

- Creates income opportunities above the market rate (BoP as supplier, distributor, labourer, shareholder);
- Provides affordable goods and services that are relevant to improve living conditions (BoP as consumer)

➔ **Good for business:** Creates returns, profit first but not only, reduces costs, develops new markets, engages new producers, huge unserved market, out-of-the-box solutions, but you need to be innovative to address all the risks at the BoP (it requires a very good understanding of the poor and their economy)

➔ **Good for society and government:** Reduces poverty, effective and efficient alternative to government intervention, pushes private sector to be socially responsible (private sector can effectively deliver services where government has limitations)

IB are the private sector contributions to poverty reduction and the SDGs → specific reporting

More IB investments mean

- better living standards of bottom 40-60% and those specifically excluded
- Better and more profitable business
- Structural transformation of the economy



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The ASEAN call for action

“... We called for *greater emphasis on creating an enabling environment for Inclusive Businesses* in ASEAN Member States ...

... We welcomed the adoption of the ASEAN Inclusive Business (IB) Framework by the ASEAN Economic Ministers, which institutionalizes and mainstreams IB into ASEAN's economic community-building efforts, particularly on *MSME development*. We recognized the role of Inclusive Business models in achieving the ASEAN Economic Community Vision 2025 of a resilient, inclusive, people-oriented and people-centered community, through market driven and innovative solutions to economic empowerment and social impact to over 300 million people at the Base of the Pyramid in ASEAN.

... We acknowledged the strong support for Inclusive Business in ASEAN expressed through the ... Inclusive Business Summit, ... and the ASEAN-Business Advisory Council (ABAC)'s ASEAN Inclusive *Business Award*

... We also acknowledged that several companies and governments in ASEAN have taken advantage of Inclusive Business opportunities for *poverty reduction*“

Chairman's statement of the ASEAN Summit, Nov 2017

- IB promoted through ACCMSMED
- Developed an IB Framework for ASEAN with concrete commitments from countries
- Regional conferences (Jun 2018, Nov 2018, Apr 2019)
- Regional learning
- IB awards in ABAC



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Cambodia's IBeeC strategy

8 key recommendations for creating a better enabling environment for IB in Cambodia

1. Multistakeholder steering group, focal points and champions (government, business associations, development partners) with clear Terms of Reference
2. Information sharing, branding, advocacy, seminars, participating in international events as leaders
3. IB accreditation, IB awards
4. Incentives
5. Public procurement
6. Technical Assistance facility for business coaching, impact assessment, and some further policy work
7. IB fund to de-risk impact investors and banks
8. Coherent IB reporting (in the context of SDG and national government and business associations' reports)



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The composite rating tool (voluntary, transparent, sharing responsibilities, awards and incentives)

The IB accreditation tool - a composite rating						
		weight	sector targets for high, medium, low	company achievement based on detailed interview assessment	rate (1-6)	score (rate x weight)
commercial (revenue, growth, profit, bankability, governance, social and environmental safeguard standards)	30 transparent criteria, 90 targets	41%				
social impact (reach, depth, systemic change, strategic intend)		46%				
innovations (business, technology, social/CSR, environmental)		13%				
summary scoring	(everything more than 3.2 score is IB; everything more than 3.0 is potential IB; minimum scores for commercial, social and innovation rating; no exclusion criteria except governance and social and environmental basic standards)					3.2
observations						
suggestions for potential IB agreement						
final decision:	IB (IB-I, IB-A, IB-M) or potential IB, non-IB (NGO-SE, CSR, mainstream business)					
what is in it for the company?	potential and real IB = business coaching, branding; real IB after confirming results of IB agreement: finance, tax incentives, procurement					



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Where do we go from here with the IBeeC?

Disseminate the findings of the landscape study

- 3 dissemination workshops: Battambang / SiemReap region (GIZ), Agrobusiness (MAFF), National Forum
- Presenting the Cambodia case during the 2nd ASEAN IB Forum: 1 Nov 2019 in Bangkok alongside the ASEAN Summit
- Final iBAN/ESCAP report by November 2019

IBeeC Strategy

- **Focal points** (established); IB action plan (___); 1st Steering Committee meeting (early 2020)
- **Accreditation guidelines** and capacity building for focal points→ by October 2019
- **IB country website**→ soon
- **Incentives**→ approval of the new investment law by October 2019
- Importance of **IBeeC technical assistance facility** to move things forward→ hopefully by end 2019
- **Risk-reduction facility**→ maybe by mid 2020



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Questions ?



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Additional information



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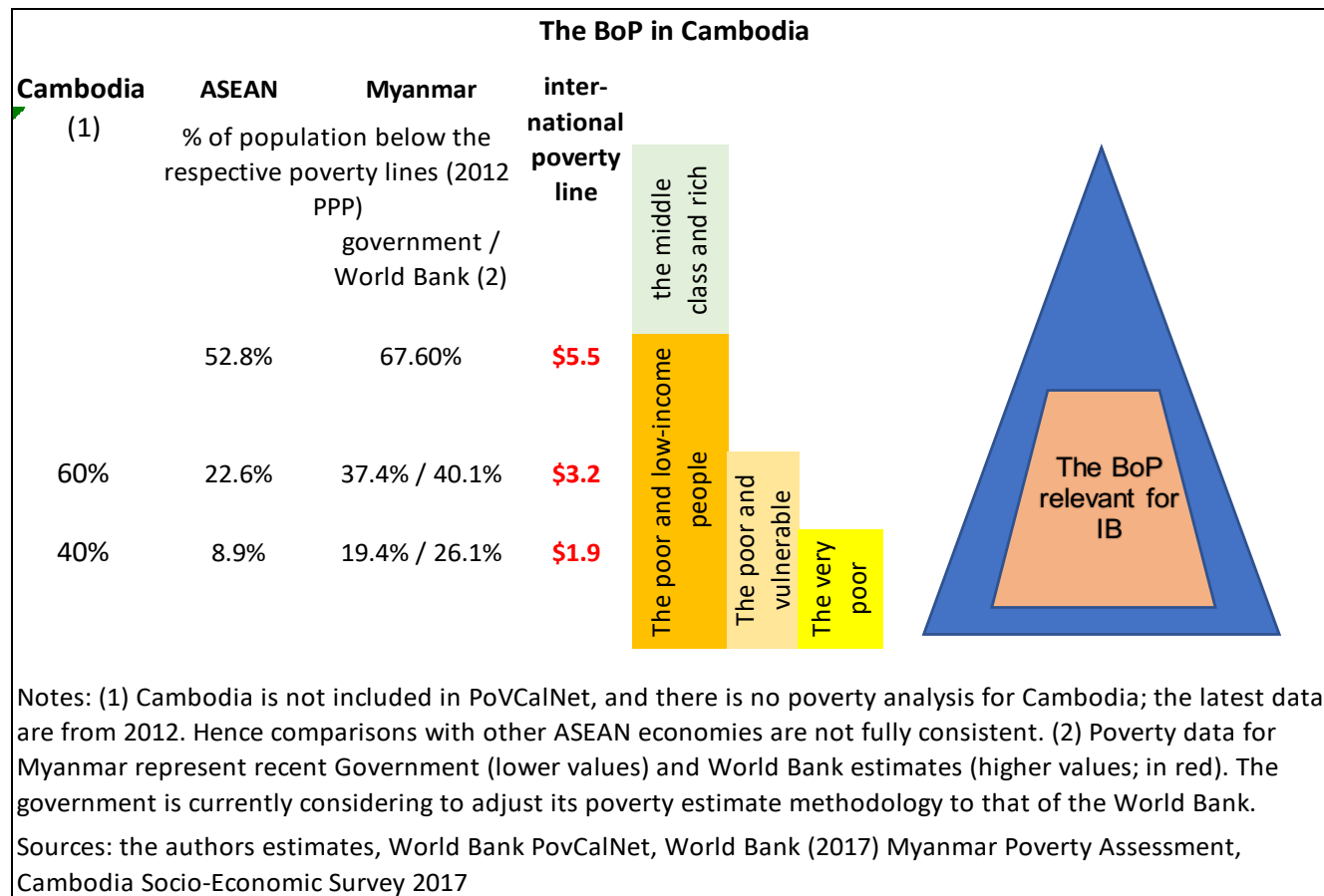
IB characteristics



- IB companies **design from the poor's perspective**,
- There is **no trade-off** between commercial return and social impact
- Done mostly by **medium-sized enterprises** (\$1-\$10 million revenue and +)
- Can be in **all sectors**. Many in agribusiness and Fintech and microfinance, but also in housing, health, education, energy, trade
- **Large social impact** (reach thousands, high depth, systemic change)
- **Innovative**: to achieve both high returns on investment and large and transformative social impact, the company has to be very innovative, especially in reducing the various risk of the poor
- **Company size matters**: ~~<\$0.2-out~~, small: \$0.2-\$1, medium: \$1-\$3, large: >\$3 (IB-M)
- There are **very few IB models**, but a few companies can have large impact.



The BoP in Cambodia and ASEAN



- 2018 international poverty lines (World Bank):
 - LLDC = \$1.9/day
 - L-MIC = \$3.2/day (Cambodia)
 - U-MIC = \$5.5/day
 - HIC = \$21.7/day
- Latest Cambodia poverty assessment is of 2012; Cambd. is not in PovCalNet
- **For Cambodia study, we use: \$250 (very poor), \$350 (poor), \$500 (low-income); in urban areas a bit higher (\$250, \$400, \$750)**
- In Cambodia, according to the 2017 CSES, the bottom 60% income groups have a **disposable income of only \$3 per capita per day**; the bottom 40% have \$2 and



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Some observations and questions

- Why so **few in agribusiness** and income generation?
- Why none in Cambodia's most exposed sectors, i.e. **textile and tourism**
- Why **none in health and so few in education**; what about municipal services (housing, water, sanitation, waste management)?
- What role do the **68 microfinance companies** play?
The importance of innovation



The enabling environment for IB

The macro context

1. **Growth in the country needs a new inclusiveness base**; innovative companies providing income opportunities or relevant services for the BoP can be a new business model, and there will be more.
2. **Little awareness on IB** and many NGO-driven social enterprises.
3. **Impact investors have money but very few and small deals**; the market is not that favorable to invest and risk reduction would help.
4. **Government and business associations show strong interest** in more strategic involvement .
5. **Development partners want to help, but** focus still on traditional SME support and NGO driven social enterprises, and somehow avoid risk taking in new ideas like IB.

That is why an IBeeC comes in handy.



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A big word of thanks to all who helped and were involved

- The government: **MoIH**, CDC, MAFF, MoEF, MoP
- The business associations: CCC, YEAC, FASMEC, CWEA (others: EuroCham)
- The private sector companies: so many
- The impact investors: ADB, Bamboo, Blue Orchard, IFC, IIX, LGT, Nexus, responsAbility, Uberis
- The IB facilitators: iBAN, Impact Hub, SNV, SwissContact,
- The development partners: DFAT, EC, GIZ, JICA, KOICA, UNIDO, One UN, USAID,



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Why is IB accreditation so important and how would it work?

1. Without knowing to **whom to target** incentives it will not work. If you target too many or the wrong ones, incentives will not work either.
1. Companies want to be **recognized and branded** for what they do well and for going beyond their bottom line to be relevant not only for growth, but also for society and people
2. Transparent and accepted accreditation can help expand **markets** for companies, get **incentives**, and access **funding from impact investors**
3. There is need for **clarity** and more transparency in the public discussion of doing good



IB accreditation principles

1. Composite rating tool
2. Ex-ante assessment (business plan) →
3. Business line only
4. Voluntary
5. Joint assessment from government and business association, done twice a year
6. Easy to do. We expect 20-50 proposals per year
7. Awards and branding
8. Incentives

Done or proposed in other countries including The Philippines, China P.R. (Shanxi), Myanmar, Cambodia, Viet Nam, Malaysia



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Selected Readings on IB

G-20 IB Framework: <https://www.inclusivebusiness.net/IB-Universe/G20/G20-and-IB>

IB Framework for ASEAN: <https://www.inclusivebusiness.net/IB-Universe/G20/G20-and-IB>

iBAN: <http://www.inclusivebusinesshub.org/micro-site/inclusive-business-action-network/>

ESCAP and Inclusive Business: <https://artnet.unescap.org/sti/policy/inclusive-business>

ADB and Inclusive Business: <https://www.adb.org/themes/social-development/inclusive-business>

IFC and IB:

<http://www.ifc.org/wps/wcm/connect/4e51da004b60933a8046d508bc54e20b/DefinitionReviewProcessOct2015.pdf?MOD=AJPERES>



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