

REPORT

Landscape study of Inclusive Business in Cambodia



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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 (www.inclusivebusiness.net) on inclusive business and offers a focused Capacity Development Programme for investment seeking 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.

iBAN is jointly co-funded by the German Federal Ministry for Economic Cooperation and Development and the European Union. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

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FOREWORD

The Royal Government of Cambodia, as envisaged in our National Strategic Development Plan 2019-2023, seeks to make economic growth more inclusive and diversified. The private sector plays a greater role in this endeavour.

Inclusive Business models, in particular, can play a major part in supporting poor and low-income people to access relevant and affordable goods and services as well as improved income opportunities. These commercially viable business models generate significant profits while providing, at scale, relevant products, services and income opportunities for poor and low-income people.

Our nation has already a number of business leaders that are continuously innovating to serve the low-income market and make profit at the same time. These examples, as illustrated in this report, tell us that Inclusive Businesses can make a large social impact in our society.

On this basis, the former Ministry of Industry and Handicraft requested the support of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) to conduct a market study of Inclusive Business in the country, analyze the environment in which they operate, and suggest possible avenues for promoting Inclusive Business in Cambodia.

The insights and policy recommendations contained in this study are very valuable for the government to promote the transformation of mainstream businesses into Inclusive Business models. They have helped inform the design of the Inclusive Business enabling environment for Cambodia (IBeeC) Strategy. The strategy seeks to promote IB, under the guidance of a multi-stakeholder steering committee, through raising awareness on IB through business associations, establishing an IB accreditation system, providing business coaching services, and setting-up an IB risk investment reduction fund.

The IBeeC Strategy was developed based on the inputs and feedback provided by government agencies and business associations, and in consultation with business facilitators, investors, development partners and other experts. The Government has already started the process to adopt the IBeeC Strategy and to institutionalise its implementation, including through the appointment of focal points and the establishment of an IB unit in the new Ministry of Industry, Science, Technology and Innovation.

We hope the study will also be helpful for a range of other stakeholders in Cambodia, particularly business associations and development partners, to join efforts to create new opportunities for businesses to invest in commercial solutions for addressing relevant problems of the poor and low-income people.

We would like to thank ESCAP and iBAN for supporting this study and the development of IBeeC Strategy.

Cambodia stands ready to promote Inclusive Businesses at the regional level, including through sharing its experience in the development and implementation of the IBeeC Strategy.

**Senior Minister
Minister of Industry, Science, Technology
& Innovation**



***Kiti Settha Pandita* CHAM Prasidh**

PREFACE

Inclusive Businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the pyramid, making them part of the value chain of companies as suppliers, distributors, retailers, or customers¹.

To meet the ambitions of the global 2030 Agenda for Sustainable Development, the private sector will need to play a greater role in supporting development objectives. Inclusive Businesses offer the opportunity to address development challenges and leave no one behind. While most private sector firms work with or sell to low-income people in some way or another, only few business lines provide low-income people with enhanced income opportunities or with goods and services relevant to overcome poverty and exclusion.

Governments can encourage more Inclusive Businesses to emerge and thrive through policies that generate greater awareness on these business models, recognise and reward them with targeted incentives, and facilitate services and investments that enable firms to be inclusive while meeting profit targets.

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) teamed up in 2019 to support governments enhance the policy environment for Inclusive Business in various ASEAN countries and at regional level.

To do so, ESCAP and iBAN have, at the request of national governments, conducted national landscape studies and provided policy advice to help design and implement national strategies to promote Inclusive Business. This study is one of the five studies /advice (Cambodia, Indonesia, Malaysia, The Philippines and Vietnam) that are being developed. ESCAP and iBAN have also helped sharing policy learnings across ASEAN member states.

The strategic framework for a better enabling environment for Inclusive Business in Cambodia (the IBeeC strategy) proposed in this report, when implemented, will help Cambodia maximize the contribution that the private sector can make for more inclusive growth. It will contribute to the implementation of Cambodia's National Strategic Development Plan (2019-2023) by supporting structural transformation towards more dynamic and inclusive industries while creating better income opportunities and affordable and relevant goods and services for the poor and low-income people.

ACKNOWLEDGEMENTS

This study has been prepared by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), in cooperation with the Inclusive Business Action Network (iBAN), following a request from the former Ministry of Industry and Handicraft of Cambodia².

The work has been carried out by the United Nations ESCAP team of consultants, Armin Bauer, Pisey Khin, Tha Chanthan, and Ek Sreykhouch, under the supervision of Marta Pérez Cusó, Economic Affairs Officer, Technology and Innovation Section, and with the support of Vivian Marcelino, Consultant, ESCAP. Mia Mikic, Director of the Trade, Investment and Innovation Division, and Jonathan Tsuen Yip Wong, Chief of the Science, Technology and Innovation Section provided the overall direction.

The study has been conducted in close cooperation with the Ministry of Industry and Handicraft (Now Ministry of Industry, Science, Technology and Innovation). The strategic stewardship and support for IB promotion provided by H.E. Kiti Settha Pandita Cham Prasidh, Senior Minister, Minister of Ministry of Industry Science, Technology and Innovation, H.E. Heng Sokkung, Secretary of State and Mr. Chorn Vanthou, Deputy Director of Department of Planning, Statistics, Cooperation and ASEAN Affairs of the General Department of General Affairs of the Ministry of Industry, Science, Technology and Innovation has been extremely valuable.

The study has also benefited from the insights and support provided by government officials from other ministries and their agencies, in particular the Ministries of Economy and Finance; Agriculture, Forestry and Fisheries; Commerce; Planning; and the Council for the Development of Cambodia.

Business associations, especially the Cambodia Chamber of Commerce, the Young Entrepreneurs Association of Cambodia, the Cambodia Women Entrepreneurs Association, the Federation of Associations for Small and Medium Enterprises of Cambodia, and the European Chamber of Commerce in Cambodia have provided valuable insights and support for this study.

Finally, the information provided by the companies interviewed has been especially useful. Their interest in Inclusive Business models and their openness to share information about their business is highly appreciated. A note of gratitude also goes to the multiple facilitators, investors, development partners, and other experts that contributed their insights and helped shape the assessment provided in the report.

EXECUTIVE SUMMARY

English

The Royal Government of Cambodia 5-year National Strategic Development Plan 2019-2023 calls for making economic growth in Cambodia more inclusive and beneficial to poor and low-income people. To this end, the Government is promoting a more diversified economy and engaging the private sector to generate income opportunities and relevant and affordable goods and services for poor and low-income people.

Companies with Inclusive Business (IB) models can play a strong role in supporting these strategic objectives. Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis and at scale, to people living at the base of the pyramid. While most private sector firms work with or sell to low-income people in some way or another, only few business lines provide low-income people with enhanced income opportunities or with goods and services relevant to overcome poverty and exclusion. These businesses promote social transformations as they have a large and deep social impact. Inclusive businesses bring triple wins for companies, the poor, and for society.

To support the development of such strategy, the Government of Cambodia has requested the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network³ (iBAN) to conduct the present landscape study, which includes a market study of current inclusive businesses in Cambodia and an assessment of the enabling environment, and provides recommendations for promoting inclusive businesses.

The analysis of the enabling environment and the policy recommendations are based on an intensive consultative process with multiple stakeholders, including government officials, business associations, impact investors, IB facilitators, development partners, and other experts, through interviews with 200 key stakeholders, two workshops and one national forum organized from April to August 2019.

The market study is based on structured interviews with business leaders and uses a composite rating tool to assess the company's IB line against 30 criteria to assess its commercial performance, social impact and innovation for addressing the needs of low-income people. For the market study, a longlist of 119 potential IB companies was established, 71 firms were shortlisted, 34 were interviewed and 37 assessed using a composite rating tool.

Out of the 119 firms screened, the assessment identified 19 companies with inclusive business lines, 13 real and 6 potential. The IB companies are in various sectors, mostly in agrobusiness and few in health, education, housing and water services. While this study has only identified a few companies with Inclusive Business lines, these few firms have a large impact for society. In 2018, eight of the companies assessed created well paid income opportunities for 155,000 people, and the other 11 companies provided valuable services to about 680,000 people. Two companies provided social insurance for 530,000 people.

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