

Guidelines for the Promotion of Inclusive Business in ASEAN

Briefing Notes for Malaysia



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Table of Contents

- A. Overview of Inclusive Business (IB) and Opportunities to Collaborate in Malaysia 1
- B. Inclusive Business Promotion in ASEAN 1
- C. 12 Policy Instruments to promote IB in ASEAN..... 2
- D. Designing and implementing IB promotion policy instruments 3
- Annex 1: Policy Instruments to promote IB in ASEAN..... 4
 - 1. Strategy and action plan on IB enabling environment 4
 - 2. Institutionalising IB promotion 6
 - 3. IB accreditation and registration 6
 - 4. IB awareness raising 8
 - 5. IB coaching for companies 8
 - 6. IB investment incentives 9
 - 7. Reducing impact investment risks 9
 - 8. Promoting IB in public procurement 10
 - 9. Targeting IB in existing private sector and other development programs 11
 - 10. Linking IB to the social enterprise and corporate social responsibility agenda 11
 - 11. Monitoring and reporting on IB results 12
 - 12. Creating synergies to promote IB in the ASEAN region and beyond 12

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A. Overview of Inclusive Business (IB) and Opportunities to Collaborate in Malaysia

1. In 2019 and 2020 the government of Malaysia - through the Ministry of Entrepreneur Development and Cooperatives of Malaysia (MEDAC)- engaged in a landscaping process on Inclusive Business in Malaysia. The study assessed the IB market in Malaysia and initially examined 127 companies, of which it profiled 12 implemented and potential IB business lines. Unlike in other ASEAN countries, there are not many IB companies in Malaysia and those are comparatively small, many transitioning from social enterprises. Among the reasons for the low engagement of medium and large private sector actors is the strong government involvement in caring for the B40 and hence less market opportunities for IB and a focus on social enterprise promotion. However, the report finds potential to develop up to 100 IB business lines by 2025, especially through transitioning business models of mainstream companies and social enterprises into IB models.

2. The report also assesses the **enabling environment for IB** and identifies SME Corp. Malaysia, an agency under the Ministry of Entrepreneur Development and Cooperatives (MEDAC) as the ideal agency to promote IB in Malaysia. It also made seven strategic **recommendations for IB support in Malaysia**, including:

1. Incorporating IB in strategic plans: The IB agenda is included in the national policy, 12th development plan (RMKe-12), and the Action Plan for National Entrepreneurship Policy (DKN2030).
2. institutionalizing IB support in SME Corp and other agencies,
3. facilitating IB advocacy and knowledge,
4. conducting IB accreditation and awards,
5. promoting IB business coaching under existing programs,
6. establishing an IB risk reduction facility for impact investors,
7. target IB in existing SME promotion and B40 development programs (the report makes concrete suggestions on including IB in some of the 160 SME promotion and 50 social development programs).

Contact

Mdm June Suhaila Saran, Deputy Undersecretary, Policy and International Relations Division, Ministry of Entrepreneur Development and Cooperatives of Malaysia (MEDAC), junesuhaila@medac.gov.my

Mr. Mohd. Shariza Sulaiman, Deputy Director, Policy Monitoring and Inclusive Development, SME Corporation Malaysia, mshariza@smecorp.gov.my

Further information on IB in Malaysia

- Landscape study on Inclusive Business in Malaysia (is currently being finalized by ESCAP for publication)

B. Inclusive Business Promotion in ASEAN

3. IB definition and overview in ASEAN: ASEAN defines Inclusive Businesses as businesses that 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 customers¹. IB is implemented along three approaches, namely IB models, IB activities, and Social Enterprise initiatives.²

4. In 2017, the ASEAN leaders called for greater emphasis on creating an enabling environment for Inclusive Businesses and endorsed the ASEAN IB Framework. In 2018, the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) took the lead to promote IB in the region. Since then, ASEAN and its member states have made significant progress in advancing the promotion of IB at both national and regional level through capacity building programmes, publication of reports and guidelines and development of national-level IB landscape studies. The regional Guidelines for the Promotion of Inclusive Business in ASEAN document was endorsed by the ASEAN Economic Ministers (AEM) at the 52nd ASEAN AEM Meeting in August 2020, providing a common non-binding reference document for ASEAN policymakers to further promote the IB agenda in the region. It provides an outline on how IB can be supported at the national level, and what institutional setup is required to do so, as well as provides recommendations on how to promote IB at the regional level.

5. The Inclusive Business (IB) agenda is a triple win for governments, businesses and people at the base of the economic pyramid, blending economic, commercial and social objectives and benefits. IB is a cross-cutting topic – its promotion and integration into national and regional policies require close collaboration with all relevant stakeholders from both the public and private sectors. It is thus pertinent that all stakeholders have the same understanding on the IB model, its potential avenues for applications as well as benefits to achieve a common objective in the promotion and integration of IB in national and regional policies.

6. IB as part of the post-COVID 19 re-building: IB can support efforts to rebound from the COVID-19 crisis and to build back better. Companies with IB models are innovative and their social impact is local. Many have established last-mile distribution and supplier outreach systems and understand the markets of the poor and low-income population. Governments providing financial support to the private sector in times of economic crisis are increasingly interested in linking their support to creating impact for the economy and building back a better future through encouraging changes towards inclusive business practices. Providing detailed information about the state of the IB sector generally would help lay the case for investors to re-engage with investments. Governments can also approach investors to discuss potential risk reduction strategies that could stimulate post-pandemic investments leveraging public sector spending.

C. 12 Policy Instruments to promote IB in ASEAN

7. The Guidelines for the Promotion of Inclusive Business in ASEAN introduces 11 policy instruments to promote IB at the national level³ and one (1) policy instrument on “creating synergies

¹ As per definition adopted in the ASEAN Inclusive Business Framework, which referred to the IB definition developed by the G20. <https://asean.org/wp-content/uploads/2021/09/ASEAN-Inclusive-Business-Framework.pdf>

² 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.

³ (i) strategy and action plan on IB enabling environment; (ii) institutionalisation IB promotion; (iii) IB accreditation and registration; (iv) IB awareness raising; (v) IB business coaching for companies; (vi) IB investment incentives; (viii) reducing impact investing risks; (viii) promoting IB in public procurement; (ix) targeting IB in existing private sector and other

to promote IB in the ASEAN region and beyond” to promote IB at the regional level. Description of each policy instrument appears in ANNEX 1 .

D. Designing and implementing IB promotion policy instruments

8. The process of formulating an IB promotion strategy: The development of IB policy instruments, which has emerged in ASEAN, follows a three-step process consisting of (i) scoping, landscaping and strategy recommendation development in public-private engagement; (ii) consultation, awareness-building and promotion through public-private dialogues; and (iii) steering, technical assistance and strategy implementation. The aim of the collaborative and participatory multi-stakeholder approach is to build a convincing case for IB and to create ownership and commitment which supports the transformation of the strategy recommendations into official government and private sector approved policy instruments according to the country’s specific processes.

9. Initial insights to implementing IB promotion policy instruments: IB is a private sector activity therefore policymakers need to involve private sector representative in the development and implementation of IB strategies. Although there is so far only limited experience in the implementation of IB policies, coordination mechanisms for public and private sector focal points in form of, for example Steering Groups, have been initiated. The level of institutionalization, from establishing a government programme to promote IB to adopting specific legislation to promote IB, will be an indicator of the future sustainability and impact of the IB strategy. The promotion of IB requires a core government budget to support the IB unit and coordination efforts. Government funding can leverage private funding from companies and investors. In addition, development partners may be interested to fund some elements of the IB strategy. Some promotion activities could be part of existing programmes.

Important documents

- Guidelines for the Promotion of Inclusive Business in ASEAN (September 2020) <https://asean.org/wp-content/uploads/2021/09/6.-ASEAN-IB-Promotion-Guidelines-Endorsed-at-the-52nd-AEM.pdf>
- The ASEAN IB Framework (August 2017) <https://asean.org/wp-content/uploads/2021/09/ASEAN-Inclusive-Business-Framework.pdf>
- Advancing Enabling Policy Environment for Inclusive Businesses in Association of Southeast Asian Nations (ASEAN) (September 2019) <https://asean.org/wp-content/uploads/2021/09/Advancing-Enabling-Policy-Environments-for-Inclusive-Businesses-in-ASEAN-1.pdf>

development programs; (x) linking IB to the social enterprise and corporate social responsibility agenda; (xi) monitoring and reporting on IB results

Annex 1: Policy Instruments to promote IB in ASEAN

The Guidelines for the Promotion of Inclusive Business in ASEAN introduces eleven policy instruments for AMS, followed by one for ASEAN (creating synergies to promote IB in the ASEAN region and beyond), to encourage the widespread adoption of IB in the ASEAN region with the details are as follows.

1. Strategy and action plan on IB enabling environment

Strategy for an IB enabling environment (IBee⁴). Inclusive Business as a new and cross-cutting topic is distinguished from sector or MSME policies. Therefore, a specific strategic framework is required which rationalizes policy options, draws in commitment of various stakeholders, and includes an action plan with budget and institutional structure for implementing IB promotion. While no ASEAN Member State (AMS) has an approved IB strategy so far, six countries have recently prepared either full-fledged IB strategy proposals (Cambodia, Malaysia, Myanmar, Philippines, Viet Nam), sector specific IB recommendations (Indonesia), or an IB bill and roadmap (Philippines). IBee strategies typically describe directions and cohesive programs to be implemented by government in partnership with other organizations to create a better enabling environment for IB. In some countries IB strategies are also referenced in broader medium-term socio-economic development plans or industrial or SME development strategies.⁵

IB strategies aligned with MSME development strategies. The ASEAN SME Policy Index 2018 identified that industrial clusters create an environment conducive to productivity gains, which are a factor of growth, and so form a structure that helps enterprises meet the challenges of international competition. Without SMEs as subcontractors and suppliers of intermediate inputs to multinational corporations (MNCs) and domestic large enterprises, industrial growth may not be able to sustain increasing domestic value, employment, productivity and industrial linkages.

The point of convergence between MSME and IB development objectives, and responsible agencies' success indicators, is the linkage. As MSME look for access to market through large companies (bottom-up approach), IB companies look to engage with MSMEs throughout their value chain (top-down approach). To foster alignment of IB and MSME promotion strategies the following steps can be undertaken by the IB and the SME focal agencies⁶:

⁴ In Cambodia, the proposed strategy is named IBeeC (Inclusive Business enabling environment in Cambodia). This innovative naming refers to an active bee going around (enabling environment) collecting pollen (inputs) from different flowers (stakeholders) and transferring this into honey (IB support programs).

⁵ For example, in Malaysia IB is a strategy in the National Entrepreneurship Policy 2030 (NEP 2030) and being considered as a strategy under the 12th Malaysia Plan; in Cambodia in the National Development Plan 2019-2023; and in the Philippines in the National Socio-Economic Development Plan. In all three countries, IB is also a topic in the SME development strategies.

⁶ The Philippines' Department of Trade and Industry together with the Board of Investment developed in 2019/20 the Inclusive Business Roadmap with representative from the private, public and civil sector, which outlines alignment strategies of IB and MSME development.

- a. A review of the current state of MSME development plans and programs relevant to IB promotion can reveal concrete opportunities of alignment, such as support programmes for SME financing and support services.
- b. Such review can further identify national, provincial and local agencies-and their objectives -involved in MSME development, which could incorporate and implement IB strategy elements connected to MSME development.
- c. The following key strategic objectives have emerged to further promote inclusive business through convergence with MSME development programmes:
 - i. Encourage more provincial and local businesses to develop inclusive business models engaging with MSMEs.
 - ii. Coordinate the provision of support to build financial and technical capacities of IBs and MSMEs, for example by collaborating on MSME capacity development programmes.
 - iii. Build viable community partnerships that enable the emergence and growth of IB models and that provide access to markets for MSMEs.
 - iv. Facilitate the set-up of a central database/repository and a readily-accessible online portal for information and knowledge sharing as well as matching of IBs and MSME value chain partners.
 - v. Develop metrics or standards and a system to measure, monitor, and evaluate IB/MSME performance and impact.

Developing an IB strategy needs a committed champion: Because of the multi-sectoral character of IB, endorsing such strategies will require multi-agency support and engagement at high-level, both in the government's cabinet and in business associations. To this end, it is particularly important to find a strong and active champion in the government. At government level the development of an IB strategy could involve ministries of economy and finance, industry and trade, investment boards, and a key sector ministry being responsible for agrobusiness (as most IB models address income poverty and are related to agrobusiness and crafts).

IB strategies aim at encouraging the transformation of mainstream business models into inclusive business models: To this end, the recommended incentives focus first on creating a clear understanding of IB (information dissemination, awards, accreditation, systemic impact monitoring, etc.), enhancing business readiness, and reducing business investment risks. In addition, they may call for smart and targeted incentives and for mainstreaming IB promotion through existing SME development, sectoral and poverty reduction programs. The strategies also emphasize partnership between multiple implementation actors, especially in government (economic and finance as well as industry and trade ministries and their investment promotion bodies), business associations and impact investors.

A multi-year IB action plan is developed from the IB strategy: It describes the activities and inputs for implementing the objectives and targeted results of the IB strategy. The action plan includes a budget and explains the roles of the various stakeholders involved. It is linked to monitoring IB implementation and following up on commitments from government agencies, business associations, impact investors, business facilitators, development partners, and others.

2. Institutionalising IB promotion

Dedicated IB strategy implementation bodies: Alongside the strategy development and identifying the leading champion for IB promotion in the government, it is important to establish the right coordinating and initiating bodies for IB promotion. Three important bodies emerged in AMS to institutionalize IB:

- Most importantly a central IB coordinating unit under the IB champion in a ministry is needed to arrange the implementation of the strategy. This IB unit could be located in the respective strategy department of the ministry, and comprise 2-3 persons working part-time on IB. The IB unit could have a small budget for hosting workshops, establishing and then populating a country-wide IB website, conducting IB studies, and preparing and coordinating the implementation of the action plan.
- The IB coordination unit should work with officially nominated IB focal points in selected government agencies and business associations. The IB focal points (usually 6 to 12) should meet regularly to discuss IB implementation in their specific constituency.
- A broader IB steering group could be responsible for monitoring the implementation of the IB action plan. It could meet quarterly to guide the direction of IB implementation. Such steering group would comprise of the IB focal points plus other key stakeholders active in IB promotion. Representatives from impact investors, business facilitators and development partners could be selected on a rotating basis. To build wide ownership of IB promotion, the steering group would be responsible for endorsing the IB action plan.

Keeping the momentum: As part of the IB policy formulation process, various AMS have already or are in the process of establishing a steering group (e.g. Myanmar), coordination unit (e.g. Cambodia, Malaysia, Philippines, Viet Nam) and a focal point (Cambodia, Myanmar). For those countries that are finalizing their policies, the next step would be to formally endorse and communicate the institutional structure, and to establish regular meetings and working realities. The IB coordinating unit could serve as the secretariat to the steering group.

3. IB accreditation and registration

IB accreditation as core policy instrument: IB is a thematic concept that emphasizes impact and not company size or sector priorities as in other industry promotion policies. To endorse financial support to the private sector, the government needs a good rationale and targeting system. IB accreditation allows both by emphasizing that companies need to be viable (and hence government support is limited), achieve large scale social impact, and provide systemic and innovative contributions to development. IB is a new concept and terminologies of combining economic activities with social impact are often confusing, therefore a transparent and independent accreditation system is required to clearly identify such companies. Some AMS (like Cambodia, Malaysia, Myanmar, and Viet Nam) are currently exploring an IB accreditation scheme. Some (like Malaysia, Thailand, Singapore, Viet Nam) also have a social enterprise accreditation or registration system, which could be broadened to include also IB or linked to a separate IB accreditation (discussion in Malaysia and Viet Nam).

Principles of IB accreditation: Eleven basic principles to IB accreditation are outlined below:

- 1) Companies can apply voluntarily and IB accreditation shall be different from eventual IB registration for incentives.
- 2) The IB accreditation system assesses IB business lines (not the whole company) based on 40 more detailed criteria—see Annex 5 and Annex 6 of the guidelines document—and against sector

benchmarks for small (offering the opportunity to integrate Social Enterprise (SE), and medium and larger companies).

- 3) The assessment is based on both past performance and the realistic application of a forward looking (3 years) business plan.
- 4) Furthermore, the IB accreditation is not given once for all, but needs to be confirmed every 3 years.
- 5) A composite rating tool⁷ with a set of transparent criteria, sector benchmarks reflecting different company sizes and country realities, and a common weighting⁸ and scoring⁹ principle is used to assess all business lines on their IB potential.
- 6) A company needs to pass some minimum score to be qualified as IB.¹⁰ Companies with environmental, social and governance (ESG) safeguard and responsible business standards below a certain threshold will be disqualified.
- 7) Companies with good IB strategic intent and ratings close to the minimum thresholds can be classified as potential IB, while others exceeding the minimum scores are classified as IB. Potential IB could have access to incentives (e.g. business coaching) but would qualify for financial incentives only, if the IB line's projected impact is achieved.
- 8) Small, medium and large companies are rated on the same criteria, but rating benchmarks consider the three company sizes.
- 9) The accreditation is based on a detailed assessment of the IB line through independent advisory firms. To enhance ownership among the business community, the final rating is jointly performed by representatives from government and business associations.
- 10) The results of IB accreditation are transparently publicized and IB awards being given to enhance branding of such companies.
- 11) IB rating is linked to receiving IB incentives. Recognition and awards are the minimum incentives a government can give. Other financial, technical, market, and input access incentives are further outlined below; AMS may decide which of these incentives they wish to open for IB.

Encouraging the transformation of potential IB: To this end, (a) applying a dynamic understanding and theory of change for reporting scale, depth and transformative character of the social impact, and (b) encouraging companies with potential IB models to make the transition towards IB are important. The

⁷ The advantage of a composite rating tool against principles of assessment by exclusion, is that companies can be eligible for IB even if they are weak in some criteria. Another advantage is that all company sizes can be assessed under the same methodology, with different benchmarks used for small, medium or large companies.

⁸ Commercial and social ratings have similar weights with social rating slightly higher, while BoP innovation has a much smaller weight. While criteria are uniform for all AMS, the weights can be adjusted to the specific country conditions.

⁹ The assessment would rate each of the 39 criteria in high-medium-and low results which are transferred into numbers 1-6. These rates are then multiplied by the weights for each criterion to achieve a specific score.

¹⁰ A company's business line would qualify as IB, if it achieves minimum overall and section scores. An indicative overall score for IB could be 3.2, a minimum financial score 1.2 (sum of commercial score, business innovation and technology innovations), a minimum social score 1.5 (sum of social impact and social innovation), an innovation score 0.4, and an IB strategic intent score could be a minimum of 3.

accreditation system allows for identifying potential IB models, and such companies could receive specific support like business coaching. For the government and other actors in the ecosystem, transforming potential IB into fully matured IB models is the key for widespread adoption of IB

IB registration as an enhanced policy instrument: In case a government decides to also provide financial incentives, companies with an inclusive business model need to undergo a registration process. Such a registration process can be a stand-alone process, or one that is integrated in registration processes for other investment promotion incentives (as in the Philippines).

4. IB awareness raising

Need to raise awareness of IB: Apart from an increasing number of IB thought leaders and public and private sector pioneers, IB is still not well known in most AMS among policy makers, businesses, or the public. Therefore, it is important to generate awareness at different levels, mostly among business leaders (so that they see the potential of IB markets) and among government agencies (so that they understand the role IBs can play in achieving their mandates, and how they may promote IB). Knowledge sharing and advocacy is therefore a critical component of IB promotion.

Business associations are best suited to undertake this towards the private sector. However, some government agencies are also well-placed to prepare and disseminate knowledge on IB through numerous activities, such as preparation and dissemination of information material – among others – multimedia, printed information and promotion materials, films and radio features as well as newspaper articles. Organisation and participation in workshops and seminars, capacity building programs, and international events could also be considered. Having a country-wide IB website, to which key stakeholders contribute and is linked to global IB platforms¹¹ could be a simple and highly effective way of awareness raising. Finally, recognising the achievement and societal contribution of IB companies through national IB Awards may also increase the understanding and awareness among the public and private sectors on the IB model. Proposed nomination and selection criteria appear in the Annex 7 of the guidelines document.

5. IB coaching for companies

Rationale for IB coaching: Impact investors suggest that the lack of investment readiness is the main bottleneck for investing in companies with IB models. This readiness is related to both commercial viability as well as social impact. At the same time, there are companies without IB models or already with potential IB models which would like to transition into IB but have not yet fully develop such business lines. A program of IB coaching is a tool to support such companies making the transition to IB, while helping to improve investment readiness, commercial viability and enhance social impact. The government could set up a business coaching facility, which helps companies through focused and practical technical assistance improving the IB model.

Content of IB coaching: IB coaching would comprise an overall strategic business discussion resulting in a general orientation for an IB focused business plan of the company. The target audience would typically be high-level decision makers in a company. Other forms of business coaching can comprise matchmaking with impact investors. Yet another component of business coaching could be marketing

¹¹ such as www.inclusivebusiness.net.

to the BoP, managing environmental and social risks through supply chain due diligence¹², or business processes advice, for which sector experts would be needed. These different coaching activities would require between 1 to 30 person-days of intermittent input with longer time support commitment. To meet the diverse requirements of expertise, a network of IB trained national and international experts could be established.

Delivering IB coaching and its costs: As one-on-one coaching is expensive, innovative cost-reducing approaches are required to make the coaching feasible. IBs coaching can be given to the company on a grant basis with a mechanism for the company to cost-share a certain percentage in case of successful IB business. That would create a revolving fund for making the IB coaching facility more sustainable. Given that business associations are very close to company clients, IB coaching could best be coordinated by one business association working in cooperation with other stakeholders, notably impact investors and development partners.

6. IB investment incentives

Include IB as a separate category in the existing investment incentives: Many countries have specific investment incentives for industries of high national priority. Such incentives typically include favorable tax regimes, import and export incentives, technology and foreign workers incentives, profit transfer regulations, benefits through industrial zones etc. Such financial incentives may be an important consideration for mainstream companies to begin the development of IB models. Including IB as a category in existing incentive packages is therefore a possible policy option if cost benefit or social benefit analysis confirms it. Eligibility schemes could be aligned with IB accreditation principles and adjusted to the specific incentives scheme in terms of context specific considerations. The Philippines' Board of Investments included the IB model as one of the preferred activities in its Investments Priority Plan 2017-2019, in which IB projects may qualify for income tax holiday. From its piloted IB assessment criteria, three impact targets and three innovation features were included in the registration requirements.¹³

IB can be used to rationalize incentives: In most AMS incentives are being given for investing in sectors identified by the government as priority for growth. IB is undertaken in many of those sectors but goes beyond the sector focus by being a societal priority for growth and development, and for creating greater inclusion. Including IB as a cross-cutting topic can so help AMS investment boards to further rationalize existing incentives and prioritize those companies that bring high social impact. IB accreditation would be a precondition for accessing such incentives.

7. Reducing impact investment risks

The rationale for investment support. MSMEs face challenges of obtaining financing due to the preference of the banks not to take the risk and the administrative preference to deal with larger companies. Most SME financing programmes address this challenge and establish separate credit lines for the SMEs. Companies with IB models, however, have potential access to financing for example from impact investors, provided they can present a strong business and social impact plan, and the potential

¹² Such training could be based on internationally recognized instruments such as the [OECD Due Diligence Guidelines for Responsible Business Conductor](#) relevant sectoral OECD due diligence instrument.

¹³ The targets encompass relevancy (% value of total cost of goods sold sourced from MSEs), reach (number of BoP engaged, of which at least 30% are women) and depth (% increase in average income). The innovation features comprise the provision of technical assistance, facilitation or provision of access to finance and provision of inputs and/or technology.

investors finds ways of reducing its perceived investment risks. While IB support will address investment readiness through IB coaching, readiness of investors can be encouraged by establishing a risk reduction financing facility.

Investment risks of IB: There are two reasons, why financial institutions perceive the investment risks in IB companies as high: First, it is assumed that working with the BoP (having less capital and hence less purchasing power and less repayment capacity) may incline higher risks for doing business with or through them. Another reason is that risk mitigation measures IB companies put in place are not fully understood due to the unfamiliarity of IB among mainstream financial institutions. Hence, not a separate credit line for IB financing is recommended, but a facility that can help in reducing the risks of impact investors in IB. Such risk reduction facility would be welcomed by impact investor, development banks and even some commercial banks. Such facility would also reduce the costs for the government to stimulate IB financing while at the same time actively encourage investments in IB.

Design as a pay-for-success blended finance facility: An innovative blended finance facility is different from a traditional guarantee instrument as it creates a modality where the public sector can co-invest equity or debt in a business of societal value without subsidizing that investment. The government – through the risk reduction facility – would co-invest with the investor. The financing will be used to reduce the investment risk and unleash financing from impact investors in accredited IB companies. In case the investment achieves the planned social outcomes but does not meet the agreed financial returns, the government investment will be converted into a grant. If the investment is commercially and socially successful, it will be paid back. Such risk reducing financing tools based on payment for outcome are used for example in Latin America by the Inter-American Development Bank in IB and are getting more common in Asia. Development partners and banks could be approached to initially finance the facility with long term (15-25 years) government repayment.¹⁴

8. Promoting IB in public procurement

Promoting procurement from companies with IB models and social enterprise (SE) initiatives: Public procurement is internationally an often-used, but controversial, policy instruments to benefit those delivering social or environmental benefits and passing minimum quality criteria. Typically, procurement rules emphasize cost effectiveness, quality and adequacy of delivery, as well as good governance and adhering to social and environmental safeguard standards by the firms. In result, many of those goods are imported instead of sourced locally. Alternatively, the government could also develop mechanisms giving preference to inclusive business and social enterprises, through targets or impact related selection criteria, while ensuring business integrity¹⁵ in the procurement process. Since procurement is often undertaken in a decentralized way, it would require a committed central agency to establish a general rule of IB targeting and then agree it with line agencies. So far, no AMS has such specific rules for IB or SE targeting in public procurement.

¹⁴ In preliminary discussions in Cambodia, Myanmar and Viet Nam for example, multilateral development banks like ADB and development partners like Agence Française de Développement (Afd), Department for International Development (DFID), Japan International Cooperation Agency (JICA), and Korea International Cooperation Agency (KOICA) showed initial interest in engaging in such risk reduction facility. However, this would require more active initial involvement by the AMS governments.

¹⁵ The Business Integrity Hub at the OECD provides specific guidance on integrity in procurement (see <https://www.oecd.org/corruption-integrity/Explore/Topics/business-integrity.htm>).

Public procurement in COVID-19 recovery program: If implemented, IB targeting in public procurement could create a major demand for products produced by the BoP, and hence generate big impact on new income generation opportunities for the poor. Especially in post COVID-19 recovery times, such IB targeting could create quick effects for the poor most seriously affected by the pandemic.

9. Targeting IB in existing private sector and other development programs

SME development programs: Many AMS have active and well-funded MSME development programs and effective administration to implement. As ACCMSME is the focal point for IB in ASEAN, several countries decided to bring the IB agenda under this MSME administration (for example, Cambodia, Malaysia, Philippines, Viet Nam). They are conscious that promoting IB is an effective way to reach MSMEs indirectly. To fully capitalize on the potential of IB in terms of inclusive growth, IB promotion is a task that needs to go beyond SME promotion objectives and institutional structure. AMS where IB promotion is under SME agencies could immediately start with IB promotion if they would target IB in their own financed existing SME support programs.¹⁶

Poverty reduction programs: A similar assessment can be done for poverty reduction programs. As part of the landscape study for Malaysia, it was found that a 5-10% of the existing funding for SME and B40 inclusion programs could meaningfully be targeted for IB companies. Setting specific quota for IB in existing SME programs might also be an option, because the same agency would then promote IB and SME development. In general, AMS can review, which SME development and poverty reduction programs may be best suited to promote IB and how IB could be best targeted in such programs.

10. Linking IB to the social enterprise and corporate social responsibility agenda

Linking the social enterprises (SE) and corporate social responsibility (CSR) agendas to IB provides opportunities to scale-up impact: Since early 2010s various AMS engaged in discussions on how to promote SE, CSR, and more responsible business action, notably the middle-and higher-income countries. These developments are reflected in several ASEAN documents such as the ASEAN SME Policy Index 2018¹⁷ and the ASEAN Socio-Cultural, Economic, and Political-Security Community Blueprints 2025¹⁸. Some AMS have established specific SE regulations¹⁹, such as Thailand and Malaysia. Several AMS have integrated CSR into their national policies, strategies or laws, as well as into economic instruments²⁰. Developing a clear linkage between IB, SE and CSR policy instruments can guide companies towards higher economic growth and scaled up impact. For example, the IB accreditation system could be adjusted for use also for SEs. SE and CSR promotion agencies could be made aware of IB and synergies

¹⁶ For example, Malaysia has discussed such approach, and some initial suggestions were made in the landscape study which programs would best suit including IB and how much funding (or companies) could be targeted.

¹⁷ [ASEAN SME Policy Index 2018](#) includes a chapter on Social Enterprises and Inclusive Entrepreneurship, which tracks the progress made by all 10 AMS, OECD

¹⁸ All ASEAN Socio-Cultural, Economic, and Political-Security Community Blueprints 2025 include references to CSR.

¹⁹ More on regulation for SE in [Compendium of good practices for SE](#), OECD

²⁰ For example, Thailand has developed a National Action Plan on Business and Human Rights; Myanmar 2016 Investment Law includes explicit objectives to responsible investment; the EU-Vietnam Free Trade Agreement includes a sustainability chapter.

be explored. They could actively engage in providing information on IB and guidance on opportunities of transformation from non-profit SE into SE initiatives and from traditional CSR into IB activities and subsequently IB models.

11. Monitoring and reporting on IB results

What gets measured will be achieved: While IB is a rapidly emerging agenda all over Asia and globally, there is very little reporting on systemic results of IB beyond case studies of companies. On the other side, the success of IB solutions can be measured, since such results are related to business revenue, beneficiary reach, and structural changes such companies make to the quality of life of the poor and low-income people.

Regular reporting on national and ASEAN level: To further monitor the economic and social impact of IB and encourage transition to IB, regular reporting can be instrumental. This could be done by the IB unit based on inputs from various government agencies and business associations. It can also be linked to the reporting on the private sector's contribution to achieve the Sustainable Development Goals (SDGs). The landscape studies could be used as a benchmark against which developments can be compared. Regional exchange at ASEAN level on the results of such studies would further enhance learning from each other.

12. Creating synergies to promote IB in the ASEAN region and beyond

ASEAN's role to promoting IB to date: Since 2017, ASEAN and the ASEAN-BAC have been active in promoting knowledge exchange and IB examples through supporting ASEAN IB summits (2017 and 2019), and IB awards (2017). ASEAN has also supported work on the IB policy agenda by endorsing the ASEAN IB Framework (2017), conducting a capacity building initiative (2018-2019) and preparing the Guidelines for the Promotion of IB in ASEAN (2020). Some AMS actively used their role as chair of ASEAN to promote IB. Some countries also introduced the IB topic to the Asia-Pacific Economic Cooperation (APEC) body when they chaired APEC.²¹ ASEAN is perhaps the most active regional body globally engaging in and promoting the IB agenda.

Connecting IB promotion to the ASEAN social development agenda: In ASEAN, IB is institutionally anchored under ACCMSME, the Coordinating Committee for Micro, Small, and Medium Enterprise, as part of the ASEAN Economic Community (AEC). So far, there is no link to the work of the ASEAN Socio-Cultural Community (ASCC), which is committed to "... lift the quality of life of the ASEAN people, ... reduce vulnerability and improve the opportunities and welfare of the socially less favorable and excluded...". The ASCC Blueprint 2025 makes specific reference to the inclusive growth agenda under the AEC and the promotion of "... more equitable access to opportunities for all ASEAN people, including the vulnerable and marginalized groups...". In addition to increasing income for the poor where most of the IB examples are active, IB also focus on delivering affordable and accessible goods and services with high relevance for the poor and low-income people. This second dimension is very much linked to the work of ASCC. There are many good examples, where the private sector supplements or even provides services for the poor and vulnerable people in an efficient, innovative, cost effective, valuable and inclusive ways. Programs implemented by AMS members of the ASCC especially for poverty reduction can make use of such innovations of the private sector delivered by IB companies. Hence there exists an opportunity to work closer with the various chapters under ASCC such as for sector policies

²¹ For example, a regional IB study on APEC was done in 2016 and discussed during the 2017 APEC meetings.

(health, education, and social welfare and development) and for cross sectoral themes (rural development and poverty reduction, women empowerment, and labor). ACCMSME could reach out to ASCC institutions to start such dialog.

Connecting IB promotion to the SDG agenda: IB is one of the contributions of the private sector to achieving the SDGs. Due to its core feature of engagement with the BoP, IB contribute in the first instance to SDG 1 – No poverty. In addition and depending on the sector and the business, one or several other SDGs are also supported.

A new phase of ASEAN IB involvement: Going forward, at regional level, the following potential activities have been identified through which ASEAN could further support the promotion of IB:

- identifying a dedicated IB focal point in ACCMSME;
- continuing to host IB summits and IB awards. The nomination and selection criteria of ASEAN IB Award, which may be used to recognize IBs at both the national and regional level, appear as Annex 7 of the guidelines document;
- bringing together national IB focal points beyond the IB summits to exchange more deeply on IB policy implementation;
- facilitating the exchange of knowledge and approaches on IB, including on IB accreditation and on monitoring IB impact;
- continuing the collaboration with the private sector through ASEAN-BAC and its Joint Business Councils;
- committing to report on a biannual basis on advances made on the promotion of IB and the impact generated;
- establishing an ASEAN-wide IB website, linked to the national IB websites of AMS and global digital platforms;
- highlighting ASEAN achievements of IB promotion at regional and global level and actively participating in international discussions, representing Southeast Asia;
- engaging with development partners to secure technical and financial commitment for supporting AMS to implement IB policy development and promotion; and
- Furthermore, ASEAN and the AMS could share their good progress in IB promotion and achieving socio-economic results for the BoP through private sector solutions, with other regions through establishing South-South dialogues.²²

²² For example, back-to-back to the 2019 IB summit, such south-south dialogue was organized by iBAN together with Cambodia, Malaysia, Viet Nam and Nigeria. The government of Nigeria and its business associations very much welcomed that learning and are now in the process of doing a similar landscape studies with policy recommendations for IB promotion.


Overview of IB policy instrument and the potential roles of key stakeholders

The policy actions		the implementors					the supporters				
		companies	government	business associations	impact investors	business facilitators	development partners	academia, press	ASEAN		
1	Formulate IB strategy and action plan	companies with real and potential IB business lines (IB models, IB initiatives, and IB activities)	lead		finance landscape studies and strategy						
2	Institutionalizing IB support		IB unit	part of the IB focal points		involve IB steering committee			dedicated IB focal points for ACCMSME, ASEAN-BAC, ASCC		
3	IB accreditation		lead	co-lead		do the accreditation jointly					
4	IB awareness raising		finance and lead website	lead and co-finance, IB awards		participate	participate	support and co-finance	lead IB entrepreneurship programs and information		
5	IB business coaching		finance	coordinate		emphasize IB impact	implement	co-finance			
6	IB investment incentives		arrange, finance and implement		issemminate informatic						
7	Reducing impact investment risks		arrange and finance risk financing faciliy		implement in conjunction with own			co-finance			
8	Priotitize IB in public procurement		arrange with sector ministries								
9	Target IB in sector programs		arrange and implement with sector								
10	Link to the SE and CSR agenda		adjust legal and institutional framework	include IB information when doing CSR awards			emphasize more the IB business lines		create consistency in IB and CSR/SE discussions		
11	Monitor and report on impact		coordinate joint reporting	provide inputs	provide inputs	provide inputs	provide inputs	co-finance	provide inputs	consolidate for regional reporting	
12	Create synergies at regional level		regional IB awards					encourage and co-finance			lead

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