



REPORT

Advancing Enabling Policy Environments for Inclusive Businesses in the Association of Southeast Asian Nations (ASEAN)

This report was prepared on request of the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) by the United Nations Economic and Social Commission for Asia and the Pacific (United Nations ESCAP) and the Inclusive Business Action Network (iBAN).



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REPORT

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EXECUTIVE SUMMARY

Since the endorsement of the ASEAN Inclusive Business Framework (AIBF) in 2017, Member States have made encouraging progress towards the development of enabling policy environments for Inclusive Businesses. Inclusive Business (IB) now features closer to the centre of inclusive and sustainable development efforts in the region.

A common definition of Inclusive Business has been provided by ASEAN and awareness of the potential of IB companies for poverty reduction and inclusive and sustainable economic growth is increasing among Member States. It is now the right time to scale support for inclusive business at the ASEAN and its Member States.

As awareness of IB increased, ASEAN Member States have sought to understand how Inclusive Businesses can complement other efforts aimed at harnessing the potential of the private sector for development. Depending on the socio-economic context of each country, the IB agenda has found synergies with the promotion of micro-, small- and medium-sized enterprises (MSME), social enterprises (SEs) - including measures to promote impact investment, and corporate social responsibility (CSR).

These synergies represent opportunities to enhance the promotion of Inclusive Business by building on existing policy frameworks focussing on MSMEs, SEs and CSR. Indeed, in several Member States, the IB agenda is being connected to one or more of these topics, depending on the national development priorities. Leveraging the existing frameworks has allowed countries to move faster on the IB agenda.

The AIBF, however, specifically emphasizes promoting the growth of Inclusive Business models. In their effort, it will be important for ASEAN Member States to put in place measures that support companies with IB potential to shift from MSMEs, SEs and CSR models with limited economic and social impact towards becoming Inclusive Businesses with strong IB models.

As highlighted in the AIBF, governments can encourage the emergence, expansion and scale-up of inclusive business models by establishing conducive rules to spur an enabling business environment, providing relevant information and raising awareness, building the capacities of the BOP and IBs, and enhancing access to finance.

ASEAN Member States are at very different stages in the promotion of Inclusive Business. Most countries have only just started exploring policy and support options, while others have not yet placed IB in their national agendas.

Establishing conducive rules, regulations and definitions

In several frontrunner countries, including Myanmar, the Philippines, and most recently Cambodia, the IB agenda has advanced rapidly over the past two years, with national strategies and pilot support initiatives being developed. In other countries, such as Indonesia, Malaysia and Viet Nam, significant progress has also been achieved with the launch of Inclusive Business national studies. Although progress has been achieved and awareness is increasing, few Member States have so far adopted concrete rules and regulations to support Inclusive Business. The notable exception is the Philippines, which has piloted an accreditation and tax incentive system, for Inclusive Businesses.

Enhancing access to financial resources and providing financial incentives

Currently, there are no government funds specifically targeted at IB in ASEAN and, except for the tax incentive of the Philippines, there are virtually no financial incentives tailored to IBs. Nonetheless, several recent developments are helping extend access to financial resources for Inclusive Businesses. At the national level, commercial banks, MSME banks, certain government funds, funding from Development Finance Institutions (DFIs) and, most recently, Private Impact Investors (PIIs) have sporadically supported IBs, as have development partners. With the increased awareness around impact investment and the growth in the activity of investors in the region, opportunity exist to raise the visibility and business case of IB companies for investment.

Providing information and raising awareness

The ASEAN Secretariat, development partners and IB champions within national governments have dedicated significant efforts to raising awareness around Inclusive Business and its development potential. As a result, IB has featured in regional discussion forums and IB policy-oriented initiatives have advanced in several countries. Moving forward, efforts are needed to expand awareness among a broader range of stakeholders, creating a general understanding at the national level to sustain momentum and support strong policy development for Inclusive Business.

Strengthening the capacity of the BOP and Inclusive Businesses

Technical assistance (TA) for Inclusive Business has been mostly driven by development partners in ASEAN with the support of donor countries. Directly targeting IBs, efforts have been focussed on helping companies develop or strengthen lines of Inclusive Business or on supporting government actors to design IB policy measures. ASEAN Member States have put in place several mechanisms, including strong private sector support institutions, that can extend TA services to Inclusive Business. These include national accelerators, entrepreneurship and innovation centres, trade and investment bodies, among others. Development actors can be important partners in generating local expertise for Inclusive Business support.

As ASEAN Member States start to develop support to Inclusive Businesses, several common challenges start to emerge that offer important lessons for the strengthening of efforts. Challenges faced include: the difficulty in raising awareness and securing strong buy-in for Inclusive Business nationally; limited national institutional and technical capacity to design and implement policies; difficulty in overcoming certain charitable and philanthropic mentalities in private sector engagement in development; difficulty in securing space for IB among MSME, SEs and CSR agendas; lack of resources to fund policy development and support for IBs; and limited knowledge of the BOP market in countries and, consequently, of the real potential for Inclusive Business, among other factors.

Inclusive Business in ASEAN

The ASEAN Secretariat has been a champion of Inclusive Business. Building on the momentum created, the current context is optimal for the ASEAN as a regional organisation to enhance its promotion of Inclusive Business and support countries to develop concrete enabling policies. In this context, ASEAN has a key role to play in coordinating regional action on Inclusive Business, providing platforms for the exchange of experiences, learnings as well as best practices for advancing in the region IB, ensuring that national frameworks are aligned to enable regional cooperation, and raising awareness and incentivizing the adoption of IB models across the region.

Inclusive Business in ASEAN Member States

Governments have been the main drivers of the IB agenda in ASEAN Member States. Awareness of the potential of IB for inclusive and sustainable development and the championship of committed policymakers have been the key forces behind the progress achieved. The experience of frontrunners provides important lessons and a potential blueprint for other countries in the region.

National studies have helped countries better understand the potential for IB in the country and the existing environment for IB growth, guiding the development of policy recommendations and strategies. Participatory approaches, with a diverse set of stakeholders in the public and private sectors, have supported countries in raising awareness and gathering support from the private sector for IB. In addition, partnerships with development partners have offered access to technical expertise and resources to drive efforts further.

Policy design has focussed on eight (8) key strategic areas for promoting IB:

- 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 actors and, preferably, establishing a Steering Committee to further support coordination and shared action of focal points;
- 3) Accreditation: Creating a registration or accreditation system for IB to enhance participation of companies and understand and successively monitor IB Models and the social impact of the private sector in the country;
- 4) Procurement: Embedding pro-poor targets into government contracts and prioritizing procurement from companies that have IB Models, 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 that are customised to the needs of IBs, such as de-risking facilities for investors, and fostering suitable investments linkages, such as by facilitating impact investment in the country;
- 7) Technical Assistance: Creating a TA facility specifically dedicated to supporting inclusive businesses in the country that could provide business coaching to aspiring IB companies, support business development for IBs, foster innovation exchanges to develop new IB Models, as well as support government actors to strengthen the overall ecosystem for IBs;
- 8) Monitoring & Reporting: Developing strong monitoring system and systematically reporting on the contributions of IB Models and of IBs to the SDGs.

The mainstreaming or housing of IB under existing MSME, SEs and CSR frameworks has been a common trend among ASEAN Member States. In addition, the strong participatory approach adopted, which has brought the public and private sectors together, has created opportunity for the development of public-private partnerships in these areas of IB promotion, although efforts are still at a very early stage.

Moving ahead, ASEAN Member States will need to develop national capacity to drive further the design and implementation of IB policies as well as mobilize the resources needed to build an enabling environment for Inclusive Business, creating strong bases for the sustainability of IB efforts.

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ACRONYMS AND ABBREVIATIONS

ACCMSME	– ASEAN Coordinating Committee on Micro, Small and Medium Enterprises
AIBF	– ASEAN Inclusive Business Framework
AMS	– ASEAN Member States
ASEAN	– Association of Southeast Asian Nations
ASEAN-BAC	– ASEAN-Business Advisory Council
AVPN	– Asian Venture Philanthropy Network
BOP	– Base of the Economic Pyramid
CSR	– Corporate Social Responsibility
DFID	– United Kingdom Department for International Development
DFIs	– Development Finance Institutions
ESCAP	– Economic and Social Commission for Asia Pacific
G20	– Group of Twenty
GIIN	– Global Impact Investment Network
GIZ	– Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
IB	– Inclusive Business
IPP	– Investment Priorities Plan
iBAN	– Inclusive Business Action Network
IBs	– Inclusive Businesses
MaGIC	– Malaysian Global Innovation and Creativity Centre
MSMEs	– Micro, Small and Medium-sized Enterprises
NGOs	– Non-Governmental Organisations
NSDP	– National Strategic Development Plan
PIIs	– Private Impact Investors
SAP SMED 2025	– ASEAN Strategic Action Plan for SME Development 2016-2025
SDG	– Sustainable Development Goals
SE	– Social Enterprise
SMEs	– Small and Medium-sized Enterprises
SNV	– SNV Netherlands Development Organisation
TA	– Technical Assistance

INTRODUCTION, REPORT STRUCTURE, AND METHODOLOGY

In September 2017, the ASEAN Member States (AMS) endorsed the ASEAN Inclusive Business Framework¹ (AIBF). The ASEAN Chairman's statement of November 2017 called on Member States to foster an enabling environment for Inclusive Business through conducive rules and regulations, enhanced access to financial resources, awareness raising and education, and capacity building for businesses and the populations they engage.

Following this call to action, a new movement started to unfold among ASEAN Member States to develop specific policies and to set up promotion institutions and programs to develop an enabling ecosystem for Inclusive Businesses (IBs).

This report presents the most recent advances in Inclusive Business policy development in the ASEAN region. It also discusses challenges ahead and provides recommendations for further supporting an enabling environment for Inclusive Business.²

Inclusive Businesses 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 customer.³

The ASEAN Framework understands that IB is implemented along the three major approaches – IB Models, IB Activities and Social Enterprise Initiatives – however, it centres on the promotion of the IB Model approach and views the support of the other two approaches in the context of scaling them up into IB Models. Aligned, this report provides an update to the ADB 2018 report focussing particularly on the development of IB policies aimed at promoting “IB Models” in ASEAN, aligned to the prioritise set in the AIBF.

The report also takes note of the contribution of IB for inclusive and sustainable development in ASEAN and explores how IB promotion reinforces and complements existing and emerging policies on Micro, Small and Medium-Sized Enterprises (MSMEs) Development, Social Entrepreneurship and Corporate Social Responsibility (CSR) in the region.

Section 1 of this report examines the concept of IB in the ASEAN context. Section 2 reviews the inclusive business policy development efforts in ASEAN, including a discussion on key challenges. Section 3 presents recommendations and opportunities for advancing efforts in the region. In addition, Annex II provides an IB policy profile for each ASEAN member state.⁴

1 <https://asean.org/wp-content/uploads/2012/05/ASEAN-Inclusive-Business-Framework.pdf>

2 This document builds on the “Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations” report, published in May 2018 by the Asian Development Bank (ADB).

3 (Association of Southeast Asian Nations, 2017)

4 This report focuses on public policy support for Inclusive Business; it does not provide an overview of IB related investments of the private sector or of impact investors.

This report has been drafted by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP),⁵ in partnership with the Inclusive Business Action Network (iBAN),⁶ and builds on their expertise in Inclusive Business policy development and experience in supporting an enabling environment for IBs in ASEAN⁷. More importantly, the report is based on the inputs provided by the ten ASEAN member States through their IB Focal Points⁸. Inputs from the ten Member States were collected through feedback provided on the annotated outline of the report, open ended questionnaires, and comments provided to earlier drafts of the report.

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- 5 ESCAP is the regional development arm of the United Nations for Asia and the Pacific region. www.unescap.org
- 6 The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. <https://www.inclusivebusiness.net/>
- 7 IBAN and ESCAP currently provide policy support on IB to the ASEAN Secretariat and the ACCMSME, as well as to ASEAN economies (including Cambodia, Malaysia, the Philippines, and Viet Nam). In addition – in 2018 - DFID provided IB policy support to Myanmar.
- 8 Focal Points were identified during the ASEAN IB Policy Development programme undertaken in collaboration with ACCMSME in 2017. Refer to ANNEX I for a list of IB champions and driving institutions in each ASEAN Country.

1. INCLUSIVE BUSINESS FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

This section provides a definition of Inclusive Business and discusses their importance for promoting economic growth that is inclusive of and sustainable for the populations at the base of the economic pyramid (BOP) in ASEAN. In addition, it highlights the intersection between IB and the Sustainable Development Goals (SDGs).

1.1. DEFINING INCLUSIVE BUSINESS

According to Inclusive Business Framework of the G20⁹, 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.”¹⁰

The IB Framework of the G20 further defines the BOP as men and women in low-income families¹¹ or who lack access to basic goods and services. The low-income segment is commonly considered to be the bottom 40%–60% population and includes people earning up to USD 5-22/day in purchasing power parity terms (PPP).¹² The actual BOP cut-off, however, differs per country.¹³

According to the Global Consumption Database of the World Bank, the BOP is estimated to account for 4.5 billion people located in 92 developing countries and emerging markets. Collectively, this segment of the population spends more than USD 5 trillion a year and represent a new and promising market.¹⁴

In Southeast Asia, the BOP market is estimated to be around 349 million people, or 56% of the population. Together, they have a purchase power of USD 220-320 billion.¹⁵ This represents a sizeable opportunity for businesses seeking to enter new markets and expand their customer base.¹⁶

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- 9 In its Inclusive Business Framework, the G20 provides the most comprehensive and accepted definition and classification of Inclusive Businesses. (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018). This definition is adopted by ASEAN in its Inclusive Business Framework of 2017. (Association of Southeast Asian Nations, 2017).
- 10 (G20, 2015, p. 3)
- 11 IBs do not exclusively focus on the poor. In fact, mostly, IBs re focussing on the low-income population; those living above the poverty line, but still within lower-income groups of the population.
- 12 Setting the maximum in PPP terms adjusts the real figure to equate the relative purchasing powers amongst different countries.
- 13 The income level of the BOP depends on the socioeconomic status of a society. The BOP threshold in Latin America was set at \$8 per capita daily expenditure based on 2005 purchasing power parity (PPP), but in developing Asia, this is \$6 to \$4, and in the developed APEC economies, this would be around \$15 or more. (Asian Development Bank, 2018, p. 3).
- 14 (World Bank, 2019)
- 15 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018, pp. 16-17)
- 16 Ibid (17)

IBs capitalize on this market opportunity by developing IB Models¹⁷ that engage the BOP at scale while generating sizeable profit. While IBs can be found across all sectors and operate a broad range of business models, they have four key common features:

- 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.

IBs promote structural transformation and systemic change. IB Models look at scale and see no trade-off between social and commercial impact. Through scale, IBs deliver reach and depth in the solutions provide. Aligned, studies have shown that IB is mainly undertaken by medium to large, normally domestic, companies.¹⁸

IB Models are private sector contributions to poverty reduction and to the achievement of the sustainable development goals (SDGs) and create multi-faceted wins for society. The SDGs call for increasing commitment of the private sector to deliver inclusive growth and leave no one behind. Inclusive Businesses are a catalytic agent for the Global Goals as actors that contribute to inclusive economic growth and poverty reduction. They create triple wins:

- For the poor and low-income populations: IB Models create income opportunities above the market rate and/or expand access to essential goods and services;
- For businesses: IB Models offer profitable business and investment opportunities, develop new markets, and foster innovation. IB Models also enhance branding and visibility of companies, 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 (for instance, in education, health, water, energy and housing).

The G20 IB framework describes three approaches to implementing IB for companies: (i) they can operate directly as scaled-up IB Models; (ii) companies can operate IB activities [e.g., through core business-related Corporate Social Responsibility (CSR) programs], which can be scaled up into IB Models; and (iii) entrepreneurs can start social enterprise initiatives, which can be scaled up to become IB Models (Table 1).¹⁹

17 A business model describes how an organisation creates, delivers, and captures value. It is a design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing. An inclusive business model, therefore, represents a design where the BOP is at the core of a company's operations.

18 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018, p. 11)

19 A company can operate in parallel regular and inclusive business lines. Examples of multinational companies that operate regular and inclusive business lines are Unilever and Nestlé. Answering to market demand, these companies have launched commercial business lines of ethically sourced and Fair-Trade products that engage the BOP as either suppliers, distributors or retailers as well as developed lines of products directly targeted at the BOP as consumers. For instance, one of Unilever's signature BOP product is Pureit, a countertop water-purification system sold in India, Africa and Latin America.

Table 1: Inclusive Business Approaches

	Inclusive Business Models	Inclusive Business Activities (e.g. Strategic CSR)	Social Enterprise Initiatives
BOP relationship to business	Core value chain	Ancillary	Ancillary or core value chain
Financial return	Market returns	Market returns or below-market returns	Not profit-maximizing
Primary funding type	Commercial	Commercial	Mixed
Investment size	USD 5 million–USD 200 million	USD 300,000–USD 3 million	USD 100,000–USD 3 million
Type of company promoting the model	Large and medium, often family-owned, sometimes multinational	Large and medium, sometimes multinational	Small

Notes:

1. Investment sizes are derived from observed investments and revenues of inclusive business in Asia.
2. Mixed funding comprises commercial and grant funding.

Source: (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018, p. 8)

A company can be fully dedicated to IB Models or operate in parallel regular and inclusive business lines. Examples of companies that operate regular and Inclusive Business lines are large-sized firms like WorldBridge International in Cambodia and Manila Water investment in the Philippines. Answering to market demand, these companies operate commercial business lines of products that engage the BOP as either customers, suppliers, distributors or retailers.

Manila Water is a subsidiary of Ayala Corporation, the largest business conglomerate in the Philippines with a diverse set of investments. Manila Water is the exclusive provider of water and used water services to over six million people, mostly BoP populations, in 23 cities and municipalities of Metropolitan Manila. Since 1999 the company – through its Tubig Para Sa Barangay (Water for the Community) program – has expanded water connection to about 2.9 million households (including 1.8 million people from marginalized communities), reduced system losses, and increased safe and affordable water availability from 26% to 99% of households in the served areas, most of them the slum regions of the Metropolitan Manila.²⁰

In Cambodia, logistics solution provider, WorldBridge International, launched the WorldBridge Homes to provide good quality, safe and affordable housing for low- and medium-income households.²¹ In 2017, WorldBridge Homes announced a project to build near 2,500 affordable houses in the outskirts of Phnom Penh, with each house unit priced at USD 25,000 to 30,000. The company adapted its payment scheme to allow low-income populations to access the offer. Previously, buyers were requested to pay 30% of the house value in the first 6 months, which was difficult for BoP families. In the new payment scheme, buyers are only required to pay 5% in the first month. Subsequently, they have 24 months to complete payment without any interest rate and can choose to finish 20, 25, or 30% of payment based on their capabilities.²²

20 (Manila Water Enterprise, n.d.)

21 (World Bridge Homes, n.d.)

22 (Hin, 2018)

1.2. A SHARED ASEAN IB AGENDA

While IB is a private sector investment, Governments can encourage more Inclusive Businesses to emerge and thrive through enabling policies with targeted incentives to enable businesses to be inclusive while meeting profit targets. Governments in ASEAN economies are increasingly interested in promoting meaningful enterprises that directly contribute not only to growth but also to social inclusion and poverty reduction.

In September 2017, the ASEAN member-states endorsed the ASEAN Inclusive Business Framework (AIBF). This framework institutionalizes and mainstreams IB into the association's economic community-building efforts. The framework highlights the important contributions of IBs in the context of the ASEAN's Economic Community Blueprint 2025²³, notably in strengthening the role of MSMEs and the private sector, narrowing the development gap, opening a new area of public-private partnership, and achieving the SDGs.²⁴

In November 2017, the Heads of State of the ASEAN community, in their leadership summit, also acknowledged the importance of "IB Models in achieving the ASEAN Economic Community Vision 2025²⁵ of a resilient, inclusive, people-oriented and people-centred 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."²⁶

In support of Inclusive Businesses, the ASEAN Chairman's Statement called for "greater emphasis on creating an enabling environment for Inclusive Businesses in ASEAN Member States through conducive rules and regulations, enhanced access to financial resources, awareness raising and education, and capacity building for both businessmen and women, and poor communities".²⁷

The AIBF stressed the importance of government support for the widespread adoption of IB. Four thematic areas of contribution were identified based on the G20 IB Framework to support the development of an enabling environment for IB in ASEAN:

- i. Establishing conducive rules, regulations and definitions;
- ii. Enhancing access to financial resources and providing financial incentives;
- iii. Providing information and raising awareness;
- iv. Strengthening the capacity of the BOP and of Inclusive Businesses.

Moreover, the AIBF stressed the importance of focussing on IB Models as the main channel to promote Inclusive Business in the region. Along these lines, the Framework defined that ASEAN would emphasize the promotion of IB Models, supporting IB Activities (including Strategic CSR) and Social Enterprise Initiatives with the objective of scaling them into IB Models. ASEAN Member States were, in this sense, incentivised to focus on the development of policies that specifically promote IB Models.

The ASEAN Coordinating Committee for Micro Small and Medium Enterprises (ACCMSME) took on the task to advance the IB topic in ASEAN, notably on determining how IB can contribute towards the objectives of the ASEAN Strategic Action Plan for Small and Medium Enterprise Development 2016-2025 (SAP SMED 2025).²⁸

The strong support for Inclusive Business in ASEAN was also demonstrated by the successful conduct of the first ASEAN Inclusive Business Summit held in Manila in September 2017 and the ASEAN-Business Advisory Council (ABAC) inaugural ASEAN Inclusive Business Award 2017.

To advance the development of national IB policy action plans, ACCMSME launched in March 2018 the ASEAN Inclusive Business Policy Development Programme, a collaboration with iBAN, a global initiative supporting the scaling and replication of IB Models funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union (EU).²⁹ As part of this programme two policy forums were conducted in 2018, the first one on IB Policy Development (Singapore, June 2018) and the second one on IB Eco-Systems (Nay Pyi Daw, November 2018). Representatives of the ten ASEAN member states and the ASEAN Secretariat participated in the programme.

In 2018, iBAN partnered with ESCAP to support governments to enhance the policy environment for Inclusive Business in Southeast Asia. Together, partners are conducting research and analysis that helps inform policy design, fostering platforms to share knowledge and lessons learnt across ASEAN, and providing forums for member States to explore Inclusive Businesses opportunities. Through this framework, iBAN and ESCAP are collaborating with five (5) ASEAN Member States (Cambodia, Indonesia, Malaysia, the Philippines and Viet Nam) and the ASEAN community through ACCMSME and ABAC.

Currently three national IB landscape studies (Cambodia, Viet Nam and Malaysia) and two policy advisory services (Indonesia and the Philippines) are under way in five ASEAN Member States. These aim to identify concrete opportunities and critical challenges for the development of inclusive businesses and SMEs and have helped guide the design of enabling policies.

The Third ASEAN IB Policy Forum will take place in Bangkok in September 2019. Later, in November 2019, AMS will come together in the same city during the Second ASEAN Inclusive Business Summit to share the progress made in promoting Inclusive Business in ASEAN.

ASEAN Member States have already started setting up specific policies, promotion institutions and programs to develop an enabling ecosystem for IB. In the Philippines, since 2018, IB Models are eligible for tax incentives. Countries such as Myanmar, Cambodia, Viet Nam, Malaysia and Indonesia are currently studying policies that support inclusive business development.³⁰

Several of these efforts are already bearing fruit in terms of economic opportunities and MSME development and are providing new pathways to achieve our socio-economic development goals. In the following sections, this report discusses in detail the experience of frontrunners in ASEAN, especially the example of the Philippines. In this country, following one year of implementation of the IB accreditation and incentive system, five (5) accredited projects led to USD 57 million worth of sourcing from MSMEs through value chain engagement and provided income generating opportunities for 1,185 people at BOP, of which 30% are women.

29 For more information on iBAN's Business Policy Development Programme and other initiatives, refer to: <https://www.inclusivebusiness.net/IB-training>

30 A detailed overview of recent developments in AMS is provided in the following section of this report.

After two years since the adoption of the ASEAN IB framework, time is ripe for taking stock of the progress achieved in the region in developing policies that create an enabling environment for Inclusive Businesses. In addition, as the IB agenda evolves among AMS, it is a good moment to assess how IB is contributing to development priorities of ASEAN Member States.

1.2.1. Inclusive Business, MSME Growth, Corporate Social Responsibility and Social Entrepreneurship

ASEAN has recognized Inclusive Business as an avenue to promote inclusive and sustainable development and called for Member States to develop policies that promote particularly IB Models. However, Inclusive Business features as relatively new policy topic in the region. Furthermore, most countries had already defined policy focuses for the private sector engagement based on their contexts.

Indeed, private sector engagement in development had already been a priority policy area in many ASEAN Member States and avenues for engagement emerged based on the distinct characteristics, challenges and needs of each country. ASEAN is home to countries with highly distinct socio-economic realities, including very different poverty challenges.

For instance, in some countries, social enterprises (SEs) have been relevant in providing social welfare services in new and innovative ways. Therefore, policy development has focussed in the past on advancing SE initiatives. Likewise, in other countries, circumstances placed Corporate Social Responsibility as means to drive companies to contribute to social objectives.

Inclusive Business as a policy area emerges to complement and combine these efforts under a unified paradigm for private sector engagement in development; companies adopting development goals at the core of their business objectives and delivering impact at scale.

In this sense, by defining support to Social Enterprises initiatives and IB Activities (understood as strategic CSR) in the context of scaling them into IB Models, the AIBF offers to Member States a model to realign its private sector efforts towards greater impact. Social Enterprises are initiatives that can be scaled into Inclusive Businesses to reach scale, CSR initiatives can be transformed into IB Models to strengthen impact. The focus on IB policy development ensures that the means are in place to transform these initiatives into full-fledged IB Models, realizing the full potential of IB for development, and that synergies are created with existing supporting mechanisms, avoiding duplication of efforts and ensuring efficiency and effectiveness in the use of resources.

In fact, as IB, SE and CSR have shared features, several support mechanisms and ecosystem factors are common to these areas and can be easily leveraged for the promotion of IB Models. This is, for instance, the case of impact investment promotion (discussed in greater detail in subsection 2.1.2, “Enhancing access to financial resources and providing financial incentives” of this report).

Likewise, Inclusive Business policy development is closely related to ASEAN agendas on MSMEs growth as Inclusive Business can both benefit from, and contribute to, efforts to foster the development of MSMEs.

In other words, IB complements other three important avenues through which the private sector supports economic and social development: MSME Growth, Social Entrepreneurship, and Corporate Social Responsibility. The following section further explore the differences and complementarities between these private sector approaches to development.

Table 2. Inclusive Business in ASEAN

Brunei Darussalam	Founded in 2009, An-Nur Harapan is a company dedicated to drive meaningful change in the community, families, individuals and nature, and be a catalyst for change by helping to minimize the community's social challenges with strategic solutions. The charity fund is currently focused on running an 11-months training program called Uniklearn to empower differently-abled young adults towards independent living. With Uniklearn, it aims to enhance their social skills towards employability and personal interactions. The charity fund also runs a vocational training programme (Unikkone) to provide trainees from UnikLearn an opportunity to experience on-site job training after their 6-month training program. It also aims to identify their respective line of work that is suitable to each trainee's capability.
Cambodia	Kamworks Solar Power is Cambodia's leading solar energy company which started as a Social Enterprise Initiative and has now reached the scale of an IB Model. It was founded in 2006 and has since provided solar power to well over 150,000 people, mostly from the BoP. Furthermore, Kamworks' products have been exported to Africa, Europe and the Americas.
Indonesia	PT Peradaban Land, formerly Elang Group, developed a profitable business model selling standardized housing to the BoP in Indonesia. In seven years, Elang Group has grown from a start up with a vision to sell affordable homes, to a profitable company which has built and sold up to 2014 nearly 7,000 housing units and employs 300 workers. PT Indofoods, one of Indonesia's largest food companies, has several IB Models along its upstream and downstream value chain involving small hold farmers and over 50,000 microentrepreneurs.
Lao PDR	K.P. Company Limited offers fertilizers to smallholder farmers, supports them to diversify and improve production and provide export linkages to clients in Japan. Ironbark Lao, a subsidiary of Australia-based Ironbark Citrus, has set up an IB in Lao PDR to increase farmers' incomes six-fold and create entrepreneurship opportunities for local communities throughout the citrus supply chain. It exemplifies the potential of foreign investment in Inclusive Business in ASEAN.
Malaysia	Batik Boutique works with artisans from rural Malaysia to create textiles and natural fibres. The 150 artisans engaged earn 40% above the market rate. Nestlé Malaysia, through its Shared Value commitment, engages in rural development through the integration of small hold farmers in its value chain of chili, rice, red rice and sustainable oil palm initiative. Nestlé also operates IB in Viet Nam, Indonesia and the Philippines planning to reach close to 100,000 famers.
Myanmar	Mandalay Snacks involves poor farmers in the production of solar dried organic spice. Mandalay Snacks is an agribusiness company exporting organic spices and involving poor farmers – mostly women – in high-value supply chains. The company has institutionalised various innovative business lines that help reduce company and farmer risks and improve farmer incomes. Unlike traditional contract farming, the company buys organic spices at the spot-market price in Yangon, which is 16% to 23% higher than the price a farmer traditionally gets from traders. It then dries the produce in its own solar-powered facilities, processes it and sells it through organic and conventional channels, especially in foreign markets.
The Philippines	Erikagen Inc., through its more than 750 Generika drugstores, offer access to affordable medicine and other medical services to millions of people at the BoP. Manila Water, part of the Ayala Group, is one of two water utilities in Metro Manila. Its award winning IB model, Water for Poor Communities, provides millions of low-income households in informal settlements with clean piped water at affordable rates. Kenner Foods International has developed an IB model and grown into a major producer, buyer, processor of cacao beans in the Philippines providing high-quality planting materials, training, and agri-technologies to over 10,000 small hold farmers increasing their income fivefold.
Singapore	Bettr Barista is a B Corp certified social enterprise which empowers marginalized women and youth at risk via its coffee barista training program. Singapore also hosts regionally active impact investors financing IB such as LGT Impact Venture and Bamboo Capital Partners.
Thailand	The Premier Group sources all food and service requirements for its tourism resorts from social enterprises which in turn engage with small hold farms and other BoP communities. The Urmatt Group has engaged with over 3,000 small hold farmers to produce organic jasmine rice, chicken eggs and coconut water sharing the premium afforded to organic produce in domestic and export markets with the farmers. It recently ventured into Lao PDR exporting its IB model and providing an example of cross country IB activities.
Viet Nam	Topica EdTech Group is a leading online education provider in Viet Nam and expanding in Southeast Asia, offering affordable, high-quality online degrees and English speech tutoring. Viet Nam is also host to extensive IB Models in the coffee industry in a PPP model facilitated by Grow Asia reaching 20,000 farmers.

Source: (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018), (BoI, 2018) and (DaNa Facility and Directorate of Investment and Company Administration, 2018)

1.3 INCLUSIVE BUSINESS AND MSME GROWTH

Inclusive Business contribute to MSME growth. As such, frameworks that promote IB development support the implementation of MSME development agendas, especially those related to poverty reduction. Likewise, in certain cases, support for MSME development may also benefit IBs to achieve greater impact.

IBs matter for MSME growth

In the ASEAN Member States, IBs tend to be medium to large-sized, often family-owned, companies³¹ and, by definition, belong to the second M in the MSME categorization.³² Naturally, promoting IB will include the promotion of medium enterprises.

Besides the fact that many IB Models are employed by medium-sized businesses, four additional connection points between IB and MSME development can be identified:

- MSMEs as part of the value chain of an IB model: IBs often integrated MSMEs as suppliers, distributors or retailers in their operations and enhance market access for MSMEs. For instance, PT Indofoods, one of Indonesia's largest FMCG companies, downstream in its value chain, engages with over 50,000 micro-entrepreneurs retailing and distributing its products. IBs abide to fair-trade principles and often offer above-market margins to their MSME partners
- IBs can build capacity in MSMEs: IBs often provide capacity building to the MSME they engage and help fulfil the pressing need for MSME support in developing countries. As an example, in Indonesia, Olam International, a leading food and agri-business company, developed a training programme for its cocoa suppliers that helped increase seeding production from 8,000 to 73,500 per cycle.³³ Another example is the Philippines' Jollibee Farmer Entrepreneurship Program that enabled subsistence farmers to develop into micro-entrepreneurs in an agricultural IB value chain. Jollibee Foods Corporation enabled over 1,000 farmers to supply market grade vegetables into the fast food giant's procurement system while at the same time provided capacity building to enable the farmers to sell produce into the open market increasing the entrepreneurial acumen of the farmers.³⁴
- IBs enhance access to resource for MSMEs: IB Models that aim to support MSMEs as part of their social impact goals play a role in enhancing access to inputs and affordable technology for MSMEs. This also includes enhancing MSME access to resources through value-chain finance. The significant contributions of IBs in value chain development make them efficient, effective delivery instruments for value chain financing while reducing risk.³⁵ For Instance, Amru Rice, an Inclusive Business from Cambodia, provides their farmers with appropriate inputs, guarantees prices, arranges finance at lower interest rates, among other support measures.
- IBs foster the creation of new MSMEs: IBs can also play a role in spurring the formation of new enterprises. For instance, PT Indofoods, supported the establishment of small enterprises that produce semi-finished products from the agricultural produce sourced from smallholder farmers.³⁶

31 Micro and mainstream small enterprises, although often working in the markets of the poor, do not predominately employ IB Models. IB Models make the poor and low-income people part of their value chain. To be relevant for the poor and low-income people, such solutions must be very innovative to address risk, small margin, and the peculiarities of the markets, affordability and consumption behavior of the poor.

32 Multinational companies are often engaged in Shared Value propositions and strategic CSR initiatives.

33 (BoI, 2018, p. 15)

34 (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018, p. 5)

35 (Association of Southeast Asian Nations, 2017, p. 49)

36 (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018, p. 5)

Promoting IB development benefits MSMEs directly and indirectly, and there is great scope for synergies between MSME support and IB promotion. ASEAN acknowledges the connection between Inclusive Business and MSME development. The AIBF directly connects IB efforts to the SAP SMED 2025 implemented by ACCMSME and highlights how IBs contribute to the five strategic goals of the SAP SMED 2025.³⁷

Promoting MSMEs will help the development of IB Models but is not sufficient

In some countries, certain IBs can qualify for MSME support measures. For instance, the new MSME law of Viet Nam includes enterprises that have 200 employees, a total capital of around USD 4.4 million or a past year revenue of around USD 13.2 million. This definition allows most medium-sized IBs to qualify for incentives.

A second way through which MSME support complements IB promotion is through the capacity building of MSMEs as suppliers, distributors and retailers of IBs. IB Models where MSMEs are engaged in the value chain often face challenges related to the limited productive, knowledge, financial or technological capacity of their MSME business partners. Measures that develop the technological, skills, financial, productive capacity of MSMEs, would reduce the costs for IB companies and foster a more enabling environment for the thriving of IB Models. While many ASEAN member states have direct support policies for MSME capacity development, converging those with IB promotion policies offers new opportunities to scale up targeted MSME capacity building with the private sector operating IB Models.

However, while some IBs might benefit from existing MSME laws, these laws do not cater for larger IBs that can deliver increased inclusive growth and well as social impact. Moreover, while IBs face the typical business challenges in emerging economies, they employ models that require differentiated support. For instance, firms with the potential to develop IB Models may require specialised coaching on how they could develop such business area. Including coaching on how to deepen their social impact or on innovation opportunities that would enable the firm to pay above market rates to their suppliers while remaining competitive. Current IB companies, as well, could benefit from accreditation systems that enhance visibility and help them gain niche market share.

MSME laws can also help small-sized inclusive businesses to scale. However, it is important to highlight that currently very few MSMEs are or have the ambition to become inclusive businesses.

ASEAN Member States have strong MSME frameworks that can be expanded to include IB. Viet Nam and Malaysia are looking at incorporating IB in their MSME development efforts. In the Philippines, the IB promotion program supports the government's program for poverty alleviation through assistance to MSMEs and includes incentives under the Philippine Omnibus Investments Code.

Cambodia is currently mainstreaming IB support in its MSME framework. It has integrated IB in the new MSME strategy (2019-2023). The Ministry of Industry and Handcrafts (MoIH) of Cambodia, in its draft of the new MSME Development Policy and its Five-Year Action Plan, mainstreams IB under each of the five strategic areas of the new policy and recommends specific activities to support IBs, including setting up institutionalized IB support systems, an accreditation system and a TA facility. Its draft of the new National Strategic Development Plan (NSDP 2019-2023) refers to inclusive business as a crosscutting theme for industry development.

37 (Association of Southeast Asian Nations, 2017, p. 4)

1.4. INCLUSIVE BUSINESS AND SOCIAL ENTERPRISES

In several ASEAN Member States, efforts to enhance private sector engagement in development has focused on the promotion of social enterprises (SEs). Richer economies tend to focus on SEs because the BoP is mostly already served by mainstream industries and public services, and low-income markets are small and niche and can be better served by SE.

The approaches to social enterprise promotion have varied across the ASEAN Member States. For example, social enterprise is recognized as a distinct type of organisation in Viet Nam's Enterprise Law. Thailand has an active social enterprise promotion policy, including tax incentives and funding for SEs initiatives and adopted the Social Enterprise Act in May 2019.³⁸ The social enterprise sector has also experienced growth in countries without legislation, but with supportive government policies, such as in Malaysia, Indonesia and Singapore. For instance, Singapore has institutionalized support for SEs providing identification, funding, research, incubation and funding services to domestic SEs through Singapore Centre for Social Enterprise (raiSE). Brunei Darussalam is also focussing its efforts on creating an enabling ecosystem for social enterprises, although the concept is still largely unknown in the country. SE policies in ASEAN Member States, however, have not included inclusive businesses.

IBs and social enterprises are often referred to interchangeably. Although both models are private sector contributions to the SDGs, they differ in terms of scale of impact and business in ASEAN:

- IBs tend to be medium to large-sized operations while SEs tend to be smaller. As such, IBs tend to focus on models that deliver scale, including internationally, while SEs often community-driven/based entities and have business models that seek to develop social impact.
- IBs have profit at the centre of operations and employ strictly commercial models. IB models see no trade-off between social impact and commercial gains. One maximises the other and IBs seek to generate private profit. SEs in turn, especially in Southeast Asia, are observed to be not profit-maximising and seek to reinvest some of their profits into the community they are serving. Often social enterprises in the ASEAN region have business models that are closer to those of NGOs, including dependence on grant financing, especially during the start-up phase. Only few have scaled up and developed into commercially sustainable companies.
- IBs serve the poor and low-income populations at large scale, while SE can seek to serve various niche markets of vulnerable communities or sustainability. Social enterprises are providing income opportunities and affordable services for marginalized sectors, such as the homeless, out-of-school youth, elderly without families, and indigenous communities. In addition, many social enterprises are seeking to develop solutions to the environmental challenges of our time and do not have a focus on the poor and low-income groups. Social enterprises in ASEAN are also found to be led in large number by women and young people making them more inclusive than the traditional SME sector.

Policies that support Social Enterprises can also support IB development. SEs predominantly start as small companies with a social mission. Larger social enterprises have the potential to scale-up into IB Models. A recent ADB report concluded that "not all social enterprises can or need to be the Inclusive Businesses of tomorrow. However, there are a few, which belong to the category of Aspiring SEs (potential IBs), that can be nurtured to be Inclusive Businesses in the future".³⁹ SE policies can help relatively small enterprise with IB potential to scale into strong inclusive businesses.

Social enterprise initiatives can also be integrated into an IB value chain, and provide

38 (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018)

39 (Dalberg Global Development Advisors, 2017)

community organizing, technical assistance, and aggregation services. They are also a source of social innovation and business model development and piloting, which larger companies can adopt and scale up.⁴⁰

Moreover, efforts focussed on creating an enabling environment for social enterprises has played a key role in advancing impact investment in ASEAN. Some countries have established regulatory frameworks under which social entrepreneurs can register and receive benefits such as tax incentives. Such policies have been passed in Thailand, Malaysia, and Viet Nam,⁴¹ and the Philippines is considering the introduction of such a bill.⁴²

Measures that facilitate impact investment for social entrepreneurs can support them to scale up to IB models. Across the ASEAN region the social enterprises often identify their greatest challenges as access to finance and capital. Policies and programmes to support social enterprises to develop the capacity and business models that would allow them to absorb large amounts of capital would help them to scale-up. In Malaysia, for instance, the Malaysian Global Innovation and Creativity Centre (MaGIC) an institution created by the Government of Malaysia to foster an enabling environment for entrepreneurship in the country, launched the Impact Driven Enterprise Accreditation initiative in 2017.⁴³ Social enterprises which meet MaGIC's criteria are validated as 'impact driven enterprises', with the aim of giving them more legitimacy when connecting with potential funders. MaGIC also promotes matchmaking between SEs and impact investors.⁴⁴

At the investment side, the Sustainable and Responsible Investment (SRI) Fund Framework of Malaysia enables funds to be designated as SRI funds, aiming at widening the range of SRI products and investors that SEs can access in Malaysia. These measures can benefit IBs directly if they are classified as SEs or indirectly by expanding the interest and engagement of impact investors in the country

However, SE support measures do not target the needs of IBs once they reach scale. Related to finance, IBs find specific challenges to access finance for their IB models; investors are discouraged from investing in IB models because of the high cost of entry, long investment time horizon, and high risk and uncertainty. Moreover, such as in the case of MSME laws, SE frameworks only support IBs to a limited extent.

In this context, efforts to promote private sector engagement in IB in ASEAN need to complement SE frameworks with tailored and aligned IB measures.⁴⁵ Countries in ASEAN are starting to explore this avenue. In Viet Nam, the integration of Inclusive Business in the decree that guides the operations of Social Enterprises in the country is being explored.

40 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018, p. 9)

41 Key policy document related to social enterprise in Malaysia include: Eleventh Malaysia Plan, 2016 – 2020, the Malaysian Social Enterprise Blueprint 2015 - 2018 (MSEB), Guidelines on Sustainable and Responsible Investment Funds, the National Entrepreneurship Framework, in addition to the Sustainable and Responsible Investment (SRI) Fund Framework. (British Council and Economic and Social Commission for Asia and the Pacific, 2019, p. 35)

42 (Global Impact Investing Network, 2018, p. 15)

43 (British Council and Economic and Social Commission for Asia and the Pacific, 2019, p. 34)

44 Ibid (34)

45 (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018)

1.5. INCLUSIVE BUSINESS AND CORPORATE SOCIAL RESPONSIBILITY

IBs are intrinsically different from corporate social responsibility (CSR) as well as from the broader shared value concept. Traditional CSR initiatives have focused on mitigating the negative impacts of businesses on society or complying with business ethics standards, while IB proactively seeks to address the needs of the BoP. IB also differs from CSR projects by the nature of the business investment (i.e. core business versus peripheral activities) and the general lack of financial sustainability in CSR projects.

However, companies increasingly realize that “CSR can become more strategic and add financial value to a business.”⁴⁶ Being strategic and linking CSR to core business (rather than an add-on activity) can increase the value of CSR to a business, enable the company to manage a broader range of externalities, and extend social impacts through larger and more sustainable investments.”⁴⁷

This distinguishes two models of CSR; traditional CSR and strategic CSR as core business. Strategic CSR understands that social impact initiatives can and should be commercially viable. CSR thus becomes an effective pathway toward the development of IB Models and activities. The promotion of more strategic CSR activities, which integrate social impact and inclusiveness into core business processes, could eventually scale up to become IB Models.⁴⁸

ASEAN Member States have strong CSR and responsible business traditions and CSR initiatives are common. Many ASEAN economies also have strong CSR policies in place. Thailand, Indonesia and Malaysia have CSR laws and requirements to greater disclosure of corporate Environmental, Social and Governance (ESG) performance.⁴⁹

Considering that CSR is becoming more strategic and could potentially develop into IB activities, CSR support could foster the emergence of new IB Models and existing CSR frameworks could provide a template and steppingstone towards promoting IB. For instance, legislation that requires firms of a certain size to develop CSR provides an obligation for firms to invest in social outcomes and could be an opportunity to invest in the development of IB Models.

46 (Dalberg Global Development Advisors, 2017)

47 (Asian Development Bank)

48 (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018)

49 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

2. INCLUSIVE BUSINESS POLICY ADVANCES IN THE ASEAN REGION

This section presents advances in IB policy development in ASEAN Member States and describes the measures adopted or being developed towards building an environment that fosters IB growth.

The first subsection presents IB policy developments following the four critical areas to support the development of an enabling environment for IBs, as identified in the G20 IB Framework and the ASEAN IB Framework.

The second subsection discusses the actual implementation of IB policies, focussing in particular on the experience of the Philippines, the first ASEAN country to adopt IB specific policies.

2.1. POLICY DEVELOPMENT

Establishing an enabling policy ecosystem for IB is a mean to spur inclusive growth and to strengthen the foundation for achieving sustainable development targeted at the BOP. Governments can encourage the emergence, expansion and scale up of inclusive business models by establishing conducive rules to spur an enabling business environment, providing relevant information and raising awareness, building the capacities of the BOP and IBs, and enhancing access to finance.

IB policymaking has, only recently, started gaining recognition in ASEAN, as policymakers start to explore how IB can help fulfil national development objectives. Yet, promising developments are starting to be seen, and potential exists to grow the number and social impact of IB in the region.

2.1.1. Establishing Conducive Rules, Regulations and Definitions

To establish rules and regulations conducive for inclusive business, Governments can review existing regulations that limit BOP participation in market activities, embed pro-poor targets into government contracts, introduce appropriate regulations for IB companies, and favour procurement from IBs.

Among ASEAN Member States, only the Philippines has adopted specific rules and regulations to support inclusive businesses. Countries such as Indonesia, Myanmar, Cambodia, Viet Nam, and Malaysia are making significant progress towards the development of IB regulations and frameworks, including in connection to their MSMEs, SEs and CSR frameworks. Other countries have developed related policies that could support the advancement of the IB environments in the countries. For instance, Thailand adopted in February 2019 its Social Enterprise Act to define and support the development of social enterprises and aligned regulations could support IBs.

In the Philippines, IB is seen as one of the pathways to reduce poverty in the government's new poverty reduction strategy. In 2014, the Philippine Board of Investments (BOI) and ADB came together to support IB. The government made IB a part of its Investment Priorities Plan (IPP) and offered specific tax incentives for companies with IB Models in selected sectors. While IB was included as a cross-cutting theme in the IPP 2014–2016, in the IPP 2017–2019, IB Models became part of the priority sectors eligible for incentives.

Under the Philippines inclusive business policy framework, IB Models are defined as business activities of medium and large enterprises that provide business opportunities to micro and small enterprises as part of their value chains. It is currently operational in the in the agribusiness and tourism sectors. The IB policy has two components: reach and depth of impact, and innovation. Reach and depth focuses on the companies' engagement of the marginalized sectors and the socioeconomic impact of such engagement.

Companies applying for IB incentives in the Philippines are expected to engage marginalized individuals as employees and/or micro and small enterprises as suppliers. Income increases of the individuals engaged are monitored to prove that the businesses indeed provided sustainable livelihoods and decent jobs.

Moving forward, the Philippines is launching in 2019 a process to further enhance the implementation and design of the existing policy, and to secure stronger institutional support. Regarding policy implementation, it will seek to develop further support for IB, by reinforcing the linkages between IB promotion and MSMEs development. In order to boost IB Models, the BoI seeks to accredit more IBs by expanding the sectors and reviewing the criteria for incentives.⁵⁰ The country is also exploring creating policies to include Inclusive Businesses in public procurement.

Myanmar, Cambodia, Viet Nam, and Malaysia do not have rules and regulations around IBs. However, they have completed or are in the process of developing national IB landscape studies⁵¹ in order to inform their plans to establish IB policies in the near future.

Myanmar is promoting IB through the Directorate of Investment and Company Administration (DICA), a government agency under the Ministry of National Planning and Economic Development. In 2018, a Framework for Inclusive Business was developed to guide reforms.⁵² The resulting document, with its recommendations, has helped carry the IB message to the Myanmar Investment Commission and the Myanmar Private Sector Development Committee, which have generally endorsed the framework. DICA, as the secretariat to the MIC, plans to support the preparation of an action plan and coordinate implementation. Government, development partners and investors are also involved in plans to implement the strategy.

In 2018, Myanmar launched the Inclusive Business/Impact Investing Steering Group – a public-private activity to promote and guide IB and impact investment development in the country. This group provides a platform to roll out the various elements of the Framework for Inclusive Business. DICA is exploring the possibility of setting up IB desks in DICA and other agencies, and of eventually developing accreditation criteria and investment incentives for IB.

Cambodia is strongly commitment to promote IB and has shown fast and strong progress on IB policy development. The country is promoting IB through the Ministry of Industry and Handcrafts. The country is currently in the process of approving a Strategy

50 For this effort, the Philippines is working in partnership with ESCAP and iBAN.

51 The above-mentioned landscape study – apart from giving examples of IB cases and analysing the enabling environment for IB – also makes recommendations for policy support towards IB.

52 This framework is part of the “Inclusive Business in Myanmar” study, published by DICA in partnership with the DaNa Facility. Recommendations include: a. Establish a steering group on IB, SE, and impact investment and mobilise support from development partners; b. Broaden awareness of IB; c. Provide technical assistance for developing IB and impact monitoring; d. Set up IB support desks in various agencies; e. Set up an IB accreditation or certification system; f. Prioritise IB in industrial policies and incorporate them in incentive structures; g. Strengthen demand for IB products through public procurement; h. Establish an investment fund for IB and SE.

for IB⁵³ with eight (8) key recommendations.^{54 55} This strategy includes an accreditation system that sets clear criteria for qualification of IBs in the country, the creation of a Technical Facility under the Ministry of Industry and Handicraft (MoIH) to support IBs and establishing incentives for IB companies.

Viet Nam, through the Agency for Enterprise Development of the Ministry of Planning and Investment and Malaysia, through the SME Corporation (SME Corp. Malaysia) under the Ministry of Entrepreneur Development (MED), are conducting in 2019 a national IB landscape study. These studies comprise: a) profiling of companies with IB business lines; b) an analysis of the enabling environment, and; c) recommendations for further promoting IB in the countries.

In Viet Nam, efforts will focus on recommendations for an IB accreditation system to be implemented at the national and provincial level, and the establishment of focal points in different agencies and business associations. Efforts will also focus on exploring opportunities to include IB in the revision of the country's Decree on SEs and other existing frameworks. In Malaysia, policy recommendations will particularly consider opportunities for building on and expanding existing public instruments that support SMEs and SEs.

Indonesia completed a market scoping study for IBs in 2012 that included recommendations for creating a framework for IBs in the country and also plans to launch in 2019 a study focused on the potential for Inclusive Business in the Wellness Tourism Sector.⁵⁶ The study will include the profiling of selected companies and a potential roadmap for supporting IB in the section that could include policy measures.

Brunei, Lao PDR, Singapore and Thailand have not initiated inclusive businesses policy development. However, Lao PDR and Thailand had expressed interest in engaging in regional IB initiatives. As the Chair of ASEAN, Thailand also will host the Second ASEAN IB Summit in 2019. -

Finally, it is worth highlighting that most ASEAN Member States have frameworks that can be leveraged and extended to support IB. These include policies on MSME promotion, Social Entrepreneurship as well as CSR as previously discussed. The table below (Table 2) provides a quick overview of the policy framework in each country.

-
- 53 The development of the Cambodia, Viet Nam and Malaysia landscape studies and policy recommendations is being conducted in partnership with ESCAP and iBAN as part of the ESCAP regional programme on Inclusive Business.
- 54 Refer to Learnings and Recommendations section of this report for additional information.
- 55 The 8 strategic recommendations in the proposed IB strategy are: 1) establishing focal points and a steering committee, 2) enhancing awareness in IB, 3) establishing and IB accreditation system, 4) including IB in the new investment law and creating IB incentives, 5) prioritizing IB companies and social enterprises in public procurement, 6) establishing an TA facility for business coaching, impact assessment and policy work, 7) establishing a risk reduction facility for IB impact investors, and 8) doing IB reporting as part of SDG reporting on the private sector's contribution to inclusive growth and development.
- 56 For this effort, Indonesia is working in partnership with ESCAP and iBAN.

Table 2: IB Regulation and aligned policies

ASEAN Member Countries	IB Policy Frameworks and Regulations	MSME Policy Frameworks and Regulations	Social Enterprise Policy Frameworks and Regulations	CSR Policy Frameworks and Regulations
Brunei Darussalam	No	Yes <i>Assessing feasibility of IB elements to be included</i>	No <i>Under consideration</i>	No
Cambodia	No <i>Development of a Strategic Framework ongoing</i>	Yes <i>New SME policy to include IB</i>	No	No
Indonesia	No <i>Market scoping study developed</i>	Yes	No <i>National Entrepreneurship Development and the Medium Term Development Plan 2015-2019 – mentions development of SE</i>	Yes
Lao PDR	No	Yes	No	No
Malaysia	No <i>Landscape study started in July 2019</i>	Yes <i>IB promotion aligned to MSME policy</i>	No <i>National blueprint and support systems in place. Inclusion of IB under consideration</i>	Yes
Myanmar	No <i>Strategic Framework developed</i>	Yes	No	No <i>CSR requirement for companies</i>
The Philippines	Yes <i>IB accreditation system and tax incentives.</i>	Yes <i>IB promotion aligned to MSME policy</i>	No	No
Singapore	No	Yes	No <i>No regulation of social enterprises, but support system in place to develop the sector</i>	No
Thailand	No	Yes	Yes <i>Social Enterprise Act of 2019</i>	Yes
Viet Nam	No <i>Landscape study launched</i>	Yes <i>IB promotion aligned to MSME policy</i>	Yes <i>Decree of 2015</i>	No

Notes: Policy Frameworks and Regulations refer to instruments that officially recognize, provide definition and/or award incentives and support to qualifying companies.

Source: Author, building on inputs provided by Inclusive Business Focal Points of each ASEAN country.

2.1.2. Enhancing Access to Financial Resources and Providing Financial Incentives

Targeted access to finance opportunities and financial incentives play a key role in fostering new and larger IB Models. Currently, there are no government funds specifically targeted at IB in ASEAN and, except for the already discussed the Philippines' tax incentive, there are virtually no financial incentives tailored to IBs.

Inclusive Businesses, have been able to tap into existing funding vehicles, including commercial banks, MSME banks, certain government funds, funding from Development Finance Institutions (DFIs) and, most recently, Private Impact Investors (PIIs). However, these are not targeted towards IBs. IB companies still face challenges to tap into traditional financial vehicles given the nature of IB Models. Efforts are required to alleviate the difficulties to access funds for IBs in ASEAN.

As part of their MSME support policies, ASEAN Member States have put in place SME Banks and/or especial MSME funds. Brunei, for instance, has created a Shariah-Compliant SME Bank. Malaysia has also established a dedicated bank for SMEs, the SME Bank, as has Thailand and others. Myanmar has several programmes to enhance access to finance for MSMEs and disburses loans to MSME through the Myanmar Economic Bank. However, IBs access to MSME tailored funding is lukewarm as these have, in most cases, not made provisions for the inclusion of IBs, and IBs usually require much larger investments than, for instance, MSME Banks can provide.

There are innovative ways countries can leverage MSME Banks to provide tailored support to IBs. Cambodia is a promising example in this direction. The country is currently establishing a new SME Bank and discussions are ongoing on adding a risk reduction facility for IB investors. Financial mechanisms that reduce the risks of IB Models can help leverage commercial financing and are a potential area of IB support in ASEAN.

ASEAN Member States have also launched specific socially-oriented funds, including SE funds, that support IBs. In Myanmar, for instance, the Responsible Business Fund (also known as Challenge Fund), implemented as part of the Danish Development Assistance to the country, made available MMK 12.5 billion (approx. USD 8.15 million),⁵⁷ over three (3) years, to provide partial grants to SMEs for the implementation of innovative projects that “increase the competitiveness and responsible behaviour of Myanmar enterprises”.⁵⁸

In Malaysia, as part of its efforts to stimulate social innovation, the Government launched in March 2017 a MYR 3 million (USD 690,000) Social Outcome Fund. This Fund is open to all Social-Purpose Organisations, including Non-Governmental Organisations (NGOs), social businesses, and social enterprises.

Although valuable instruments in the region, these have also not sought to support directly Inclusive Businesses. To help foster the growth of IB Models, ASEAN Member States will need to diversify from MSME and social enterprise funding.

Development partners have been key actors advancing funding for Inclusive Businesses. In Viet Nam, SNV Netherlands Development Organisation (SNV), a not-for-profit international development organisation, implemented the 2015 “Viet Nam Business Challenge Fund”, funded by the United Kingdom Department for International Development (DFID). The Fund provided non-reimbursable funding of up to 49% of the total investment in selected Inclusive Business projects that were innovative, inclusive and commercially viable.⁵⁹

57 Value based on currency exchange of 17 June 2019.

58 (RBF Myanmar, 2019)

59 For additional information, visit: <http://www.snv.org/project/vietnam-business-challenge-fund>

In Myanmar, the DaNa Facility, a private sector development programme funded by DFID, facilitated loan agreements between commercial banks and regional farmers' development associations. DaNa also provided grant support to a project named "Shwe Lan" to improve access to finance for MSMEs.

There is opportunity for ASEAN Member States to work together with development partners to advance funds to accredited Inclusive Businesses in the region.

Impact Investment

IBs are often financed by impact investors that aim to achieve both social impact and financial returns. Impact investing is defined as "investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return."⁶⁰

Southeast Asia's impact investing ecosystem has developed significantly over the last decade, with USD 904 million deployed to the region by PIs and around USD 11.2 billion deployed by DFIs from 2007 to 2017.⁶¹ Almost a third of impact investors invest in Southeast Asia, and 44% plan to grow their impact investing allocations to the region in the year ahead.⁶²

The growth of impact investment in the region represents a significant opportunity for Inclusive Businesses. Even though there are also many Social Enterprises in need of investment, investment opportunities are much bigger in IB Models as they are larger in scale and have greater commercial viability, whereas SE more often require smaller investments and grant funding.

Globally, most impact investments come almost equally from Development Finance Institutions and Private Impact Investors, especially commercial banks. In ASEAN, however, investments by DFIs accounted for over 90% of impact investments from 2007-2017.⁶³ Indeed, DFIs have been leaders in leveraging private sector contribution to development through impact investments in developing countries. Given their poverty eradication mandates and long-term objectives, Development Banks are well placed to invest in IB and leverage private capital. It is worth noting, nevertheless, that only a portion of DFIs investments go to enterprises.⁶⁴

Important advancements in private sector investments are seen in ASEAN as PIs become more familiar with IB Models. In fact, although DFIs accounted for most of the impact capital deployed in volume, in terms for number of deals, DFIs and PIs have completed 289 and 225 deals respectively.⁶⁵ This shows that although PIs invest smaller amounts, they are as active. Since 2013, investment activity has increased, and investors are generally positive and optimistic given the inherently large market opportunity.⁶⁶

Examples of local players engaging in impact investment, can be seen across the region. In Indonesia, despite having a disproportionately large international investor base compared to other countries in the region, Indonesia has three angel investor networks to encourage local investors to invest in Social Enterprises. Mekar, one of Indonesia's largest peer-to-peer systems, connecting funders with microenterprises with positive economic and social benefit, is planning to launch Indonesia's first impact investing fund, Mekar Impact Fund in 2019.⁶⁷

60 (Global Impact Investing Network, 2018, p. 4)

61 Ibid (3)

62 Ibid (3)

63 Ibid (13)

64 DFIs might provide capital to either enterprises or projects that improve socio-economic outcomes and catalyse the flow of commercial capital to sectors that otherwise would not receive investment. Projects can be implemented by Governments, development actors, among others.

65 (Global Impact Investing Network, 2018, p. 4)

66 (Global Impact Investing Network, 2018, p. 14)

67 (Mohan, Harsh, & Modi, Social Investment Landscape Report – Indonesia, 2017)

Singapore's Temasek Trust launched an impact investing fund in June 2019 called the ABC World Asia, which focuses on firms with positive social and environmental impact. The fund will be managed from Singapore and will invest in companies that funnel their efforts toward Southeast Asia, South Asia and China.⁶⁸

Encouraging models have also been seen in Singapore with the DBS Foundation and in the Philippines with the BPI Foundation, which sponsor social enterprise awards thereby generating a pipeline for their commercial operations.⁶⁹ Viet Nam's impact investing market also has several homegrown impact funds like Dragon Capital's Mekong Brahmaputra Clean Development Fund and Lotus Impact's Lotus Hub.

Another example is the recently created Equity@Scale programme funded by the Australian Government's Department of Foreign Affairs and Trade (DFAT) and implemented by Impact Investment Exchange (IIX), together with Brightlight Funds Management, which aims to support 500 women-focused impact enterprises in countries such as Indonesia, Viet Nam, the Philippines and Thailand.⁷⁰ This last example is representative of an increasing interest in gender equality and women's economic empowerment in impact investment, which could offer opportunities for the development of IB Models focussed on engaging women and girls.

Despite the opportunity, few policy provisions encourage impact investments in the region. Most policies related to impact investing indirectly stimulate the field through demand, for example by making it easier for companies to comply with the formalities needed to access investment and to access technical assistance and government support that decrease the risk of investment by impact investors.⁷¹ In addition, some countries promote impact investment through regulatory frameworks for social entrepreneurs as previously discussed.⁷² Yet, these measures rarely directly improve the environment for investors.

In addition, although examples of local players exist, most of the impact investors active in the region are still international players. The relatively low levels of impact investment by ASEAN Private Impact Investors, including regional commercial banks, can be associated with the still incipient awareness of IB Models among these actors in the region.⁷³ ASEAN's commercial banks, for instance, typically lack a specific objective to create social impact and, in general, few have demonstrated interest in lending to IBs and other impact enterprises.⁷⁴ Local banks represent a supply of potential impact investment capital yet to be tapped and that could play a much larger role in supporting IB.

In addition, despite overall regional growth, ASEAN impact investing market remains highly fragmented. Countries in the region have entrepreneurial ecosystems with varying maturity levels and challenges. The Philippines, Indonesia and Viet Nam have developed comparatively mature private impact investing ecosystems, with the Philippines having the most mature ecosystem among the three. Investors have also taken advantage of opportunities in Cambodia's relatively open, dollarized economy to catalyse the country's microfinance sector. As a result, Cambodia has attracted nearly as much private impact investment capital as Indonesia, the Philippines, and Viet Nam combined.⁷⁵ Lao PDR, Myanmar, Thailand and Malaysia, in turn, have all had comparatively less activity, and Singapore and Brunei, the two high-income countries with small populations, have sustained little private impact investment activity to date.⁷⁶

68 (Watson & Wo, 2019)

69 Ibid

70 (IIX, Impact Investment Exchange, 2019)

71 Ibid (15)

72 Refer to subsection 2.1.2, "Enhancing Access to Finance and Financial Incentives", of this report for additional information

73 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

74 Ibid

75 (Global Impact Investing Network, 2018, p. 12)

76 Ibid (12)

Singapore, in turn, has become an important regional hub for impact investors, even though the domestic need for impact capital is not as strong as in other markets in the region. Many investors operate in the country to fund companies in other ASEAN Member States.⁷⁷

Levelling the environment for impact investment among ASEAN Member States will require targeted action by Governments. Governments have various roles to play in supporting the impact investment within countries, by facilitating the market; regulating the market; creating instruments through outcomes commissioning, procurement, impact products; and supporting the ecosystem through fiscal incentives on supply and demand sides and enabling interaction within the market.

2.1.3. Providing Information and Raising Awareness

Important progress has been achieved in the promotion of Inclusive Business among ASEAN Member States. Despite encouraging developments also in policy development, low levels of general awareness on IB are still prevailing in ASEAN. The number of IB companies is also still relatively small, estimated to be less than 1% of all registered companies outside the informal sector.⁷⁸ Especially when compared with the MSME, social entrepreneurship, CSR as well as start-up agendas, IB is an unknown topic among most players in the entrepreneurial and business ecosystems.⁷⁹

Raising awareness and fostering information sharing on Inclusive Business among different ecosystem partners, including policymakers and businesses, is essential to advance the IB agenda in the region.⁸⁰

Progress in this area has been relatively slow in most ASEAN Member States and activities to generate awareness are still limited. However, important and encouraging progress is seen in countries committed to IB promotion, including the Philippines, Cambodia, Viet Nam, Myanmar and Indonesia.

The Philippines has played an active role to enhance the knowledge of Inclusive Business in the Philippines, and in ASEAN. In 2017 and 2018, the Philippines BOI, together with partners, released three Inclusive Business publications (hard copy and digital formats): *Business+ The Philippines: IB awareness and engagement among companies in The Philippines*,⁸¹ *Inclusive Business in the Asia-Pacific Economic Cooperation*,⁸² *Impact Catalysts: Inclusive Business Models in the ASEAN*.⁸³

The “Business+ The Philippines” study, developed in partnership with the United Nations Development Programme (UNDP), in particular, engaged 200 businesses in the country and provided key information in the context of the development of the IB incentive measures in the country. In the aftermath, the UNDP Country Office in the Philippines also continues to work on improving awareness of IB, whilst also supporting companies in improving IB Models and seeking to build capacity.

77 (Mohan, Harsh, & Modi, Social Investment Landscape in Asia – Insights from Southeast Asia, 2017)

78 iBAN. Inclusive business in ASEAN – Background Paper. Unpublished.

79 (ASEAN Business Advisory Council, 2018)

80 Greater awareness on IB can be generated through seminars, information material, websites and campaigns, and enhancing visibility of IB companies through public recognition of IB accredited companies and IB awards. Collaboration with private sector organisations is critical to reach larger numbers of companies.

81 (Yudakul & Çitilgülü, 2017).

82 (Asian Development Bank, 2018).

83 (BoI, 2018).

To provide information and generate awareness on IB among businesses, the BOI operates an IB Centre that provides information and carries out awareness raising activities. For instance, BOI, in collaboration with UNDP and The Philippine Business for Social Progress and the Department of Trade and Industry, held the Inclusive Business Leaders Conference on November 28, 2018 in Pasay City. The conference, provided an opportunity for active participants in the IB ecosystem to showcase, share, and develop their knowledge.

The government of the Philippines, as chair of the Asia-Pacific Economic Community (APEC) 2015 and ASEAN 2017, also worked to promote IB at the international level. Together with the ASEAN Business Advisory Council, it provided the ASEAN Inclusive Business Awards in 2017 to recognize successful IB Models in the region and identify a pipeline of existing IB projects for replication and funding by impact investors and commercial banks.

In Myanmar, DICA and the DaNa Facility, a private sector development programme funded by DFID, are joining hands to increase awareness of IB in the country. The Inclusive Business in Myanmar study⁸⁴ published in 2018 has formed the basis for several ongoing and planned activities to build and strengthen the IB ecosystem in Myanmar, including through awareness and capacity building sessions.

At the Myanmar Entrepreneurship Summit in December 2018, The DaNa Facility held a session on IB. In 2019, the Inclusive Business Steering Group and DaNa, as its secretariat, is reaching out to different states and regions, through the regional chapters of the Myanmar Young Entrepreneurs Association, to provide information on IB and raise awareness within public and private sector throughout the country. DICA is also considering setting up IB desks at the DICA and regional offices to, among other initiatives, increase awareness of IB among actors.

In Cambodia, discussions with existing and potential IB companies have highlighted that to incentivise IB Models, IB Models need to be given greater visibility. Awareness raising is also essential to strengthen support for and trust on IB within the private sector. To address these needs, the Government of Cambodia is raising awareness, developing promotional material targeted at businesses and launching information campaigns through the Ministry of Industry and Handcraft.

The development of IB national landscapes studies offer also good opportunity for information sharing and awareness raising. Myanmar held in several awareness raising sessions during and following the development of its study. In 2019, National Inclusive Businesses Workshops are planned to take place in Cambodia, Viet Nam and Malaysia. The Philippines and Indonesia are also expected to hold IB workshops aligned to their IB efforts. In order to enhance the number of IB accredited and to finetune the design of its current IB policy, the Government of the Philippines (led by BOI) is organising 3 regional consultation workshops with government officials and private sector actors in June 2019.

To facilitate the sharing of information among and between policymakers and the private sector, some countries have, or are planning to, establish focal points in government agencies and business associations, and/ or a multi-stakeholder steering committee to support information and experience sharing and foster IB support.

84 (DaNa Facility and Directorate of Investment and Company Administration, 2018)

The ASEAN Member States have designated national IB focal points to help drive IB discussions in the country. In addition, some countries, such as the Philippines and Cambodia, have started appointing IB focal points in different national agencies, which would play an important role in disseminating information by acting as IB Help Desks for Businesses.

ASEAN has played a key and impactful role in fostering information sharing and awareness raising around the IB agenda among Member States and hosted important forums to disseminate IB support in the region, including the ASEAN IB Policy Forums and the ASEAN Inclusive Business Summit, among other initiatives.⁸⁵ ASEAN's championship fostered the progress of the IB agenda in the region and ACCMSME, in particular, has ensured that the IB agenda is closely connected to the priorities of AMS related to MSME development. Moving forward, and considering the increasing interest in IB the region, it is a good moment for ASEAN to strengthen even further its awareness raising and information sharing initiatives to support Member States to advance in synergy in the support to Inclusive Business.

Finally, development actors have also been playing a key role in information and awareness raising around Inclusive Business in ASEAN. To increase awareness among firms with the potential to develop IB Models, a series of workshops and information sessions have been organized by iBAN⁸⁶ and ESCAP⁸⁷ in Cambodia, Indonesia, Malaysia, the Philippines and Viet Nam. The Asian Venture Philanthropy Network (AVPN) and iBAN organized in 2019 a series of Masterclasses on Inclusive Business for companies in Indonesia, the Philippines, Thailand and Viet Nam to provide information on becoming investment-ready and facilitate linkages to impact investors.

Grow Asia,⁸⁸ a multi-stakeholder partnership platform aimed at developing inclusive and sustainable value chains that benefit farmers, is also working to accelerate inclusive business design in agriculture leveraging digital technology in partnership with iBAN. In 2019, Grow Asia will produce an open-source Digital Solutions Directory to share digital tools available to support smallholder supply chains. Grow Asia is also implementing a series of activities to support actors to design better solutions to BoP farmers.⁸⁹

2.1.4. Strengthening the Capacity of the BOP and of Inclusive Businesses

Technical assistance drives the implementation of IB support. This includes assistance to policy makers and private sector actors to enhance the environment for IBs and to companies to design and implement IB Models and change their traditional business operations.

There is currently no formal, public driven, TA facility fully dedicated to supporting IBs in ASEAN Member States. There are also very few TA agencies providing support to IBs and little collaboration is in place among actors to advance the IB agenda and support. However, countries have initiated IB technical assistance initiatives and discussions are in place in some ASEAN Member States to improve support to IBs.

In the Philippines, the BOI IB Centre provides some support to IBs, mostly on accreditation and monitoring and connection of IBs and MSMEs. Some regional offices

85 Refer to subsection 1.2., “A Shared ASEAN IB Agenda”, of this report for additional information.

86 Information on iBAN's Inclusive Business in ASEAN activities can be found at: <https://www.inclusivebusiness.net/>

87 Information on ESCAP's Inclusive Business in ASEAN activities can be found at: <https://artnet.unescap.org/sti/policy/inclusive-business>

88 Grow Asia was established by the World Economic Forum in collaboration with the ASEAN Secretariat. The organisation brings together companies, governments, and NGOs to help the 100 million smallholder farmers in Southeast Asia improve their livelihoods through access to information, knowledge, markets and finance. Information on Grow Asia's Inclusive Business in ASEAN activities can be found at: <https://www.inclusivebusiness.net/node/4473>

89 (Grow Asia and iBAN, 2018)

of The Philippine Department of Trade and Industry have started their own MSME-IB linkages programs (e.g. Maximizing Investments by Leveraging Enterprises (MILES). Linking MSMEs to market is one of the key activities of the regional and provincial offices.

Myanmar, the Directorate of Investment and Company Administration (DICA) is exploring the possibility of setting up inclusive business desks in DICA and other agencies. In 2018 November, the DaNa Facility, in collaboration with DICA and The Directorate of Industrial Supervision and Inspection, organized a two-day training on Inclusive Business for DICA and DISI staffs from different states and regions, member of Myanmar Young Entrepreneurs Association, DaNa IB and SE grantees and other ecosystem players.

Cambodia and Viet Nam are currently working on the plans for a TA facility to, among other activities, provide business coaching and impact assessment of companies that wish to engage in creating new IB business lines, growing their IB business, or restructuring their business to be more IB relevant.

Although not many Government support systems for IBs are currently in place, ASEAN Member States have strong organisations supporting entrepreneurship and private sector development that could play a key role in supporting IBs. Institutions such as SME Corp. Malaysia and Singapore's raISE are good examples.

Most technical capacity programmes around IB in ASEAN Member States has been driven by development partners. iBAN and GIZ, the DaNa Facility, SNV, AVPN, GrowAsia, UNDP and ESCAP are examples of actors that have implemented or are implementing IB initiatives in the region in collaboration with National Governments and development donors have demonstrated increased interest in supporting IB programmes in ASEAN.

One example of such programmes is the grant window "Inclusive Business Ecosystem Window" launched in Myanmar in 2018 by DaNa Facility, in collaboration with DICA, and funded by DFID. The window provided grant funding to two organisations to help accelerate the growth and amplify social impact of 20 potential IBs in Myanmar, including through technical assistance. The project aimed to help Myanmar inclusive business entrepreneurs investment-ready and connect them to potential investors, in order for them to scale up and serve the needs of the people at the BOP, addressing the problems they face either on the consumer side or the supplier side.

In Viet Nam, the SNV "Viet Nam Business Challenge Fund" mentioned before,⁹⁰ in addition to funding, provided technical assistance, training and mentoring to selected Inclusive Business projects.⁹¹ In addition, the "Inclusive Business Accelerator" project, also implemented by SNV and funded by the Government of The Netherlands, provided support for businesses to innovate, grow, replicate and improve their inclusive business strategy.⁹²

Programmes to strengthen the capacity of the BOP in ASEAN Member States are numerous as exemplified by the multiple micro-entrepreneurship, SME development and economic empowerment programmes implemented in the region. However, these are currently not tied and/or aligned to IB promotion. In addition, IBs are tapping into many other private sector development programmes, including those focussing on MSMEs, SEs and CSR as previously discussed, but these programmes have no direct focus on the potential of IBs for poverty reduction and sustainable and economic growth. These programmes offer the opportunity for the conscious inclusion of IBs or for the creation of synergies with new IB initiatives.

90 Refer to subsection 2.1.2, "Enhancing Access to Finance and Financial Incentives", of this report for additional information.

91 For additional information, visit: <http://www.snv.org/project/vietnam-business-challenge-fund>

92 For additional information, visit : <http://www.snv.org/project/inclusive-business-accelerator>

2.2. POLICY IMPLEMENTATION

Few cases of policy implementation focussed on IB exist in ASEAN. However, it is important to note that since 2017 the IB agenda has gained prominence in the region and, as countries move forward in their efforts to develop IB policies, new examples are expected to emerge.

The Philippines is the first country to have introduced a specific IB policy in ASEAN. The inclusive business tax incentive provided by the BOI has been in place for one (1) year, since early 2018. By 2019, there are five (5) registered IB projects which can provide a valuable contribution to the Base of the Pyramid (BOP), estimated at USD 55 million. The current incentives are aimed at businesses in the agribusiness and tourism sectors.

In the implemented system, interested businesses can apply for recognition/accreditation through the government. Accreditation is based on initial assessment of the company's business model, and the preliminary rating is then validated with a follow up check after 6-12 months. Once accredited, businesses are recognized as IB and can access incentives.

The Philippines, being a first mover on IB in ASEAN, faces the challenge of developing new and untested policies and programs in the region. Out of the three (3) sectors considered in the market scoping study done in 2013, only two (2) sectors - agribusiness and tourism - were covered by the current policy. Only one out of the 12 piloted firms in these two sectors with potential to be accredited as IB has applied and qualified for the incentive. Among the challenges presented by companies to access the IB accreditation are:

- The policy only supports new projects, and excludes changes in existing business models (e.g. changing the sourcing of suppliers from abroad to local communities at the BOP);
- The policy requires fixed asset investment often not part of IB mode. In short, businesses are required to make investment in physical assets, such as machinery, land, buildings, installations, vehicles, or technology. IB Models, however, often consist of business model innovations, focused on changing interactions along value chains or on human capital;
- In the case of agricultural IBs, the requirement that 25% of the final cost of the product consist of inputs sourced from the BOP. This requirement is deemed too high and unachievable even if one commodity of the project is sourced 100% from the BOP, as the product requires value addition to be competitive in the market.

The implementation of the currently policy has also faced a number of institutional challenges that are addressed later in this report.⁹³ Notably, challenges included limited institutional structure to support the implementation of the policy and the need to increase awareness of IB within other government agencies, including the regional offices of the Department of Trade and Investment.

Following the roll-out of the IB policy in the country, the Government of the Philippines, through the BoI, aims to finetune the current policy design to increase the number of companies availing incentive as well as expand its reach. To finetune the design and enhance the implementation of IB policy in the Philippines, work in three parallel strands is foreseen to take place in 2019:

1. Establishing an implementation roadmap for the current policy, including the establishment of an IB framework and an operation manual to support the implementation of the policy throughout the different regions in the country
2. Finetuning the current IB policy to increase the number of accredited projects and expanding IB to other sectors
3. Strengthening the institutional support for IB through an IB Executive Order and a

93 Refer to Subsection 3.1.2, "Challenges in Policy Development", of this report for more information.

national IB Bill

Despite the challenges, the Philippines policy on incentives represents a strong push for the private sector to engage in IB. The BOI is continuously working on strengthening its collaboration with other government agencies and development partners to address the gaps in the implementation of IB projects.

Efforts to implement IB frameworks also took place in Indonesia and Myanmar. As previously discussed,⁹⁴ these two countries developed national studies that led to the development of policy recommendations for supporting Inclusive Businesses. However, implementation has been challenging and progress mostly incremental.

In Indonesia, the discussions on a national framework were initiated as early as 2013. In the context of the Market Feasibility Study⁹⁵ and following discussions, recommendations for advancing IB in Indonesia included IB accreditation, the development of a pipeline of IB companies for investment, technical assistance, public awareness events, among others. Despite efforts, progress been only incremental. Especially regarding policy development, no major initiative has taken place. Currently, the focus is on integrating IB in the Health Tourism framework, taking a sector approach to IB development.

In Myanmar, discussions are more recent. The country developed in 2018 its IB Framework, endorsed by key national stakeholders, including Government actors. The creation of the DaNa Facility, as a private sector development programme aimed at, among other factors, support the development of an enabling environment for Inclusive Businesses, was also expected to boost IB policy development in the country. The Steering Group on Inclusive Business and Impact Investment met in late 2018 and defined lines and a work plan for policy development to support IBs. In 2019, efforts are ongoing. Yet, the country has been facing challenges to put in place concrete measures, including low awareness of Inclusive Business among Government stakeholders to drive policy development further.

Next, this report discusses the challenges faced in policy development and implementation by ASEAN Member States and addressed further the cases of the Philippines and Indonesia.

94 Refer to subsection 2.2.1, “Establishing Conductive Rules, Regulations and Definitions”, for more information.
95 (Jr., Rumondang, & Finneran, 2013)

3. THE ROAD AHEAD FOR IB POLICY IN ASEAN

This section provides an overview of emerging challenges in advancing IB policy in ASEAN based on the experience of the pioneering countries highlighted in this report. It also presents innovative policy ideas, building on examples from other countries and regions, to address these challenges.

3.1. CHALLENGES TO PROMOTE INCLUSIVE BUSINESS IN ASEAN

3.1.1. Challenges in Policy Development

IB policy making has gained recognition recently in ASEAN as policymakers increasingly realize IB's contributions to fulfilling and accelerating the achievement of national development objectives. However, the development of inclusive business policies is still limited, not only in ASEAN, but across the globe.⁹⁶

Highlighting the challenges in developing IB policies, a recent Donor Committee for Enterprise Development (DCED) study⁹⁷ pointed out that setting up an enabling environment for IB is a complex undertaking. It found that: *'While many "standard" regulatory reforms to stimulate private investment are likely to benefit IB as well, the market entry and scaling up of innovative IB Models will often require additional, tailor-made government responses based on an assessment of the target sector, and the needs of individual businesses'*.⁹⁸

Challenges in policy development vary greatly depending on the socio-economic profile of the country. ASEAN is home to a varied set of economies, from least developed countries to emerging and developed economies, and each is likely to experience challenges that are unique to their contexts.

However, some of the challenges countries have encountered when developing IB policies in ASEAN include:

1. Insufficient awareness and understanding of the specific characteristics of IB, including among key government actors and business associations critical for the promotion of IB in countries as well as among the private sector. As discussed through this report, in most ASEAN Member States, the MSME, Social Enterprises and CSR agendas have advanced significantly. IB, however, is an emerging and lesser known concept which is starting to position itself as a new approach in private sector engagement in development in contexts.
2. Institutional limitations (such as existing weak coordination among IB-related agencies) and limitations in capacity among actors to incorporate an IB agenda at various levels of national governments, including lack of technical expertise. For instance, the cooperation with development actors in Myanmar, the Philippines, Cambodia, Viet Nam and Indonesia has been key to initiate the IB discussions. However, driving the work further, countries find they lack institutional and technical capacity to develop IB policies.
3. Building wider national buy-in for the IB agenda and, in some instances, increasing ownership of IB promotion among ecosystem actors, including government agencies. Building wider buy-in for the IB agenda requires time and continuous set of engagement activities, such as the organisation of workshops and forums carried out by the Philippines.

⁹⁶ (Asian Development Bank, 2018, p. 32)

⁹⁷ (Heinrich-Fernandes, 2016)

⁹⁸ (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018, p. 37)

4. Dominance of the charity and philanthropic practices among business communities, slowing the adoptions of IB agendas and models and enabling the widespread prevalence of CSR practices. For instance, in countries such as Myanmar, the Philippines, Indonesia and Thailand, charitable giving is an important cultural practice⁹⁹ and promoting the adoption of IB Models require a shift in mindset regarding the positive role of business in society.
5. Blending of IB and social entrepreneurship, where SE has received earlier attention and greater support – particularly as governments have focused on an agenda to generate jobs, rather than livelihoods. This is the case for example of Brunei, Malaysia, Singapore and Thailand.
6. Lack of resources to finance ecosystem building and carry out IB policy development. IB efforts have benefited from the support of donors and development partners. However, within national governments, IB is still a new agenda and few resources have been allocated to enable actors to focus on the development of enabling measures and support systems. This includes the lack of human resources as the IB policy development work has depended on the drive of national stakeholders and focal points who personally believe and champion the IB agenda.
7. Lack of knowledge of BOP market and of available data on target groups to support the IB agenda and policy development. Lack of data on existing and potential inclusive business as well as on MSMEs with potential for value chain integration.

Given the relatively recent emergence of the IB agenda in ASEAN, challenges are only starting to emerge. As ASEAN Member States expand their efforts to create an enabling environment for IBs, new lessons on challenges are likely to emerge.

3.1.2. Challenges in Policy Implementation

As the Philippines has been the only ASEAN Member State to implement an IB policy, challenges in policy implementation are mainly drawn from their experience. Being one of the pioneers in Inclusive Business in Asia, the Philippines is faced with the challenge of developing new and untested policies and programs that can deliver the expected impact. Challenges identified include:

- Concerns from the private sector regarding the design of the current policy and need to finetune the instrument to facilitate accreditation and access to the incentives.
- Difficulties in building further awareness on IB as the policy moves to the implementation among actors and agencies involved in the IB ecosystem, despite the many advocates of IB coming from both sectors, especially at the subnational level.
- Lack of resources for the promotion of IB and further development of suitable policies, both at the IB centre at BOI and at the regional level, including limited human resources to implement the policy as well as to develop IB expertise and intelligence.
- Limited financial resources to develop the IB ecosystem. While resources are available to finance IB Models (for example, from impact investors), the resources dedicated to support and develop an IB ecosystem (for example, to have data/mapping for developing IB Models) are very limited and hamper the capacity to provide technical support to IB companies and identify a pipeline of IBs for investment and support in the different regions.

⁹⁹ (Centre for Asian Philanthropy and Society, 2018)

- Limited budget for monitoring and evaluating accredited IBs as stipulated in the current accreditation system, and dependency on ad hoc field support from government agencies to carry out M&E activities.
- Lack of structure in place within government agencies to support IB pre-registration (including limited data on IB Models and knowledge of IB enterprises and activities in the country) and project implementation (convergence in the field with other Government programmes that could support Inclusive Businesses, such as MSME development programmes, social entrepreneurship programmes, and investment promotion initiatives).
- Lack of data within government agencies on potential communities that can be engaged in IB Models. IBs search for communities to engage with, however the government can only provide limited support. There is a need to generate further intelligence (e.g. potential suppliers for IBs) in this area.
- Limited institutional basis for the IB incentive policy. The current IB policy of the Philippines is based on existing investment priority policy instruments. The creation of an IB Bill is one of the legislative recommendations in the current Philippine Development Plan.

The experience of Indonesia and Myanmar also revealed key challenges in transforming IB Frameworks into concrete policy measures. In both cases, efforts were hampered by difficulties in raising awareness and securing widespread endorsement of and commitment to Inclusive Business as a priority policy area in the country. Capacity to provide substantial support to IB policy development among government actors was also highlighted as a challenge. In Myanmar, the DaNa Facility, although an important actor, is not an actor of the National Government and therefore can only drive the IB agenda further into a certain extent. These issues indicate the need to promote stronger awareness raising among essential actors, secure more widespread buy-in among government stakeholders, embed the IB agenda deeply within national actors to ensure ownership, and invest in capacity development among national IB champions.

3.2. INNOVATIVE APPROACHES TO IB POLICY FOR ASEAN

Given that IB policy is still incipient in ASEAN, innovations are marginal and limited. However, it is worth highlighting good examples of novel thinking in the region.

The Philippines, being the first mover on IB policy in ASEAN, has been responsible for designing and implementing new and untested policies and programs to support IB. The piloted accreditation system and tax incentive support for IBs represents a significant advancement for the region and offers important learnings for the other ASEAN Member States. Moreover, the Philippines has demonstrated its strong support to IB promotion and innovative spirit through the pivoting of the current policy.

A way being envisioned to address existing gaps include the development of an Inclusive Business Roadmap, and the institutionalization of the program through the passing of an Executive Order and/or National Bill on IB. These will further provide novel approaches for IB promotion and help enhance policy development models in the region.

A novelty was also the first ASEAN Inclusive Business Awards 2017, developed by the ASEAN Business Advisory Council (ABAC) in partnership with the Government of the Philippines and development institutions. The award recognized, for the first time, companies in the ASEAN region that are implementing exemplary Inclusive Business models in their organisations. As such, it helped create visibility of profitable IB Models and further enhance the IB agenda in ASEAN.

Myanmar was the first in the region to launch a national study, presented in the “Inclusive Business in Myanmar: An Agenda to Catalyse Social Impact” report, that gave place to a Framework for Inclusive Business for the country with eight strategic recommendations, which were then enforced by key national stakeholders. This model

represented an innovation in the region and has served as an example for other ASEAN Member States.

Myanmar, the Inclusive Business/Impact Investing Steering Group, created by The Government of Myanmar together with DaNa Facility and private sector counterparts in December 2018, to guide the formulation and implementation of policies to support inclusive business ecosystem in Myanmar, also presented a novel model in for the region. However, it is still early to assess the impact of the Steering Group.

Finally, also in Myanmar, the creation of the DaNa Facility represented an important landmark for IB support in the region. Created with the support of development actors and donors along with the development of the IB study in Myanmar, the DaNa Facility has as specific objective to provide support to Inclusive Business and has served as base for the proposal of the creation other TA facilities focussing exclusively on IBs in the region.

As part of the ongoing effort to develop and IB promotion framework for Cambodia, innovative models are being explored that could provide important models for ASEAN. A promising innovative model would be the inclusion of the risk reduction facility for IB under the new SME Bank or MSME another platform. Under commercial terms, this facility would offer financial actors such as impact investors a risk reduction support to encourage investment and leverage private sector resources. Another promising innovation being explored by Cambodia is the creation of a dedicated TA facility for Inclusive Business that would support government and private sector actors to develop and implement IB policies and enhance the enabling ecosystem for IB.

4. LEARNINGS AND RECOMMENDATIONS

4.1. INCLUSIVE BUSINESS IN ASEAN

IB in ASEAN is on the cusp of developing into a major force for inclusive and sustainable development. ASEAN has played a key role in initiating the IB discussions in the region and creating momentum for IB regionally. Now is the right time for ASEAN to enhance the IB agenda and drive actors towards fully embracing IB as a new approach to fostering private sector contribution to development in the region.

ASEAN can continue to champion IB by fostering the sharing of information and raising awareness on IB. As IB efforts start to emerge in the region, ASEAN can provide platforms for the exchange of experiences, learnings as well as best practices for advancing in the region IB among Member States. ASEAN regional forums, such as the ASEAN Inclusive Business Policy Development Forum and the ASEAN Inclusive Business Summit are important platforms for exchange, as well as awareness raising and IB promotion.

As more countries in ASEAN advance in their IB efforts, a regional forum will be essential to ensure that national frameworks are aligned and enable regional cooperation. Regional standards, such as a common definition of IB at the national level building on the ASEAN framework, could help foster synergies and promote collaboration among AMS. ASEAN as a regional forum can play an active role by helping Member States build on experience and exchange on ongoing and planned efforts.

IB Awards at the ASEAN level could also help highlight good examples of IB in ASEAN and incentivize adoption of IB Models. ASEAN could also integrate the IB theme in regular ASEAN events to draw attention to the contribution of IB to the specific topics discussed, e.g., investment promotion, SME promotion, food security, and women and the economy. Finally, ASEAN could continue to promote IB at its higher levels by highlighting the progress achieved in the region in the ASEAN Summit of 2019.

To foster understanding of IB in the region, ASEAN can also increase and improve the coordination and collaboration with development partners for IB support. ASEAN can build onto existing projects and programs to continue the implementation of key IB-related work, such as through IB awards, seminars, conferences, publications, and strategic advice to governments and companies. ASEAN could also discuss the coordination of bilateral aid around IB to achieve greater collective impact.

IB should be considered a cross-cutting theme for private sector engagement. While anchored in ASEAN's MSME agenda, close cooperation with other ASEAN institutions such as the ASEAN Business Advisory Council and the ASEAN Women Entrepreneurs' Network could help IB achieve its full potential. Indeed, because IB is a cross-cutting theme that engages all sectors of the economy, it offers unique opportunities for ASEAN Coordinating Committee on Micro, Small and Medium Enterprises to collaborate with other ASEAN working groups and partner organisations.¹⁰⁰ Strong support by ASEAN could be highlighted by encouraging different ASEAN fora to include IB in their respective work agendas and implement a work plan for IB development.

100 Notably, the ASEAN Business Advisory Council has been identified as a prime partner and has already confirmed its intention to work with the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises on IB. The ASEAN Women Entrepreneurs' Network is another strong proponent of IB in ASEAN, championing women in trade and IB as a theme during the 2017 ASEAN Women's Business Conference. Partner organisations such as ADB, Organisation for Economic Co-operation and Development, and Inclusive Business Action Network also support IB development in ASEAN. Other support organisations are the ASEAN CSR Network, and accredited civil society organisations such as the AirAsia Foundation. (Association of Southeast Asian Nations, 2017, pp. 51-52)

Another opportunity to raise awareness of Inclusive Businesses in ASEAN is for countries to report on the impact of inclusive businesses in poverty reduction and inclusive development. Several ASEAN Member States currently report on progress towards the SDGs. IB reporting could be integrated into this exercise.

4.2. INCLUSIVE BUSINESS IN ASEAN MEMBER STATES

Since the adoption of the ASEAN IB framework in 2017, ASEAN Member States have made significant progress towards placing IB at the centre of the inclusive and sustainable development efforts. IB awareness has increased, national interest is growing and more governments in the region have started to foster an enabling environment through IB policies and programs. Especially in several frontrunner countries, including the Philippines, Myanmar, and most recently Cambodia, the IB agenda has advanced rapidly over the past two years. Others, such as Indonesia, Viet Nam and Malaysia have also made significant progress in the IB discussions.

IB extends viable opportunities for ASEAN Member States to deliver positive economic and social impact at scale. ASEAN Member States should continue to drive the IB agenda further scale efforts to develop an enabling policy environment, building on the experience of frontrunners in realizing the wins of Inclusive Businesses for business, governments and society. For those that have already initiated an Inclusive Business policy development process, it will be essential to maintain momentum for implementation of frameworks and strategies.

While IB ecosystems have already begun to develop in ASEAN Member States, IB is still far from reaching its full potential, and requires greater and strategic support by governments, businesses, and other business development actors. In addition, despite the progress, awareness of IB as an avenue to promote inclusive and sustainable development and of IB Models as profitable basis for private sector support to development remains low across ASEAN Member States.

Government support is also crucial for the widespread adoption of IB and strong action is needed at the national level across ASEAN Member States to establish conducive rules, regulations, and definitions; enhance access to financial resources and providing financial incentives; provide information and raising awareness on IB; and strengthen the capacity of the BOP and IBs.

The success of IB policies rely on the adoption of IB as a model by the private sector and the commitment and active support by key public sector stakeholders for IB promotion. However, awareness of IB at the national level remains low in ASEAN Member States. There is a pressing need for ASEAN Member States to invest in IB awareness raising and capacitation.

Currently, IB efforts in ASEAN Member States have paid limited attention to Women's Economic Empowerment and gender equality. Yet, for women at the Base of the Economic Pyramid, access to essential goods and services as well as income opportunities is particularly concerning. Many Inclusive Business include women and the mapping of IBs in countries has taken into consideration gender aspects. However, moving forward, a systematic approach needs to be adopted to mainstream Women's Empowerment and gender equality into ongoing IB discussions. Governments have an essential role to play in this regard, bringing the IB agenda closer to efforts focussing on women and girls.

Although Inclusive Business intersect with MSME growth, social entrepreneurship and CSR activities, these should not be seen interchangeably. ASEAN Member States can achieve greater impact by aligning their MSME development efforts, social entrepreneurship support and CSR incentives to IB promotion at the national level. To align efforts, governments can complement existing MSME, SE and CSR frameworks by: (i) expanding relevant incentives to IBs of all sizes, and; (ii) putting in place additional frameworks that respond to the specific needs of Inclusive Businesses.

Governments can also foster an enabling environment for IBs by helping identify pipelines of IB projects for replication and funding. This includes identifying IB Models and IB activities as well as social enterprise initiatives that could be supported to reach IB levels. Governments can develop mechanisms to monitor the outcomes and impacts of such investments. Efforts could focus on fostering interest by investors as well as business leaders and generate further buy-in for policy development.

In general lines, recommendations for IB promotion in ASEAN Member States remain the same as previously highlighted by key IB studies in the region. These include:

4.2.1. An Emerging Blueprint for IB Policy Development

A blueprint for IB policy development in ASEAN has started to surface based on the experience of frontrunning countries. Although it is still early stage in the development of IB policies in ASEAN, some common practices in the design, development and implementation of policies in the region are emerging.

4.2.2 Developing the IB Agenda

National IB Studies: Several ASEAN Member States have undertaken national studies as a first step in the design of Inclusive Business policies. In general, these studies include:

- 1) The mapping of Inclusive Businesses in the country, including the assessment of potential and existing IB Models, IB activities, and Social Enterprise initiatives with IB potential;
 - The mapping of companies provide intelligence for the development of suitable policies and as well as an opportunity to start the dialogue on IB and raise awareness among the private sector.
- 2) The analysis of the enabling policy environment for IB, including the revision of existing rules and regulations that hamper Inclusive Businesses and/or limit BOP participation in market activities, as well as the identification of those that could be leveraged to promote IB Models;
- 3) The development of strategic recommendations for promoting IB, including on awareness raising, establishing coordination and operational mechanism, introducing policy measures and implementing programs to support IBs and better integrate the BOP in the economy.

Participatory Approach: In the development of National IB Studies, ASEAN frontrunners have opted for a broad participatory approach, bringing together public and private actors. In the observed cases, a national government agency served as main owner and coordinator of the exercise (e.g. DICA in Myanmar and the MoIH in Cambodia). Focal points from other government agencies as well as from business associations were identified and nominated to provide inputs early on the study. This guaranteed the participation of a broad set of stakeholders for the development of a joint agenda.

4.2.3. Designing IB Policies

Based on the experience of the ASEAN Member States that have already completed or are in the process of developing IB National Studies, eight (8) key strategic areas for promoting IB can be identified:

- 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 actors and, preferably, establishing a Steering Committee to further support coordination and shared action of focal points;
- 3) **Accreditation:** Creating a registration or accreditation system for IB to enhance

participation of companies and understand and successively monitor IB Models and the social impact of the private sector in the country;

- 4) Procurement: Embedding pro-poor targets into government contracts and prioritizing procurement from companies that have IB Models, 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 that are customised to the needs of IBs, such as de-risking facilities for investors, and fostering suitable investments linkages, such as by facilitating impact investment in the country;
- 7) Technical Assistance: Creating a TA facility specifically dedicated to supporting inclusive businesses in the country and that could provide business coaching to aspiring IB companies, support business development for IBs, foster innovation exchanges to develop new IB Models, as well as support government actors to strengthen the overall ecosystem for IBs;
- 8) Monitoring & Reporting: Developing strong monitoring system and systematically reporting on the contributions of IB Models and of IBs to the SDGs.

Synergies: To develop these policy areas, countries have sought to develop new frameworks, but also leverage existing ones. This includes, as discussed, the experience of the Philippines in leveraging its MSME framework to support IBs. The same strategy is being pursued in Cambodia, Viet Nam and Malaysia. Other countries could adopt this model building on the MSME, SE and CSR frameworks in place.

4.2.4. Implementing IB Policies

To bring all IB policy elements together, a strong coordination mechanism is necessary that brings together private sector and different government agencies.

Technical Assistance programmes could ensure IB promotion is sustainable in ASEAN Member States. Implementing recommendations require technical expertise of IB promotion as well as institutional capacity at the national level. Partnerships with development partners active in the IB landscape in the region can offer an opportunity to develop IB capacity among governments. Governments can benefit from ongoing or future initiatives driven by these partners and supported by bilateral donors.

Sustainability, however, requires efforts to be strongly anchored in national institutions with capacity to push for the implementation of the different elements of the IB Framework. The institutions should have strong relationships with the private sector and be able to leverage business support. Resources need to be properly allocated by national governments to enable systematic promotion of IB in the country. The creation of national Technical Assistance facilities in national agencies or actors,¹⁰¹ could be a manner to give continuation to the development of IB policies and to support companies and investors in implementing new IB Models. In addition, strong capacity building of policymakers and government representatives involved, for instance, in the accreditation of IB companies, could foster the creation of IB knowledge bases in ASEAN countries and further ensure results achieved are maintained.

¹⁰¹ Actors such as DICA in Myanmar and BOI in the Philippines are well placed to become strong national IB centres with the support of relevant ministries. In Cambodia, IB could be promoted through the Young Entrepreneurs Association of Cambodia (YEAC).

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ANNEX | – IB FOCAL POINTS

NATIONAL FOCAL POINT		AGENCY
BRUNEI DARUSSALAM		
Mr	Fadli M Zaini	Darussalam Enterprise
Mr	Muhammad Saiful Azzam bin Haji Sarpudin	Darussalam Enterprise
CAMBODIA		
Mr	Vanthou Chorn	Ministry of Industry and Handicraft Cambodia
Mr	Chhea Layhy	Ministry of Industry and Handicraft Cambodia
INDONESIA		
Mr	Totok Hari Wibowo	Coordinating Ministry for Economic Affairs Indonesia
Ms	Destry Anna Sari	Ministry of Cooperative and SMEs Indonesia
LAO PEOPLE'S DEMOCRATIC REPUBLIC (the)		
Dr	Souphaphone Saignaleuth	Ministry of Planning and Investment Lao PDR
Mr	Vannaseng Ounalom	Ministry of Industry and Commerce Lao PDR
MALAYSIA		
Ms	Kausalya Gopal	SME Corporation Malaysia
Ms	Farah Yasmin Yahya	SME Corporation Malaysia
MYANMAR		
Ms	Yi Yi Khaing	Ministry of Industry, Directorate of Industrial Supervision and Inspection Myanmar
Ms	Phyu Hnin Wutyi	Ministry of Planning and Investment Myanmar
THE PHILIPPINES		
Mr	Jerry T. Clavesillas	Department of Trade and Industry Philippines
Ms	Melanie Moleño	Board of Investments Philippines
SINGAPORE		
Mr	Tham Jierong	raiSE Singapore Centre for Social Enterprise
THAILAND		
Mr	Supree Terapat	Office of Small and Medium Enterprises Promotion, Thailand
Ms	Sonthariya Netirungsiwatchara	Ministry for Social Development and Human Security
VIET NAM		
Mr	Phuong Lam Nguyen	Ministry of Planning and Investment Viet Nam
Ms	Thi Lan Nguyen	Ministry of Planning and Investment Viet Nam

ANNEX II – COUNTRY PROFILES

BRUNEI DARUSSALAM

1. Overall Environment
<p>Brunei Darussalam is one of the richest economies in ASEAN. While poverty is marginal, Brunei Darussalam also faces social challenges that require attention, especially those affecting vulnerable populations, such as people with disabilities and widows.</p> <p>While awareness on inclusive business (IB) is low, corporate social responsibility (CSR) initiatives are common. Recently, an increasing number of CSR activities are focussing on promoting start-ups and entrepreneurship. Social enterprise (SE) initiatives are new and, while the concept may be often unknown to the general public, there is strong interest from youth and the government. Several entrepreneurs have adopted/experimented with SE models over the last few years. In par with these developments, a start-up ecosystem is developing with support from the government.</p> <p>Given the strong CSR awareness among companies, there are opportunities to reorient companies' traditional CSR into more strategic IB activities. With the development of the social enterprise and the start-up ecosystems, there is growing interest in supporting private sector solutions for social issues. Measures supporting the SMEs, social enterprise and start-up ecosystems could also support inclusive businesses.</p>
<i>Policies supporting SME-IB Linkages</i>
<p>MSME development in Brunei Darussalam is relatively recent and it is advancing rapidly.¹⁰² Wawasan Brunei 2035, the national plan to reduce Brunei's dependence on oil and gas sectors and diversify its economy puts forward a local business development strategy that aims at "increasing opportunities for local SMEs and encouraging competitiveness and leadership in business."¹⁰³ The strategy promotes SME development through "various grant, subsidy and loan schemes; investment funds; training programs; and information services."¹⁰⁴ The government is prioritizing the development of the SME sector through various initiatives including the setting up of Darussalam Enterprise (DARE) to support local enterprises, and the establishment of a Syariah-compliant SME bank to improve access to finance for local SMEs, show that.¹⁰⁵</p> <p>There is currently no policy in place supporting between SMEs and IB. Inclusive business could be included in the government's overall efforts to promote private sector activity in the country.</p>
2. Government Support to IB
<p>Efforts to increase the private sector role in Brunei Darussalam have focused mostly on promoting entrepreneurship, SMEs and start-ups. Brunei Darussalam has not yet developed policies directed towards the promotion of inclusive business.</p> <p>Social entrepreneurship is an emerging topic in Brunei Darussalam and a working committee to help SEs tackle unemployment and poverty has been established. The ongoing process offers an opportunity to generate awareness on inclusive business in the country.</p>
3. Other Actors
Impact investors and impact investing
<p>The number of registered private impact investors in Brunei Darussalam is minimal (PII activity).¹⁰⁶ Private impact investors as well as development finance institutions have limited activity in the country.</p>
Support institutions
<p>The Darussalam Enterprise (DARE) provides support to local enterprises and focuses its support on SMEs.</p>

¹⁰² (Organisation for Economic Co-operation and Development, 2016)

¹⁰³ Government of Brunei Darussalam, Energy and Industry Department. 2017. SMEs Need to Demonstrate Agility and Responsiveness to Change: Minister. 16 May

¹⁰⁴ (Organisation for Economic Co-operation and Development, 2016)

¹⁰⁵ Energy and Industry Department, Prime Minister's Office, Government of Brunei Darussalam. SMEs need to demonstrate agility and responsiveness to change: Minister. 2017.

¹⁰⁶ (Global Impact Investing Network, 2018)

4.	Future Measures
Currently, Brunei Darussalam has not announced the intention to introduce specific measures to support inclusive business in in the country. The Government is the midst of developing its entrepreneurship ecosystem to create an environment where business, especially SMEs, start-ups and social enterprises can thrive.	
5.	Challenges Ahead
Awareness around Inclusive businesses in Brunei Darussalam is low. Ongoing efforts around SMEs, start-ups and social enterprises do not yet incorporate IB considerations. Furthermore, there is limited presence of impact investors in the country that could incentivize IB development and the small size of the IB market in the country discourages large IB investments.	

CAMBODIA

1. Overall Environment
<p>Cambodia is one of the fastest growing economies in ASEAN¹⁰⁷ and has been doing remarkably well in reducing poverty (e.g. poverty rates fell from 47.8% of the population in 2007 to 13.5% in 2014).¹⁰⁸ However, Cambodia remains one of the poorest countries in Southeast Asia.</p> <p>The Government of Cambodia has identified IBs as an area for policy development and is conducting a landscape study to assess IB in the country. While awareness on IB is still relatively low, the landscape study work is generating greater understanding among public and private sector actors. There is increasing interest in transforming larger companies into IB models and smaller enterprises into IB initiatives, while fostering new IB activities.</p> <p>Cambodia has one of the most vibrant social entrepreneurship environments in the region. However, many SE operate at a very small scale or have NGO-driven business models. There is an opportunity to transform high-potential social enterprises into IB initiatives, which can generate larger social impact. CSR activities are common in Cambodia, although very few companies adopt strategic CSR as part of their core business.</p>
Policies supporting SME-IB Linkages
<p>Cambodia has a number of programmes to support MSMEs. These focus on information, capacity building, access to finance and MSME registration. There are also some tax incentives. MSME promotion policies are at an earlier stage as compared to those of neighbouring countries and have limited impact in encouraging the scaling up of enterprises. In 2019-2020, new initiatives will be launched including the Skill Development Fund, the Entrepreneurship Development Fund, and the new SME bank, among other Government and private sector support initiatives. The Government is currently finalizing a new SME Development Strategy and its five-year implementation plan, in which IB is foreseen to be mainstreamed. The strategy has five goals including specific articles on IB, and IB will also be mainstreamed across the five goals.</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>Cambodia has not yet adopted specific IB policies. However, the country is finalizing a landscape study on IB in partnership with ESCAP and iBAN and may adopt targeted policies soon. The landscape study mapped IB cases and analysed the enabling environment for IB in Cambodia and provided recommendations for policy support. Eight strategic areas are being considered for promoting IB for Cambodia through a national strategy, the Inclusive Business Enabling Environment for Cambodia (IBeeC) strategy. Approval and institutionalization of the strategy is expected to take place in 2019. The strategy will be reflected in the new SMEs Development Policy and its five-year implementation plan, thereby also being reflected in the new National Strategic Development Plan (NSDP 2019-2023).</p>
Enhancing access to financial resources and providing financial incentives
<p>Discussions are ongoing to include a risk reduction facility for IB investors under the new SME Bank. Access to finance in Cambodia has strong potential and there are several channels that could support IBs.</p>
Providing information and raising awareness
<p>As part of the IB strategy, business associations (including YEAC, CCC, CWEA, and FASMEC) have agreed and started to promote awareness on IB. Government institutions (Line Ministries are key champions) have also committed to provide information on IB. With the support of technical assistance, workshops, a national website, media coverage, brochures and other information material could be developed. In August 2019, Cambodia will host its first IB Forum in Phnom Penh, where the IBeeC Strategy was discussed.</p>

¹⁰⁷ (Asian Development Bank, 2016)

¹⁰⁸ (World Bank, 2014)

3. Other Actors
Impact investors and impact investing
<p>Cambodia has various impact investors. Over the period 2007-2017, Cambodia received roughly 45% of all private impact investor capital deployed in Southeast Asia.¹⁰⁹ The financial services sector – specifically microfinance – however, accounts for most deals and capital deployed in Cambodia. Most bilateral and multilateral development banks – through their private sector’s arms (ADB-PSOD, AfD-Proparco, World Bank-IFC, KfW-DEG) are also active in the country. Over the period 2007-2017, Cambodia received USD 648 million in such funding. Deals concluded by such institutions are mostly not IB investments.¹¹⁰</p>
Support institutions
<p>Business associations are interested in supporting IB in the country. Cambodia has a number of well-functioning business incubators and programs promoting start-up companies (e.g. Phnom Penh Impact Hub, ARISE, SwitchAsia) and closer cooperation could be established between these and IB efforts. Among development partners, UNIDP, UNDP and ADB have shown interest in supporting the IB efforts.</p>
4. Innovation
<p>The Government of Cambodia is committed to developing a strategy for IB promotion and various institutions have proposed concrete measures to promote IB. A promising innovative model being explored in Cambodia is the inclusion of the risk reduction facility for IB under the new SME Bank or another MSME platform. Under commercial terms, this facility would encourage investment and leverage private sector resources by reducing the risk of financial actors (e.g. impact investors).</p>
5. Future Measures
<p>The Ministry of Industry and Handicrafts is committed to approve an IB promotion strategy and encourage its endorsement by the Supreme National Economic Council –the highest-level government coordinating body– and, subsequently, by the Council of Ministers as a broad government strategy. Cambodia is reporting fast and strong progress on IB policy setting.</p> <p>Under the strategic framework, the following 8 key points are in discussion:</p> <ol style="list-style-type: none"> 1. Establishing <u>focal points</u> in government agencies and business associations, and a multi-stakeholder steering committee (that will also include impact investors and selected development partners). 2. Raising IB <u>awareness</u> through seminars, a national website and other information materials. 3. Creating an IB <u>accreditation</u> system jointly implemented by government and business associations. 4. Including IB as a cross-cutting theme in the new investment law and opening <u>incentives</u> for IB models. 5. Prioritizing IB companies and social enterprises in <u>public procurement</u>. 6. Establishing a <u>technical assistance facility</u> that a) helps companies revising their business models (business coaching) and doing impact assessment, and b) supports further policy actions. 7. Creating -under the new SME bank - a <u>risk reduction fund</u> for investors in IB models. 8. Establishing an <u>IB reporting</u> system as part of <u>private sector reporting to the SDGs</u>.
6. Challenges Ahead
<p>Cambodia is a good example of how a committed Government and its private sector partners can set up an enabling environment for IB. In less than a year, a landscape study is being prepared, a strategy for IB promotion is likely to be approved, and concrete actions have been agreed.</p> <p>While there is strong ownership and interest in developing and implementing an IB strategy, given the various institutional capacity limitations, technical assistance is required in the early implementation stages to hold the various IB promotion activities together.</p>

¹⁰⁹ (Global Impact Investing Network, 2018)

¹¹⁰ Ibid

INDONESIA

1. Overall Environment
<p>Indonesia is the largest economy in Southeast Asia and could become the world's seventh largest economy by 2030.¹¹¹ Despite strong macroeconomic indicators, about 10% of the population lives in poverty.¹¹² In 2015, a new national framework for poverty reduction seeking to make the growth process more inclusive was launched.¹¹³</p> <p>IB is not a widespread concept IBs but good examples do exist in the country. A 2013 study assessing the potential for IB in Indonesia¹¹⁴ found strong evidence for IB and highlighted existing IB companies, mostly in agribusiness. Development and private sector actors have actively advocated for IB, and the Government is making progress in promoting an enabling ecosystem.</p> <p>Indonesia's economy features many large corporations displaying a CSR culture and several firms go beyond doing philanthropic activities and are building synergies between supporting development goals and their core business. Large international businesses in Indonesia are increasingly aware of IB. The SE sector has been growing and drawing international attention. Global and regional impact investors are actively funding social enterprises in Indonesia and building profitable businesses.</p>
Policies supporting SME-IB Linkages
<p>Since 2007, government policies, such as the New Economic Policy Package (2007-08) and the SME law (2008), have aimed to strengthen the MSME sector. Indonesia has traditionally adopted a socially oriented SME policy and SME programmes are implemented by local government authorities. Its most significant SME development programme is a financing scheme that enables lower-income citizens to access capital with lower entry requirements. Some policies were formulated as part of a broader push to stimulate private sector development, but still propose several policy exemptions for MSMEs. So far, IB has not been discussed under MSME frameworks.¹¹⁵</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>Since the 2013 IB landscape study, an enabling policy ecosystem to promote IB has slowly started to take shape. In April 2016, the government set-up the IB and Innovation Task Force under the Coordinating Ministry for Economic Affairs to promote IB in the country. Since 2016, the task force has focused on exploring the promotion of IB in the agribusiness sector. However, no specific IB support program has been implemented yet. There is no IB law or targeted policies current in Indonesia. In 2019, the government has indicated interest to explore the potential of IB in the wellness tourism sector and an IB study is being planned.</p>
Enhancing access to financial resources and providing financial incentives
<p>No specific IB fund exist, and so far, very few banks have shown interest in supporting IB. In the recent attempts to promote Health and Wellness Tourism among Indonesian financial communities, a number of financial organisations representing public and private entities were approached.</p>

¹¹¹ (Jr., Rumondang, & Finneran, 2013)

¹¹² World Bank. Poverty Headcount Ratio at National Poverty Lines. Available at: <http://data.worldbank.org/indicator/SI.POV.NAHC?locations=ID> (accessed May 2019).

¹¹³ (Aji, 2015)

¹¹⁴ (Jr., Rumondang, & Finneran, 2013)

¹¹⁵ (N. Burger, 2015.)

3.	Other Actors
	Impact investors and impact investing
	<p>Indonesia has a comparatively mature impact investing ecosystem that has garnered increasing interest from private impact investors. Over the period 2007-2017, Indonesia registered one of the largest private impact investment activities in Southeast Asia. The country is considered to be one of the most attractive social investment markets in the region.¹¹⁶ Development finance institutions are also active in the country and have carried out some IB investments.¹¹⁷ Commercial banks are, however, still reluctant to lend to IB firms due to risk aversion.</p>
b.	Support institutions
	<p>The ecosystem for IB is still emerging but is evolving. There are at least four ministries that can support IB: The Ministry of Research and Technology and Higher Education, the Ministry of Industry, the Ministry of Cooperative and SME and the Ministry of Villages and Lagging Region (MVLRL). Business associations (e.g. Kadin and APINDO) are increasingly interested in supporting information dissemination, IB accreditation, and IB support programs. Organisations like the Indonesia Business Council for Sustainable Development are active advocates for IB. Indonesia is one of the five GrowAsia country partnerships, which supports the development of agribusiness IB models with its members through a public-private partnership model. AVPN is also active in Indonesia building the ecosystem for social investors with an active presence in the country - from foundations and impact funds to corporations, intermediaries and beyond.</p>
5.	Future Measures IB Initiatives
	<p>Initial discussions on the potential of IB in the health and wellness tourism sector have been initiated. The Coordinating Ministry of Economic Affairs requested ESCAP/iBAN – in the context of its IB capacity building work for ASEAN member countries – to assist in preparing a study on IB in Wellness Tourism in Indonesia to help design a roadmap to support IB in wellness tourism, including pilot suggestions. This will include:</p> <ul style="list-style-type: none"> • The profiling of at least 5 businesses in wellness tourism with potential to be IBs in tourism; • An analysis of the enabling environment for IB in wellness tourism; • A roadmap towards IB in wellness tourism in Indonesia.
6.	Challenges Ahead
	<p>Indonesia is progressing, although relatively slowly, in IB promotion. Identified challenges include:</p> <ul style="list-style-type: none"> • Wide gaps between the base of the pyramid and the different elements along the value chain • The sustainability of government support • Weaknesses in the national ecosystem

¹¹⁶ (Global Impact Investing Network, 2018)

¹¹⁷ Ibid

THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

1.	Overall Environment
<p>The Lao PDR has experienced fast growth over the last two decades.¹¹⁸ Poverty rates have declined from 34% to 22% in the last decade.¹¹⁹ Yet, many still live close to the poverty line and remain vulnerable.¹²⁰</p> <p>While many sectors are dominated by state-owned enterprises, the government has also promoted private sector investments. There have been no specific public initiatives to promote IB, but the government has expressed interest in responsible business. In addition, the government has begun promoting CSR. While CSR is a nascent concept, leading companies across several sectors are implementing CSR policies and programs. Overall, awareness and practice of CSR is mainly philanthropic, but recent activities from regional actors have helped promote new models. Foreign companies that are setting up in the Lao PDR are also engaging the community and are building more strategic CSR programs.</p> <p>Social enterprises are fairly new in the Lao PDR. There is no formal definition of SE in the country. Traditionally, cooperatives and community organisations have engaged with the poor. Some private initiatives have taken place but at a very small scale.</p>	
Policies supporting SME-IB Linkages	
<p>SMEs account for 82.3% of the country's total employment.¹²¹ Along with the mining and hydropower sectors, SMEs were the main contributors to the average annual 7.5% GDP growth rate in recent years. The Lao PDR has developed targeted SME policies since the early 2000s. Its policy efforts have focused on improving the legal and regulatory environment and the country has a relatively good institutional framework and a dedicated fund for SME development. The Lao PDR is increasingly interested in policies to enhance SME productivity and integration into Global Value Chains, opening space for complementary IB policies.¹²²</p>	
2.	Government Support to IB
Establishing conducive rules, regulations and definitions	
<p>There are currently no formalised measures in place to support IBs in the country, but the government has expressed an interest in joining regional initiatives supporting IB.</p>	
3.	Other Actors
Impact investors and impact investing	
<p>The Lao PDR has registered some of the lower volumes of impact investments in Southeast Asia. Impact investments in the Lao PDR are almost exclusively from regional actors. During 2007-2017, the Lao PDR received USD 27.4 million in impact investment from private impact investors. Development finance institutions are also active in the country. Over the same period, the Lao PDR received USD 316 million in funding.¹²³ While regional investors are interested in the Lao PDR, there are no specific impact funds in the country.</p>	

118 World Bank. Lao PDR. Available at: <http://datatopics.worldbank.org/consumption/country/Lao-PDR> (accessed May 2019)

119 Ibid

120 Ibid

121 (P. Kyophilavong, 2008)

122 (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), 2014)

123 (Global Impact Investing Network, 2018)

Support institutions	
Business groups (including the American Chamber of Commerce, Australia New Zealand Business Association, European Chamber of Commerce and Industry in Lao PDR, and the Lao National Chamber of Commerce and Industry) are promoting CSR. In 2014, the International Finance Corporation and World Bank extended support to establish a risk-sharing facility to encourage commercial banks to lend to SMEs with limited collateral through the SME Access to Finance project.	
4.	Future Measures
There are current no measures foreseen to enhance policy development for IB in the Lao PDR. However, the country has started to engage in IB forums and discussions.	

MALAYSIA

1. Overall Environment
<p>Malaysia has recorded an average growth of more than 7 % per year for 25 years.¹²⁴ Currently, only 2% of the population lives below international poverty line.¹²⁵ Income inequality, however, is higher than in other countries. Malaysia's gender gap is the fifth highest among upper-middle-income countries.¹²⁶</p> <p>CSR and SE are common in Malaysia, however IB is not yet a familiar concept in the country. Malaysia offers incentives for companies to practice CSR, including tax breaks and a fund of RM50 million to promote CSR activities. Increasingly, more companies are adopting CSR as part of their strategy and core values. This can be leveraged to develop IB models.</p> <p>Social enterprises are a recognized and growing concept in the country. SE can receive benefits such as tax incentives or government-led buy-back agreements.¹²⁷ The government is encouraging the formation of a strong, supportive SE ecosystem and several for-profit SEs would qualify as IBs. Malaysia's focus on social innovation is unique. Its support for SE could further expand to help scale up some of those SE into IB models, and further increases in strategic CSR activities would be a source for generating further IB models.</p> <p>Inclusivity has always been a key principle in Malaysia's national socio-economic development agenda, and a fundamental goal of the National Plan. The strategic initiative on inclusive innovation, encourages innovations that lead to affordable access to quality goods and services, creating livelihood opportunities for the excluded population, primarily in the BOP, on a long-term sustainable basis with a significant outreach. The Government could build on IBs to deliver on its committed to ensuring equitable opportunities for all.</p>
Policies supporting SME-IB Linkages
<p>The government is keen to augment the contribution SMEs make into the economy. The SME Masterplan 2012–2020 aims to support SME growth.</p> <p>The government has a very effective SME promotion system, implemented through SME Corp. Malaysia. IB promotion could be linked to the various SME promotion programs (including rating, branding, outreach, awards, and financing activities).¹²⁸ The Government has also incorporated IB under one of Strategic Thrust of the newly-launched National Entrepreneurship Policy (DKN) 2030.</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>There is currently no consolidated policy action on IB in Malaysia. However, the government is highly interested in exploring how it could best promote IB. In June 2019, SME Corp. Malaysia, received approval from the Ministry of Entrepreneur Development to undertake the IB Landscape Study in Malaysia, in partnership with ESCAP and iBAN. The IB study commenced in July and policy recommendations will be derived from the exercise.</p>
Enhancing access to financial resources and providing financial incentives
<p>As part of its effort to stimulate social innovation, in March 2017, the Social Outcome Fund was launched by the Malaysian government amounting to MYR3 million (USD 690,000) and is being managed by the Agensi Inovasi Malaysia (AIM). The pay-for-success vehicle is designed to 'crowd-in' funding from foundations, social investors and corporates into high-potential SEs and other social purpose organisations to implement positive social change. This fund can support IBs in the country.</p>

¹²⁴ World Bank. Malaysia Available at: <http://data.worldbank.org/country/malaysia> (accessed May 2019).

¹²⁵ World Bank. Malaysia. Available at: <https://data.worldbank.org/indicator/SI.POV.LMIC.GP?locations=MY> (accessed May 2019).

¹²⁶ Ibid

¹²⁷ (Global Impact Investing Network, 2018)

¹²⁸ SME Corp. has an excellent website providing further information on the various programs. Available at: <http://www.smecorp.gov.my/index.php/en/>

3. Other Actors	
Impact investors and impact investing	
<p>Malaysia has seen less impact investment activity than other countries in Southeast Asia. The country received USD 30 million over 2007-17 from private impact investors. Activity by development finance institutions is also relatively low: USD 17.9 million over 2007-17.¹²⁸ However, as an upper-middle-income country, Malaysia is fast becoming a hub for responsible investment. Its drive for innovation continues to underpin its emerging social investment market. Religious giving, which tends to be directed towards social protection, dominates the funding landscape. Malaysia's high-net-worth individuals are also key players in social investment. Finally, Malaysia is the world's biggest Islamic bond market and Islamic Finance places Malaysia as a key destination for responsible investing.¹²⁹</p>	
Support institutions	
<p>The government-backed Malaysian Global Innovation and Creativity Centre (MaGIC) was launched in 2014 with a mission to spur the entrepreneurial ecosystem in Malaysia. In June 2015, MaGIC launched its first accelerator program for social enterprises.</p> <p>Social Enterprise Alliance Malaysia also runs its own incubator programs, which are typically long term.</p>	
4. Future Measures	
<p>The SME Corporation Malaysia (SME Corp. Malaysia), Ministry of Entrepreneur Development Malaysia (MED) is conducting, in collaboration with iBAN and ESCAP, a landscape study on IB. Opportunities exist for the development of targeted policies after completion of the study. The study will help identify existing and potential IB and how public policies can promote IB. The study has three key components:</p> <ol style="list-style-type: none"> 1. Mapping of inclusive businesses (including IB company assessments); 4. Analysis of the enabling environment for IB in Malaysia and; 5. Recommendations for policy support towards IB. 	
5. Challenges Ahead	
<p>Despite the potential, the development of IB in Malaysia will require to overcome the following challenges:</p> <ul style="list-style-type: none"> • Lack of information about the BoP (definition of B40 varies according to states) • Lack of financing (banks are often reluctant to lend to business models that are new and untested) • Limited rules and regulations • Involvement of private stakeholders in IB ecosystem • Difficulties to identify potential IB models • Company may find it risky to invest in IB models • The Small size of the BOP may not be attractive to some players 	

128 (Global Impact Investing Network, 2018)

129 Ibid

MYANMAR

4. Overall Environment
<p>Since 2015, Myanmar is undergoing significant economic developments. Yet, a quarter of the population still live below the national poverty line.¹³⁰ The BOP market is large in terms of number of consumers, albeit with weak purchasing power. However, there is increasing demand from the poor for basic goods and services.¹³¹</p> <p>Although no dedicated policy exists to support IBs and awareness on the topic is still low, there is interest from the government and local actors in IB models and progress has already been achieved. A 2018 study found that IB is a relevant and growing concept in the country; 56 companies with potential IB models were identified and, of these, 21 had innovative models, initiatives and activities with scale potential.¹³²</p> <p>CSR is also not widespread in Myanmar but there are organisations dedicated to promoting CSR. Companies investing in Myanmar must now submit business plans that include commitments to CSR.¹³³ SE is a fairly new concept and very few firms recognize themselves as SEs.¹³⁴ However, the SE sector is growing. Entrepreneurs are looking to create impact and profit and incubators and capacity building programmes are beginning to appear. There is scope for linking the IB agenda with discussions about SE.</p>
Policies supporting SME-IB Linkages
<p>The economy is characterized by small and informal businesses, and SMEs play a critical role in economic development and inclusive growth. The government introduced a new definition of SMEs in 2015 as part of the SME Law, broadening SMEs to sectors such as industry and services. The SME policy serves as a basis for implementing short- and long-term plans and for formulating SME Development Strategy Framework. The government aims to raise awareness about social and inclusive entrepreneurship. IB has advanced as an independent topic, but synergies with SME development exist. Myanmar is trying to develop a MSME master plan, which would include Inclusive Business development</p>
5. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>Myanmar is promoting IB through the Directorate of Investment and Company Administration (DICA), a government agency under the Ministry of National Planning and Economic Development. In 2018, DICA, and the DaNa Facility, published the study “Inclusive Business in Myanmar: An Agenda to Catalyse Social Impact”. The study proposed a framework for IB to guide reforms. Also in 2018, Myanmar launched the IB/Impact Investing Steering Group – a public-private activity to promote and guide IB/impact investing development. The group is expected to provide a strong platform to roll out the various elements of the Framework for IB.</p>
Enhancing access to financial resources and providing financial incentives
<p>Access to finance is key for Myanmar and the country is drafting several frameworks aimed at regulating the sector and fostering investment. Several programmes have also been implemented by the Myanmar Government and development partners. Efforts, however, have focused on financial inclusion, access to finance for MSMEs and microfinance. Limited access to finance is still a major barrier for social and inclusive entrepreneurship. The recent Responsible Business Fund (RBF), implemented in Myanmar as part of the Danish Development Assistance to the country, provided MMK 12.5 billion for (3 years) ‘Challenge Fund’ to “increase the competitiveness and responsible behaviour of Myanmar enterprises” by providing partial grants to SMEs for the implementation of innovative projects. The DaNa Facility, a private sector development programme, also opened a grant window called “IB Ecosystem Window” and provided grant funding to two organisations to help accelerate the growth and amplify social impact of 20 potential IB.</p>
Providing information and raising awareness
<p>The IB in Myanmar Report has formed the basis for several activities, including capacity building and ASEAN IB sessions. At the Myanmar Entrepreneurship Summit in December 2018, DaNa presented the IB idea. DaNa supports and collaborates with key government agencies and business associations to build the IB ecosystem in Myanmar. In 2019, the IB Steering Group and DaNa, as its secretariat, will reach out to different regions, potentially through the Myanmar Young Entrepreneurs Association, to raise awareness on IB.</p>

130 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

131 Ibid

132 (DaNa Facility and Directorate of Investment and Company Administration, 2018)

133 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

134 Ibid

Strengthening the capacity of the BOP and of Inclusive Businesses	
In 2018 November, DaNa, in collaboration with DICA and DISI, organized a 2-day training on IB. The IB Ecosystem Window provides technical support to the 20 enterprises participating in the accelerator program. These firms will be equipped with knowledge and capacity to scale up their operations and social impact.	
6. Other Actors	
Impact investors and impact investing	
Myanmar has seen little impact investment. Only a few impact investors are actively pursuing IB investments. Most investors provide grant funding to NGO-driven SEs or invest in technology-based start-ups, of which only a few can be classed as IBs. The Global Impact Investment Network estimates that by 2016 only USD 56 million in impact investing was committed or reported. In addition, angel investors and related funds have deployed about USD 9 million in smaller-ticket funding. However, only a small portion (perhaps one-fifth) of funds pledged has been invested, mostly in microfinance. Many impact investors serve the market from outside the country. Development finance institutions are interested in Myanmar; for example, DFID supports the Myanmar Centre for Responsible Business and the DaNa Facility and is providing USD 6 million to encourage responsible business activities across the country. Development banks (e.g. ADB and IFC) are exploring the market.	
Support institutions	
DaNa is promoting IB in Myanmar. Organisations like Myanmar Centre for Responsible Business are promoting CSR and IB. Other organisations are promoting SEs (the Green Waves Social Enterprise, Loka Ahlinn, and PS Business School run SE business plan competitions; the Skoll Foundation and the Schwab Foundation have provided grant-based funding to SEs). The National Business Association and the Myanmar Young Entrepreneurs Association are also interested in the topic.	
7. Innovation	
Myanmar was the first country in the region to launch a national study resulting in the adoption of a Framework for IB with eight strategic recommendations to be enforced by key national stakeholders. This initiative has served as an example for other ASEAN Member States. The Myanmar IB/Impact Investing Steering Group is also a novel model. However, it is still early to assess the impact of the Steering Group.	
8. Future Measures	
DICA aims to explore the possibility of setting up IB desks in DICA and other agencies, and eventually developing accreditation criteria and investment incentives for IB. Proposed measures in support of IBs include:	
	<ol style="list-style-type: none"> 1. Ongoing activities of the Inclusive Business/Impact Investing Steering Group 2. Wide-ranging capacity development activities for key players to further promote IB 3. Awareness raising activities on inclusive business 4. Setting up IB support desks in key government agencies and business associations 5. Explore setting up an IB accreditation system and social impact measurement programmes 6. To conduct research on appropriate incentive structures to further stimulate the growth of IBs 7. To catalyse greater impact investing activities in Myanmar, including through an investment portal
9. Challenges Ahead	
	<ol style="list-style-type: none"> 1. Insufficient understanding and capacities related to IB, especially within key government agencies and business associations. 2. Dominance of the charity mentality among business. 3. Weak interdepartmental coordination among IB-related agencies that fall under different ministries. 4. Inadequate eco-system for entrepreneurship and business development. 5. Lack of available data on target groups because of unclear registration and licensing process.

THE PHILIPPINES

1. Overall Environment
<p>The Philippines is one of the fastest-growing economies in ASEAN. While poverty declined rapidly in the past decades, millions remain vulnerable, especially in rural areas.</p> <p>Although still at the early stage of development, IB is a recognized concept. Companies and the government have been actively engaging in IB development since 2013. An IB market-scoping study identified more than 70 companies with IB models in the Philippines.¹³⁵ There are many well-known examples, especially from the agribusiness sector. The major business organisations in the country also actively support the IB concept.</p> <p>Traditionally, CSR has been strong among corporations in the country. Most CSR activities are still mainly philanthropy- and event-driven. Only recently have some started making a shift from philanthropy to more strategic CSR. SE is growing as seen in the number of start-ups; SMEs; and intermediaries like incubators, accelerators, and angel investors. The SE ecosystem comprises an estimated 6,000 SEs and 14,000 civil society organisations.¹³⁶ However, more recently, SE are building for-profit market-based models to impact the poor.</p>
Policies supporting MSME-IB Linkages
<p>The Philippines has traditionally provided services to help SMEs increase their competitiveness. However, the country also sees SME policy as a tool to reduce poverty and regional inequalities.¹³⁷ To support MSMEs, the government created the MSME Development Council, chaired by the Secretary of the Department of Trade and Industry (DTI), with members from various government agencies. The Go Negosyo Act promotes “ease of doing business and facilitates access to services for MSMEs” through Negosyo Centers that provide firms with registration assistance, advisory services, and information.¹³⁸ Given the focus on poverty reduction, interventions focus on the provision of microfinance and the development of entrepreneurship.¹³⁹ The Philippines IB policy is anchored in the Government’s focus on poverty reduction through MSME development. Companies applying for IB incentives are expected to engage marginalized individuals as employees and/or micro and small enterprises as suppliers. The Philippines Board of Investment offers support to IBs connected to MSME suppliers, distributors and retailers in the country.</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>In 2014, the BOI and ADB came together to pursue IB approaches. The government made IB a part of its investment priorities plan (IPP) and offered specific tax incentives for companies with IB models in the agribusiness sector. While IB was included as a cross-cutting theme in the IPP 2014–2016, in the IPP 2017–2019, IB models are now part of the priority sectors eligible for incentives. IB is seen as one of the pathways in the government’s poverty reduction strategy to reduce poverty.</p> <p>Under the IB policy, IB models are defined as business activities of medium and large enterprises in the agribusiness and tourism sectors that provide business opportunities to micro and small enterprises as part of their value chains. The IB policy has two components: reach and depth, and innovation. Reach and depth focuses on the companies’ engagement of the marginalized sectors and the socioeconomic impact of such engagement. Companies applying for IB incentives are expected to engage marginalized individuals as employees and/or micro and small enterprises as suppliers. Income increases of the individuals engaged are monitored to prove that the businesses indeed provided sustainable livelihoods and decent jobs. The policy is designed to stimulate businesses to go beyond business-as-usual and spur innovation by providing market linkages and assistance in capacitating low-income communities. Incentives given based on actual performance. Some DTI regional offices (e.g. Region 12) have started their own MSME-IB linkages programs (e.g. Maximizing Investments by Leveraging Enterprises). Linking MSMEs to market is one of the key activities of the regional and provincial offices.</p>
Enhancing access to financial resources and providing financial incentives
<p>The IB tax incentive provided by the BOI has been in place since early 2018. Currently, there are five registered IB projects which can provide a valuable contribution to the BoP, estimated at 55 million dollars. The current incentives are aimed at businesses in the agribusiness and tourism sectors.</p>

¹³⁵ (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

¹³⁶ (Government of the United Kingdom, 2015)

¹³⁷ (Organisation for Economic Co-operation and Development, 2018, p. 371)

¹³⁸ (Government of the Philippines, Department of Trade and Industry., 2017)

¹³⁹ Ibid

Providing information and raising awareness	
<p>The Philippines has been active in promoting IB in ASEAN and APEC, including as chair of APEC 2015 and of ASEAN 2017. Since 2017, the country released three publications: <i>Business+ The Philippines: IB awareness and engagement among companies in The Philippines</i>; <i>IB in the Asia-Pacific Economic Cooperation (APEC)</i>; and <i>Impact Catalysts: IB Models in the ASEAN</i>. Together with the ASEAN Business Advisory Council, it created the ASEAN IB Awards to recognize successful IB models in ASEAN and to create a pipeline of IB projects.</p> <p>The BoI operates an IB Centre that provides information and carries out awareness raising activities. BoI, in collaboration with The Philippine Business for Social Progress and the Department of Trade and Industry, held the IB Leaders Conference on 28 November 2018 in Pasay City.</p>	
Strengthening the capacity of the BOP and of Inclusive Businesses	
<p>The BOI is continuously working on strengthening its collaboration with other government agencies and development partners to address the gaps in the implementation of IB projects.</p>	
3.	Other Actors
Impact investors and impact investing	
<p>The country has established several innovative approaches to support social investment such as pooled-in funds, debt swaps for development, CSR funding pools and well-managed family foundation establishments. There are various impact funds. The Philippines has a comparatively mature impact investing ecosystem.¹⁴⁰ Commercial banks are starting to show interest in IB and SE investments; the Bank of the Philippine Islands is utilizing its corporate foundation's SE competition as a pipeline generator. The Philippines is also a large market for development finance institutions.¹⁴¹</p>	
Support institutions	
<p>The BoI is the main promoter of IB. The Makati Business Club and Management Association of the Philippines is often part of IB events. The Cagayan de Oro Chamber of Commerce established an IB promotion center for Mindanao. Philippine Business for Social Progress, an association of more than 270 firm aiming to professionalize CSR activities, established the IB Imperative, a platform to provide the private sector resources to plan, monitor, and measure IB activity. The Philippine Center for Entrepreneurship and business schools provide social entrepreneurship training, and various IB and social entrepreneurship incubators are active.</p>	
4.	Innovation
<p>As a first mover on IB in Asia, the Philippines is faced with the challenge of developing new and untested policies and programs to support IB. While the policy on incentives is a strong push for the private sector to engage in IB, key issues lie in addressing the gaps in the development of IB models. To address these gaps, BOI is developing an IB roadmap, and institutionalize the program through the passing of a Bill on IB.</p>	
5.	Future Measures
<p>Following the roll-out of the IB policy in the country, the BOI is reviewing its current policy to increase number of firms availing incentive and to expand its sectoral reach to manufacturing. To finetune the design and enhance the implementation of IB policy in the Philippines, work in three parallel strands is foreseen:</p> <ol style="list-style-type: none"> 1. Establishing IB framework and an implementation roadmap for the current IB policy, 2. Reviewing the current IB policy to increase the number of accredited projects and expand IB 3. Ensure executive and legislative anchoring 	
6.	Challenges Ahead
<p>Increased level of awareness on IB is still required, despite the many advocates of IB coming from both the government and private sectors. As a pioneer of IB in Asia, the Philippines is faced with the challenge of developing new and untested policies and programs that can deliver the expected impact.</p>	

140 (Global Impact Investing Network, 2018)

141 Ibid

THAILAND

1. Overall Environment
<p>Thailand moved from a low-income to an upper-income country in less than a generation. The proportion of Thais below the poverty line has decreased from 67% in 1986 to 7.2% in 2015.¹⁴² However, poverty and inequality continue to pose significant challenges.¹⁴³ While the number of BOP and their spending potential are high, the actual market opportunity for IB is smaller, owing to the smaller size of the low-income market as well as strong government programs for the poor.</p> <p>According to previous assessments, there are about 20 companies with IB models in Thailand.¹⁴⁴ More enabling legislation and awareness of IB models could enable a significant rise of IB in Thailand, especially given that the country is already focused on making growth more inclusive.</p> <p>Thailand's CSR is an extension of the Thai culture of doing good, which has made companies engage in philanthropy for local communities. This is changing with some leading companies in Thailand pursuing CSR as a core strategy for their sustainable business development, blending both new concepts and traditional cultural elements. In addition, there is growing interest from corporations to set-up, invest, or support SEs. A key driver of this approach is the Stock Exchange of Thailand, which offers incentives for companies to shift their CSR approach to SE. Furthermore, the current government encourages corporations to co-create SE through public-private partnerships.</p> <p>There are also many SEs in Thailand. As one of few countries that has a strong, explicit commitment to develop the SE sector, SEs have benefited from help to grow their companies.¹⁴⁵ In 2009, the National Social Enterprise Committee was created to increase awareness of the sector and facilitate access to finance. The government also developed the Social Enterprise Promotion Act, offering tax relief for corporations setting up social enterprises and tax incentives for social investment. A bill on SEs was adopted in 2019 to promote continued support. The bill advocates the establishment of a new independent regulating body, the Office of the National Social Enterprise Promotion, a Social Enterprise Commission to coordinate policy, and a new Social Enterprise Fund to provide financial support. The bill also proposes that a regulatory framework be established to encourage the development of SEs and that tax incentives for private businesses be awarded to encourage them to spend a portion of their profits on addressing societal needs.</p>
Policies supporting SME-IB Linkages
<p>MSME enterprises in Thailand comprise 99 % of the entrepreneurial base. The government's economic reform program includes SME promotion through initiatives like SME tax incentives and technology for e-payments.¹⁴⁶ Government agencies, such as the National Board of SME Promotion and the Office of Small and Medium Enterprises Promotion (OSMEP), promote SME policies in the country. The OSMEP 4th SME Master Plan (2017-2021) aims to foster growth of Thai MSMEs, enabling them to compete in the international arena, and strengthening them to become a major driving force of the country's economy, promoting the inclusive growth of the nation's economy, with three key success factors: Ease of Doing Business, Smart SME, and High-Value Start-up. IB promotion in Thailand could be aligned to the countries strong SME development efforts.</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>There is currently no policy targeting IBs in Thailand, although important advances in SE policy are ongoing. The Social Enterprise Promotional Act was published to the Government Gazette on May 2019, indicating its implementation as roadmap and framework for the promotion of SE in Thailand.</p>
Enhancing access to financial resources and providing financial incentives
<p>In 2015, the Thai Social Enterprise Office collaborated with two state-owned banks to set up a social enterprise loan program of USD 57 million. Despite this programme, there is insufficient funding for SEs seeking to move from the validation to the growth stage.</p>

¹⁴² World Bank. Available at: <https://data.worldbank.org/country/thailand>. (Accessed on May 2019).

¹⁴³ World Bank. The World Bank in Thailand. Available at: <http://www.worldbank.org/en/country/thailand/overview> (Accessed on May 2019).

¹⁴⁴ (Dietrich, Inclusive Business in ASEAN - Background Paper, 2018)

¹⁴⁵ (British Council, 2016)

¹⁴⁶ (Organisation for Economic Co-operation and Development, 2018)

3. Other Actors
Impact investors and impact investing
<p>Regional and global impact investors are actively investing in SEs in Thailand. Investments in large IB companies are uncommon, which highlights the need for strong knowledge sharing on IB in Thailand. The government can also work with development finance institutions and donors to support IB models like it has for social enterprise. While there are several seed funding options for start-ups offered through incubation programs and business plan competitions, this funding is often too small and short term. In addition, about 30 commercial banks and six specialized financial institutions are active in Thailand and provide loans to SMEs.</p>
Support institutions
<p>Thailand has a developed support ecosystem to entrepreneurs, focussing mostly on start-ups. The country also has social enterprise support organisations and is also home to intermediaries such as Change Fusion, Ashoka Thailand, and NISE Corporation that work as capacity builders to stimulate the establishment and growth of social enterprises.</p>
4. Future Measures
<p>Thailand is engaging in regional conversations around the potential of inclusive business, especially in the context of ASEAN. As the Chair of ASEAN in 2019, Thailand is hosting two major IB events; the Third IB Policy Forum and an the Second ASEAN IB Summit. The Office of Small and Medium Enterprises Promotion (OSMEOP) could consider conducting a landscape study on Inclusive Business in the country.</p>

SINGAPORE

1.	Overall Environment
<p>Singapore has a highly developed and successful free-market economy, with a per capita GDP higher than that of most developed countries.¹⁴⁷ In the next 25 years, Singapore's challenge will be its aging and declining population. Like other developed countries, Singapore's social challenges are around the elderly, persons with disabilities, and high costs of housing.¹⁴⁸</p> <p>Singapore has a limited number of companies with IB models, and many companies consider "inclusivity" as being inclusive of people with disabilities. There are currently 11 identified companies with existing and potential IB models.¹⁴⁹ Most are regional headquarters of multinational corporations. IB models are implemented outside of Singapore, with the majority in the agribusiness sector engaging the BOP as suppliers. Singapore is known for its innovative and strong start-up culture, actively promoted by impact and angel investors and the government. However, most business models are not aimed toward solving BOP issues and are not implemented in neighbouring ASEAN developing economies. The CSR culture is strong, with the government emphasizing it as well. However, the number of CSR initiatives that count as IB activity is small. Social enterprises are building solutions to solve challenges facing Singaporean society. A significant challenge for SEs is to scale as they focus on the Singapore market and hence are limited by its size. No specific legislation regarding SEs has been enacted in Singapore. However, the government supports social enterprises with funding and capacity building through the Singapore Centre for Social Enterprise (raiSE).</p>	
Policies supporting SME-IB Linkages	
<p>The government has a wide range of initiatives to support SMEs. Enterprise Singapore, under the Ministry of Trade and Industry, is the government agency championing enterprise development. It works with committed companies to build capabilities, innovate and internationalise tasked with helping Singapore enterprises grow.¹⁵⁰ It also acts as the national standardisation and accreditation body by developing new standards and promoting internationally recognized standards and quality assurance infrastructure. Enterprise Singapore partnered with Trade Association and Chambers to establish SME centres to provide SMEs with one-to-one business diagnosis and advisory services in areas like productivity, finance, human resources and overseas expansion. An online SME portal supports the work of these centres, acting as a "touch-point for SMEs and useful information and services suitable for SMEs at various business stages."¹⁵¹ Support for enterprises could be leveraged to promote inclusive business.</p>	
2.	Government Support to IB
Establishing conducive rules, regulations and definitions	
<p>There is currently no policy targeting IBs in general in Singapore. Both the country's policies on SMEs and Social Entrepreneurship support provide a base for the development of IB.</p>	
Enhancing access to financial resources and providing financial incentives	
<p>There are existing mechanisms that can be leveraged by IBs. Enterprise Singapore's Enterprise Financing Scheme (EFS) encourages financial institutions such as banks to lend to SMEs. Examples of such loans include the SME Working Capital Loan. raiSE's various capacity building and financing support enable social enterprises who are in the growth stage of their business lifecycle - to accelerate their development and potentially scale them into IB models.</p>	
Strengthening the capacity of the BOP and of Inclusive Businesses	
<p>The PACT programme, jointly managed by Enterprise Singapore and Economic Development Board, encourages larger enterprises to work with SMEs to co-innovate/ internationalize/ improve productivity.¹⁵²</p>	

¹⁴⁷ World Bank. Singapore. Available at: <http://data.worldbank.org/country/singapore> (accessed May 2019).

¹⁴⁸ (Parameswaran, 2015)

¹⁴⁹ (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

¹⁵⁰ (SPRING Singapore)

¹⁵¹ (Government of Singapore, 2017)

¹⁵² Enterprise Singapore. 2019. <https://www.enterprisesg.gov.sg/financial-assistance/grants/for-partners/pact-programme/overview>

3. Other Actors
Impact investors and impact investing
<p>Singapore has increasingly become a regional impact finance hub, with many players setting up base in the country, although their investment focus is on regional deals due to the small size of the domestic market¹⁵³. Impact funds, such as Insitor Impact Asia Fund, Bamboo Capital and Blue Orchard, channel resources to social businesses in the region.</p> <p>On May 2019, Temasek Trust established ABC World Asia, a PE fund dedicated to impact investing. The fund will invest into companies with a commitment towards impact. DBS Foundation was also set up by DBS to support the growth of social enterprises regionally through the provision of capacity building programs, financial grants and cheaper loans for social enterprises.</p> <p>The Monetary Authority of Singapore (MAS) has put several structures in place to encourage deeper environmental, social and governance (ESG) integration within financial institutions as well as to grow the suite of ESG products to support different investment strategies.</p> <p>Although IB has not been in the radar of investors in Singapore, there is scope to expand existing channels to IB companies.</p> <p>Development finance institutions such as the World Bank Group (regional office which covers East Asia Pacific and South Asia) and international nonprofit organisations also run their regional operations from Singapore.</p>
Support institutions
<p>There are currently no institutions focussing specifically on IB. However, the ecosystem for social enterprises is strong. The Singapore Centre for Social Enterprise (raiSE) was launched in May 2015 as the central body for the social enterprise sector in Singapore. raiSE brings together the public and private sectors and has had a strong impact on the growth of social enterprises in the country.</p> <p>Singapore's academic institutions have also been actively engaged in promotion of social enterprises, including the Asian Centre for Social Enterprises at the National University of Singapore, the Institute for Social Innovation, and INSEAD Asia Campus. The DBS–NUS Social Venture Asia challenge has been another active player, awarding funds to both local and regional social enterprises.¹⁵⁴ Impact Hub Singapore has been a big supporter of social enterprises and has recently launched a S\$1 million fund (USD 762,000) for SEs.¹⁵⁵</p> <p>Other actors include the Singapore International Foundation (SIF), Asia Centre for Social Entrepreneurship & Philanthropy (ACSEP), NUS Enterprise, Asian Venture Philanthropy Network (AVPN), Republic Polytechnic, Singapore Committee for United Nations (UN) Women, and Nanyang Technological University (NTU).¹⁵⁶</p>
4. Future Measures
<p>The Government of Singapore is making efforts to facilitate impact investment regionally. Future measures could include, on the demand side:</p> <ul style="list-style-type: none"> (i) Leverage certifications to identify, build and encourage the growth of a pipeline of impact driven companies. (ii) Develop platforms to connect angel investors for pre or post investment activities and building a pipeline of early stage Venture Capital impact funds which can provide early stage financing for these companies. <p>On the supply side:</p> <ul style="list-style-type: none"> (i) Explore the introduction of relevant tools with the aim to encourage the growth of green, sustainable and impact lending or investments in the region. <p>To create a more enabling ecosystem for impact investments:</p> <ul style="list-style-type: none"> (i) Promote proper measurement frameworks for Impact and Sustainability criteria and measurement. This will help address the lack of a harmonized approach or common benchmarking standard to impact measurement. <p>Partner with multipliers (e.g. AVPN and raiSE) and other private sector partners to further encourage the growth of inclusive businesses.</p>

153 (Mohan, Harsh, & Modi, Social Investment Landscape in Asia – Insights from Southeast Asia, 2017)

154 (Dietrich, Asia-Pacific: Inclusive Business in the Association of Southeast Asian Nations, 2018)

155 Ibid

156 Ibid

5. Challenges Ahead

While impact investments are gaining traction slowly, the main challenges include (i) the lack of a standard for what constitutes an impact fund and more importantly; (ii) a lack of a common standard in impact measurement. This has made benchmarking of potential impact investments difficult for investors and increase the probability of impact washing: companies and investors making exaggerated impact claims.

Other challenges include:

- (i) lack of appropriate capital across the risk-return spectrum;
- (ii) inadequate pipeline of quality social enterprises/ impact driven companies.

Many of such companies are start-ups or SMEs with limited track records, new or un-proven technologies, limited collateral etc. As such while these companies may have strong growth prospects, they are perceived to have little chance of producing market rate returns quickly due to unproven business models. Given the nature and maturity of these companies, the type of financing required will be early stage financing in the form of debt or equity, which might not be of interest to many private sector investors.

VIET NAM

1. Overall Environment
<p>Viet Nam has seen steady GDP growth over the past decades. In parallel, extreme poverty¹⁵⁷ decreased from 58% in 1993 to 3.2% in 2014. The proportion of Viet Nameese living below the poverty line has fallen to 13.5%.¹⁵⁸ While a growing economy has brought opportunities for poverty alleviation, challenges to address the needs of marginalized communities remain. For instance, a growing number of workers from rural areas are migrating to the cities for informal and vulnerable jobs.¹⁵⁹</p> <p>The private and public sectors, development agencies, and investors have significant interest in IB. However, in general, the level of awareness of IB models is low. Viet Nam has seen a few IB investments so far, but there is potential. In 2012, the Asian Development Bank conducted a market scoping study for IB in Viet Nam, and between 2012 and 2016, the UK and Netherlands governments supported an IB accelerator program implemented through SNV, the Netherlands Development Organisation, in the country. There is little comprehensive updated information on IB in Viet Nam, and there is also no established strategy to support IB. In 2019, the Ministry of Planning and Investment will be conducting, with the support of ESCAP and iBAN, a landscape study to map potential IB companies in the country and develop IB policy recommendations.</p> <p>CSR has been traditionally undertaken by international companies, but more domestic corporations are undertaking CSR activities today. The social enterprise ecosystem is still at a nascent stage but has large potential. By 2016, there were around 1,000 SEs in Viet Nam¹⁶⁰ and more SEs using market-based models. Recognizing the role that SEs play in the country's growth, Viet Nam's Enterprise Law was revised in 2014 to provide a legal definition of SEs, and the government promised to "encourage, support and promote the development of social enterprises."¹⁶¹</p>
Policies supporting SME-IB Linkages
<p>Viet Nam's National Assembly adopted in 2017 a new SME Law. The law regulates principles, contents and resources to support SMEs, as well as responsibilities of agencies, organisations and individuals relating to the support for SMEs.</p> <p>The Law further provides that SMEs will be taxed at a lower rate and enjoy certain other non-tax incentives, such as lower land use fees and land rents and access to credit. A dedicated SME Development and Promotion Council is responsible for coordinating inputs from various Ministries and agencies involved in SME development.</p> <p>Following the new SME Law, accompanying regulations are being developed. This offers an opportunity for the inclusion of IB as an avenue to support MSME competitiveness and growth.</p>
2. Government Support to IB
Establishing conducive rules, regulations and definitions
<p>There are currently no specific policies to support IB in the country. However, Viet Nam – preparing for being the chair of ASEAN in 2020 – is interested in setting up its own IB promotion policies and sharing – in the context of the ASEAN 2020 agenda – further policy work to promote IB in the region.</p> <p>The Agency for Enterprise Development (AED) under the Ministry of Planning and Investment (MPI) has been coordinating Viet Nam's efforts on IB promotion. In 2019, under the collaboration with ESCAP/iBAN, a landscape study to explore strategic recommendations for promoting IB in Viet Nam is being developed. Policy recommendations are expected to focus on accreditation of IBs, the engagement of focal points for advocacy and capacity development among government actors and could further include technical assistance, tax incentives and access to finance.</p> <p>IB efforts in Viet Nam are expected to build in the revision of Decree 96/2015ND-CP Detailing the Law on Enterprises, which currently defines incentives and support to Social Enterprises. IB could be included as a new area of support in the revised rule.</p>

157 Signified by an income of under USD 1.90 per day

158 (Mohan, Harsh, & Modi, Social Investment Landscape in Asia – Insights from Southeast Asia, 2017)

159 (World Bank, 2013)

160 (British Council and Economic and Social Commission for Asia and the Pacific, 2019)

161 (Cung, Đứ'c, Oanh, & Gâ'm, 2012)

3. Other Actors
Impact investors and impact investing
<p>Viet Nam has seen some funding into IB. In 2012, a Viet Nam Business Challenge Fund supported private companies operating in Viet Nam to develop innovative IB in agriculture, low-carbon growth, and infrastructure. The Viet Nam Business Challenge Fund pledged nearly USD 9 million to 21 IB ventures, and the expected social returns include 9,000 new jobs created and 70,000 people with increased income. ADB did its first investment in 2016 in an agribusiness company for flower and vegetable production. Viet Nam has a comparatively mature impact investing ecosystem and development finance institutions are highly active in the country.</p>
Support institutions
<p>IB intermediary organisations, like the Viet Nam Business Council for Sustainable Development, have created mechanisms like ranking top sustainable businesses to promote IB. Others, such as SNV, are working with companies to build IB Models. The British Council promotes Social Enterprises. The Viet Nam Chamber of Commerce and Industry as well as the Viet Nam Women Entrepreneurs Council are key business associations supporting IB.</p> <p>The Central Institute for Economic Management is working with AED on policy development for IB. In addition, the Center for Social Initiatives Promotion is an organisation supporting social enterprises based in Hanoi that could support IBs.</p>
4. Future Measures
<p>Viet Nam is conducting in 2019 a scoping study on IB, let by AED, to help identify existing and potential IB and how public policies can further promote IB investments. The study, currently under implementation, has four key components:</p> <ol style="list-style-type: none"> 1) Mapping of inclusive businesses (including IB company assessment); 2) Analysis of the enabling environment for IB in Viet Nam; 3) Strategic recommendations for promoting IB, including on awareness raising, establishing multi-stakeholder focal points and a steering committee, and accreditation at national and provincial level; 4) Suggestions to include IB in the 2020 ASEAN discussions chaired by Viet Nam. <p>Opportunities exist for the development of targeted policies after completion of the study.</p>



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 it does by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP 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.



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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 online knowledge platform on inclusive business (inclusivebusiness.net) 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.

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