

# ASEAN INCLUSIVE BUSINESS SUMMIT

6 September 2017 | Marriott Hotel, Manila, Philippines

## OUTPUT REPORT

### BACKGROUND

The ASEAN Inclusive Business Summit with the theme, *Pioneering Change in the Way We Do Business*, aims to formally introduce and build the case for inclusive business (IB) in the ASEAN through exemplary models, instrumental government interventions, and regional support initiatives. The inputs from this summit will serve as reference in crafting recommendations to ASEAN on how to carry forward the IB agenda in the region.

### EXECUTIVE SUMMARY

- Despite high growth rates in the region, 50% of the ASEAN population (300 million out of 600 million people) are still at the base of the pyramid (BoP).
- Private sector contribution is increasingly recognized as a means to attain shared prosperity and peace in ASEAN.
- Private sector in ASEAN is increasingly yielding success stories in inclusive business, showing high potential and diversity in models and approaches.
- IB offers a unique opportunity for innovative PPP models. Public sector, finance sector, and public sector alignment is emerging, and these sectors are committed to grow inclusive businesses in ASEAN.
- Impact financing is increasing, growing, and diversifying among major development finance institutions
- IB policies are emerging in ASEAN member states but more can be done. The Governments of the Philippines, Indonesia, Malaysia, and Viet Nam confirm the importance of IB in achieving more equitable and inclusive national and regional growth. ASEAN, through this year's Philippine chairmanship, is lobbying have IB integrated in the Strategic Action Plan for Small and Medium Enterprise Development (SAPSMED).

### HIGHLIGHTS OF THE SUMMIT

1. **The ASEAN Business Advisory Council (ABAC) is strongly promoting IB in the region to achieve inclusive growth, and create greater prosperity and peace in ASEAN member states.** The council recognizes that inclusive business (IB) is the way forward, and should be embraced by ASEAN's large enterprises to bring positive social impact at scale. ABAC will be launching the AMEN Program that will implement a 3M approach to microenterprise support (Mentorship, Market, and Money), and encourage large enterprises to integrate MSMEs in their value chain. It is foreseen that IB is a theme that can align private and public sector objectives, and can give rise to innovative and sustainable PPP models. A long-term vision of ABAC is to create a model for PPP to support MSMEs in ASEAN, and for large companies to integrate MSMEs in their value chains.

*"Poverty is at the root of unrest in the Philippines, and prosperity has to be shared. IB is what is needed in the Philippines and in ASEAN. For ASEAN to last for another 50 years, it should be a fair game within and across countries, where no one is left behind."* – Joey Concepcion, Chair, ASEAN Business Advisory Council

2. **The first ASEAN Inclusive Business Award is launched this year to recognize exemplary IB models in ASEAN.** Four companies – Erikagen Inc. and Coffee for Peace in the Philippines, Siam Organic in

Thailand, and KP Company Ltd. in Lao PDR – show how their business models and innovations are addressing barriers to access in the areas of healthcare and agriculture while reaching the BoP at scale and in a financially sustainable way. Erikagen’s Generika pharmacies are providing low-cost generic medicines and health services; Coffee for Peace started as a peace-building initiative, and is now handholding upland Arabica coffee farmers in Mindanao from “seed to cup”; Siam Organic works with Thai farmers to increase productivity in jasperberry rice production, marketing, and retail; and KP Company scaled up its Corporate Social Responsibility (CSR) project to build the local value chain in Lao and its export market for Japanese cucumber. These companies show the diversity of inclusive businesses operating in the region.

*“For inclusive businesses, the rules of business still apply. Brand-building, innovation, and persistence are key.” – Clint Coe, Business Development Manager, Siam Organic, Thailand*

3. **The Government of the Philippines, through DTI-BOI, is leading IB promotion in the ASEAN region since 2013.** National efforts have led to the inclusion of IB fiscal incentives in this administration’s Investment Priorities Plan 2017-2019, and IB integration in the Philippine Development Plan 2017-2022. The Philippines also brought the IB agenda to APEC in 2015 and ASEAN this year. The Department of Trade and Industry of the Philippines envisions IB as the new norm for doing business in the region, as more companies adopt IB models, and governments, in turn, step up their support for IB. For the Philippines, IB is in line with the current administration’s thrust to level the playing field, widen the gains of development, and reduce inequality to enable prosperity for all.

*“I always challenge large corporations – what is your IB model? We have to pursue advocacy on greater awareness for IB. Businesses need to innovate solutions that shape the economy and empower the poor. ASEAN is gaining momentum towards more resilient economies.” – HE Ramon Lopez, Secretary, Department of Trade and Industry of the Philippines.*

4. **The Asian Development Bank (ADB), one of the main drivers of the IB ecosystem development and investment in Asia, stressed the importance of developing access to the job market to alleviate poverty and income inequality.** ADB’s IB engagement is an example of how development partner programs can support companies and governments in developing IB models through financial and technical support, and research on IB markets in the Asia. ADB’s youth employment and JobStart Philippines programs are also helping promote inclusion in labor markets.
5. **IB facilitates the alignment of public sector and private sector objectives that allows for new public-private partnership (PPP) models around IB.** Companies like Glovax Biotech Corporation and Kennemer Foods in the Philippines, Binca Seafoods GmbH based in Singapore, and East West Seed in Thailand, stressed the importance of multi-sectoral and long-term partnerships for IB success. These companies were able to improve and expand their models through strategic partnerships with government agencies, rural banks, international and local NGOs, and people’s organizations. These partnerships also facilitated better last-mile engagement with the BoP, whether as suppliers, customers, distributors or retailers in their value chains.

*“Governments can help companies better by adopting a two-pronged approach: implementing company-focused assistance to overcome regulatory and financing barriers while at the same time providing long-term support programs to aid scale up.” – Simon Bakker, CEO, Kennemer Foods International*

6. **Public sector, public sector, and finance sector alignment is emerging, and financing for IB models are increasing, growing, and diversifying.** The pioneers in IB financing – International Finance

Corporation (IFC), ADB, Credit Suisse, and the United Nations Development Programme (UNDP) – are continuously developing different types of financing instruments to support companies that are sustainable, responsible, and generating significant development impact at the BoP, and helping companies align their objectives to the Sustainable Development Goals. These financing institutions are bundling IB financing support with technical assistance, multi-stakeholder capacity building, and holistic monitoring and assessment of business impact (social, environmental, and corporate governance, and gender inclusion aspects). They also see the need to find and increasingly work with IB champions in government to rally cross-departmental (multi-agency) support for IB, and spur policy dialogues to open up local markets.

*“Impact financing is growing. We invest in companies in almost every sector but we specifically look at the robustness of the business model, as well as companies with demonstrated development impact and without debt obligations. We also implement clear-cut tests and checks to ensure and establish company integrity.” – Eriko Ishikawa, Global Head, Inclusive Business Team, IFC World Bank*

- 7. IB responds to the ASEAN vision of a people-centered, people-oriented regional community, and governments are looking into an integrated top-down and bottom-up approach to engaging with large corporations and MSMEs.** The Governments of the Philippines, Indonesia, Malaysia, and Viet Nam confirmed the importance of IB to achieve more equitable and inclusive national and regional growth, and are pushing for greater IB awareness among large companies, and enabling MSMEs to connect to the value chains of large corporations to become more sustainable and bring them into global value chains. Focusing on IB integration in agricultural value chains is key in ASEAN, having mostly agriculture-based economies. Existing CSR policies could also be developed further to facilitate transition from CSR practice to IB model development. Crafting IB-specific policies, regulations, and fiscal incentives will boost IB development in ASEAN member states but governments should also pay attention to enforcement monitoring. There is a need for an ASEAN blueprint or master plan for IB development to have a common system for tracking the achievement of IB targets, performance, outcomes, and impacts.

*“The Government of Malaysia is employing an end-to-end solution for IB support: funding, capacity building and outreach programs to increase IB awareness. We have programs that help integrate farmers to global value chains, and that specifically support women entrepreneurs. We are also providing guarantees for small loans, and facilitating the registration and licensing of small businesses to bring them into the formal economy.” – HE Dato’ Sri Mustapa Mohamed, Minister of International Trade and Industry, Malaysia*

- 8. The Philippine government, as this year’s chair of ASEAN, proposed to Integrate IB in the Strategic Action Plan for Small and Medium Enterprise Development (SAPSMED).** IB is the missing link that would provide a more holistic approach to MSME development. Governments of ASEAN member states should push for MSME capacity building and enable big business engagement with small entrepreneurs. Governments should encourage big business to adopt IB by creating greater awareness (information), providing appropriate incentives (IB as investment priority), and build the case for IB by recognizing and supporting exemplary models.