



ASEAN INCLUSIVE BUSINESS FRAMEWORK

I BACKGROUND

Inclusive Business (IB) is an emerging private sector contribution towards achieving ASEAN Economic Community (AEC) 2025 Vision of a resilient, inclusive and people-oriented and people-centered community. Since the term was coined in 2005¹, IB Models have been developed and implemented globally, leading to more inclusive growth.

IBs provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the Base of the economic Pyramid (BOP), making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers².

Fully scaled IB Models thereby combine economic growth and empowerment with positive social impact by providing income opportunities and affordable products and services to millions of people at the BOP. IB models leverage the huge opportunity to engage with this BOP market of over 300 million people across the ASEAN Member States (AMS) as consumers and as micro- and small entrepreneurs in their value chains.

AMS governments, international institutions, and investors are beginning to recognize the potential of IB in fostering economic growth and are developing enabling environments for IB Models in the region. In 2015, G20³ established a globally recognized IB framework that can be referenced by businesses, governments and civil society when creating support for IB policies and programs. IB has important contributions to make in the context of ASEAN's Economic Community Blueprint 2025, notably in strengthening the role of MSMEs and the private sector, narrowing the development gap, opening a new area of public-private partnerships, and achieving the UN Sustainable Development Goals.

While the IB eco-system has already begun developing in AMS, IB is still far from reaching its full potential and requires more support by governments, businesses and other eco-system actors.

By integrating IB in the implementation of the ASEAN Strategic Action Plan for SME Development (SAPSMED) 2016-2025, ASEAN can create the necessary awareness and provide guidance for the development of conducive rules and regulations for IB in the region.

The ASEAN Inclusive Business Framework (AIBF) aims at providing the basis upon which AMS can further engage and foster IB regionally through sectoral bodies in ASEAN and contribute to global IB initiatives.

IB in the ASEAN context is especially relevant to the development of micro, small and medium enterprises (MSMEs) as laid out in the ASEAN SAPSMED 2025 being implemented by the ASEAN Coordinating Committee on MSMEs Development (ACCMSME).

The added value of the AIBF rests in providing guidance to ACCMSME in the emerging IB field and in bridging the AEC and ASCC visions in terms of the private sector contribution towards lifting the quality of life of the ASEAN people.

II SCOPE

In line with the AEC 2025 Vision of a resilient, inclusive and people-oriented and people-centered community, the scope of AIBF shall cover the areas of private sector engagement and inclusive development.

¹ By the World Business Council for Sustainable Development (WBCSD)

² G20 Inclusive Business definition, 2015

³ With technical support from among others the International Finance Corporation – World Bank Group (IFC) and United Nations Development Programme (UNDP)

The AIBF shall provide guidance on the contribution of IB in achieving the five (5) strategic goals of the ASEAN SAPSMED 2025.

III OBJECTIVES

The objectives of the AIBF shall be the following:

- A. To strengthen **enabling policy environments** for IB in AMS, thereby helping IB companies maximize opportunities in terms of economic growth and development;
- B. To foster **regional collaboration** encouraging cross country adoption of IB practices; and
- C. To **connect AEC and ASCC vision** along the line of IB practices, economic growth and positive social impact

IV PRINCIPLES

A number of key principles shall guide the agenda of IB promotion on the basis of the AIBF and in line with the AEC 2025 Vision, AEC Blueprint 2025 and SAPSMED 2025 vision of globally competitive and innovative MSMEs. These principles shall provide guidance and direction for the interpretation, further development and implementation of ASEAN IB initiatives.

- A. **Private sector orientation:** As IB is primarily a private sector activity, AMS shall endeavor to engage the business sector and community-based organizations to provide feedback on key components that constitute an enabling environment for IB.
- B. **Common understanding of IB:** AMS shall educate and raise awareness among key actors on IB – business models that provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the BOP, making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.
- C. **ASEAN emphasizes the promotion of “IB Models”:** IB is implemented along the three (3) major approaches⁴: IB Models, IB Activities and Social Enterprise Initiatives. AIBF focuses on the promotion of the IB Model⁵ approach and views the support of the other two approaches in the context of scaling them up into IB Models.
- D. **IB Models in ASEAN will highlight the development of MSMEs along three (3) tracks:**
 - i. Medium scale enterprises as the main proponents of IB in ASEAN;
 - ii. Small scale enterprises with social impact, often regarded as Social Enterprises; and
 - iii. Micro and small enterprises as part of the value chain of bigger IB models, thereby allowing access to market, finance and technical capacity building.
- E. **Government support is crucial for the widespread adoption of IB.** The following thematic areas of contribution have been identified in the G20 IB Framework to support the development of an enabling environment and examples are provided in Annex 1:

- i. Establishing conducive rules, regulations and definitions

⁴ Based on the G20 Framework on IB

⁵ **IB models** integrate the poor into their *core* business, expect to realize market returns, and rely mainly on commercial funding. **IB activities**, on the other hand, integrate the poor into their value chain but only ancillary, such that the business may survive even without the IB activity. CSR activities often fall under this category. Finally, **SE initiatives** have explicit social impact objectives, but are not necessarily structured to maximize profit for investors.

- 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
- F. **IB serves a cross cutting theme of private sector engagement for social impact and economic empowerment.** While anchored at ASEAN’s MSME agenda, its full potential can be derived through close cooperation with other ASEAN institutions such as the ASEAN Business Advisory Council (ASEAN-BAC), which can engage the larger enterprises.

V IMPLEMENTATION

IB can contribute to each strategic goal under SAPSMED 2025. Conceptualizing and conducting activities promoting IB in the context of SAPSMED will strengthen MSME development.

A. **Strategic Goal A – Promote Productivity, Technology and Innovation**

To reach and successfully integrate the BOP in their core business as customer, supplier, distributor or retailer, IBs develop innovative technologies and provide capacity building to the BOP and MSEs along the value chain, leading to significant productivity, subsequent income increase, and improvement in quality of life.

A thriving eco system of stakeholders supporting IB is emerging in AMS and can be tapped to leverage ASEAN IB activities.

B. **Strategic Goal B - Increase Access to Finance**

IB provides or facilitates access to finance for the BOP and MSMEs. It furthermore attracts Impact Investment, a new emerging asset class, into the AMS.

Business matching events of local MSMEs and investors (including angel investors, venture capital companies, and BOP funds) [Action line B-1-2) 2] are already taking place for IB and would benefit from ASEAN support.

C. **Strategic Goal C - Enhance Market Access and Internationalization**

IB provides market access for the BOP and MSMEs as an inherent part of its business models. IB’s use of e-commerce has the potential to integrate the BOP and MSMEs in their value chains at unprecedented rate and scale, for example through the use of mobile phone technology in last mile distribution and payment solutions.

D. **Strategic Goal D - Enhance Policy and Regulatory Environment**

IBs help fulfil important public policy objectives, but firms can often be discouraged to invest. Reviewing existing regulations that limit BOP participation in market activities, embedding pro-poor targets into government contracts, and introducing appropriate

regulations for IB companies are important policy areas to encourage IB, as described in the G20 Inclusive Business Framework.

E. Strategic Goal E - Promote Entrepreneurship and Human Capital Development

IB through its Social Enterprise Initiative approach offers a unique opportunity to capture the imagination of the youth and women for entrepreneurship with a purpose. Educational institutions increasingly offer Social Enterprise courses and several competitions provide incentives for the youth and women to engage in such activities. The challenge is to help scale these Social Enterprises to become IB Models.

VI INSTITUTIONAL FRAMEWORK

ACCMSME agreed that the country champions of each strategic goal shall take into consideration the IB concept in implementing action lines for the SAPSMED 2025.

There will not be a separate report on IB from ACCMSME as the concept will be integrated into the normal course of implementation of SAPSMED 2025.

As IB is a cross cutting theme engaging in all sectors of the economy it offers unique opportunities for ACCMSME to collaborate with other ASEAN working groups and partner organizations.

- ASEAN-BAC has expressed strong support for IB and instituted for the first time in 2017 an IB Award in the context of its yearly ASEAN Business Awards.
- Partner organizations such as ADB, OECD and IBAN also support the ASEAN IB development as well as the ASEAN CSR Network and accredited civil society organizations such as the Air Asia Foundation.

VII ACTIVITIES

- Country champions of each strategic goal will take IB into consideration for their respective activities.
- Partner organizations will be engaged to provide information and capacity building on IB to ACCMSME
- To provide capacity building on IB for all stakeholders, the ASEAN SME Service Centre (ASEAN SME Portal) will be connected to global IB platforms, such as the Inclusive Business Practitioner Hub.

ANNEX 1

The G20 IB framework provides a comprehensive framework for the analysis of government interventions and policies supporting inclusive business. Governments, among the many from ASEAN plus 3 countries, have developed various measures along the four areas of policy interventions⁶.

| G20 IB Framework: I Establishing Conducive Rules and Regulations | |
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| 1. | Review existing regulations that limit BOP participation in market activities |
| 1.1 | Legal framework for market participation of the BoP |
| | Mexico: Flexible requirements to open low-value, low-risk accounts |
| | Mexico: Simplified rules to encourage formalization of businesses in the informal sector |
| | Mexico, Philippines: Adjusting financial service regulation for mobile operators |
| 2. | Embed pro-poor targets into government contracts |
| 2.1 | Public-private partnerships and concessions |
| | Philippines: Partnering to bring water to BOP communities |
| | Canada: Include CSR activities in trade agreements |
| 3. | Introduce appropriate regulations for inclusive businesses |
| 3.1 | Legal framework for businesses with a social mission |
| | USA: Benefit Corporations, Low Profit Limited Liability Companies, Social Purpose Corporations |
| | Canada: British Columbia Ministry of Finance: Community Contribution Company |
| | Korea, Chinese Taipei: Certification schemes for social enterprises |
| | China: Accreditation for IB agribusiness and financial incentives |
| | Colombia: Public Policy for Social and Productive Inclusion |
| | Chinese Taipei: Social Enterprise Action Plan |
| | Thailand: Social Enterprise Bill (pending) |
| | Philippines: Social Enterprise and Inclusive business bills (pending) |

⁶ G20 Global platform on Inclusive Business, collated case studies and references

| G20 IB Framework: II Enhancing Access to Financial Resources and Providing Financial Incentives | |
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| 4. | Improve access to financial resources for the BOP |
| 4.1 | End-user subsidies |
| | Colombia: Subsidized student loan rates for low-income students pursuing higher education |
| 4.2 | Insurance programs |
| | Mexico: Public insurance fund Agroasemex extends insurance to rural smallholder producers |
| | Philippines: Insurance Code, allows cooperatives providing insurance to also register for insurance purposes |
| 4.3 | Credit facilities |
| | Mexico: Subsidized housing mortgage credits |
| 5. | Enhance access to finance for inclusive businesses and provide financial incentives |
| 5.1 | Challenge funds and matching grants |
| | Australia, Canada, United States: AgResults incentivized innovation in Agriculture, Health, and Nutrition |
| | Australia: Enterprise Challenge Fund for Pacific and South East Asia |
| | Mexico, Korea: Grants / matching grants |
| | Canada: Social Enterprise Demonstration Fund |
| | Hong Kong: Social Innovation and Entrepreneurship Development (SIE) Fund |
| 5.2 | Public procurement |
| | Chile: Opening up government procurement markets to MSMEs |
| | Canada: Public procurement rules that give preferential treatment to businesses operated by disadvantaged groups |
| | China: Preferential procurement policies for SMEs in an effort to support SME development |
| | Korea: Programs to increase SME participation in government procurement |
| 5.3 | Priority lending programs |
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| 5.4 | Credit guarantees |
| | Global: Mobilizing private sector investment in infrastructure |
| 5.5 | Emerging Instruments: Factoring, Financing Leasing, Equity Financing |
| | Canada, USA: Laws that reduce barriers to allow foundations to invest capital in mission aligned investments |
| | Canada, Mexico, Korea: Improved access to financing and insurance services |
| | Australia, Japan: Social Impact Bonds |
| | Korea: Tax incentives |
| | Philippines: Tax incentives for agribusiness IB models in the context of the Investment Priority Plan |
| | Mexico, Korea: Subsidies and other non-tax incentives |

| G20 IB Framework: III Providing Information and Raising Awareness | |
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| 6. | Compile and share BOP market data |
| 6.1 | BOP market data |
| | Global: World Bank Global Consumption Database |
| | Canada: Data on low-income communities for market research, intelligence and diagnostics |
| 7. | Provide information to the BOP |
| 7.1 | Awareness raising within the BOP |
| 8. | Raise awareness on inclusive business |
| 8.1 | Award programs |
| | Global: G20 Challenge on Inclusive Business Innovation |
| | Australia, Canada, Korea, ASEAN: IB Awards |
| | Canada, Korea: Awareness campaigns and information about inclusive business-related services of the government |
| 8.2 | Research on models |
| | Global: UNDP Growing Inclusive Markets Initiative |
| | Australia, Canada: Research aimed at identifying new inclusive business cases, opportunities, and enabling technologies |
| | Viet Nam, Philippines, Indonesia: ADB IB Country Studies |
| 8.3 | Forums for peer learning Strengthening the Capacity of the BOP and of Inclusive Businesses |
| | Colombia: Creating a network for learning around inclusive business |
| | Global: The Practitioner Hub for Inclusive Business is an online forum |
| | Global: IFC's Inclusive Business Leaders Forum |
| | Mexico, Korea: Peer-to-peer learning and public-private dialogue (PPD) for improved information sharing on inclusive business |
| | Russia: Forum on Social Business |
| | APEC: High level Dialogues |

| G20 IB Framework: IV Strengthening the Capacity of the BOP and of Inclusive Businesses | |
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| 9 | Align vocational training for the BOP with private sector needs |
| 9.1 | Vocational training programs |
| | Korea: Meister high schools provide skills development |
| | Canada, Mexico: Skills development and vocational training |
| 10 | Implement projects in partnership with the private sector |
| 10.1 | Development partnerships |
| | China: Improving education through partnerships |
| | Australia, Canada, Korea, Japan: Development partnerships and public-private partnerships with IB focus |
| | Mexico, Republic of Korea: Consulting and technical assistance |
| 11 | Support business services for inclusive businesses |
| 11.1 | Align business development services |
| | Peru: High-quality standards and monitoring for smallhold coffee farmers |