



# INCLUSIVE BUSINESS IN SOUTH-EAST ASIA

**Businesses that deliver  
inclusion, policies that  
generate transformations**

Inclusive businesses provide goods, services, and livelihoods to people living at the base of the economic pyramid; and engage them at scale as suppliers, distributors, retailers or consumers.

Policies that support inclusive business maximize the potential of the private sector to deliver on the Sustainable Development Goals and leave no one behind.

# BUSINESSES AS ACTORS OF INCLUSIVE DEVELOPMENT

The Sustainable Development Goals (SDGs) call for increased commitment of the private sector to deliver inclusive growth and leave no one behind. Inclusive Businesses (IBs) are catalytic agents for the Global Goals as they contribute to inclusive and sustainable growth and poverty reduction.

“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.”<sup>1</sup>

The BoP, the poor and low-income people, typically comprise the bottom 40-60 per cent of the population. Globally, the BoP encompasses four billion people and represents a market worth USD five trillion,<sup>2</sup> still largely underserved by existing market players.

IB companies seek to explore this market opportunity by developing business models that engage the BoP. While IBs can be found across all sectors and operate a broad range of businesses, they have four key common features:

- Commercially viable, bankable, and for-profit, core-business models
- Scale in business operation, social impact and growth
- Systemic solutions for the relevant problems of the poor and low-income people
- Innovation, to be able to be profitable while including the BoP

## WINS OF INCLUSIVE BUSINESSES

Inclusive business 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 businesses:** IB models offer profitable business options and new investment opportunities, develop new markets, and foster innovation. IB models also enhance the branding and visibility of companies and expand access to support mechanisms and new ecosystems.

**For society and governments:** IBs help governments achieve job creation and address essential needs of the poor, low-income and vulnerable people. This includes the creation of income opportunities that lift people out of poverty at scale and the delivery of relevant and affordable goods and services to the BoP (including education, health, water, energy and housing).



1. As defined by the G20 Inclusive Business Framework  
2. Figures based on World Bank data

# INCLUSIVE BUSINESS IN CONTEXT

## IB Development in South-East Asia

Despite strong economic growth, in South-East Asia, the BoP still accounts for over 330 million people. Inclusive Business offers new market and investment opportunities for emerging firms and new business models for established medium- and large-sized companies. Across the region, successful IB companies are reaping the benefits of the BoP market while generating impact.

### IB PROFILE

#### Olam International - ASEAN Inclusive Business Award Winner<sup>3</sup>

Indonesia is the third largest producer of cocoa in the world. Over 600,000 Indonesian farmers cultivate this high-value commodity, making it the country's primary livelihood. Unfortunately, cocoa production has been steadily declining due to poor crop condition and climate change.

During the peak downturn in production, Olam International strengthened its efforts to aid cocoa farmers and address their greatest needs: resilient and productive trees. As a global agribusiness, Olam has access to leading cocoa plantation research and methods that they can share with producers.

In 2012, Olam launched its Cocoa Nursery Module to give farmers the opportunity to create a seedling nursery using Olam planting material. In exchange for the nursery package, the farmer provided part of the seeds to improve trees in the community. At the end, farmers gained ownership of a new seedling nursery business, diversifying income, as well as access to quality inputs to grow better trees and increase cocoa production.



## RESULTS & IMPACT

OLAM'S COCOA NURSERY MODULE  
INCREASED SEED PRODUCTION FROM

**8,000 TO 73,500**  
PER CYCLE (6 MONTHS)

INCREASED BATUHALANG'S COCOA  
PRODUCTION TO

**400 METRIC TONS**



# ENABLING ECOSYSTEMS FOR INCLUSIVE BUSINESS

Establishing an enabling ecosystem for IB is a mean to spur inclusive growth and to strengthen the foundation for achieving development targeted at the BoP. Yet, low levels of awareness and the absence of policy framework for IBs are still prevailing in the region. IB is only an emerging topic among policymakers, and the number of IB companies is still relatively small, estimated to be less than one per cent of all registered companies outside the informal sector.<sup>4</sup>

While IBs are specific private sector investments and face the typical business challenges in emerging economies, governments can encourage the emergence and expansion of inclusive businesses by establishing conducive rules, providing relevant information and raising awareness, building the capacities of the BoP and IBs, and enhancing access to finance, among other factors.

## EIGHT POLICY ACTIONS FOR INCLUSIVE BUSINESS

Best practices to support Inclusive Businesses are emerging across the globe. In Southeast Asia, governments are promoting IB companies by acting in eight key areas:

1. **Awareness:** Fostering information sharing and awareness raising through events, workshops, publications, promotional materials, websites, IB awards, etc.
2. **Coordination:** Establishing special IB focal points in government agencies and among private sector associations and establishing Steering Committees for aligned action
3. **Accreditation:** Creating registration or accreditation systems to enhance participation of companies and monitor social impact of the private sector in the country
4. **Procurement:** Embedding pro-poor targets into government contracts and prioritizing procurement from IB companies, especially those that have obtained accreditation
5. **Incentives:** Together with the private sector, designing suitable incentive systems, including tax incentives, to stimulate the adoption and growth of IB models
6. **Finance:** Developing financial products for the needs of IBs, such as de-risking for investors, and fostering suitable investments linkages, such as by facilitating impact investment;
7. **Technical Assistance:** Creating facilities specifically dedicated to supporting IBs by providing business coaching, supporting business development and fostering innovation exchanges, as well as to support actors to strengthen the overall ecosystem for IBs;
8. **Monitoring & Report:** Developing strong monitoring systems and systematically reporting on the contributions of IBs to the SDGs.

Promising developments are seen, and potential exists to grow the number of IB investments in the region. Governments in Southeast Asia have already set up specific IB promotion institutions, policies and programs to develop an enabling eco system for IB. In the Philippines, since 2017, IB models are eligible for tax incentives. Countries such as Myanmar, Cambodia, Viet Nam, and Malaysia are currently considering the possibility of putting in place policies that support inclusive business development.

# POLICY SUPPORT FOR INCLUSIVE BUSINESS

## The Philippines Leadership

In the Philippines, IB has been recognized as a pathway to reduce poverty. The country is the first in South-East Asia to accredit companies and provide tax incentives to IBs.

In 2018, the first full year of implementation of the incentive policy, five projects were approved to source USD five million worth of goods and services from the BOP and directly hire at least 185 and engage over 1,000 individuals, 30 per cent of which are women from the marginalized sectors.

The Philippines has close to 70 IB companies. In 2019, the government is working to finetune its policy design to increase the number of companies availing incentive as well as expand its sectoral reach.

### IB PROFILE

#### Erikagen Inc. - ASEAN Inclusive Business Award Winner<sup>5</sup>

In the Philippines, 1.5 million families are pushed to poverty every year because of health care expenditures. In 2004, Erikagen Inc., or Generika Drugstore, pioneered the retail of generic medicines to the middle- and low-income sectors. Most of the municipalities where Generika Drugstore is present are rural communities that lack basic health care infrastructure. Through Erikagen stores, millions of Filipinos gain access to Food and Drug Administration-licensed medicines that are up to 85 per cent cheaper than branded ones. They also gain access to affordable quality health care services, and hence achieve an improved quality of life.



## RESULTS & IMPACT

OPERATES MORE THAN  
**750** GENERICA DRUGSTORES  
NATIONWIDE

ENGAGES IN  
**38 MILLION**  
TRANSACTIONS A YEAR

5. Philippine Board of Investment (BOI), Impact Catalysts  
-4Inclusive Business Models in the ASEAN, 2018

# ESCAP SUPPORTS INCLUSIVE BUSINESS IN SOUTH-EAST ASIA

ESCAP, in partnership with Inclusive Business Action Network (iBAN), supports inclusive business in Southeast Asia by generating intelligence, gathering evidence and providing recommendations for policymakers and institutions to encourage inclusive businesses.



**Analysis and studies:** ESCAP conducts landscape studies, including the mapping of existing and potential inclusive business and the assessment of the enabling business environment, to provide policy recommendations.



**Technical and advisory services:** ESCAP provides expert support to policymakers in the development of enabling policies.



**Regional policy dialogue:** ESCAP brings the perspective of the private sector to policy and offers platforms for knowledge sharing.

In its Inclusive Business efforts, ESCAP leverages its expertise in promoting impact investment, sustainable and responsible business and inclusive innovation to support policymakers to develop inclusive business policies and provide a sub-regional platform for sharing knowledge and lessons learned across South-East Asia.



## **To support governments in Southeast Asia to promote IB, in 2019, ESCAP is conducting:**

- Landscape study in Cambodia
- Landscape study in Viet Nam
- Landscape study in Malaysia
- Advisory services for The Philippines
- Advisory services for Indonesia
- Session on Inclusive Business at the Asia-Pacific Business Forum (APBF), Port Moresby, 21 June 2019
- Report on IB policy developments in ASEAN, November 2019
- Inclusive Business Summit, Bangkok, 1 November 2019

## United Nations ESCAP and the Inclusive Business Action Network (iBAN) partner to strengthen the policy environment for inclusive businesses in South-East Asia

In 2019, ESCAP and iBAN launched a joint initiative to help governments to enhance the policy environment for inclusive business in South-East Asia. Together, ESCAP and iBAN support initiatives in Cambodia, Indonesia, Malaysia, The Philippines and Viet Nam.

The iBAN-ESCAP partnership focus on three main areas: country-level analysis and advice, regional policy dialogue and knowledge exchange. The partners conduct studies that identify existing and potential inclusive business companies in each country and analyze the overall context in which they operate. Based on this analysis, the studies will provide recommendations for policymakers and institutions to encourage inclusive businesses. The partners will provide policymakers with technical and advisory services to help them design inclusive business policies. ESCAP will also convene member States and promote policy dialogue and endorsement at the regional level.

*"We see Cambodia as a very good example of how a committed Government and its private sector partners can set up an enabling environment for inclusive business. In less than a year, a market scoping study was prepared, a strategy for IB promotion would be approved, and very focused concrete working areas were agreed. This was done with strong ESCAP/iBAN support for which the Government would like to thank the sponsoring and executing institutions, including GIZ/BMZ and the EU."*

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