


INCLUSIVE BUSINESS IN THE ASIA–PACIFIC ECONOMIC COOPERATION

JUNE 2018

ASIAN DEVELOPMENT BANK

ADB

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Cover:
Top, left to right:
The base-of-the-pyramid can develop their capacities from training and business support services provided by inclusive businesses. (Photo by Ariel Javellana, ADB). Inclusive business models in agriculture sector often engage a large number of farmers and provide opportunities for higher income (Photo by Ian Taylor, ADB).

Bottom, left to right:
Subsistence farmers can develop into microentrepreneurs in an agricultural inclusive business value chain (Photo by Ryan Cifra, ADB). Microenterprises can be integrated in inclusive business models to deliver essential goods and services to the poor and low-income populations (Photo by Lester Ledesma, ADB).

All photos are from ADB.

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The Asia–Pacific Economic Cooperation (APEC) is an economic forum that supports sustainable economic growth and prosperity in Asia and the Pacific region by championing free and open trade and investment, promoting and accelerating regional economic integration, encouraging economic and technical cooperation, enhancing human security, and facilitating a favorable and sustainable business environment. The APEC region comprises 21 economies along the eastern and western part of the Pacific. Governments and businesses in APEC are increasingly interested in finding new and innovative ways for making economic growth more inclusive and sustainable.

In late 2015, as chair of APEC, the Government of the Philippines held two high-level seminars on inclusive business (IB). As a follow-up, the government, the APEC Business Advisory Council (ABAC), and the APEC Investment Expert Group agreed to prepare this study on "Inclusive Business in APEC" economies, and to present this during the 2017 APEC discussions held in Viet Nam. The proposal was cosponsored by the economies of Japan, Mexico, Papua New Guinea, and Thailand.

This study emerged from a cooperation among the Department of Trade and Industry (DTI) of the Government of the Philippines, ADB (as a key knowledge carrier on IB in Asia), and the APEC Secretariat. The report is addressed to policy makers of APEC and the ABAC. The report describes the markets for IB investments in all APEC economies, and recommends further actions by APEC, ABAC, and the member economies to promote IB.

The desk research report was written by Markus Dietrich, a consultant to ADB. Technical advice came from Armin Bauer, Aissa Hermoso (senior investment specialist, Board of Investments, DTI, Philippines), Felicitas Agoncillo Reyes (assistant secretary, Board of Investments, DTI, Philippines), and support from Jose Mosquera (IB expert, Latin America) and Priya Thachadi (IB expert, South East Asia). We would also like to thank Yukiko Ito (senior social development specialist), Jeffrey Gerobin (associate operations analyst), Imelda Marquez (associate operations analyst), and Mary Grace Santos (consultant) of ADB; and Akifumi Fukuoka of APEC Secretariat, for their guidance in preparing this study. This report was funded by the Government of Sweden through its support for ADB's Inclusive Business Initiative.

Abbreviations

ABAC	–	APEC Business Advisory Council
ADB	–	Asian Development Bank
APEC	–	Asia–Pacific Economic Cooperation
ASEAN	–	Association of Southeast Asian Nations
BOP	–	base-of-the-pyramid
CSR	–	corporate social responsibility
DFAT	–	Department of Foreign Affairs and Trade
DFID	–	Department for International Development of the United Kingdom
FMCG	–	Fast-Moving Consumer Goods
G20	–	Group of Twenty
GIIN	–	Global Impact Investment Network
GRI	–	Global Reporting Initiative
HDI	–	Human Development Index
HNWI	–	High-Net-Worth Individual
IB	–	inclusive business
ICT	–	information and communication technology
IDB	–	Inter-American Development Bank
IEG	–	Investment Expert Group (APEC)
IFC	–	International Finance Corporation
MSMEs	–	micro, small, and medium enterprises
MaGIC	–	Malaysia Global Innovation and Creativity Centre
MIF	–	Multilateral Investment Fund
NGO	–	nongovernment organization
OMJ	–	Opportunities for the Majority
ODA	–	Official Development Assistance
OECD	–	Organisation for Economic Co-Operation and Development
PPP	–	purchasing power parity
PPWE	–	Policy Partnership, Women, and the Economy (APEC)
PPFS	–	Policy Partnership on Food security (APEC)
SMEWG	–	Small and Medium Enterprises Working Group (APEC)
SDG	–	Sustainable Development Goal
SMEs	–	small and medium enterprises
SIE	–	Social Innovation and Entrepreneurship Development

TWG	–	Tourism Working Group (APEC)
UN	–	United Nations
UNDP	–	United Nations Development Programme
UNEP	–	United Nations Environment Program
UNICEF	–	United Nations Children's Fund
US	–	United States
USAID	–	United States Agency for International Development
VBCF	–	Viet Nam Business Challenge Fund
WBCSD	–	World Business Council for Sustainable Development
WWF	–	World Wildlife Fund

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Executive Summary

The Asia–Pacific Economic Cooperation (APEC), as a regional organization of economies in the Americas and in Asia, is well suited to promote inclusive business (IB) as a new approach to make economic growth more sustainable and more inclusive. While agreements in APEC are mainly related to trade, the governments' agenda in the region for a more inclusive economic development widen the discussions among APEC economies to promote consensus on new strategic economic topics. IB and investing to create impact on people and the environment is one such new and emerging topic.

As the public and private sectors increasingly report their contributions to the global Sustainable Development Goals (SDGs), and IB being the main private sector contribution to the SDGs, APEC could create a consensus among its members from developed and emerging economies around the Pacific on what constitutes responsible investments for the SDGs in the next decade. APEC, as a regional institution with public and private sector members, can create consensus that more IB investments that engage with the base-of-the-pyramid (BOP) are needed for more inclusive growth in the Asia and Pacific region.

The BOP market in emerging APEC economies is huge. In emerging Asia, the BOP comprises 53% of the population; in Latin America it is 57% of the population, and in developed APEC economies it is 19%. For APEC as a whole, the BOP forms 43% of the total population. This market is valued at $2.28 trillion annually, and represents 52% of the total market in APEC economies, and 46% of the global BOP market according to the Global Consumption Database of the World Bank.

Based on this study's estimates, some 1,900 IBs are operating in APEC economies, 61% of which are considered IB activities (mostly undertaken as strategic corporate social responsibility [CSR]) by companies, 15% are IB models predominantly implemented by domestic medium-to-large companies, and 24% are social enterprise initiatives. By region, IB models are particularly important in Asia (26%), followed by Latin America (20%), and developed APEC economies (8%).

By volume of IB investment, this study estimates that about $10 billion has been invested in 2016 in the APEC region. Of this investment, 42% was in developed APEC economies, and 29% each in emerging Asian and emerging Latin American APEC economies. Investment in IB models comprise 81% of total IB investments, followed by IB activities (17%), and social enterprise activities (2%). In developed APEC economies, investments are more related to CSR activities (29%), compared to emerging Asia (6%) and Latin American economic region (10%). Against this background, social enterprise investments are large in numbers (24%) but very small in investment size (2%).

Looking ahead, with the increasing interest and awareness on IB, and with increasing government and investors' support, this study estimates that the number of IB would more than double in the next 8 years to reach about 3,800, with the substantial increase of IB models (+280%) and SE initiatives (+300%).

The trend of increasing IB models in all APEC regions is very positive. This study estimates that Asia will have the biggest increase in the number of IBs at more than 350% growth, while Latin American APEC economies will have a smaller growth at 194%. While developed APEC economies will develop more IB models, overall, there will be less change in the distribution of their IB approaches in CSR (81%) and social enterprises (4%) over core IB models.

While estimating the market size of IB is difficult, getting a clear picture of the social impact of IB is even more challenging. This study used informed assumptions—detailed in the report—and found that IB has a massive social impact in reaching the poor and low-income people in APEC economies. The social impact as to the "reach" (number of BOP people reached) is much higher in emerging Asia than in emerging Latin America. It is estimated that through IB, some 2.4 million income opportunities were created by 2016. By 2025, this is forecast to substantially increase to 5.6 million. For product and service delivery, it is estimated that some 103 million people at the BOP benefited from IB in 2016, and in 2025, this will grow to about 245 million.

Governments in APEC economies increasingly develop measures along the whole spectrum of policy and programs supporting IB. For example,

- Canada; the People's Republic of China (PRC); Colombia; the Republic of Korea; Mexico; the Philippines; Taipei,China; and Thailand have specific rules and regulations to promote IB;
- Chile; the PRC; Colombia; Hong Kong, China; the Republic of Korea; Mexico; the Philippines; Thailand; and the United States have specific government-sponsored industry support programs for IB; and
- Australia, Canada, Chile, Indonesia, Japan, the Republic of Korea, Mexico, Peru, the Philippines, the Russian Federation, and Thailand run awareness-raising and capacity development programs on and for IB.

Among the drivers of this growth is impact financing, which is growing in size globally. It has been described as an emerging asset class—now covering the pioneering impact investors and development banks to include institutional investors, high net worth individuals (HNWI), and foundations. Globally, assets managed by impact investors increased from $10 billion in 2010 to $114 billion in 2016. The impact investment market is expected to rapidly grow further.

For IBs to flourish, companies, financial institutions, and governments have to work together with the whole range of stakeholders—such as international organizations, research institutions, nonprofit organizations, development partners, intermediaries, and the media. This multi-stakeholder context has been described in the Group of Twenty (G20) IB Framework as the IB ecosystem (G20 Development Working Group 2015).

Considering the strong growth of the IB ecosystem, IB financing, and IB policy development that emphasizes social impact and investment at a scale that span across emerging and developed Asian and American APEC economies, APEC has an important role to further stimulate this positive development. With the understanding that APEC cooperation is based on a non-binding principle, and that any recommended activity depends on the consideration of member economies and related agencies, APEC as a regional body may wish to undertake the following:

- Include IB in its agenda, and institutionalize IB capacity building and the sharing of experiences by
  - formally adopting IB in the APEC work program and highlighting its contributions to inclusive growth and economic, financial, and social inclusion;
  - encouraging APEC fora to include IB in their respective work agendas, particularly the Committee on Trade and Investment (CTI), Investment Expert Group (IEG), Small and Medium Enterprises Working Group (SMEWG), Policy Partnership on Women and the Economy (PPWE), and Policy Partnership on Food Security (PPFS), among others;
  - encouraging the APEC Business Advisory Council (ABAC) to implement a work plan for IB development as, for example, outlined in the White Paper on IB "Creating Inclusive Growth through the Extractives Industry" in its Sustainable Development Working Group (SDWG); and
  - conducting regular capacity-building programs.
- Raise awareness on IB by
  - encouraging the ABAC to organize biannual APEC IB Awards that will highlight good examples of IB in APEC economies, and
  - integrating the IB theme in regular APEC events to draw attention to the contribution of IB to the specific topics discussed (e.g., investment promotion, small and medium enterprise (SME) promotion, food security, and women and the economy).
- Work with other organizations to advance IB globally once APEC has implemented its IB agenda and gained knowledge by
  - partnering with the ASEAN Secretariat to promote IB in Asian member economies of APEC, and
  - engaging with the G20 and the ASEAN to continue the development of a global IB framework.
- Coordinate reporting on IB's impacts in line with SDG reporting by
  - establishing a biannual reporting of IB accomplishments as APEC's contribution to delivering private sector commitments to the SDGs.

APEC could promote that each economy creates a stronger enabling environment for IB, taking the learnings from APEC economies into consideration, for example by developing accreditation systems for IB.

National and business sector associations can play a special role as promoters of best IB practice, and should be encouraged—through ABAC—to embrace IB as a theme to mainstream IB models among their members.

APEC can engage with the growing number of national, regional, and global stakeholders that form an IB support ecosystem—such as development agencies, multilateral development banks, financial institutions, nonprofit organizations, and research institutions.

Development partners can support APEC in providing funding for an IB support program to achieve collective impact. This could include funding for the development of a strategic plan to promote IB, for an APEC IB Awards, IB seminars and conferences, IB-related knowledge work, and strategic advice on IB. Development partners could explore the coordination of their official development assistance on IB to achieve collective impact.

IB takes distinct forms depending on the economy's development. For analytical purposes only, this report classifies the economies in three broad categories: emerging economies APEC Asia, emerging economies APEC Latin America, and developed economies APEC. Colombia has been included in this report as the only non-APEC member due to its participation in several IB-related APEC activities.

I. Context and Rationale for This Study

A. Economic Growth and Inclusion in the Asia–Pacific Economic Cooperation Economies

Economic growth in the Asia–Pacific Economic Cooperation (APEC) needs to be made more inclusive. Governments in APEC economies are seeking to enhance the quality of investments by the private sector in terms of providing job opportunities, and products and services to low-income and marginalized communities. While many emerging APEC economies have witnessed substantial economic growth in the last decade, there is growing recognition among policymakers that a more active role is required from them to make economic growth more inclusive and more sustainable through new types of private sector investments.

Inclusive business (IB) helps APEC governments achieve job creation and essential service delivery for the poor, low-income, and marginalized populations. By its definition, IB is a business model that creates income opportunities and delivers affordable and relevant products and services to poor, low-income, and marginalized communities. While general investment and trade promotion in APEC economies have led to economic growth in the region, establishing an enabling ecosystem for domestic and foreign direct investments specifically for IB will provide the foundation for achieving inclusive and sustainable development targeted at the base-of-the-pyramid (BOP). A policy focus on IB investment promotion will also provide a common language and rallying point to align public and private sector efforts to serve poor, low-income, and marginalized communities in converging business strategies and policy outcomes.

IB is the private sector's contribution to the United Nations (UN) Sustainable Development Goals (SDGs). In September 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which includes a set of 17 SDGs to end poverty, fight inequality and injustice, and tackle climate change by 2030. Former UN General Secretary Ban Ki-Moon spelled out the important role of the private sector in achieving the goals by stating that "Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success. Now is the time to mobilize the global business community as never before. The case is clear. Realizing the Sustainable Development Goals will improve the environment for doing business and building markets. Trillions of dollars in public and private funds are to be redirected towards the SDGs, creating huge opportunities for responsible companies to deliver solutions" (UN News Centre 2015).

Table 1: Poverty and Income in Asia–Pacific Economic Cooperation Economies

The Base-of-the-Pyramid in APEC									
	Poverty Incidence (International Poverty Line, PPP 2012), in %							Population (million, 2013)	GNI per capita (Atlas method, $, 2013, PPP)
	$1.25	$2	$3	$4	$8	$15	$20		
Emerging Asia	8.9	22.6	39.4	52.8	82.2	95.4	97.6	1,647.9	3,602
Indonesia	18.0	46.3	71.2	83.6	97.4	99.6	99.8	248.8	3,580
Malaysia	0.0	2.3	10.2	17.9	44.7	72.8	82.6	29.6	5,600
Philippines	19.0	41.7	62.5	75.1	92.8	98.2	99.2	97.4	3,170
Papua New Guinea	35.8	57.4	74.0	82.5	94.9	98.4	99.1	3.7	2,010
People's Republic of China	9.1	23.2	40.0	53.3	82.5	95.8	97.9	1,360.7	3,630
Thailand	0.3	3.5	15.2	30.5	70.2	91.1	95.4	66.8	5,370
Viet Nam	2.4	12.4	31.1	48.5	86.3	97.1	98.7	89.7	1,730
Emerging Latin America	3.0	7.0	15.1	25.0	56.7	82.3	88.6	170.3	9,832
Chile	0.8	1.9	4.7	9.9	37.4	69.5	79.1	17.6	15,230
Mexico	3.3	7.5	16.5	27.6	60.6	84.4	89.8	122.3	9,940
Peru	2.9	8.0	15.4	23.3	52.1	81.0	89.3	30.4	6,270
Developed Economies	0.0	1.0	1.7	3.0	9.9	19.4	25.2	731.7	41,804
Australia	0.6	1.4	1.7	1.7	3.0	12.3	27.0	23.1	50,390
Brunei Darussalam[a]	0	0	2.0	4.0	7.0	15.0	20.0	0.4	39,778
Canada	0	0.1	0.3	0.7	1.0	5.3	11.7	35.2	52,210
Hong Kong, China[a]	0	0.5	4.0	6.0	8.0	12.0	15.0	5.7	38,420
Japan	0	0.4	0.7	0.7	2.0	8.3	16.0	127.3	46,330
Republic of Korea[a]	0	0.3	2.0	5.0	8.0	12.0	15.0	50.2	33,360
New Zealand[a]	0	0.5	1.0	1.8	3.0	12.0	20.0	4.4	35,760
Russian Federation	0	0.3	1.7	5.2	31.9	69.0	80.8	143.5	13,850
Singapore[a]	0	0	3.0	5.0	8.0	12.0	15.0	5.4	54,040
Taipei,China[a]	0	0.5	4.0	6.0	9.0	15.0	20.0	20.4	21,591
United States	0	1.7	2.0	2.7	5.0	5.2	7.5	316.1	53,470

APEC = Asia–Pacific Economic Cooperation, GNI = gross national income, PPP = purchasing power parity.

[a] The World Bank does not have poverty data for Brunei Darussalam; Hong Kong, China; the Republic of Korea; New Zealand; Singapore; and Taipei,China. Their poverty incidences are simply assumed to create a plausible regional statistical average.

Note: The bottom 60% is equivalent to a $3 poverty line in Asia, a $8 in Latin America, and a $20 in developed countries.

Source: Author's own compilation from the PovCalNet of the World Bank.

The base-of-the-pyramid market is huge and still largely untapped. The first effort to quantify the BOP market globally was undertaken in 2008 (Hammond et al. 2008). Based on household expenditure data, it was estimated that the market for the BOP—defined as people living with incomes below $3,000 per year per capita in local purchasing power—constitutes 4 billion people, and represents a market worth $5 trillion. The study also highlighted that this market is characterized by significant unmet needs, dependence on informal or subsistence livelihoods, and impacted by the "BOP penalty" that makes products and services more expensive to them. IB models have been developed to tap into those unmet needs at the BOP, overcome the BOP penalty, and enable the BOP to transition from informal and subsistence livelihoods to more secured and sustainable income streams, and/or be formally integrated in company value chains. While outstanding examples of IB models have been developed, implemented, and documented in case studies over the last decade, the BOP market is far from being saturated.

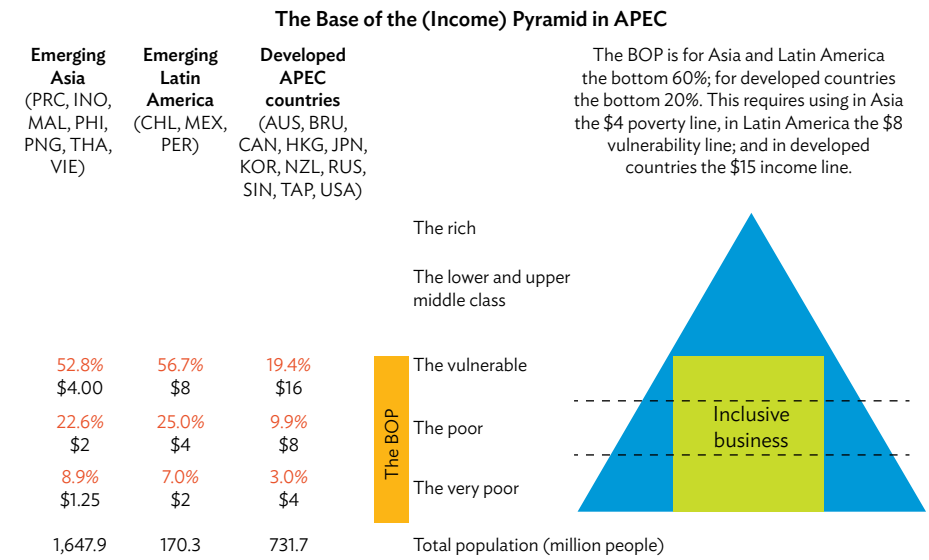
The base-of-the-pyramid threshold depends on the economic and social development. The IB discussion uses the BOP (i.e., the bottom 40%–60% population) as the threshold for investments with social impact. The income level of the BOP depends on the socioeconomic status of a society. The BOP threshold in Latin America was set at $8 per capita daily expenditure based on 2005 purchasing power parity (PPP), but in developing Asia, this is $4, and in the developed APEC economies, this would be around $15 or more.[1] However, a closer look into individual economies shows a considerable spread of thresholds that should be adopted by the IB community. In developing APEC economies, due to their higher per capita income, the BOP can also be serviced by traditional industries, and only a smaller group of people is excluded. In emerging Asia, the BOP forms 53% of the population, 57% in Latin America, and 19% in developed APEC economies. For APEC as a whole, the BOP forms 43% of the total population.

B. Rationale for Promoting Inclusive Business in Asia–Pacific Economic Cooperation

In emerging Asia–Pacific Economic Cooperation economies, there is a huge market opportunity for inclusive businesses to serve the majority of the population. The BOP is largely situated in emerging APEC economies where they constitute at least 60% of the population, which is currently not served or underserved by the market. IB models address this market failure by seeking to open up this huge market opportunity at scale. However, experience in the last 15 years since those models were first introduced in the seminal article on "The Fortune at the Bottom of the Pyramid" (Prahalad and Hart 2002) shows that the development, scaling up, and replication of IB models to achieve systemic impact on multidimensional poverty alleviation are facing considerable challenges that go beyond the normal challenges and risks of doing business in emerging countries. IBs are faced with barriers at the firm, value chain, public goods economy, and government levels (Koh, Hegde, and Karamchandani 2014). Therefore, a huge market opportunity at the BOP remains untapped by IB. On a positive note, the IB models, the awareness, and the enabling

[1] Note that these income thresholds are based on the 2005 PPPs. Based on the most recent 2012 PPP, the $4 poverty line in Asia translates into $6, and the $8 poverty line for Latin America translates into $12.

Figure 1: Inclusive Business Beneficiary Thresholds in Asia–Pacific Economic Cooperation Subregions



APEC = Asia–Pacific Economic Cooperation; AUS = Australia; BOP = base-of-the-pyramid; BRU = Brunei Darussalam; CAN = Canada, CHL = Chile; HKG = Hong Kong, China; INO = Indonesia; JPN = Japan, KOR = Republic of Korea; MAL = Malaysia; MEX = Mexico; NZL = New Zealand; PER = Peru; PHI = Philippines; PNG = Papua New Guinea; PRC = People's Republic of China; RUS = Russian Federation; SIN = Singapore; TAP = Taipei,China; THA = Thailand; USA = United States; VIE = Viet Nam.

Source: Author's compilation based on the International Finance Corporation Global Consumption database.

ecosystems supported by key stakeholders from the private, public, and civil service have substantially improved over the years, providing a much stronger base with lower risk than 15 years ago.

In developed Asia–Pacific Economic Cooperation economies, established companies serve the domestic base-of-the-pyramid market while social enterprise initiatives serve the domestic niche markets for marginalized communities. Market failures in developed APEC economies are addressed mostly by social enterprises and these areas are in providing income opportunities, and affordable services for marginalized sectors, such as the homeless, out-of-school youth, elderly without families, and indigenous communities. Governments support these social enterprises because they deliver social welfare services more efficiently, drive social innovation, and provide solutions to move these communities sustainably out of social welfare services. Hence, governments have developed comprehensive domestic ecosystems for social enterprises that provide access to funding, technical assistance, and other public sector support structures. These ecosystems can serve as a blueprint for IB support in emerging APEC economies.

Developed APEC economies have important roles in scaling up IB models. While social enterprises domestically play a major role in BOP product and service expansion in developed APEC economies, these leading economies can contribute to the IB ecosystem in many ways, such as in the following:

- **Thought leadership.** Theoretical and practical frameworks on the BOP, IB, and social entrepreneurship have mostly been developed in the United States (US) where leading academicians, such as C.K. Prahalad, Stuart Hart, Ted London, and Al Hammond, teach and publish their works.
- **Legal status innovations.** Benefit corporation legislation for companies serving a dual purpose—to make a profit and to achieve public benefit—has been enacted in 31 federal states in the US since 2008, and is being considered by other APEC economies such as Australia.
- **Impact financing.** Much of impact financing is generated in developed markets, with 44% of impact financing institutions based in North America, and 32% based in Europe (Mudaliar, Schiff, and Bass 2016). Innovations in impact investment instruments, such as social impact bonds, first emerged in developed countries.
- **Sustainable sourcing.** The integration of social, ethical, and environmental performance factors into the process of selecting suppliers is becoming the norm for many multinational companies. Companies in developed economies, for example in the fast-moving consumer goods (FMCG) and textile sectors, drive the implementation of IB models because of their widespread adoption of sustainable sourcing commitments often backed up by certification standards and processes.
- **Social enterprise incubation.** While the development of IB models is mostly undertaken by companies in-house, incubators and accelerators play a larger and important role in the development of social enterprises—from ideation to implementation and scaling up. Social incubator programs, which originated in the US, are now present in all APEC economies.

While companies embrace the Sustainable Development Goals, countries find it difficult to report what companies do. Companies have been quick in aligning the communication of their existing IB models, activities, and social enterprise activities to the 17 SDGs, and tools and studies based on the SDGs have been developed to guide the private sector.[2] However, it will take time for participating nations (signatories to the 2030 Agenda) to fully integrate them into their national development plans, and for companies to develop IB approaches based on the SDGs. The unique opportunity provided by the SDGs is the presentation, for the first time, of a global framework for development that calls for the convergence of public and private sector resources and initiatives. APEC, through its dialogue with both private sector and governments, can help develop a common and/or standard reporting agenda and tool on the SDGs for both the public and private sectors.

Impact investing in inclusive business is becoming a growing source of funding for the private sector in Asia–Pacific Economic Cooperation. *The Economist* recently highlighted that impact investment—which, among others, finances IB—is "inching from niche to mainstream," and how big investment firms are increasingly turning their attention to impact investing. It noted that "Although $7 billion is a tiny slice of Goldman's portfolio, it is huge compared with the investments of even well-established impact specialists such as LeapFrog, whose commitments total around $1 billion. And the entry of hard-nosed financial giants sends an important message about impact investing: that they see it as

[2] Examples are the SDG Compass (http://sdgcompass.org/) developed by the Global Reporting Initiative (GRI), the UN Global Compact, and the World Business Council for Sustainable Development (WBCSD), and "Measuring Impact: How Business Accelerates the Sustainable Development Goals" by UNDP's Business Call to Action (BctA) and GRI that was released in 2016.

profitable for themselves and their clients. It is not enough to make investors feel good about themselves; they also want to make money" (*The Economist* 2017). This assessment is underscored by the Global Impact Investing Network's (GIIN) annual study of the impact investing market, which showed in its 2017 report that assets under management grew from 2015 to 2016 from $77 billion to $114 billion with further growth of 17% in amount of capital invested expected for 2017. Furthermore, the study found that 91% of the investors met or exceeded returns expectations. Microfinance and other financial services, energy, housing, and food and agriculture were the sectors that attracted most investments. While these developments are very encouraging, substantial funding gaps continue to exist between impact funds and more mainstream institutional investors seeking high-growth investment opportunities; in the state of existing IB models, most notably in the early stage phase; and the lack of technical assistance to complement financing support.

Mutual learning between Asia and the Pacific and the Americas. IB as a concept was first developed in Latin America, and was supported—from 2006 to 2015—by the Opportunities for the Majority (OMJ) program by the Inter-American Development Bank (IDB).[3] In 2012, the Asian Development Bank (ADB) engaged in a partnership with IDB to learn from Latin America, and promote IB in Asia. The social enterprise movement is strong in developed economies of APEC, and Asia is now quickly catching up and developing its own public sector mechanisms to promote IB. This development could be relevant for Latin American APEC economies. While APEC is dealing mainly with trade-related issues, it is recently broadening its agenda to promote sustainable and inclusive growth, and IB can be a good contribution to this direction. It is to this end that APEC included a discussion of IB in its working agenda in 2015. This study provides a background on the status of IB development in APEC economies, and recommends how APEC as an organization can move the IB agenda forward.

C. Making Inclusive Business Part of the Asia–Pacific Economic Cooperation Agenda

APEC provides a unique framework for developed and emerging economies to engage in fruitful dialogue to strengthen IB development in their domestic economies. APEC can help expand IB through continuous learning and sharing among member economies, and by actively promoting the engagement of IB companies in APEC trade and investment. Asian and Latin American APEC economies have unique experiences in IB, and collaboration will substantially strengthen IB development. Support for IB in Latin America has been promoted since 2006, and Asia quickly caught up in 2012. This was made possible by the pioneering efforts of IDB and the International Finance Corporation (IFC) since 2005, followed by the work of ADB starting in 2012.

[3] In 2015, IDB mainstreamed the OMJ program into its private sector investment promotion program, while IB-related knowledge work continues through the Multilateral Investment Fund (MIF).

In a report on IB in Latin America and the Caribbean, IDB's investment of $400 million for IB through the groundbreaking OMJ initiative is highlighted as a key driver in the development of an IB support system in Latin America. The report noted that "OMJ has demonstrated there is an underserved business segment and pent-up demand to design, develop, and execute inclusive business strategies that are commercially viable, can contribute to company growth, and can address many of the systemic challenges inhibiting inclusive growth (quality access to finance, access to markets, access to housing, etc.) and productivity across Latin America. Preliminary market scoping studies conducted by ADB validate a similar opportunity and growing need" (ADB 2013a).

In 2016, it was pointed out during the 2nd IB Asia Forum organized by ADB that "the potential of inclusive business is huge but is so far under-exploited in the region. Inclusive business can address problems of the poor at scale, in a sustainable and commercially viable way. But this approach is not yet mainstreamed and needs to be" (ADB 2016a).

The Philippines brought the IB discussion into APEC in 2015. In 2015, as chair of APEC, the Government of the Philippines held two high-level seminars on IB supporting the APEC theme of "Building Inclusive Economies, Building a Better World." IB was included in APEC's agenda through the 2015 Ministerial Statement: "... We welcome continued efforts to mainstream gender equality in APEC processes and activities and we reaffirm the vital contribution of women to economic development and prosperity in the Asia and the Pacific and beyond. Women, as prime movers of inclusive growth, make significant contributions to the economy through their participation in labor markets, inclusive business, international markets, and global value chains (GVCs). We welcome the results of the [public–private dialogue] PPD on Investment: Fostering MSME Growth through Inclusive Business and the High-Level Dialogue on Inclusive Business. We instruct officials to undertake more work on understanding inclusive business in major sectors, especially agribusiness, manufacturing, housing, tourism, forestry and fisheries, and its role in sustainable and inclusive growth through sharing of experiences and by collaborating with relevant international organizations" (APEC 2015). As a follow up, the Government of the Philippines, the APEC Business Advisory Council (ABAC), and the APEC Investment Expert Group (IEG) agreed to prepare this study and present it in the 2017 APEC discussions in Viet Nam. In 2017, the Association of Southeast Asian Nations (ASEAN) included IB in its agenda, and linked it with small and medium enterprise (SME) promotion.

ABAC and IEG were starting points for IB promotion in APEC but other working groups and activities should be involved because IB is a crosscutting theme. Since IB is seen as a viable private sector approach to contribute to inclusive growth and the SDGs, ABAC is the institution that should present the private sector's commitment to and leadership on IB in APEC. IEG, on the other hand, should develop APEC's IB agenda. In 2017, IB has been recognized at the IEG meeting in Viet Nam as a crosscutting theme for APEC, and has become a relevant discussion point for the (i) Policy Partnership on Food Security (PPFS) group; (ii) Tourism Working Group (TWG); (iii) Committee on Trade and Investment (CTI); (iv) Workshop on Promoting Trade in Products Which Contribute to Sustainable and Inclusive Growth Through Rural Development and Poverty Alleviation; (v) the group on Policy, Partnership, Women and the Economy (PPWE); and (vi) Small and Medium Enterprises Working Group; among others.

II. Defining Inclusive Business

A. The Group of Twenty Inclusive Business Framework

The Group of Twenty Inclusive Business Framework provides the most comprehensive and accepted definition and classification of inclusive business. According to the Group of Twenty (G20) framework, "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," making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers."[4] The G20 framework was adopted in 2015 (G20 meeting in Turkey), and further refined in 2016 (under the G20 leadership of the People's Republic of China). In May 2017, the G20 Global Platform for Inclusive Business/Inclusive Business Action Network Policy Dialogue took place in Germany and discussed, among others, how regional cooperation institutions, such as the Asia–Pacific Economic Cooperation (APEC) and Association of Southheast Asian Nations (ASEAN), can promote the inclusive business (IB) agenda.

Three ways to implement inclusive business. The G20 IB framework describes three IB approaches for companies: (i) Companies can invest directly in scaled up "IB Models;" (ii) companies can pilot "IB Activities" (e.g., core business-related corporate social responsibility [CSR] investments that can then be scaled up by the company into IB models); and (iii) companies can also start "Social Enterprise Initiatives," which can be scaled up to become "IB Models." Table 2 illustrates the differences among these three IB approaches, and contrasts this to traditional business investments and business activities promoted by the not-for-profit sector, including nonprofit-oriented social enterprises and the traditional CSR activities. Applying this categorization in policy making and investment is dependent upon many contexts, such as sectors, geography, population size, poverty situation and market development status.

Group of Twenty framework and Asia–Pacific Economic Cooperation. The G20 IB framework is a significant unifying approach toward IB and its policy support, considering the multidimensional landscape of IB. As 9 out of 21 APEC economies are also G20 members, the G20 framework has been used as a foundation for this study. The G20 IB framework is also relevant as a basis of discussion for the structurally and economically

[4] 2015 G20 Inclusive Business Framework, http://g20.org.tr/wp-content/uploads/2015/11/G20-Inclusive-Business-Framework.pdf

Table 2: Inclusive Business Approaches Matrix

	IB Models	IB Activities	SE 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 $ million	5–200	0.3–3	0.1–3
Type of company promoting the model	Large and medium sized, often family owned, sometimes also multinational companies	Large and medium-sized companies	Small companies
Type of business	Inclusive businesses	Strategic CSR	Social enterprises
Investors	commercial banks, development banks, impoact investors	Companies' own resources	impact funds, high network individuals

BOP = base-of-the-pyramid, CSR = corporate social responsibility, IB = inclusive business, SE = social enterprise.

Source: Author, adapted from the G20 framework.

Table 3: Purpose of Impact, Development, and Commercial Investments

Investment Purpose and Results			
	Impact Investing	Development Investing	Commercial Investing/ Investment Banking
Investment area	All sectors	All sectors	All sectors
Investment size	Small to medium	Medium to large	Small, medium, or large
Targeted beneficiaries	BoP	All population in a specific area or sector	No specific target
Financial return	High	Mixed, mostly low to medium	High
Economic return	Mixed	High	Often low
Social return	Small to high depending on the size	Small to high depending on the project design	Not the focus

BOP = base-of-the-pyramid.

Source: Author.

heterogeneous APEC economies, as it includes in its conceptualization of IB social enterprise initiatives, next to IB models and IB activities.

B. Characterizing Inclusive Business

Inclusive business is often financed through impact investing. This is a special form of investment that is different from development investing and commercial investing. Impact investing targets the base-of-the-pyramid (BOP), and aims to achieve both financial and social return.

IB differs from other approaches and concepts pertaining to private sector involvement in development.[5] It is important to conceptually distinguish IB from other modes of private sector

[5] ADB. Unleashing The Potential: The Role of Development Banks to Promote Inclusive business. Unpublished.

engagement and investment in development. It is also important to highlight the connection and convergence points between existing engagement modes and IB, as discussed below:

- IB differs from the larger macroeconomic concept of inclusive growth by giving more emphasis on the role of the private sector in developing business models that directly generate new income opportunities and relevant affordable services for the poor and low- income population, rather than focus on public infrastructure or other investments with trickle-down effects for the poor.
- Social enterprises, which are recognized as one of the three IB approaches under the G20 framework, are different from IB models in terms of scale of impact, the BOP's relation to the business, and commercial viability and primary source of funding. An ADB study notes that "leading social enterprises..., can become IBs with appropriate and sustained support," implying a potential for social enterprises to scale up into IBs but this may be dependent on many internal and external factors (ADB 2017a). Social enterprises can be integrated in an IB value chain, and provide 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.
- Compared to the shared value approach to value chain development, IB emphasizes the establishment of systemic business solutions to relevant problems of the poor and low-income population, whereas shared value has a much broader societal impact mandate. Shared value concepts currently resonate with the global business community as a management strategy and have been adopted by multinational corporations such as Nestle, and domestic conglomerates such as the Republic of Korea's CJ Foods, which eventually developed IB activities out of their shared value strategies. The popularity of shared value among business leaders provides an entry point for the development and support for IB models, as is the case in Hong Kong, China.
- IB differs from corporate social responsibility (CSR) projects by the nature of business investment (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. 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" (ADB unpublished). CSR, thereby, becomes an effective pathway toward developing IB models and activities, as showcased by Jollibee Foundation's Farmer Entrepreneurship Program in the Philippines.
- In contrast to philanthropy and angel investments, investments in IB models are expected to generate commercial returns through sustainable business cases with clearly articulated social goods for the poor and direct impact chains. Philanthropy and angel investment, however, play an important role in funding early stage social enterprises, and complementary activities (e.g., technical assistance and capacity building activities for BOP stakeholders) needed by a business for its IB model. Grant-giving organizations are increasingly supporting for-profit initiatives aligned to their mission through blended financing facilities because they value the effective use of funds (Blending4AG 2016). In addition, platforms such as the

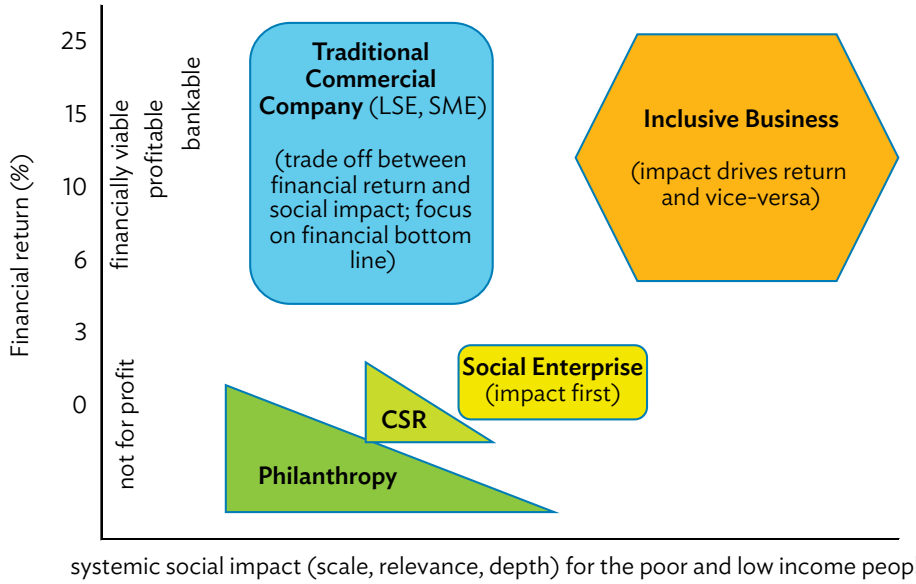
Asian Venture Philanthropy Network support their members in pooling resources for collective impact efforts, and contribute to building IB ecosystems.

- Impact investments made by impact investors, development banks, and mainstream institutional investors are increasingly financing IB, and driving IB ecosystem services, such as impact measurement and assessment, through private sector collaboration and organization initiatives. It should be noted that investment for social impact forms only part of the larger impact investment category, which also includes investment for environmental impact.
- IB is distinct from micro, small, and medium enterprises (MSMEs) as IB is not a definition based on size of the company. IB emphasizes, however, not only the involvement of the poor in value chains, which many MSMEs in developing and emerging countries also have, but doing it in more efficient and innovative income-generation models where the poor can earn more or are better served compared to traditional business models. MSMEs, however, connect to IB on the following four important levels:
  - Most national IB companies belong to the medium-to-large enterprise sector.
  - Subsistence farmers can develop into micro-entrepreneurs in an agricultural IB value chain.
  - Microenterprises can be integrated in IB model value chains in a "BOP as distributor mode" of engagement, taking care of the last mile distribution.
  - Social enterprises and some IBs start as small enterprises and, therefore, belong to the MSME sector.
- Innovative contract farming is the main mode of engagement in agricultural IB value chains, and includes, among others, access to affordable and relevant finance, access to land, and provision of technical assistance and secure and fair formal contracts, which lead to significant improvements in the productivity and incomes of farmers. IB contract farming models differ from traditional contract farming because they allow farmers to earn more than market-dictated rates for their produce and integrate innovations that systematically increase farmers' income opportunities.

Inclusive business needs to be very innovative and often broadens the understanding on value chains to higher quality products. Tapping the BOP market requires innovation on many levels and has to address the specific barriers of BOP markets. For example, technology advances and market development is driving down the cost of solar energy products worldwide, including solar home systems that address BOP needs. However, while this may be sufficient for the general global market to grow leaps and bounds, BOP market innovations in last mile distribution, access to finance, and payment schemes are required to scale up. Notably, technology and mobile innovations will be major drivers to overcome IB barriers. Initiatives that support public and private sector innovation recognize the potential and need to develop BOP market solutions, and increasingly integrate social innovation and IB programs in these initiatives. Figure 2 denotes the positioning of IB models and social enterprise along the dimensions of financial return and social impact.

The inclusive business landscape is multidimensional. While traditional businesses mainly look at financial bottom-line returns, IB combines financial return and growth expectations with relevant social impact. Within the IB market, companies are very diverse

Figure 2: Win–Wins for Financial Return and Social Impact: Inclusive Business, Social Enterprise, and Corporate Social Responsibility



CSR = corporate social responsibility, LSE = large scale enterprise, SME = small and medium enterprise.
Source: Adapted from ADB.

in size, ownership, IB focus, financial returns, and inclusion of people, and characterized by the following:

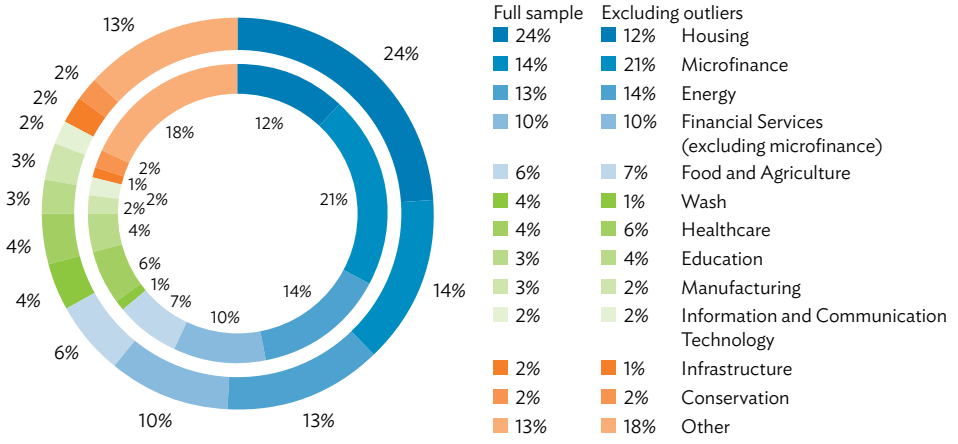
- Diversity in company size and legal status: Companies that have developed business activities combining financial return and social impact can include nongovernment organizations (NGOs) with income-earning activities, cooperatives, social enterprises, small and medium enterprises (SMEs), large national and global multinational companies.
- The relevance (centrality) of the IB model and activity to the company's overall revenue, procurement requirements, or distribution channel—which is a distinguishing feature of IB—can vary widely from 1% to 100%. Depending on the size of the company, an IB model with a low relevancy in a multinational corporation can still have substantial social impact.
- The scale of impact to qualify as IB can range from a few communities deeply impacted (i.e., effectively lifted them out of poverty), to improvement in the lives of millions of people at the BOP through access to relevant products and services (i.e., access to clean energy and cheaper energy via solar home systems, food and nutrition supplements, and health and education services).
- Financial return expectations and timelines in IB can also vary widely, and are dependent on the sector where the IB operates.
- IB takes place globally in emerging and developed countries, with very different systems and BOP populations.

Inclusive business is mainly undertaken by medium to large domestic enterprises. Country landscape studies from ADB and other organizations have shown that IB is mainly undertaken by medium to large domestic companies. While global IB case studies focus on large multinational companies, the majority of IBs—often undocumented and their IB-related activities are not communicated—are medium-scale enterprises operating domestically.

Four modes of base-of-the-pyramid engagement: as supplier, distributor, retailer and customer. Engaging the BOP as supplier, distributor, and retailer result in more stable and secured income opportunities for them, while engaging them as customers provides them with more affordable and appropriate products and services. Strategies and models for these four modes of IB engagement have been developed across different sectors of the economy. The most promising sectors for BOP supplier engagement are agribusiness, tourism, and manufacturing. For BOP distributor and retailer engagement, fast-moving consumer good and products designed for the BOP such as solar home systems and water filters are well established. BOP customer engagement can be mainly seen in finance, energy, housing, health care, education, information and communication technology (ICT), and water and sanitation sectors.

Inclusive business in all sectors. While many IB models are found in the agriculture sector, IB models can actually be found in all sectors. There are innovative IB solutions for transport, energy, housing, water and sanitation, and food. Manufacturing has less IB models as the mode of engagement of the "BOP as employee," the main potential area in which manufacturing companies engage with the BOP, has proven to be difficult to characterize. Figure 3 shows the investment by sector provided by impact investors.

Figure 3: Assets under Management According to Sectors



Source: Global Impact Investing Network. 2016. *Annual Impact Investor Survey 2016.*

Table 4: Types of Inclusive Business Investments and Their Impact

	IB model	IB activity (core business CSR)	SE initiative (for-profit social enterprise)	Social Enterprise (not for profit)	Traditional CSR (non-core business)	Traditional business
Business Model						
BoP targeting in business line: Is the IB business line central to the commercial viability of the company?	Core	Ancillary	Mixed	Mixed	Ancillary	No
Innovation: Is the business model innovative to address solutions of the BoP?	Mostly	Often	Often	Sometimes	Seldom	No
Value chain: How does the business model integrate the BoP in the value chain?	Consumer, supplier (sometimes also distributor and laborer)	Supplier (sometimes also distributor and laborer)	Supplier, consumer, distributor, laborer	Supplier, distributor, laborer (sometimes consumer)	Consumer (sometimes supplier and distributor)	Mostly laborer only
Financial Viability						
Commercial viability: Is the supporting company financially viable, and the business line (in the future) financially viable (i.e., positive EBITDA)?	Yes	Yes	Yes	No	No	Yes
Reliance on grant: Is the busines line perpetually reliant on grants?	No	Usually no	No	Yes	Yes	No
Use of profits: What are the net profits reserved for?	Shareholders	Shareholders	Shareholders or re-investment	N/A (negative EBITDA)	N/A (negative EBITDA)	Shareholders
Bankability						
Return on investment: Can the company generate return on investment within 3–5 years?	Yes	Yes	Yes	No	No	Yes
Return expectation: Can the company meet return expectations of the investor?	Yes	Usually yes	Usually no	No return expectation	No return expectation	Yes
Social Impact						
Social reach and targeting: Does the model intend to reach the BoP?	Yes	Yes	Yes	Yes	Not always	No
Scale: Is the model scaled up or scalable?	Yes	Yes	Mixed	Mixed	Usually no	Yes
Depth: does the model provide high income (more than competitors) and better services/goods ?	Yes	Yes	Yes	Yes	Yes	No
Systemic solution: Is the solution aimed at the relevant problem of the BoP?	Yes	Yes	Mixed	Mixed	No	No

BOP = base-of-the-pyramid; CSR = corporate social responsibility; EBITDA = earnings before interest, taxes, depreciation, and amortization; IB = inclusive business; N/A = not applicable; SE = social enterprise.

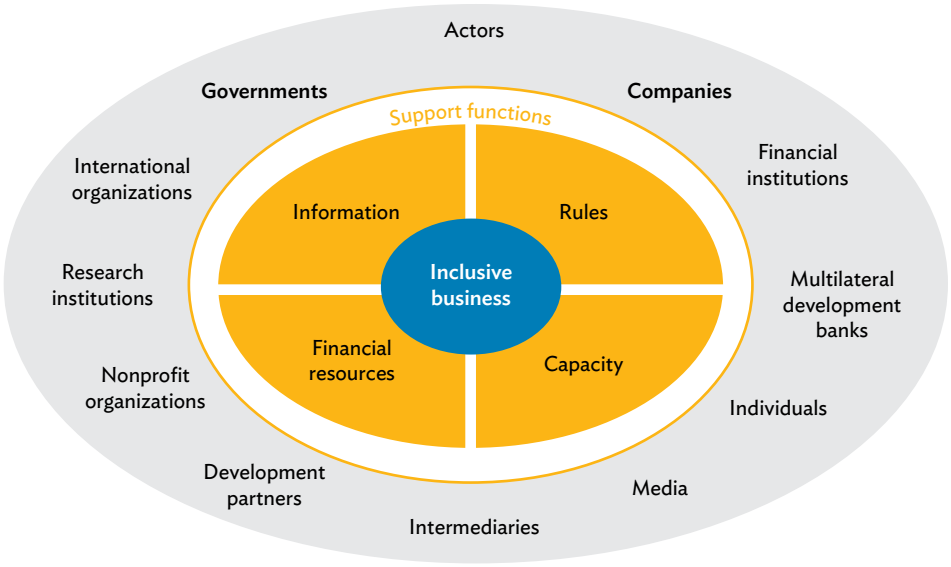
Notes:
(i) EBITDA is Earnings Before Interest, Taxes, Depreciation, and Amortization;
(ii) Net profit is defined as revenue net of operating, interest, capital, and all other expenses;
(iii) Traditional livelihood implies livelihood through small and medium enterprises, informal sector, contract farming, etc.;
(iv) Return expectation as seen by development banks; and
(v) Nonprofits can generate return for debt investments only, provided they have a positive operating margin.

Source: ADB.

C. The Role of Governments

The Group of Twenty inclusive business framework (G20 Development Working Group 2015) highlights companies and governments as the main actors of the inclusive business ecosystem. Supporting functions of rules, capacity, financial resources, and information are provided by financial institutions, multilateral development banks, individuals, media, intermediaries, development partners, nonprofit organizations, research institutions, and international organizations.

Figure 4: Group of Twenty Inclusive Business Ecosystem



Source: G20 Development Working Group. 2015. G20 Inclusive Business Framework.

Governments are essential to promote IB, and, together with efforts by companies can contribute through four major support functions to advance IB. According to the G20 IB Framework these are:

- Establish rules and regulations conducive for IB.
  - Governments should review existing regulations that limit BOP participation in market activities, embed pro-poor targets into government contracts, and where necessary, introduce appropriate regulations for IB companies.
  - Companies should encourage IB development in their corporate strategy, and establish certification programs.
- Enhance access to financial resources, and provide financial incentives.
  - Governments can improve access to finance for the BOP, improve access to finance for IBs, and provide financial incentives to these types of companies.
  - Companies can provide financial services to the BOP, and establish investment products targeting them.
- Provide information and raise awareness about IB.

  - Governments can compile and share BOP data, provide information to the BOP, and raise awareness on IB.
  - Companies can leverage information to deepen or expand business engagements with the BOP.
- Strengthen the capacity of the BOP and of IBs.
  - Governments can align vocational training for the BOP with private sector needs, implement IB projects in partnership with the private sector, and support business services for IBs.
  - Companies can develop capacities at the BOP through the provision of training, education, and business support services.

III. The Market at the Base-of-the-Pyramid in Emerging Asia–Pacific Economic Cooperation Economies

The market at the base-of-the-pyramid in emerging Asia–Pacific Economic Cooperation economies is huge. According to this study's analysis of global consumption data, it is valued at $2.28 trillion annually and represents 52% of the total market in Asia–Pacific Economic Cooperation (APEC) economies and 46% of the global base-of-the-pyramid (BOP) market. The BOP in emerging APEC economies presents a huge business opportunity for inclusive business (IB). This underlines the study's assessment that the BOP market is the majority market in those economies, and warrants the development of IB models by the private sector to serve it.

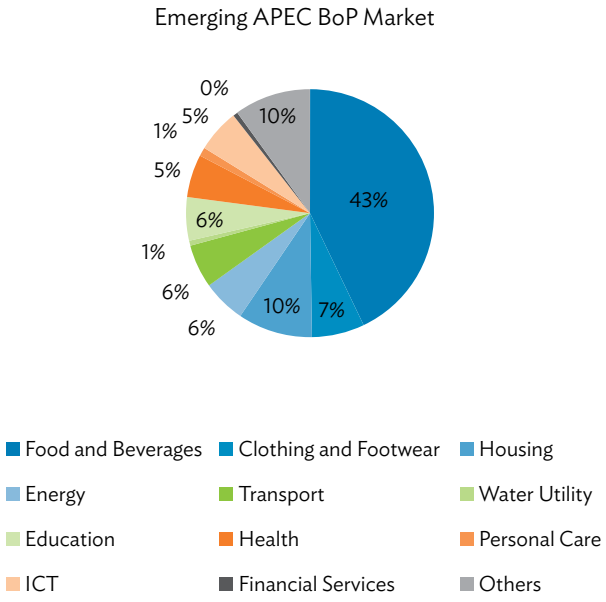
Data on the BOP's purchasing power and consumption patterns are now available. The International Finance Corporation (IFC) maintains a database with information on key purchasing by income group. This Global Consumption Database (GCD)[6] is the most comprehensive database worldwide on household spending. The data can be analyzed online for 92 country and/or urban and rural locations, four different consumption segments, 12 economic sectors, 25 subsectors, and 107 detailed subsectors. It enables research on the size of potential markets for IB, the sectors and categories' current and latent demand, and the BOP's willingness to pay for goods and services from different sectors. The GCD distinguishes four income groups, and categorizes people who have less than $2.97 per capita per day based on 2005 purchasing power as the lowest income group; this is comparable to today's $4.60 poverty line. The low-income group comprises people that have between $2.97 and $8.44 per capita a day. These two data ranges are not exactly congruent with the ranges for the BOP in each economy in Asia and Latin America considering the different income levels; however, they are the nearest overall approximation. If a company wants to consider serving only the market of the poor, the lowest income category needs to be chosen. The two categories of lowest and low income are of interest to this report since the consumption power of the BOP matters for IBs serving this market with relevant products and services. The consumption data used in this study is from 2010, and denoted in US dollar purchasing power parity (PPP) referring to international US dollar from 2005. From the emerging APEC economies, Malaysia and Chile are not part of the database, and are therefore, excluded in the analysis.

Base-of-the-pyramid market by sector. Food and beverages has the largest BOP market, followed by housing, clothing and footwear, social sectors, and utilities. Note that these figures only account for BOP consumers and do not include those engaged as suppliers or distributors. The data also do not show whether those markets can be served by traditional industries. Figure 5 provides data per sector.

[6] World Bank. Consumption. http://datatopics.worldbank.org/consumption (accessed 16 April 2017).

Figure 5: Base-of-the-Pyramid Market by Sector in Emerging Asia–Pacific Economic Cooperation Economies, Compared to Global Base-of-the-Pyramid Market

	Emerging APEC BoP Market ($)	Global BoP Market ($)
Food and Beverages	979,552	2,346,490
Clothing and Footwear	156,751	327,970
Housing	222,382	508,260
Energy	128,613	316,550
Transport	129,177	297,670
Water Utility	15,003	31,920
Education	129,258	193,090
Health	127,308	242,960
Personal Care	25,846	77,350
ICT	128,425	205,930
Financial Services	13,870	20,070
Others	227,825	471,330
All Sectors	2,284,013	5,039,590



APEC = Asia–Pacific Economic Cooperation, BOP = base-of-the-pyramid, ICT = information and communication technology.

Source: World Bank Global Consumption Database.

- Food and beverage has the largest BOP market in emerging APEC economies, worth $979 billion annually. It represents 61% of the market in those economies, and 42% of the global BOP market. Of the total consumption at the BOP in emerging APEC economies, 43% is spent on food and beverages.
- Housing is the second largest BOP market in emerging APEC economies, worth $222 billion, and represents 50% of the total housing market in those economies. The sector offers products and services that cover rental payments, home maintenance and repair, major home appliances, and tools. BOP spending on housing and related services is only at 10% in emerging APEC economies, which is in line with the global BOP spending. This point to a substantial market opportunity.
- Financial services, education, and ICT are the sectors with more developed BOP markets in emerging APEC economies, relative to the global BOP market. These sectors get BOP spending shares of 69% (financial services), 67% (education), and 62% (ICT), pointing toward higher market penetration of IB models in these sectors in emerging APEC economies as compared to the global BOP market.
- Personal care, energy, and transport are the sectors with the least developed BOP markets in emerging APEC economies, relative to the global BOP market. Personal care account for 33%, energy for 41%, and transport for 43% of the global BOP market, indicating sizable untapped markets with the potential to grow.

Base-of-the-pyramid market by economy. The People's Republic of China (PRC) has the biggest BOP market, followed by Indonesia, Thailand, Mexico, the Philippines, Colombia, and Papua New Guinea. Note that the size of the BOP market of APEC economies is not only dependent on the number of people in the economy but also on the number of people that lack access to those markets, and having purchasing power. While, for example, the purchasing power of the BOP in Thailand is much higher than that of the BOP in the Philippines, the market potential is nearly the same, indicating high needs for products relevant for the poor in the Philippines (in and other economies). A similar comparison could be done between Colombia and Peru. Table 5 presents a comparison of BOP markets in various APEC economies.

Table 5: Base-of-the-Pyramid Market by Economy and Sector in Emerging Asia–Pacific Economic Cooperation Economies

	PRC	Indonesia	PNG	Philippines	Thailand	Viet Nam	Colombia	Mexico	Peru	All
All Sectors	1,528,258	225,774	7,906	96,136	100,868	90,989	53,431	141,873	38,777	2,284,013
Food and Beverages	632,696	113,380	5,397	48,848	48,529	50,347	23,735	40,344	16,276	979,552
Clothing and Footwear	126,802	7,990	182	2,389	2,541	3,862	1,624	9,217	2,145	156,751
Housing	99,932	25,141	699	12,954	24,605	3,513	10,929	38,044	6,566	222,382
Energy	86,992	12,873	-	7,091	3,980	5,695	2,491	7,919	1,572	128,613
Transport	72,852	18,638	151	6,536	8,987	6,602	3,884	9,651	1,877	129,177
Water Utility	8,859	1,067	-	1,009	1,012	428	550	1,634	445	15,003
Education	104,093	6,389	182	3,001	96	4,001	562	10,060	875	129,258
Health	108,267	4,952	245	1,622	1,055	2,919	2,974	2,596	2,679	127,308
Personal Care	2,998	4,044	53	3,154	2,682	1,648	-	10,130	1,138	25,846
ICT	102,410	7,072	52	2,290	3,085	3,022	2,178	5,695	2,621	128,425
Financial Services	9,414	455	3	1,731	262	614	1,298	85	9	13,870
Others	172,943	23,775	943	5,513	4,035	8,339	3,207	6,498	2,573	227,825

APEC = Asia–Pacific Economic Cooperation, ICT = information and communication technology, PNG = Papua New Guinea, PRC = People's Republic of China.

Source: World Bank Global Consumption Database.

- The PRC, by far, has the largest BOP market, representing 67% of the emerging BOP markets in APEC. This is followed by Indonesia (10%), Mexico (6%), the Philippines (4%), Thailand (4%), Viet Nam (4%), Colombia (4%), and Papua New Guinea (0.3%). The BOP market in the PRC was valued at $1.5 trillion per year in 2010, of which food and beverages sector account for $632 billion. The following sectors have a relatively higher-than-average BOP market share (more than 80%): clothing and footwear, education, health, and ICT. This point to more developed BOP markets in those sectors.

- Indonesia's BOP market is worth $225 billion per year, with the transport (14%) and personal care (16%) sectors taking a larger-than-average share of the APEC BOP market. Relatively underdeveloped are the markets in the education, health, and financial services sectors (below 5% share), indicating a potential for development through IB models.
- In the Philippines, the financial sector is well established among the BOP, taking 12% of the emerging APEC BOP market. Education, health, and ICT, on the other hand, are relatively underrepresented with less than 3% market share.
- In Thailand, the housing market stands out with an 11% share of the APEC BOP market, indicating robust opportunities for affordable housing. The ICT, financial services, and health sectors have relatively smaller market shares.
- In Mexico, the housing sector is also a stand out with 17% BOP market share, compared to the 6% total share in emerging APEC economies. This is in line with the high number of successful IB models for affordable housing in the country. Also having high BOP market shares are personal care products and water utilities.

Relevance to Asia–Pacific Economic Cooperation. In summary, the BOP market in emerging APEC economies represents a $2.3 trillion market opportunity, which accounts for 45% of the global BOP market. While the PRC has the largest BOP market worth $1.5 trillion, the comparative economy analysis of relative market shares shows the specific sectors with the most and/or least untapped BOP market in each economy, which can be served or developed further through IB interventions. The diversity of the BOP markets per economy and sector is a good jump-off point for further dialogue and learning among APEC member countries. For IB companies, the global consumption data of the IFC provides critical insights into the BOP market opportunities in APEC economies.

IV. Inclusive Business in Asia–Pacific Economic Cooperation Economies

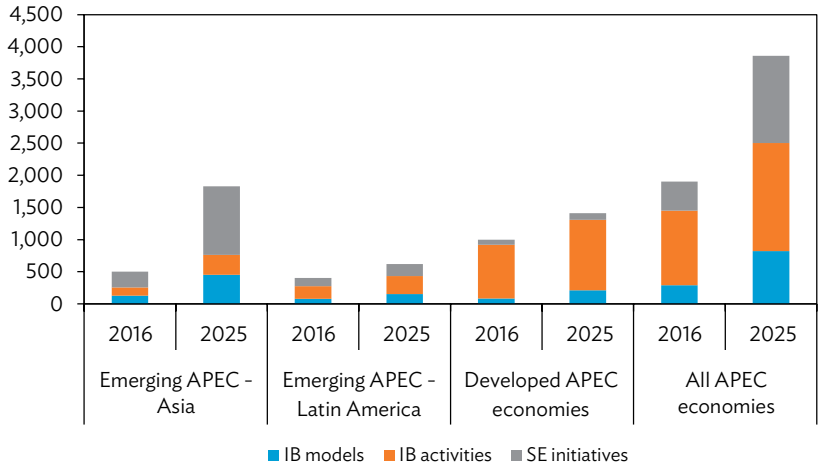
Inclusive business (IB) is still a relatively new concept, and there are only a few overview studies done at the economy level. Most references on IB present individual company-level experiences. For Asia–Pacific Economic Cooperation (APEC) economies, the Asian Development Bank (ADB) has done IB landscape and/or market studies in the People's Republic of China (PRC), Indonesia, the Philippines, Tajikistan, and Viet Nam. However, there are no comparative studies on IB among Latin American and Asian economies. There are more studies focused on social enterprises. This is the first attempt at a regional-level study on IB that will highlight and compare the experiences in Asia and Latin America. To provide an overview of IB models, activities, and initiatives in APEC economies, this study used available background material, and results from interviews with key informants from development banks and impact investors that promote IB. Based on this information, the study developed data on existing IB models in the region, and estimated future growth. While the estimates reflect the trend in APEC economies, the numbers should not be seen as absolute. APEC could help set up an IB database where the information can be maintained and updated, and also consider introducing an IB accreditation system based on the G20 IB framework so that IB approaches can be clearly categorized and tracked.

A. Sizing the Inclusive Business Market, Investment, and Social Impact

The study estimates about 1,900 existing IB models, IB activities, and social enterprise initiatives in APEC economies. By 2025, this number is estimated to double to some 3,800 IBs. By 2016, 26% of IBs are in emerging Asia, 21% in Latin America, and the remaining 52% from developed APEC countries. Most are corporate social responsibility (CSR)-related IB activities (61%) and social enterprise initiatives (24%), while only 15% can be classified as IB models. By region, IB models are particularly important in Asia (26%), followed by Latin America (20%), and developed APEC economies (8%). Interestingly, on average, the four Latin American emerging economies (Chile, Colombia, Mexico, and Peru), have similar numbers of IB models per economy compared to the six emerging economies in Asia (the PRC, Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam).

Volume of inclusive business investment. In 2016, an estimated $10 billion has been invested in the APEC region—42% to developed APEC economies, and 29% each to emerging Asian and emerging Latin American APEC economies. Investments in IB models comprise 81% of total IB investments, followed by IB activities (17%), and social enterprise activities (2%). IB investments are higher in emerging Asia (91%) and in emerging Latin

Figure 6: Estimated Number of Inclusive Businesses in Asia–Pacific Economic Cooperation Economies, 2016 and 2025



Estimated Numbers of IB in APEC Economies								
	Emerging APEC - Asia		Emerging APEC - Latin America		Developed APEC economies[a]		All APEC economies	
	2016	2025	2016	2025	2016	2025	2016	2025
IB models	130	455	80	155	83	211	293	821
IB activities	127	306	195	278	835	1,098	1,157	1,682
SE initiatives	245	1,070	130	185	78	100	453	1,355
All IB	502	1,831	405	618	996	1,409	1,903	3,858

APEC = Asia–Pacific Economic Cooperation, IB = inclusive business, SE = social enterprise.

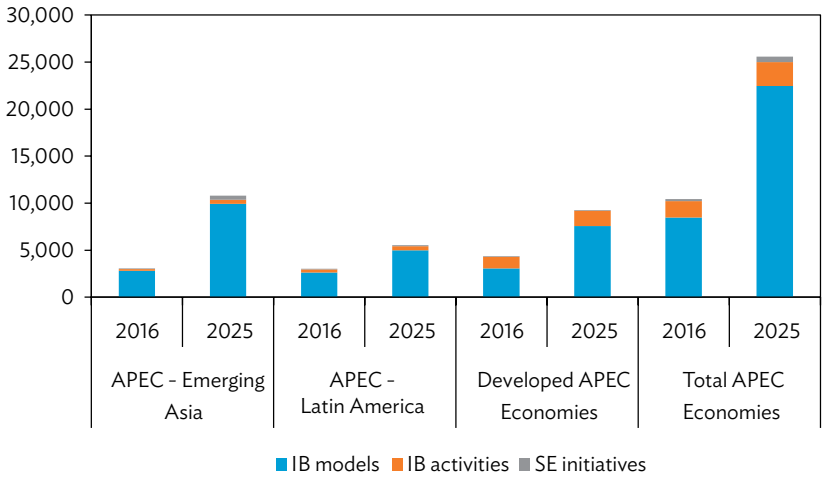
[a] Estimates only IBs active in emerging APEC

Source: Author's estimates.

America (87%) than in developed APEC economies. In developed APEC economies, investments are more related to CSR activities (29%) compared to the two emerging economies regions (8% only). Against this background, social enterprise investments are large in numbers (22%) but are very small in investment size (2%).

More inclusive business models in the future. Looking ahead, with the increasing interest and awareness on IB, and increasing government and investors' support, the study estimates that the number of IB would double in the next 9 years, with a substantial increase of IB models and social enterprise initiatives, and less growth in the number of commercial CSR activities. This can be attributed to increasing interest by the private sector to find commercially viable business models, and solve poverty issues in the process. Asia is foreseen to have the biggest growth in the number of IBs (more than 264% growth), while Latin American APEC economies will have much smaller growth (53%) due to the more mature market. While developed APEC economies are expected to develop more IB

Figure 7: Increasing Investments in Inclusive Business Models



Investments in Inclusive Business (estimates for 2016 and 2025, million USD)								
	APEC - Emerging Asia		APEC - Latin America		Developed APEC Economies		Total APEC Economies	
	2016	2025	2016	2025	2016	2025	2016	2025
IB models	2,790	9,910	2,638	4,994	3,057	7,556	8,484	22,460
IB activities	191	459	293	416	1,253	1,647	1,736	2,522
SE initiatives	93	413	91	128	40	51	224	592
All IB	3,073	10,782	3,022	5,538	4,349	9,255	10,444	25,574

APEC = Asia–Pacific Economic Cooperation, IB = inclusive business, SE = social enterprise.

Source: Author's estimates.

models, overall, there will be less change in the distribution with a continued focus on CSR (81%) and social enterprises (4%)[7] over core IB models (16% in 2025 versus 9% in 2015).

In developed APEC economies, social enterprise initiatives are a growing segment; large companies' CSR are becoming more strategic, and some are developing into IB activities. These IB activities and social enterprises are operating mostly in niche markets, and target marginalized communities such as the elderly, indigenous communities, and persons with disabilities. There are very few IB models with scaled up poverty solutions. More examples of such IB approaches are presented in the economy profiles in the appendix. In summary, the analysis of the data has shown the following:

- **Social enterprise initiatives.** There are many social enterprise initiatives in APEC—both not-for-profit and for-profit. However, actual investments in these and the overall social impact of these initiatives are still very small.

[7] Note that social enterprise investments of developed APEC economies comprise only company investments, and do not include development assistance for social enterprises.

Table 6: Assumptions for Calculating the Size of the Inclusive

	IB Models							SE Initiatives in emerging APEC		
	Number[a,c]		Investment Size					Number[b]	Number of Commercially Viable SE[d]	
	(accumulated)					Total ($ million)		(accumulated)	(accumulated)	
	2016	2025	small ($3–$15 million; average $8 million)	medium ($15–$50 million; average $20 million)	large (> $50 million; average $80 million)	2016	2025		2016	2025
Emerging APEC economies	210	610				5,428	14,904	29,200	375	1,255
Asia	130	455				2,790	9,910	28,000	245	1,070
China, People's Republic of	50	200	50%	30%	20%	1,300	5,200	2,000	50	300
Indonesia	20	50	60%	30%	10%	376	940	8,000	50	200
Malaysia	8	25	60%	30%	10%	150	470	400	20	50
Papua New Guinea	2	10	70%	20%	10%	35	176	100	5	20
Philippines	20	60	60%	30%	10%	376	1,128	6,000	40	150
Thailand	20	50	60%	30%	10%	376	940	10,000	50	200
Viet Nam	10	60	70%	20%	10%	176	1,056	1,500	30	150
Latin America	80	155				2,638	4,994	1,200	130	185
Chile	15	25	30%	20%	40%	576	960	200	50	60
Colombia	15	40	40%	30%	30%	498	1,328	300	20	40
Mexico	40	65	30%	40%	30%	1,376	2,236	500	40	50
Peru	10	25	60%	30%	10%	188	470	200	20	35
Developed APEC economies[d]	83	211				3,057	7,556	38,970	1,554	2,030
Australia	15	25	20%	30%	50%	714	1,190	20,000	200	250
Brunei Darussalam	0	2	40%	40%	20%	0	54	20	10	15
Canada	3	5	20%	30%	60%	167	278	7,000	100	150
Hong Kong, China	0	4	50%	20%	30%	0	128	500	185	250
Japan	10	30	30%	40%	30%	344	1,032	1,000	50	150
Korea, Republic of	5	25	30%	40%	30%	172	860	1,550	200	250
New Zealand	0	5	40%	30%	30%	0	166	200	40	50
Russian Federation	0	5	30%	20%	50%	0	232	100	30	40
Singapore	0	5	40%	30%	30%	0	166	300	189	200
Taipei,China	0	5	50%	30%	20%	0	130	300	50	75
United States	50	100	40%	30%	30%	1,660	3,320	8,000	500	600
Total	293	821				8,484	22,460	68,170	1,929	3,285

APEC = Asia–Pacific Economic Cooperation, IB = inclusive business, SE = social enterprise.

[a] IB investments are commercially viable companies with investment from $3 million to $50 (or more) million; For profit SEs have investments from $0.2 million to $3 million.
[b] The number of firms or nongovernment organizations that call themselves social enterprise is much higher than the number of commercially viable SE.
[c] Data on IB models reflect only investments in emerging APEC. The data do not comprise multinational companies that have regional quarters.
[d] Investment data for SEs are cumulative for own economny plus other APEC economies.

Source: There is no registration of IB or for-profit SE or strategic corporate social responsibility investments in any economy. The abovementioned figures are pure estimates from Asian Development Bank staff based on earlier market studies and literature review.

Business Market in Asia–Pacific Economic Cooperation

SE Initiatives in Emerging APEC						IB Activities in Emerging APEC				Total Investment Size for all IB ($ million)	
Social Enterprises Active in Emerging APEC	Investment Size					Number		Investment size (average $1.5 million)			
				Total ($ million)		(accumulated)					
(%)	small ($0.1–$0.5 million; average $0.2 million)	medium ($0.5–$1 million; average $0.5 million)	large ($1–$3 million; average $1.5 million)	2016	2025	2016	2025	2016	2025	2016	2025
				184	540	322	584	483	875	6,094	16,320
				93	413	127	306	191	459	3,073	10,782
100%	60%	25%	15%	24	141	50	150	75	225	1,399	5,566
100%	70%	20%	10%	20	78	20	50	30	75	426	1,093
100%	70%	20%	10%	8	20	5	10	8	15	166	505
100%	80%	15%	5%	2	6	2	6	3	9	40	191
100%	80%	15%	5%	12	47	10	20	15	30	403	1,205
100%	75%	15%	10%	19	75	20	30	30	45	425	1,060
100%	80%	15%	5%	9	47	20	40	30	60	215	1,163
				91	128	195	278	293	416	3,022	5,538
100%	40%	30%	30%	34	41	15	20	23	30	633	1,031
100%	40%	30%	30%	14	27	20	25	30	38	542	1,393
100%	30%	30%	40%	32	41	20	30	30	45	1,438	2,322
100%	50%	30%	20%	11	19	10	15	15	23	214	512
				40	51	835	1,098	1,253	1,647	4,349	9,255
6%	50%	30%	20%	7	8	40	60	60	90	781	1,288
0%	60%	30%	10%	0	0	5	8	8	12	8	66
5%	50%	30%	20%	3	4	30	40	45	60	215	342
0%	50%	30%	20%	0	0	30	40	45	60	45	188
5%	60%	20%	20%	1	4	150	200	225	300	570	1,336
5%	80%	20%	0%	3	3	30	40	45	60	220	923
3%	50%	30%	20%	1	1	20	30	30	45	31	212
2%	50%	30%	20%	0	0	30	40	45	60	45	292
3%	50%	30%	20%	3	3	50	80	75	120	78	289
2%	50%	30%	20%	1	1	50	60	75	90	76	221
8%	50%	30%	20%	22	26	400	500	600	750	2,282	4,096
				224	592	1,157	1,682	1,736	2,522	10,444	25,574

- **Inclusive business activities.** These are increasing in number and impact, as CSR becomes more strategic. These IB activities are mostly promoted by larger companies and multinational corporations from developed APEC economies.
- **Inclusive business models.** In emerging Asian and Latin American economies, IB models are mainly pursued by medium to large companies, often locally based. There is a positive trend for such companies to build up more IB models as part of their core business. To do so, they sometimes work with smaller companies; microenterprises are engaged in IB value chains as distributors and retailers. IB models often need to be highly innovative, and only innovative small enterprises with high productivity are often engaged by IB companies. The sector is rapidly growing in number and in investment size, and many start-up IB models today are expected to mature in a few years.
- **Emerging Asian economies.** Interestingly, emerging Asian economies are estimated to have the biggest growth effect for IB even though IB solutions grew out of Latin America. This is perhaps due to the large market potential in these economies, and the new dynamics emerging for government, investors, and development partners' support for IB in the region. In Latin America, IB support somehow declined with the reduced leadership of the Inter-American Development Bank (IDB).

What tangible social impact do inclusive businesses really achieve? Estimating the market size for IB can be difficult, and measuring the social impact of IB is even more challenging. This is mainly because of the (i) lack of IB classification and accreditation, (ii) lack of impact assessment for IB, (iii) tendencies to double-count and inflate figures, and (iv) problems in the attribution of results. The nearest approximation is to add the number of people ("reach") benefiting from IB, especially when those IB approaches engage the poor as consumers of goods and services. Measuring job and income creation is even more difficult because of the lack of actual data but informed assumptions can be used to arrive at estimates. To derive more concrete data, company monitoring, accreditation and/or impact studies will be necessary, and APEC could promote such practice as recommended by this study.

- The overview of social impact in this study considers only the impact at the BOP in emerging APEC economies. The impact of companies from developed APEC economies is also included but pertains to their impact in emerging APEC economies.
- This study assumes that about 30% of all IB models and between 30%–50% of all IB activities are aimed at job creation. This will be less (30%–40%) for social enterprise initiatives. Furthermore, it was assumed that each IB model would create 15,000 to 20,000 new income opportunities (some are up to 100,000), 1,500 to 3,000 IB activities, and 500 to 1,500 social enterprise initiatives. With these assumptions, 2.4 million income opportunities were created by 2016 by 1,900 IB companies. In 2025, it is expected that this would substantially increase to 5.6 million income opportunities.
- For product and service delivery, it was calculated that about 70% of all IB models, 50%–70% of IB activities, and 60%–70% of social enterprise initiatives engage the BOP as customers. Using these assumptions, about 103 million people at the

BOP were served by IBs in 2016, and this is estimated to grow to about 245 million people in 2025.

IB approaches create substantial social impact at scale. Table 7 summarizes the assumptions and results. It shows that IB has a massive social impact in terms of reaching poor and low-income populations in APEC. The table also shows that social impact by "reach" is much higher in emerging Asia than in emerging Latin America. Again, this finding needs to be contrasted with the different number of economies and total number of BOP involved in IBs in the two regions.

Table 7: Estimated Social Impact of Inclusive Business in Asia–Pacific Economic Cooperation Economies

	Total Number of Companies		% Engaged in		Average BOP Reach per Company		Total Number of BOP Reached			
			Job and Income Creation	Service and Product Delivery	Job and Income Creation	Service and Product Delivery	Job and Income Creation		Service and Product Delivery	
	2016	2025					2016	2025	2016	2025
Emerging APEC-Asia	502	1,831					780,600	2,653,100	30,675,000	106,560,000
IB model	130	455	30	70	15,000	300,000	585,000	2,047,500	27,300,000	95,550,000
IB activity	127	306	50	50	2,000	30,000	127,000	306,000	1,905,000	4,590,000
SE initiative	245	1,070	40	60	700	10,000	68,600	299,600	1,470,000	6,420,000
Emerging APEC-Latin America	405	618					412,250	710,125	13,696,000	25,252,000
IB model	80	155	30	70	10,000	200,000	240,000	465,000	11,200,000	21,700,000
IB activity	195	278	50	50	1,500	20,000	146,250	208,125	1,950,000	2,775,000
SE initiative	130	185	40	60	500	7,000	26,000	37,000	546,000	777,000
Developed APEC economies	996	1,409					1,272,900	2,284,200	59,094,000	113,330,000
IB model	83	211	30	70	20,000	500,000	498,000	1,266,000	29,050,000	73,850,000
IB activity	835	1,098	30	70	3,000	50,000	751,500	988,200	29,225,000	38,430,000
SE initiative	78	100	30	70	1,000	15,000	23,400	30,000	819,000	1,050,000
APEC Total	1,903	3,858					2,465,750	5,647,425	103,465,000	245,142,000
IB model	293	821					1,323,000	3,778,500	67,550,000	191,100,000
IB activity	1157	1,682					1,024,750	1,502,325	33,080,000	45,795,000
SE initiative	453	1,355					118,000	366,600	2,835,000	8,247,000

APEC = Asia–Pacific Economic Cooperation, BOP = base-of-the-pyramid, IB = inclusive business, SE = social enterprise.

Note: Total number of base-of-the pyramid results are weighted by differing number of companies, percent engagement, and average base-of-the pyramid reach per region. Therefore, APEC totals cannot be obtained.

Source: Author.

B. Trends of Inclusive Business Promotion in Asia–Pacific Economic Cooperation Economies

The following sections present trends in IB promotion in the APEC region that support the global trend of more dynamic IB development in main stakeholder groups—companies, investors, and governments.

1. Companies

Scaling, replicating, and mainstreaming inclusive business approaches are three ways to advance inclusive business. Scaling refers to the organic growth of an IB approach, mainly in terms of reach. It goes hand in hand with business growth, i.e., increasing sales to or sourcing from the BOP. Replicating, in its narrow meaning, refers to the adoption of an IB model of another company in a partnership model or the expansion of the model by the same company into another country or context. Mainstreaming is the widespread adoption of IB as the standard way of doing business.

Difficulties in replicating inclusive business models. Although Asia and Latin America have similar contexts and socioeconomic conditions compared to Africa or the Arab region, they are very different in terms of business climate and BOP market. There is an opportunity for cooperation between the two regions, which still needs to be explored. Asian companies investing in Latin America or vice versa find it difficult to replicate their business models. For example, Patrimonio Hoy, a well-known case for housing for the poor, implemented by one of the biggest cement companies in Mexico (CEMEX), has not been replicated in Asia despite initial attempts in Indonesia. Replication of IB models requires deep insight into local markets, and building cooperation with local partners. While there are a few successful cooperation attempts, they either happen among smaller companies or are actively facilitated by development partners and investors (i.e., the case of matching the Aravind eye hospital in India to salaUno, a center for health market innovations in Mexico).

Multinational companies. Typically from developed APEC economies—are increasingly engaging in shared value activities that expand consumption of products by the BOP but are not always necessarily IB solutions (i.e., new or innovative income generation or provision of more affordable and appropriate goods and services for the BOP).

Developed APEC economies have increasing numbers of social enterprises, especially in Asia. Many of them, however, remain small and, therefore, do not create social impact at scale. Many of them are also not interested or not equipped to expand and replicate their models in other APEC member countries.

Business associations in APEC economies are not yet very active in promoting inclusive business. While they have a good understanding of CSR and the need for responsible business, knowledge about IB is still low, and interestingly, business associations in developed APEC economies put less emphasis on IB than those in emerging APEC economies because it concerns only a small minority of their members.

2. Investors

Impact investing goes beyond dedicated equity funds. Impact investing is discussed internationally as a new asset class. These are investments in ventures that guarantee good financial returns and, at the same time, social (and environmental) impact. In the past, impact investing was done mainly by high net worth individuals (HNWI), and specific funds with equity funding for smaller deals ($0.1 million–$3 million) often in start-up companies. Today, the landscape is changing with larger investment funds. Development banks and commercial banks are increasingly investing large sums through loans and mezzanine-structured financing to growth-stage companies. While the average size of investment by social impact funds is still below $5 million—a good investment size for social enterprises and smaller IB—most IB investments are from $5 million to $30 million, with some reaching up to $200 million.

Table 8: Financial Needs of Inclusive Businesses and Social Enterprises

	Start-Ups	Growth Phase	Mainstream Business with IB Model
Business case	Pilot testing	Expanding	Mainstream
Company type	Social enterprise	Inclusive business	Inclusive business
Profitability (indicative rate of return)	For-profit (0–3%)	Profitable (3–15%)	Profitable (10–30%)
Bankability	Not bankable	Bankable	Bankable
Typical investment size ($ million)	0.02–0.3	0.3–10	3–50+
Investor	Angel investors, social enterprise funds	Impact funds, development banks, banks	Development banks, banks
Scale of social impact	Small	Medium to large	Large

IB = inclusive business.

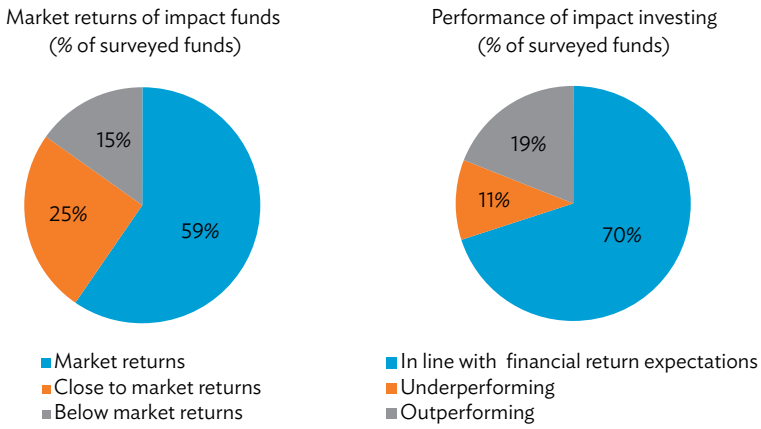
Source: Author.

Impact investing: an emerging and growing asset class. Globally, assets managed by impact investors increased from $10 billion in 2010 to $36 billion in 2012 and to $77 billion in 2015.[8] While this is still small compared to the total global portfolio of $270 trillion in assets, what matters is the large positive social impact such investments have on poor and low-income people, and on environmental sustainability. The impact investment industry today is comprised globally of over 400 established financing institutions, with more than 3,000 individual investors (only half this number existed in 2012).[9] The impact investment market is expected to rapidly grow further to at least $120 billion in 2020. Currently, no disaggregated data is available for the APEC region.

[8] These data are based on the 2016 survey conducted by the Global Impact Investment Network (GIIN, www.thegiin.org). However these data are underestimates as they only recognize impact funds reporting to the GIIN, largely missing banks, development finance institutions, and local impact funds. A GIIN survey of their members indicate that 65% of the reported global assets are with fund managers, 19% with development finance institutions, only 6% with banks and financial institutions, 2% with pension funds (especially in OECD countries), and 2% with family offices and other clients.

[9] Note that this figure might be underreported. It only comprises the GIIN reported funds and investors. Many more impact investors do not report their activities to the GIIN. For example, very few actors from Southeast Asia and the PRC report to the GIIN.

Figure 8: Performance of Impact Investing



Source: Global Impact Investment Network (2015).

Impact investing is not only a growing asset class, but also a profitable investment. Various studies show that the market return of impact investing is at least equal to, if not better, than that of traditional investing. This is mainly because of stronger risk understanding of the business while going into more innovative production lines, and developing new markets.

While most impact investments come from banks, impact investing forms only a small part of their portfolio. While the figures cited above mainly represent impact funds, they barely capture investments made by commercial banks and development banks in IB, which account for the main volume of impact investments. Hence, data cited by impact investment networks such as the Global Impact Investment Network (GIIN) substantially underestimate the total size of impact investments. According to the 2016 GIIN survey, banks and other financial institutions fund about 9% of total impact investment assets at the global level (Mudaliar, Schiff, and Bass 2016). If this ratio holds true for the APEC region as well, then about $900 million of impact investments in the region are funded by banks or other financial institutions—either domestic or international. This is a very small amount considering the size of bank financing in the region and the banks' high levels of liquidity. Local banks represent a supply of potential impact investment capital that could play a much larger role in supporting IB as these mature financial providers become more familiar with their business models.

Only a small amount of the wealth of High-Net-Worth Individual is used for impact investments. HNWI are individuals with a net worth of more than $1 million. In 2016, there were about 33 million millionaires in the world, up from 13 million in 2000. They owned more than one-fifth of global wealth, and the richest 1% owned half of all household assets in the world. After North America and Europe, Asia and the Pacific is the region with the third-largest number of HNWI;[10] 4.9 million HNWI (15% of the global total) come from Asia (Research Institute, Credit Suisse 2016). In the PRC alone, the wealth of HNWI

[10] Ultra-high net worth individuals have over $50 million of wealth.

amounts to $5.3 trillion. Indonesia and Thailand have close to 150,000 HNWI with a collective wealth of over $600 billion (Capgemini 2015). However, only very little of this wealth is used for impact investments. GIIN and JP Morgan estimate that the share of HNWI in total impact investments in East and Southeast Asia is tiny (less than 1%), while foundations account for 6% ($216 million).[11]

Development finance institutions like IFC, ADB, IDB[12] and bilateral development banks like the Norwegian Norfund, the Dutch FMO Entrepreneurial Development Bank, the British CDC Group, the French Proparco, and potentially Canada's newly established Development Finance Initiative play a unique role as impact investors. They increasingly perceive IB as an investment opportunity for their private sector operations. Given their poverty eradication mandates, long-term view, and cost of capital, development banks are well placed to invest in IB. While the provision of capital is important, there is great potential for development banks to act more broadly and assist the entire IB ecosystem. IFC—the private sector arm of the World Bank—has been the most active impact investor. Since 2005, IFC has committed more than $12.5 billion for IB, and has invested in more than 450 companies in over 90 countries. Of this $12.5 billion IB investment, $1.6 billion went to Southeast Asia and the PRC, and $2.7 billion to Latin America. From 2014 to 2017, ADB committed funding was $1.044 billion for nonsovereign IB projects in Asia, while investments of IDB in Latin America stand at $400 million from 2007 to 2015.

In developed APEC economies, impact investing is more common than in emerging economies. Governments also have more policies in place to support impact investing. This is especially true for APEC economies like Australia, Canada, Singapore, and the United States (the economy profiles in the appendix have more information).

Table 9: Characteristics of Impact Investing by Actors

Funding Type	Angel Investors	Impact Funds	Commercial Banks	Development Banks
	Mostly grants, some debts and equity	Mostly equity, some debts	Mostly debts	Mostly debts, some equity, some technical assistance grants
Size of investment per deal ($ million)	0.05–1.00	0.2–3 .00	1–200	5–100
Company stage	Start-ups	Start-ups and scaling companies	Established business lines	Growth phase
Primary investment objective	Impact first	Impact + financial return	Financial return	Impact + financial return
Number of actors	Many	Some	Few	Selected
Share of total impact investments in the region	About 2%	About 12%	About 30%	About 55%
Impact investing in aggregate reporting	Partly with GIIN, partly with own networks, many not published	GIIN (partly)	No	Partly

GIIN = Global Impact Investing Network.

Source: Author.

[11] The amount channeled by HNWI to social enterprises and IBs may be slightly higher, but data are difficult to find.

[12] The IDB has been a key promoter of impact investments in Latin America. It operated its "Opportunities for the Majority Initiative" from 2007 to 2015 and has invested more than $400 million in 60 IB transactions.

3. Governments

As the following analysis of specific inclusive business policies in Asia–Pacific Economic Cooperation economies shows, there is still limited evidence of effective inclusive business policies. IB policymaking gained recognition only after 2010 among policy makers, as they increasingly realize how IB helps fulfill important public policy objectives. Companies, however, are often discouraged to invest in IB because of the high cost of entry, long investment time horizon, and high risk and uncertainty. Over the years, policies have emerged globally and in APEC economies that aim at removing those barriers.

Highlighting the challenges in developing inclusive business policies, a recent Donor Committee for Enterprise Development (DCED) study pointed out that setting up an enabling environment for inclusive business is a complex undertaking: "... [it] cannot be easily addressed based on generic recommendations and checklists. While many 'standard' regulatory reforms to stimulate private investment are likely to benefit inclusive business 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. There are, however, lessons or effective alternatives for promoting IB that are emerging from the wider field of targeted policies for private sector development" (Heinrich-Fernandes 2016).

Some examples of traditional business environment reforms for private sector development that also support IB are simplifying business registration and licensing, enabling better access to finance for small and medium enterprises (SMEs), improving land title, broadening public–private dialogue, and developing appropriate quality standards.

According to the Donor Committee for Enterprise Development, the most effective targeted government interventions are (i) using public–private dialogue as a feedback mechanism; (ii) establishing clear economic rationale for intervening (in addition to social objectives); (iii) favoring support to subsectors, activities, or technologies over individual firms; and (iv) making support time-bound and conditional based on performance. While preferential procurement may be effective if implemented well, mandatory inclusion rules are ineffective in promoting IB.

Governments in Asia–Pacific Economic Cooperation economies have different policy approaches to inclusive business. While the DCED study concluded that "many of the targeted government policies commonly suggested for promoting inclusive business seem to be either ineffective or still unproven," this study found that while there is little explicit government support for IB models, most economies have CSR regulations for larger companies supporting IB activities. In developed APEC economies, social enterprise initiatives are actively encouraged. In addition, governments in some APEC economies are coming up with new programs and policies specifically for IB support.

In emerging APEC economies in Asia, the following are noted:

- In the PRC, the provincial government of Shanxi established an IB program for poverty reduction through agribusiness. This includes IB accreditation and special financial incentives for companies that will invest in IB models.

- Indonesia has an active CSR law. In 2016, the government established the "Inclusive Business and Innovation Task Force" under the Coordinating Ministry of Economic Affairs. An IB market scoping for targeted agriculture and forest products will be conducted by the task force in 2017.
- While CSR is an important part of Malaysian corporate culture and social enterprises are supported by the government-backed Malaysian Global Innovation and Creativity Centre (MaGIC), IB is still not well known in Malaysia. There is no specific government program to support IB, however, SME Corp's Inclusive Innovation program is promoting innovations, which provide access to quality services and products to the BOP.
- The Government of Papua New Guinea has no policy to promote IB or social enterprises. However, it is interested to encourage more CSR activities, especially among foreign companies investing in the natural resources sector. Within APEC, the APEC Business Advisory Council Papua New Guinea, supported by the government, is promoting IB in the extractive industry through the White Paper "Creating Inclusive Growth through the Extractives Industry."[13]
- In the Philippines, IB was integrated into the Philippine Development Plan 2022, and the Department of Trade and Industry has approved special incentives for IB under its Investment Priority Plan 2017–2019, making it one of the first APEC economies to develop IB-specific policy in line with the government's agenda to promote rural and agricultural value chain development.
- The Government of Thailand established the Thai Social Enterprise Office as a special agency to promote social enterprises, and tax incentives are proposed for investments in the pending social enterprise bill.
- In Viet Nam, the Ministry of Planning and Investment is considering to include IB in its SME promotion policies. However, there is no active program that has been instituted.

In emerging APEC economies in Latin America, the following are noted:

- In Chile, the government is actively promoting social procurement from companies with IB models, and from social enterprises. The government also established a Solidarity Fund for Social Investments, which designs programs to support marginalized communities.
- While there is currently no legislation to promote IB in Mexico, the country has a strong CSR culture and is promoting social enterprises through the "Social and Solidarity Economy Act."
- In Peru, CSR activities are common among large corporations, and there are some government programs to support start-up companies (including social enterprises). However, there is no program or policy specifically focused on IB.

In developed APEC economies, the following are noted:

- In Australia, the government actively promotes CSR and social enterprises. State governments invest in social impact bonds, and social procurement is common. The government-supported Social Enterprise Development and Investment

[13] PNG ABAC by Business for Development. 2017. *Creating Inclusive Growth through the Extractives Industry*.

Funds for investments in the Australian economy came to an end in 2016, and no new initiative is planned at the moment. Australian development aid embraces private sector involvement in development as a strategic objective. It embarked on programs for social innovation challenges and IB model piloting by Australian companies in Asia and the Pacific.

- The Government of Brunei Darussalam has no policy that promotes IB or social enterprises.
- Canada strongly promotes CSR and social enterprises in its national investment program and through its development aid. CSR activities are part of Canada's commitments in trade agreements, and the government is encouraging Canadian direct foreign investments to promote an active and impactful CSR program. Included in Canada's 2017 budget is the establishment of a Can$300 million Development Finance Institution that will support sustainable development and poverty reduction in developing countries, which can potentially fund IB.
- In 2015, the Government of the Hong Kong Special Administrative Region of the People's Republic of China has established an active CSR and social enterprise promotion program, which is supported by the Social Innovation and Entrepreneurship Development Fund.
- Japan has an Inclusive Business Support group under the Ministry of Economy and Trade, and promoted IB feasibility studies under the Japan International Cooperation Agency.
- In the Republic of Korea, the government has an active CSR law mandating large companies to invest in CSR. The government has passed a social enterprise law, and a social enterprise certification system (now with 1,600 registered social enterprises). The Korean International Cooperation Agency is encouraging social enterprises in the Republic of Korea to expand abroad through a challenge program.
- New Zealand has a strong CSR sector, mainly focusing on environmental activities. However, social enterprises initiatives and IB models are less common in the country, and there is no special government policy to build up such investments.
- In 2011, the Russian Federation's Ministry of Economic Development began conducting an annual "Forum on Social Business." However, the government has no social enterprise or IB policy so far, internally nor in its development aid.
- In Singapore, investments in local social enterprise are encouraged by a government investment and support program.
- Taipei,China has a strong CSR and social enterprise culture. In 2014, the government endorsed the "Social Enterprise Action Plan" to nurture innovation, and the growth of start-up businesses and social enterprises. The government is also developing a social enterprise registration system. However, there is no government support program for businesses investing in IB models abroad.
- In the US, there are various social enterprise promotion programs at the national and state levels. However, there is no special program for IB investments of US companies abroad. The development of IB models have been integrated in the country's aid system as part of private sector orientation.

Targeted policies supporting inclusive business is an emerging topic among policy makers in Asia–Pacific Economic Cooperation economies. Many developed economies have strong CSR policies in place, which—considering that CSR is becoming more strategic and could potentially become IB activities—can support the emergence of IB models if

oriented toward this goal. Policies supporting social enterprises have the potential to be used as best practice for IB policies. Targeted policies to support IB are being considered by several APEC economies, with the Philippine government taking the lead. Overall, the rich culture of CSR and social enterprise among APEC economies, and the evolving policies around them, provide a valuable test bed for IB policy development.

The Association of Southeast Asian Nations (ASEAN) has also taken up IB as a major theme. The ASEAN Business Advisory Council has piloted the first ASEAN IB Awards in 2017 to raise IB awareness among the business community and business associations in the region.

Table 10: Government Program to Support Inclusive Business in Asia–Pacific Economic Cooperation Economies

	IB registration and Accreditation	Industrial Policy Incentives	Investment Incentives	IB funds, Impact Investors	Technical Assistance for IB	Development Assistance on IB Promotion
Emerging APEC economies						
Asia						
China, People's Republic of	pilot in Shanxi province	no	in Shanxi (pilot)	yes	in Shanxi (pilot)	active (ADB)
Indonesia	no	discussed	no	some	no	active (ADB)
Malaysia	for SE only	no	no	some	yes	no
Papua New Guinea	no	no	no	emerging	no	no
Philippines	no	yes	discussed	emerging	discussed	active (ADB)
Thailand	for SE only	for SE	for SE	emerging	no	no
Viet Nam	no	discussed	no	no	no	no
Latin America						
Chile	no	yes	no	no	no	active (IDB)
Colombia	no	yes	yes	yes	no	active (IDB)
Mexico	no	yes	yes	yes	no	active (IDB)
Peru	no	no	no	no	no	active (IDB)
Developed APEC economies						
Australia	no	for CSR	for SE	no	no	discussed
Brunei Darussalam	no	no	no	no	no	no
Canada	no	no	for SE	no	no	discussed
Hong Kong, China	no	yes	for SE	emerging	no	no
Japan	no	no	no	emerging	yes	discussed
Korea, Republic of	for SE only	for CSR	no	emerging	no	discussed
New Zealand	no	no	no	no	no	no
Russian Federation	no	no	no	no	no	no
Singapore	no	for SE	for SE	emerging	no	no
Taipei,China	no	no	no	no	no	no
United States	no	yes	for SE	emerging	no	discussed

ADB = Asian Development Bank, APEC = Association of Southeast Asian Nations, CSR = corporate social responsibility, IDB = Inter-American Development Bank, SE = social enterprise.

Source: Author.

The Group of Twenty inclusive business framework provides a comprehensive framework for the analysis of government interventions and policies supporting inclusive business. APEC economies have developed various measures relating to IB along the whole spectrum of government interventions. This provides opportunities for shared learning and development of best practices along the four areas of policy intervention—rules and regulation, capacity, information, and finance. The G20 framework is being fleshed out and implemented through policies, programs, and interventions by APEC economies as documented by G20 (Tables 12–14). Specifically,

- Canada; the PRC; Colombia; the Republic of Korea; Mexico; the Philippines; Taipei,China; and Thailand have specific rules and regulations to promote IB and social enterprises.
- Chile; the PRC; Colombia; Hong Kong, China; the Republic of Korea; Mexico; the Philippines; Thailand; and the United States have specific government-sponsored industry support programs for IB.
- Australia, Canada, Chile, Indonesia, Japan, the Republic of Korea, Mexico, Peru, the Philippines, the Russian Federation, and Thailand run awareness-raising and capacity development programs for IB.

Table 11: Government Programs to Support Inclusive Business in Asia–Pacific Economic Cooperation Economies—Group of Twenty Framework I

G20 IB Framework: I Establishing Conducive Rules and Regulations
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 and the 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
United States: Benefit Corporations, Low Profit Limited Liability Companies, Social Purpose Corporations
Canada: British Columbia Ministry of Finance: Community Contribution Company
Republic of Korea and Taipei,China: Certification schemes for social enterprises
PRC: Accreditation for IB agribusiness and financial incentives
Colombia: Public Policy for Social and Productive Inclusion
Taipei,China: Social Enterprise Action Plan
Thailand: Social Enterprise Bill (pending)
Philippines: Social Enterprise and Inclusive Business bills (pending)

APEC = Asia–Pacific Economic Cooperation, BOP = base-of-the-pyramid, CSR = corporate social responsibility, PRC = People's Republic of China.

Source: From the author's review of documents on G20 Global Platform on Inclusive Business. http://www.g20inclusivebusiness.org/.

Table 12: Government Programs to Support Inclusive Business in Asia–Pacific Economic Cooperation Economies—Group of Twenty Framework II

G20 IB Framework: II Enhancing Access to Financial Resources and Providing Financial Incentives
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, and the United States: AgResults incentivized innovation in Agriculture, Health, and Nutrition
Australia: Enterprise Challenge Fund for Pacific and South East Asia
Republic of Korea and Mexico: Grants / matching grants
Canada: Social Enterprise Demonstration Fund
Hong Kong, China: Social Innovation and Entrepreneurship Development 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
PRC: Preferential procurement policies for SMEs in an effort to support SME development
Republic of Korea: Programs to increase SME participation in government procurement
5.3 Priority lending programs
5.4 Credit guarantees
Global: Mobilizing private sector investment in infrastructure
5.5 Emerging Instruments: Factoring, Financing Leasing, Equity Financing
Canada and the United States: Laws that reduce barriers to allow foundations to invest capital in mission aligned investments
Canada, Mexico, and the Republic of Korea: Improved access to financing and insurance services
Australia and Japan: Social Impact Bonds
Republic of Korea: Tax incentives
Philippines: Tax incentives for agribusiness IB models in the context of the Investment Priority Plan
Republic of Korea and Mexico: Subsidies and other nontax incentives

APEC = Asia–Pacific Economic Cooperation, BOP = base-of-the-pyramid; IB = inclusive business; MSME = micro, small, and medium enterprises; PRC = People's Republic of China; SME = small and medium enterprises.

Source: From the author's review of documents on G20 Global Platform on Inclusive Business. http://www.g20inclusivebusiness.org/.

Table 13: Government Programs to Support Inclusive Business in Asia–Pacific Economic Cooperation Economies—Group of Twenty Framework III

G20 IB Framework: III Providing Information and Raising Awareness
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, Republic of Korea, and ASEAN: IB Awards
Canada and the Republic of 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 and Canada: Research aimed at identifying new inclusive business cases, opportunities, and enabling technologies
PRC, Indonesia, the Philippines, and Viet Nam: ADB IB Country Studies
8.3 Forums for peer learning
Colombia: Creating a network for learning around inclusive business
Global: Inclusive Business Action Network, The Practitioner Hub for Inclusive Business (online forum)
Global: IFC's Inclusive Business Leaders Forum
Mexico and the Republic of Korea: Peer-to-peer learning and public–private dialogue for improved information sharing on inclusive business
Russian Federation: Forum on Social Business
APEC: High-level Dialogues

ADB = Asian Development Bank, APEC = Asia–Pacific Economic Cooperation, ASEAN = Association of Southeast Asian Nations, BOP = base-of-the-pyramid, IB = inclusive business, IFC = International Finance Corporation, PRC = People's Republic of China, UNDP = United Nations Development Programme.

Source: From the author's review of documents on G20 Global Platform on Inclusive Business. http://www.g20inclusivebusiness.org/.

Institutionalization of inclusive business in Asia–Pacific Economic Cooperation economies. Having a proper and functioning institutional system for IB support, with clear government anchors and actively funded programs (as in the Philippines and in Thailand), is an important condition for the success of IB policy development, and the establishment of an enabling ecosystem for IBs. This study recommends that APEC economies institutionalize IB promotion, and APEC—as a regional institution—create a common framework to monitor the implementation of IB institutionalization.[14] The following institutions in APEC economies are already leading or could take leadership in IB promotion:

[14] The G20 IB framework has not yet captured the institutionalization of government support for IB.

Table 14: Government Programs to Support Inclusive Business in Asia–Pacific Economic Cooperation Economies—Group of Twenty Framework IV

G20 IB Framework: IV Strengthening the Capacity of the BOP and of Inclusive Businesses
9 Align vocational training for the BOP with private sector needs
9.1 Vocational training programs
Republic of Korea: Meister high schools provide skills development
Canada and Mexico: Skills development and vocational training
10 Implement projects in partnership with the private sector
10.1 Development partnerships
PRC: Improving education through partnerships
Australia, Canada, Republic of Korea, and Japan: Development partnerships and public–private partnerships with IB focus
Republic of Korea and Mexico: 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

APEC = Asia–Pacific Economic Cooperation, BOP = base-of-the-pyramid, IB = inclusive business.

Source: From the author's review of documents on G20 Global Platform on Inclusive Business. http://www.g20inclusivebusiness.org/.

- Australia: Aid agency under the Department of Foreign Affairs and Trade (DFAT)
- People's Republic of China: Leading Group on Poverty, Ministry of Trade (at the national and provincial levels)
- Canada: Aid agency under the Global Affairs Canada, formerly Department of Foreign Affairs, Trade and Development
- Colombia: National Planning Department
- Hong Kong, China: Social Innovation and Enterprise Development Fund
- Indonesia: Inclusive Business and Innovation Task Force under the Coordinating Ministry of Economic Affairs
- Japan: Japan International Cooperation Agency for development assistance; Ministry of Economy, Trade, and Industry; and Japan External Trade Organization for Japanese companies investing abroad
- Republic of Korea: Korea Social Enterprise Promotion Agency and Korea International Cooperation Agency
- Malaysia: Malaysia Global Innovation and Creativity Centre
- Mexico: National Institute of Social Economy
- New Zealand: Aid agency of the Government of New Zealand
- Peru: Ministry of Development and Social Inclusion
- Philippines: Board of Investments under the Department of Trade and Industry
- Russian Federation: Ministry of Economic Development
- Singapore: Center for Social Enterprise
- Taipei,China: Small and Medium Enterprise Administration, Ministry of Economic Affairs
- Thailand: Thai Social Enterprise Office (under reorganization)

- United States: United States Agency for International Development
- Viet Nam: SME Promotion team in the Ministry of Planning and Investment

These government agencies vary in support function according to the relevance of IB in their respective countries. In developed APEC economies, they are mostly located in bilateral cooperation and social enterprise promotion institutions while in emerging APEC economies, investment promotion, trade, planning and economic development government agencies are involved in IB promotion. This variety of institutions gives rise to the opportunity for cross-institutional discussions and knowledge sharing within APEC.

V. Relevance of Inclusive Business to Asia–Pacific Economic Cooperation Groups

Since inclusive business (IB) is focused on business models engaging the base-of-the-pyramid (BOP), it defies traditional organizational structures, which are often aligned to sectors, economic functions, sociocultural issues, and other specific concerns. IB, therefore, is often identified as a "crosscutting" theme. On the one hand, this is an advantage because IB can be used as a unifying lens across different groups within an organization. On the other hand, this also makes it challenging to find a focal point for IB in existing structures. The discussions on IB in Asia–Pacific for Economic Cooperation (APEC) are currently hosted by the Investment Experts Group (IEG), a subgroup of the Committee on Trade and Investment (CTI). Below are the APEC groups relevant to IB.

A. Asia–Pacific Economic Cooperation Committee on Trade and Investment

The CTI as an overseeing committee is in a good position to provide leadership on IB in APEC as CTI is APEC's coordinating body for issues concerning trade and investment liberalization. It began its work in 1993 based on the Declaration of an APEC Trade and Investment Framework. CTI oversees eight subgroups, including the IEG, three industry dialogues, two friends of the chair groups, and three ad hoc Public–Private Dialogues. Taking into consideration the crosscutting nature of IB—with its high relevance to APEC's investment climate, business community, small and medium enterprise (SME) development, women and the economy, and food security—CTI could guide potential IB agenda integration and adoption by the following subgroups, councils, working groups, and policy partnerships.

B. Investment Expert Group

The Investment Experts Group would be best suited to promote the investment angle of the inclusive business agenda in Asia–Pacific Economic Cooperation. IEG is the CTI subgroup concerned with the (i) improvement of member economies' investment climate using the Investment Facilitation Action Plan; (ii) promotion of investment based on APEC's Non-Binding Investment Principles; and (iii) promotion of investment flows across the APEC region through the APEC Strategy for Investment, which also gave rise to the annual Public–Private Dialogue on Investment. Following the 2015 APEC Inclusive Business events, IEG took on further work in APEC IB activities, including the commissioning of this study.

Inclusive business has a strong investment promotion component. Historically, multilateral development banks and impact investors were the strongest promoters of IB. More recently, commercial banks and other investors are also coming in to provide IB support. Highlighting the social benefits of IB investment opportunities through a regional body such as APEC could attract additional IB investments in APEC economies. This requires regular and committed information dissemination and sharing through APEC–IEG to investment promotion agencies, companies, and financial institutions. APEC economies, such as the Philippines, have developed investment promotion programs for IB, which could serve as a starting point for a work plan on IB investment.

More responsible foreign direct investments. IEG can also promote more "responsible" foreign direct investments in emerging APEC countries. This is particularly important for companies in investing economies such as Australia, Canada, the People's Republic of China (PRC), Japan, the Republic of Korea, Mexico, Thailand, and the United States.

Investment Expert Group reporting on the Sustainable Development Goals. The G20 has endorsed IB as the private sector approach to drive the achievement of Sustainable Development Goals (SDGs). The SDGs comprise the global framework for reporting on development progress. Many APEC economies have started reporting on the SDGs but there is no coherent framework to capture the specific contributions of the private sector. The APEC Secretariat and IEG can lead the development of such a framework, recommend it to APEC economies, and prepare a biannual report on the SDGs for the region. IEG could also set up a framework for IB-related studies by individual APEC economies or clusters of economies on remote area development (such a study was recently proposed by the Russian Federation).

IEG could feature IB investments as a theme in Public–Private Dialogues to facilitate understanding of the emerging impact investment asset class among policy makers and the private sector. The continued discussions of IB investments could also give rise to further studies on the topic of sustainable investments, following the 2015 APEC IEG report entitled *Case Studies on the Best Practice of Sustainable Investment in APEC Region*.

C. Asia–Pacific Economic Cooperation Committee Business Advisory Council

The APEC Business Advisory Council (ABAC) is the official voice of business within APEC. Established in 1995, it provides inputs to APEC leaders and APEC subgroups on topics relating to business interests. ABAC has been a strong supporter of the IB agenda especially during the Philippine hosting in 2015.

Linking inclusive business to small and medium enterprise discussions in the Asia–Pacific Economic Cooperation Committee Business Advisory Council. In its report to APEC leaders in 2016, ABAC emphasizes its leadership in micro, small, and medium enterprise (MSME)-related initiatives, among them "promoting inclusive business models to facilitate participation in global value chains," and recommends to "institutionalize and incentivize inclusive business models that promote MSME participation in global value chains to strengthen the role of MSMEs in generating growth that is balanced, inclusive, sustainable,

innovative and secure" (ABAC 2016). Given its recognition of IB as a driver of MSME growth and engagement, ABAC is the best group to explore further the potential and interaction of IB and MSME development through collaboration and high-level public–private dialogues.

Inclusive business to promote women empowerment and access to finance for smaller entrepreneurs. Women empowerment and providing access to finance for small companies are two other areas where ABAC is active, and which are relevant for IB. ABAC may wish to develop specific recommendations on how to link IB to these policy agendas.

The Asia–Pacific Economic Cooperation Business Advisory Council's Sustainable Development Working Group is engaged on inclusive business. Its 2017 white paper, "Creating Inclusive Growth through the Extractive Industry in the APEC Region," shows how ABAC, through its working groups, can include IB in its agenda with a sector focus. The paper suggests actions to promote the development of IB models in the extractive sector.

D. Small and Medium Enterprises Working Group

The Small and Medium Enterprises Working Group should develop a coherent position on inclusive business. APEC's SME agenda has been developed in detail by the Asia–Pacific Economic Cooperation Small and Medium Enterprises Working Group (APEC SMEWG) and laid out in 2016 through its Strategic Plan 2017–2020 (APEC SMEWG 2016). Referencing the Boracay Action Agenda to globalize MSMEs, it lists as one of its four priority areas an "Inclusive business ecosystem that supports SME growth with the objective to work towards a transparent and pro-business environment with equal opportunities for SMEs." It becomes apparent, however, that SMEWG is not using the term "inclusive business ecosystem" in the same way as this study and the G20 framework but is referring to SME inclusion in the overall APEC business environment. SMEWG focuses its work on three major areas—the promotion of competitive, innovative, and youth-relevant SMEs. IB is relevant to these three policy areas. SMEWG could further emphasize IB in its work, and share best practices in IB in its dialogues with partners, notably ABAC.

Supporting inclusive business means promoting innovation. IB models promote highly innovative business strategies and relationships that reduce investment risks while exploring new product and/or service lines and engaging new markets. Promoting IB would also mean promoting innovation in APEC economies. The SMEWG Action Plan prioritizes under item 1 the need to highlight, through APEC, best practices in SME innovation.[15] A study could be commissioned to analyze the innovation components of IB models in APEC economies, and compare it to traditional investments.

Youth-driven social entrepreneurship is becoming increasingly important in Asia–Pacific Economic Cooperation economies and globally. Many new young entrepreneurs wish to invest in innovative business models that are good for the environment and for the people. Rising participation among the youth in social enterprise competitions, accelerator

[15] This was proposed by the PRC.

programs, and academic education is further evidence that social entrepreneurship is an attractive entry point into general entrepreneurship for the youth.[16] The SMEWG could bank on this trend in view of "promot(ing) an entrepreneurial culture amongst the youth, women and other individuals."[17] The Republic of Korea, for example, has identified and is using social entrepreneurship to tackle youth unemployment.

Inclusive business makes social enterprises more competitive. The second objective of Priority Area 1 under the SMEWG agenda is "fostering innovation in SMEs to strengthen business competitiveness." The suppliers of larger IB companies need to have innovative and competitive businesses as well to be relevant to IB value chains. Hence, IB models also increase the competitiveness for smaller companies in their supply and distribution chains because they have to attain the standards required by the larger IB companies. To do so, larger companies often support smaller enterprises through technical advice, preferential payment and delivery terms, and access to finance, among others. Social enterprise initiatives and IB models can mutually benefit through value chain integration. An example is the close cooperation between TESCO Lotus (large retailer) and Hilltribe Organics in Thailand (small enterprise producing organic eggs), where the retailer enhances its IB model—sourcing fresh produce from BOP communities—by integrating a social enterprise into its value chain. The social enterprise, on the other hand, benefits from increased business competitiveness (expansion of market) gained through its cooperation with an established retailer. The SMEWG could discuss such linkages more in its reports.

Microenterprises are important for last mile distribution of inclusive business products and services. A good example is Indofoods in Indonesia, which works with over 50,000 micro-entrepreneurs as distributors of its products. Further examples are Coca-Cola's micro-retailer initiatives, and the distribution models of solar companies. The SMEWG can highlight such examples.

E. Policy Partnership, Women, and the Economy

APEC has formed a Policy Partnership for Women in the Economy (PPWE) in 2011, which aims to mainstream, elevate, and integrate gender-responsive policies and programs focused on women's economic empowerment into APEC activities to advance gender equality. As the working group component of the APEC Women and the Economy Forum, the PPWE leads the implementation of projects that ensure that women benefit more from economic integration among APEC economies. The PPWE works on advancing women's economic empowerment across five priority areas: (i) access to capital and assets; (ii) access to markets; (iii) skills, capacity building, and health; (iv) leadership, voice, and agency; and (v) innovation and technology.

Policy Partnership on Women and the Economy Working Group has been an early and strong proponent of Inclusive business in Asia–Pacific Economic Cooperation.

[16] ADB is currently finalizing—as part of its Youth Initiative for Asia—a study on the role of the youth in social entrepreneurship. The findings of that study could be relevant for APEC.

[17] Source: https://www.apec.org/-/media/Files/Groups/SMEWG/16_smewg43_015.pdf.

It included the topic of "inclusive business for women empowerment" as one of its subthemes during the APEC Women and the Economy Fora in September 2015, and highlighted "how women from the base-of-the-pyramid can be empowered as producers, suppliers, distributors, workers, and/or consumers" (APEC PPWE 2015). In 2016, PPWE and IEG commissioned an ongoing study on "Women as Prime Movers of Inclusive Business" (APEC Project Database 2016). The study will assess the opportunities for women's economic empowerment that IB investments provide, and how IB addresses the gender gap. The study will also assess the contribution of women to the growth of IB models in the Asia and Pacific region.

Asian Development Bank study on women and inclusive business in Asia. In 2016, the Asian Development Bank (ADB) published a study on women in IB, which highlighted how "initial evidence shows that inclusive businesses are bringing positive change to women's lives," and how "inclusive businesses are active in sectors with a high relevance for women" (ADB 2016d). The study found that IB models are often more relevant to women empowerment than traditional business investments, as they focus on women consumers, distributors, and suppliers at the BOP for products and services for health, education, housing, body care, and nutrition. However, while there are implicit gender impacts, very few IB investments and IB companies have an explicit gender focus in the design of projects and interventions; this is a gap that needs to be addressed. IB investments that are purposively designed for women empowerment (and gender equality) are deemed more sustainable, and have better systemic impact. The lack of focus on gender is mainly due to the general lack of knowledge and strategic interest at the management level in companies. The study—done in cooperation with IFC and IDB—cites examples of IB models in APEC economies with specific gender relevancy (i.e., MiBanco in Peru, which provides financial services to women; Cemex in Mexico, which offers affordable housing solutions where women are the conduits for loan repayments; and Manila Water in the Philippines, which brings clean piped drinking water to BOP communities with sanitation education programs for women).

Policy Partnership, Women, and the Economy can do more advocacy work for enhancing women empowerment through inclusive business in Asia–Pacific Economic Cooperation economies. Studies show that IB models have higher gender impact than traditional business investments. The continuous engagement of PPWE to mainstream women's economic empowerment across the APEC fora and working groups provides an important avenue to advance the IB agenda in APEC. This study recommends for PPWE to include this agenda in its work plan or strategic plan to encourage its members to undertake more studies that would provide an overview and highlight the relevance of advancing women's participation in IB models across APEC economies, such as the 2016 engagement: "APEC Women as Prime Movers of Inclusive Business Project"—an across-fora collaboration project between PPWE and IEG—looks into the success stories and best endeavors of IBs that recognize the contribution of addressing barriers to women's economic empowerment in attaining quality growth (growth that is balanced, inclusive, sustainable, innovative, and secured). The study found that the majority of respondents from several APEC economies perceive that there is still "little support" from institutions for women's participation in IB. As such, there is the need to recreate, redesign, and innovate to be more gender responsive, and create enabling conditions for women to become prime movers of IB.

This study highly recommends that APEC, through the leadership of PPWE, should champion the agenda of women in IB, and continuously work to improve the business environment in APEC regions so that more women can thrive in the IB space. PPWE could work more closely with ABAC, other APEC fora and working groups (i.e., SMEWG, IEG, etc.), and do joint studies and knowledge exchange on IB. PPWE could also develop projects that would provide advisory or technical support to companies to enhance their gender impact.

F. Policy Partnership on Food Security

The Policy Partnership on Food Security (PPFS) was established in 2011 to strengthen public–private cooperation in addressing food security issues in the region. Starting in 2010, with the Niigata Declaration, APEC's Food Security Plans have been formulated and updated in the Kazan Declaration, Beijing Declaration, and Piura Declaration. The PPFS work plan is guided by the "APEC Framework for Multi-year Program on Food Security and Climate Change," and the "APEC Strategic Framework on Rural–Urban Development to Strengthen Food Security and Quality Growth." Most IB models are in the agribusiness sector, which makes IB highly relevant to PPFS. So far, PPFS has not given much attention to how IB could accelerate the food security agenda.

Linking agribusiness to food safety and climate adaptation. Agribusiness is the sector where most IBs operate in emerging APEC economies. These IBs not only provide income opportunities—at scale—to BOP farmers (IB models often engage thousands of smallholder farmers) but safe food to middle and upper classes. Below are some examples of business models that promote poverty reduction and food safety:

- In the province of Shanxi in the PRC, Quinzouhang, an IB model, develops organic millet into specific health foods for children and for elderly with stomach diseases. It engages about 20,000 poor farmers, and provides them with higher incomes (20% above the going market rate for millet in the region).
- Hefeng, another company in the PRC, is producing high-end skin and medical products from a tree growing in dry and poor areas of Shanxi province. More than 8,000 farmers are involved in planting and harvesting, and are provided with opportunities for higher income.
- In Thailand, Hilltribe Organics, a social enterprise, produces organic eggs, and supplies high-end shops in the country and in Hong Kong, China.
- DSM is a global science-based company that produces health and nutrition products. Based in Singapore, DSM's Nutrition Improvement Program implements stable food fortification programs for the BOP using a shared value strategy.
- Japanese company Ajinomoto is piloting its "Koko Plus" program that will target child malnutrition by offering essential proprietary nutrients in Ghana.

Multinational companies can spearhead inclusive business in agribusiness. One of the main drivers of the rise in inclusive agribusiness models in emerging APEC economies is the commitment of major players in the fast-moving consumer goods (FMCG) industry, which are often located in developed APEC economies. Companies such as CJ Group (Republic of Korea), Tim Horton (Canada), Mars and Unilever (United States), and Syngenta

(Australia) have defined agendas for the sustainable sourcing of raw materials and food safety, and are very much interested in adopting IB models to expand the poverty reduction impact of their investments. There are also many large-scale domestic companies engaged in IB (i.e., Indofood in Indonesia, and Jollibee in the Philippines). Multinational companies and medium- to large-scale domestic companies invest in various modes of technical training and financing for farmers, and in sustainable supply chain relations by paying 10%–20% more than local competitors. The PPFS network could highlight more IB models, and it could include IB as a topic or agenda in the Asia Pacific Food Industry Forum.

Emphasize the role of inclusive business in rural–urban development. The Rural–Urban Development Framework of PPFS acknowledges that inclusive value chains, and gender and social inclusion are key factors to enhancing food security and rural development in the APEC region. Inclusive agribusiness models are described in the framework as "agricultural, aquaculture and food global value chains inclusive of smallholders through innovative approaches" that "empower poor and marginalized people" (APEC 2016). The framework already acknowledges the need to "share best practices of inclusive value chain business models." IB models can also contribute to other strategies mentioned in the framework such as (i) improving access to technologies, inputs, and research and development; (ii) facilitating farmers' link to markets; (iii) facilitating the use of international food safety and quality standards; and (iv) promoting innovative financing mechanisms.

Go beyond corporate social responsibility. The PPFS framework suggests that the private sector enhance its social responsibility programs to advance rural–urban development. PPFS may wish to broaden this statement by promoting investment in more strategic CSR, and in the development of IB models that improve farm incomes and reduce poverty.

VI. Key Messages and Recommendations for Asia–Pacific Economic Cooperation to Promote Inclusive Business as Part of Its Inclusive Growth Agenda

Understanding that the Asia–Pacific Economic Cooperation (APEC) is based on a non-binding principle and that any recommended activity depends on the consideration of APEC member economies and related agencies, the following key messages and recommendations have been developed:

Inclusive business should become a new approach for achieving the Asia–Pacific Economic Cooperation's goal of more inclusive economies in Asia and the Pacific. APEC as a regional organization is well suited to promote inclusive business (IB) as a new approach to make economic growth more sustainable and more inclusive in the region. While agreements in APEC are mainly trade-related, changing necessities can widen discussions among APEC economies to facilitate consensus on new strategic economic topics. IB and impact investing are emerging topics. As the public and private sectors increasingly report their contributions to the Sustainable Development Goals (SDGs)—with IB identified as the main approach for the private sector—APEC could create a consensus among its members on what constitutes "responsible investments" in the next decade, and why more IB investments are needed for a more balanced development in the Asia and Pacific region. To this end, APEC as a regional body may wish to undertake the following:

- Include IB in its agendas, and institutionalize IB capacity building and sharing of experiences by
  - formally adopting IB in the APEC work program and highlighting its contributions to inclusive growth and economic, financial, and social inclusion;
  - encouraging APEC fora to include IB in their respective work agendas, particularly the Committee on Trade and Investment (CTI); the Investment Expert Group (IEG), the Small and Medium Enterprises Working Group (SMEWG), the Policy Partnership on Women and the Economy (PPWE) and the Policy Partnership on Food Security (PPFS), among others;
  - encouraging the APEC Business Advisory Council (ABAC) to implement a work plan for IB development as, for example, outlined in the white paper on IB *Creating Inclusive Growth through the Extractives Industry* in its Sustainable Development Working Group (SDWG); and
  - conducting regular capacity building programs.
- Raise awareness on IB by
  - encouraging the ABAC to organize biannual APEC IB Awards that will highlight good examples of IB in APEC economies; and
  - integrating the IB theme in regular APEC 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.

- Work with other organizations to advance IB globally once APEC has implemented its IB agenda and gained knowledge by
  - partnering with the Association of Southeast Asian Nations (ASEAN) Secretariat to promote IB in Asian member economies of APEC, and
  - engaging with the G20 and the ASEAN to continue the development of a global IB framework.
- Coordinate reporting on IB's impacts in line with SDG reporting by
  - establishing a biannual reporting of IB accomplishments as APEC's contribution to delivering private sector commitments to the SDGs.

Asia–Pacific Economic Cooperation economies could create a stronger enabling environment for inclusive business. APEC may wish to recommend the following to its member economies:

- Establish special IB and social enterprise focal points in government, and also in the private sector if possible.
- Create a registration or accreditation system for IB to understand and successively monitor investments and the social impact of the private sector.
- Report to APEC how they identify IB models, IB activities, and social enterprise initiatives; and how they monitor the outcomes and impacts of such investments.
- Integrate IB in their industry promotion policies, especially in their small and medium enterprise (SME) programs.
- Integrate IB in the rural development programs, notably in aligning government rural infrastructure projects with private sector requirements in building inclusive value chains.
- Review regulations that limit BOP participation in market activities, propose policy changes, and implement programs to better integrate the BOP in the economy.
- Embed pro-poor targets into government contracts, and prioritize procurement from companies that have IB models.
- Develop IB-specific financial products and incentives to stimulate IB investments.
- Support the provision of business development services to IB companies and for-profit social enterprises to continuously develop new business solutions to poverty issues and needs.
- Create IB-specific innovation exchanges (such as in Australia), and IB social enterprise innovation hubs (such as in Singapore; Hong Kong, China; and the Republic of Korea).
- Systematically report on the contributions of IB investments and of IBs to the SDGs. To this end, APEC economies may wish to organize an APEC event in 2020 where all economies will report on their progress in IB promotion and support.

Business associations can play a special role as promoters of best practices in inclusive business. APEC—through ABAC—may recommend that business associations in APEC economies

- integrate IB in their work agenda and develop specific action plans,
- disseminate information about IB to their members,
- encourage and engage the financial sector to invest more in IB models,
- support the government in establishing IB promotion programs and incentives,

- establish annual or biannual IB awarding and/or recognition programs, and
- report to ABAC every 2 years on their IB promotion work.

Development partners could provide funding for an inclusive business support program in Asia–Pacific Economic Cooperation to achieve collective impact. This could include funding for the development of a strategic plan to promote IB,[18] IB awards, IB seminars and conferences, IB-related knowledge work, and strategic advice to governments and companies. IB promotion could be coordinated or linked to the IB-related work of APEC development partners to coordinate their official development assistance around IB to achieve collective impact.

[18] Development partners could finance the framework of such a strategic plan for the APEC as an institution as well as for selected APEC economies.

APPENDIX: Profiles of Inclusive Business in Asia–Pacific Economic Cooperation Economies

A. Australia

Australia's competitive economy has strong ties to Asia and the Pacific, with mining and agriculture at its core. It is the 12th-largest economy in the world and the 6th largest among the Asia–Pacific Economic Cooperation (APEC) economies. With a population of 23 million people, Australia has the seventh-highest gross domestic product per capita in the world, the highest among APEC economies (IMF 2016). It is the world's 14th-largest exporter of agricultural products and in the top 5 for fuels and mining exports (IMF 2016). Australia ranks as 15th in the 2016 Ease of Doing Business index. With 25 years of consecutive growth and its strong ties and linkages with Asia, Europe, and the United States, Australia positions itself as "there is no better partner for trade, investment, and collaboration than Australia" (Australian Trade and Investment Commission 2016).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 2/187	2015	UNDP
Ease of Doing Business	Rank 15/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 5/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Indigenous Australians, single mothers, and the disabled are still trapped in poverty.[1] Overall, poverty in Australia has not reduced over the past 10 years up to 2014, with 13.3% of the population (2.99 million people) living below the national poverty line during 2013–2014. This is the 14th-highest poverty incidence out of 36 Organisation for Economic Co-Operation and Development (OECD) countries, according to the 2016 Poverty Report (Australian Council of Social Service and the Social Policy Research Centre 2016). Unemployment is the strongest determinant of poverty. People with disabilities, single parents, and the indigenous population of Aboriginal and Torres Strait Islander peoples form the majority of the poor people. While they receive social security payments, this is often not sufficient to bring them out of poverty. A study on Marginalized Australians

[1] Developed economies typically have much higher poverty thresholds, and define poverty as a relative concept, not as an absolute concept as in emerging economies. Therefore, the poverty data and incidences between developed and emerging economies in APEC are not comparable.

(Cruwys et al. 2013) finds that persistently marginalized "...Indigenous Australians, unemployed people and welfare-reliant single mothers–were also more likely to experience chronic health problems, particularly disability and mental illness, and to suffer from financial deprivation."

Inclusive Business in Australia

Strong emphasis on social enterprise but few inclusive business cases. An expanding ecosystem for inclusive business (IB) in the form of social enterprise initiatives is supporting about 20,000 social enterprises in Australia, forming a young and growing part of the domestic social welfare landscape. Business for Development's 2015 report (B4MD 2015) identifies 11 promising Australian companies with IB models, mostly in the agribusiness and financial inclusion sector. Of the 11 cases, 3 IB models are operating in other APEC countries: Indonesia, Papua New Guinea, and Peru. In 2014, a report on IB opportunities in Australia focused on the agribusiness sector as having huge potential to tackle poverty in emerging countries (Jacobson, Cornish, and Sedaca 2014). While it identified the development of public–private partnership (PPP) programs to promote IB, such as the Enterprise Challenge Fund, it found a lack of awareness and capacity among the business sector and official development assistance (ODA) personnel as major challenges for effective PPPs on IB.

Corporate social responsibility in Australia moving to align with Sustainable Development Goals. Corporate social responsibility (CSR) has been a long-standing concept for Australian companies. Australian businesses are aligning with the United Nations Sustainable Development Goals (SDGs), with strategic partnerships to pursue the goals (Good Biz Network 2016). In the annual CSR survey, it emerged that companies in Australia focus on the goals on gender equality, good health and well-being, decent work and economic growth, industry innovation and infrastructure, and climate action. Many of Australia's mining corporations not only focus on fostering strong relationships domestically but also internationally.

Within Australia and for the Australian people, there is a growing ecosystem that provides support for 20,000 social enterprises. A 2015 report on social welfare identified the need for "a new social support system to improve employment and social outcomes" (Commonwealth of Australia 2015). The report recommended to "develop a longer-term strategy for social enterprise development." This strategy will consider how to increase demand for investment by enterprises, increase supply of investment to enterprises, and improve the enabling environment for social enterprises. It also stresses the important role of business and finds that "CSR will be an important feature of the new social support system." Domestically, social enterprises enjoy the support of an expanding ecosystem providing finance, research, education, and incubation services partly supported by the Government of Australia. Impact and community investment grew by 74% from 2014 to 2015 to A$3.7 billion of Assets under Management (Responsible Investment Association Australasia 2016). To provide direct financing, state governments have started the development of social impact bonds. The 2016 FASES status report on social enterprises in Australia states that it is still a very young sector with about 50% of enterprises being less than 5 years old (Centre for Social Impact Swinburne 2016). In line with the poverty assessment, creating meaningful job opportunities has emerged as the priority of

Australia's social enterprises. Social procurement is seen as the major business opportunity though it still lacks holistic policy support, and faces organizational governance issues in a limited ecosystem. Among the important ecosystem actors is the Social Enterprise Finance Australia, which is funded by the Government of Australia and has disbursed A$13.5 million by 2016 as collateralized loan. Other notable actors are the Social Venture Australia, Forrester Community Finance, Impact Hub, Social Traders and many corporate foundations. While there is no government accreditation system, B Corp has so far certified 133 companies, making it the largest B Corp community in Asia and the Pacific (B Corp Australia 2016).

Inclusive Business in the Australian Development Aid Program

Australia's ODA program has undergone significant organizational and funding changes. In a major organizational realignment, AusAID was integrated into the Department of Foreign Affairs and Trade (DFAT) in 2014. A new policy was identified for achieving sustainable development by focusing on two development outcomes: supporting private sector development and strengthening human development. In 2015, Australia spent $3.3 billion on ODA, which is equivalent to 0.29% of its gross domestic product (GDP), representing an all-time low. In line with the strategic goal to focus on the Indo–Pacific region, among the top five ODA recipients are the four APEC economies of Indonesia, Papua New Guinea, the Philippines, and Viet Nam.

Realigning official development assitance toward private sector and human development. In 2015, DFAT launched the $140 million 4-year program InnovationXchange, which supports innovative private and civil sector initiatives, partly in cooperation with other donor institutions. Projects such as Launch Food, Data for Health, Blue Economy Aquaculture Challenge, the DFAT Technology Against Poverty Prize, Seed Pacific, and the Global Innovation Fund have been launched since then. These programs—while not being IB-focused—could be used to promote further IB investments. Further actors in Australia's IB ecosystem are not-for-profit groups, such as Business for Development (B4D), which supports companies with the development of IB models, and nongovernment organizations (NGOs) such as Care Australia, World Vision, Oxfam, and Save the Children, which all work with the private sector in development programs.

Inclusive business is not yet a focal area for Australian development aid. However, only a few Australian social enterprises are working abroad, and if so, mostly in Asia or Africa. IB models and activities are far less common and only 11 companies could be identified with active IB models in the Asia and Pacific region. With the realignment of Australia's ODA under the DFAT, there is a new emphasis on private sector development; however, no concrete IB support is developed so far in Australia's development aid program.

Inclusive business represents an opportunity for Australian business in the Asia and Pacific region. While the domestic social enterprise sector is expanding and receiving increasing policy and financial support, the development of IB models in operations outside of Australia are still in nascent and often at a pilot stage. A 2014 Landscape Study on Inclusive Business commissioned by DFAT showed that Australian companies present in APEC have huge potential to make a significant contribution to poverty alleviation

(Business for Development 2015). It recommends full policy support, awareness creation, technical assistance and access to finance for IBs and intermediaries, and an alignment of DFAT and private sector activities in Asia and the Pacific focusing on Australia's high-impact sectors of mining and agribusiness. DFAT's new paradigm opens an opportunity to support the private sector in developing IB models through direct assistance in the respective missions and intermediaries. DFAT could be well placed to promote IB across APEC's developing countries by creating awareness and building the ecosystem to enable IB models to succeed, but there is still a lack of commitment and understanding in the Australian aid community to do so. The discussion in APEC could help Australia in making a transition to consider IB more as an opportunity to address poverty reduction in the DFAT priority countries through an effective private sector approach.

B. Brunei Darussalam

Brunei Darussalam is a high-income country that has seen strong and steady growth primarily from the oil and gas sector. Brunei Darussalam has a strong economy with its GDP at $12.93 billion in 2015, strengthened by large financial reserves and a highly educated population (The World Bank Group 2015b). Brunei Darussalam is rich in natural resources and has a small population resulting in one of the highest levels of GDP per capita in Southeast Asia. The economy's dependence on oil and gas has created a large government sector with mostly state-owned enterprises and a limited role of the private sector (OECD 2016c). However, growth has fallen in recent years. This has prompted the government to begin some reforms with a view to increasing foreign direct investment, focusing on developing the high-technology agricultural and manufacturing industries, and expanding support and promoting SMES and other private sector growth (Oxford Business Group 2016b). The government launched its long-term development plan, Wawasan Brunei 2035, which focuses on the importance of diversifying the economy by expanding its manufacturing, construction, and services sectors (ADB 2016b).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 31/187	2015	UNDP
Ease of Doing Business	Rank 97/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 35/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

High per capita income but some pockets of vulnerable population remain. Brunei Darussalam is known to have one of the highest per capita income in Southeast Asia along with an extensive welfare system that provides free education and health care. While there is no official poverty line, a small segment of the population remains vulnerable, mainly low-income earning women or women who may be divorced, widowed, mentally or physically

challenged, victims of domestic violence, or suffering from debt burden due to failed businesses and bankruptcy (*Borneo Bulletin* 2015).

Inclusive Business in Brunei Darussalam

Inclusive business models are not seen. The majority of the economy comprises of state-owned enterprises. While there have been recent moves to increase the private sector's role, it is still small. However, the government is keen to diversify the economy and move away from dependence on oil. The government wants to focus on the services sector such as business and financial services, hospitality and tourism, manufacturing, and agri- and food-related industries (Ministry of Industry & Primary Resources, Brunei Darussalam 2014). Small and medium enterprises (SMEs) have been identified by the government as a critical part of economic diversification.

Corporate social responsibility initiatives are common. CSR initiatives by corporations are common in Brunei Darussalam. However, only recently, many CSR activities have begun focusing on promoting start-ups and entrepreneurship. For example, PROGRESIF Cellular supports entrepreneurs through its Startup Lab.

Social enterprises are new but growing. Social enterprise initiatives are very new in Brunei Darussalam though there is strong interest from the youth and the government. An example is the Brunei Council on Social Welfare—Majlis Kesejahteraan Masyarakat (MKM)—an enterprise that supports vulnerable women through economic empowerment programs to create sustainable livelihoods by vocational skills training. Recent start-up initiatives from the government and corporate support have begun creating a start-up ecosystem.

Growing start-up ecosystem with support from the government. The government's focus is to improve the business environment and promote entrepreneurship to help expand and diversify the economy. Recent initiatives—such as the introduction of business incentives and measures aimed at improving processes for start-ups—have been a push in that direction. The government sees a key role for SMEs to play and efforts for stronger reforms to develop new companies are a priority. More incubators like iCentre, Brunei Darussalam's first information and communication technology (ICT) incubator in operation since 2007, and start-up initiatives like Startup Brunei and the Future Fund are also providing support. Traditionally, the government played the key role in social and welfare issues through free education and health care, pension schemes, allowances, and subsidies. Recently, with the growth of the social enterprise ecosystem in the region, there is growing interest in private sector solutions for social issues.

Brunei Darussalam's economy continues to be one of the richest in the region despite the recent economic slowdown. The government's economic reforms aim to promote entrepreneurship and SME growth. While poverty is very low and the government traditionally played a leading role in social welfare, IBs are not common. However, CSR is strong among companies and social enterprise is new but growing. Deeper reforms aimed at facilitating the development of new companies could help accelerate the SME and start-up ecosystem.

C. Canada

Strong economy with leading exports in oil and cereals. Canada's gross domestic product (GDP) was $1.628 trillion in 2015 with its annual GDP growth rate at around 1%, and GDP per capita stood at PPP$44,262 in 2015 (The World Bank Group 2015c). Canada is around the same geographical size as the United States (US) but only has a population of 34.6 million. Although only 8% of the country is used for agriculture, it is one of the world's largest exporters of agricultural products, mainly cereals and oil seeds. Canada's economy is also deeply linked to the price of oil, as its oil exports play a big role in its economy, with low oil prices affecting the economy. Canada leads the G20 and stood seventh overall in Forbes' latest 144-country annual study, The Best Countries for Business (*Financial Post* 2011).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 9/187	2015	UNDP
Ease of Doing Business	Rank 22/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 6/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Poverty has declined significantly but some low-income groups remain vulnerable. Canada has significantly reduced poverty over the last 20 years. The percentage of households living below the basic needs poverty line has fallen from 6.7% in 1996 to 4.8% in 2009. There is no official national poverty line, while the international poverty line of PPP$1.90 and PPP$3.10 is at 0.34% of the population, for both (The World Bank Group 2015c). While poverty has declined, some groups remain vulnerable like the elderly, children under 18, single-parent families in low-income groups, recent immigrants, visible minorities, Aboriginal people, and people with disabilities. The government addresses poverty through strong social welfare programs.[2]

Inclusive Business In Canada

The federal and state governments are creating a better ecosystem for responsible investments in the resource-based economy of Canada. Tax benefits and financial incentive programs for companies have been the most notable programs, directing capital to community enterprises or businesses with environmental and social mandates. While there have been some very successful examples of directing capital toward community development, for example Nova Scotia's CEDIFs (Nova Scotia 2014), these are not the norm. Some provincial governments also have key roles in developing the demand for capital for social enterprises, for example, by supporting financing structures (G20 2016a).

[2] Developed economies typically have much higher poverty thresholds, and define poverty as a relative concept, not as an absolute concept as in emerging economies. Therefore, the poverty data and incidences between developed and emerging economies in APEC are not comparable.

Canada's corporations are also embracing inclusive business by making corporate social responsibility more strategic. Canadian corporations have a keen focus on CSR and sustainability. They are also known for gender equality and women empowerment initiatives like the Catalyst Accord, a pledge by major Canadian corporations to increase the proportion of their board seats held by women to 25% by 2017 (Catalyst 2015). Canada's Top 50 Socially Responsible Companies' awards reveal many CSR initiatives that are undertaking IB activities. An example is Kross Gold Corporation, a Toronto-based gold company with mines and projects from Brazil to the Russian Federation that "makes social responsibility part of its daily operations." In communities where it has mining activity, the company partners with local cooperatives to provide literacy and business skills training. A 2013 survey conducted near its Tasiast mine in Mauritania found that the number of households living below the poverty line had been reduced by more than half since 2011, and unemployment rate had declined from 47% to 24%. While these results cannot all be attributed to the company, it had at least some contribution to these positive developments (Macleans 2015).

Growing ecosystem for social enterprises. The government has recognized the ability of social enterprises to address national poverty and related social issues, and has begun building an enabling ecosystem to promote private sector involvement in poverty reduction in Canada. Through its 2015 Economic Action Plan, the government established a social finance accelerator initiative to support high potential social finance proposals. The Ministry of Employment and Social Development Canada supported many pilot projects as part of this program with an objective to promote social entrepreneurship. In 2003, the government created a Federal Parliamentary Secretary with a special focus on the social economy and ran a Social Economy Initiative from 2003 to 2006 to support the social economy through capacity building, financing, and research (G20 2016a). Social enterprises in Canada are currently recognized as taking both for-profit and not-for profit routes (Chamberlain et al. 2015). Innovation hubs like the MaRS Centre for Impact Investing are playing an important role in connecting entrepreneurs to capital and networks (MaRS Centre for Impact Investing n.d.). Grand Challenges Canada, a platform to support innovators in low- and middle-income countries and in Canada in global health, is funded by the Government of Canada. Grand Challenges Canada has become an important player in impact investing globally.

Canada does not have any specific national legislation for for-profit social enterprises. However, provincial governments are addressing this. Two new hybrid corporate models were formed in 2012: the Community Contribution Company in British Columbia and the Community Interest Company in Nova Scotia. A Social Enterprise Demonstration Fund by the Ontario government provides growth financing for Ontario-based social enterprises. Ontario's $4 million contribution is expected to leverage more than $6 million in investment from other sources, including the private sector. The Procurement Strategy for Aboriginal Businesses creates preferential public procurement from aboriginal businesses at the federal level (G20 2016a). The government promotes CSR through various initiatives—in 2009, the Corporate Social Responsibility Strategy was launched—"Building the Canadian Advantage: Canada's Corporate Social Responsibility Strategy for the Canadian International Extractive Sector." To further strengthen CSR activities abroard, the Government of Canada appointed a new federal CSR counselor for the extractive sector, an industry that works significantly overseas (Government of Canada 2017).

Inclusive Business in Canadian Development Assistance

Canada is open for inclusive business promotion through its development aid. While only 0.34% of the population lives below the poverty line, some segments of the population remain vulnerable. Canada has acknowledged IB as part of the social economy agenda and both the federal and state governments are moving toward an enabling ecosystem for IB, mostly in the form of social enterprise initiatives. Canadian corporations are engaging with the base-of-the-pyramid (BOP) in developing countries where they operate, while also embracing a strong CSR culture. The Government of Canada views the private sector as a partner in development and encourages multi-stakeholder initiatives for developing IB models and activities. It recently set up a financing program through the "New Partnership for Sustainable Impact Investing in Frontier Markets" and the "Development Finance Initiative" (Can$300 million), which could be programmed to include the funding of IB. The Government of Canada also supports IB activities in multilateral forums, such as APEC, and bilaterally through the inclusion of CSR provisions in Foreign Investment Promotion and Protection Agreements and Free Trade Agreements. Through its CSR Strategy, updated in 2014, it promotes sustainability and responsibility among Canada's international extractive sector.

Inclusive business is recognized as part of the social economy agenda. The government's inter-department working groups oversee themes such as social enterprise, CSR, impact investing, social impact bonds, and a community futures fund, building partnerships within and outside the government (G20 2016a). To promote IB and social enterprises in the country, the government has undertaken supplier diversity efforts to recognize under-represented business communities and connect them to corporations that are actively reaching out to groups, which may not traditionally be included in the supply chain. One such example is the Canadian Aboriginal and Minority Supplier Council and Women's Business Enterprise Canada. Many of the companies with global operations are engaging the BOP in developing countries where they do business. Tim Hortons Coffee Partnership, in cooperation with the Trade Facilitation Office, developed an IB model in a public–private partnership (PPP) approach by improving productivity, access to market, and profitability of smallholding coffee farmers in their value chain in Guatemala, El Salvador, and Honduras (Global Affairs Canada, Government of Canada 2017).

While Canada is very supportive of impact investing and social enterprise, a more cohesive enabling framework from the federal government can promote inclusive business. Previous attempts to legislate social procurement were not successful. Creating a supportive legislative and regulatory framework with support for IB through capacity building and capital infusion can help grow IB in Canada.

D. Chile

Chile is the fifth-largest economy in Latin America and the first country in Latin America to be admitted into the Organisation for Economic Co-Operation and Development (OECD). Chile ranked 34th out of 148 in the World Competitiveness Report 2014, becoming the most competitive country in Latin America (World Economic Forum 2016). Chile has a population of around 18 million and a GDP growth average of 2.5% in the last

3 years (The World Bank Group 2015d). A decrease in GDP was due to the reduction in demand and price of copper, and lower level of internal consumption and business confidence (Focus Economics 2014). In 2010, the Gini coefficient was 0.46 and the ranking in the perception of corruption was 23rd out of 167 Countries. The employment rate was 6.8% and the inflation rate stood at 2.8% (The World Bank Group 2015d).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 42/187	2015	UNDP
Ease of Doing Business	Rank 57/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 7/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

One of the lowest poverty levels in the region. Chile has been focused on poverty reduction for the last 20 years and has achieved one of the lowest levels of poverty in the region, with just 15.6% of the population living under the national poverty line, and only 1.2% (0.2 million of population) living in extreme poverty (The World Bank Group 2015f). Chile also has a comprehensive social protection system covering nearly all the population. A major concern of the country is not poverty but large and rising inequalities, and growing social instability because of the widening socioeconomic gap between the rich and the poor. IB is a new concept being explored for reducing inequalities.

Inclusive Business in Chile

Good ecosystem for inclusive business promotion. Chile has developed a broad-based ecosystem to support IB, mainly in the form of IB activities and social entrepreneurship. The private sector and associations actively promote such IB initiatives and the public sector supports it through specific institutions and policies such as social procurement and programs for market access through IB models. While the concept of IB is fairly new in Chile, other business practices with social impact such as shared value[3] and CSR activities are far more well known, and Chile already has over 70 B Corp companies (B Corp. 2017). Both the private sector and the government are developing an ecosystem for Shared Value, IB, B companies (B Corps), and social enterprises (Mesopartner 2015) to reduce social inequity. According to the University Alberto Hurtado, IB in Chile includes large companies and organizations like UNIMARC, DUOC UC, SODIMAC, and GERDAU, which engage low-income groups in their value chain (Universidad Alberto Hurtado 2009). International development banks like the Inter-American Development Bank (IDB) are active in investing in IB models in agriculture and energy sectors. Several government organizations are involved such as the Ministry of Agriculture, Productivity Promotion and Entrepreneurship Initiatives (CORFO), Service of Technical Collaboration (SERCOTEC),

[3] The concept was introduced by Michael Porter in 2007, which promotes business practices that bring business and society together by creating value for both.

and Solidarity Fund and Social Investment. Among the private sector group, the National Association of Companies (SOFOFA) works actively on different initiatives to promote IB.

Support for inclusive business is growing but no specific legislation so far. Currently, there is no specific legislation on IB in Chile, but there are a variety of institutions that have programs that open pathways for IB policies. For example, Chile's Agriculture Ministry has been involved in projects with UNIMARC, a company that recruits small suppliers to the supermarket and supports them through capacity building (INDAP 2016). CORFO has programs such as the Suppliers Development Program, which helps to connect SME suppliers to production chains and local entrepreneurship, and the Programas de Emprendimiento Local, which supports local entrepreneurs through investment and subsidies for opening new businesses (Nupia and Ramírez 2015). In addition, SERCOTEC is helping micro and small companies to increase competitiveness and access to new markets, while the Solidarity Fund and Social Investment targets communities with the lowest incomes and supports them in getting jobs or setting up their business.

The Ministry of Economy's Council on Social Responsibility is mainly responsible for the task. The current government has assigned the Ministry of Economy and its Council on Social Responsibility to study and promote initiatives and discuss new approaches for inclusive growth. The ministry has also identified social enterprises as the new area for future economic support. A sustainable procurement policy, ChileCompra, at the Public Procurement and Contracting Bureau in Chile was set up under the supervision of the President through the Ministry of Finance. It uses a combination of tools, including policy and legal reforms, development of guidelines, providing accreditation, labels to indicate that products are eco-friendly, and training and capacity building. Chile also launched a comprehensive online procurement portal—www.mercadopublico.cl—which organizes many of these tools and resources and provides useful guidance to potential vendors (G20 2016c).

Remaining challenges on inclusive business definition and impact assessment. Even with this strong focus on IB, social enterprises, and strategic CSR, challenges remain especially in increasing the number of IB models and activities. There is a lack of knowledge and information on IB and its impact in reducing poverty, which can be addressed through cooperation among SOFOSA and international development agencies, such as GIZ, to develop more enabling IB policies. The impact investment environment can be improved in collaboration with the IDB and other potential investors.

Strategic corporate social responsibility in Chile is common among local and international companies. CSR is a prominent concept for companies in Chile, and they have moved from traditional CSR to more strategic activities. Companies, especially in the forestry and mining sectors, engage communities beyond philanthropy. Intermediary organizations like Avina, Fundes, SNV, and local organizations like Accion RSE and Prohumana promote CSR. Prohumana has been running a National CSR ranking for Chilean and multinational firms operating in the country since 2005 providing awareness raising and transparency to these efforts.

Commercially oriented social enterprise initiatives are growing in numbers and scale. The number and scale of social enterprises have increased in Chile. This is also due to

government support, which has created a strong cross-sector ecosystem consisting of multiple public organizations and universities, offering seed capital, co-working spaces, and diverse support to social start-ups. The main promoters in the country and in the region are "The Pacific Alliance," the association of Latin American Entrepreneurs, the ASELA, and the IADB´s Multilateral Investment Fund (MIF), which has been supporting Chile, Colombia, Mexico, and Peru to create the Pacific Alliance Venture Fund.

E. People's Republic of China

One of the world's most influential economies. The People's Republic of China (PRC) is the second-largest economy in the world, and has the largest number of people in the world (1.3 billion population). Its GDP rose steadily at high rates from $214 billion (ranked ninth in world GDP) in the early 1980s to $9.6 trillion in 2013. Following the rebalancing strategy to develop the local markets more and emphasize the export sector less, GDP growth has slowed to 6.7% in 2016, which is still very high in global standards. According to the World Bank data in 2015, GDP per capita income stood at purchasing power parity PPP$14,239 (The World Bank Group 2017a). Today, the PRC has become the world's manufacturing hub, creating millions of jobs and trades with countries across the globe. The PRC reached almost all the Millennium Development Goals (MDGs) by 2015 and made a major contribution to the achievement of the MDGs globally (The World Bank Group 2017m). Despite its phenomenal growth story, the PRC remains a developing country as its per capita income is still small compared to advanced countries.

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 90/187	2015	UNDP
Ease of Doing Business	Rank 78/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 144/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Millions lifted out of poverty but inequality remains. In the last 30 years, the PRC lifted more than 700 million people out of poverty, a remarkable feat globally. According to the PRC's national poverty standard (per capita rural net income of CNY2,300 per year in 2010 constant prices), there were 70.17 million poor people in rural areas in 2014 and 43 million in 2016. In 2016, less than 2% of the population at international poverty line of $1.90 and 11.09% of the population lives below $3.10 per day (The World Bank Group 2017q). The country will officially end severe poverty in 2020. On the other hand, the economic growth led to an increase in inequality, migration into cities, environmental challenges, and external trade imbalances. An aging population and the internal migration of labor are further challenges to sustainable development in the PRC (The World Bank Group 2017m). The PRC's Gini coefficient value of 0.49 is high compared to developed countries (The World Bank Group 2017a). The strong success in poverty reduction is

mainly due to focused government support programs for economic poverty reduction, especially in rural areas, with large budgets, committed administration, and effective programs. However, growth has also brought income inequality and millions remain vulnerable. While the government has been the driver of poverty eradication, it actively engages—especially in recent years, the private sector. A new pilot program on IB promotion for rural job generation is currently being developed in Shanxi province with the help of the Asian Development Bank (ADB). There are plans to upscale the initiative through a national IB program supported by the Leading Group on Poverty—the PRC's poverty reduction agency.

Inclusive Business in the People's Republic of China

Linking inclusive business to poverty reduction. The Go West strategy (Great Western Development Strategy) in the late 1990s, encouraged larger companies from the coastal region to establish new business models in the poorer western provinces to drive development and improve the living standards of millions of people (OECD 2015b). It was also that time when the "Guangcai" initiative was founded. However, such private sector investments were either focusing on dragon-head approaches involving the poor but not necessarily providing relevant income solutions to them, or were traditional CSR activities. The private sector is becoming increasingly interested in testing new approaches for a more effective poverty reduction. The Precise Poverty Alleviation Campaign was rolled out in 2013, with the intent of customizing poverty alleviation programs to their regional environments and local population needs. Under this program, the government emphasized the importance of the private sector, further applying enabling policies, such as government-guaranteed low-interest loans to IBs. In 2016, the Leading Group on Poverty partnered with the "Guangcai" program (Glorious Cause) under which about 10,000 companies engaged in CSR work and invested in IB models in poor areas of the PRC, backed by the Federation of Chambers of Commerce and Industries and the Ministry of Commerce (CSPGP 2014).

Inclusive business is a new concept but inclusive business models exist. IB is a new term in the PRC but models exist, which are also aligned with government initiatives for greater private sector involvement in poverty eradication. With the government setting out to lift all of its poor above the poverty line by 2020, IB can play a significant role to address poverty by engaging the poor in their business models. Under the government's Dragon Head policy, many agribusiness companies have begun engaging the poor in their value chains, while the Go West Strategy has encouraged many larger companies from the coastal region to establish new business models in the poorer western provinces (*Journal of Agrarian Change* 2017). New businesses like Alibaba have also begun sourcing from small producers. An example is Xiwang Sugar Holdings Company, which processes corn and high value-added starch sugar products in the PRC. Of its total annual corn volume, 50% is procured directly from small farmers. In 2011, Xiwang Sugar Holdings Company procured 1.25 million tons of corn from 400,000 small farmers directly or from grain warehouses. In the previous 2 years, the company procured 1.23 million and 1.15 million tons, respectively, demonstrating its consistent track record of procuring large quantities of corn from small farmers (IFC 2012). IB models are spread across the country and can be found in many sectors; however, they are most prevalent in agribusiness and related sectors like food and beverages, animal husbandry, etc., engaging the BOP in rural areas (ADB 2016e).

Inclusive business investments are few but with potential for scale. With the potential of the BOP market, more impact investors and institutional funders will turn their sights to the PRC and increase the social impact investment market from its current very small base (China Development Research Foundation 2016). IB-related investments can be found mainly in agribusiness, but there are also models in health, education, information technology-related trading and knowledge sharing, and other sectors. In a market scoping study done by ADB, more than 80 examples of IB investments were found. ADB is currently supporting two IB initiatives in the PRC—the Heilonjiang Urban Development Project and the Shanxi Agribusiness Project. In the Shanxi Agribusiness Project, 11 out of the 22 investments in companies are IB-related. Impact investors are mostly supporting social enterprises. Banks do not have special lending windows for IB, and impact investors barely exist; if they do, they focus on social enterprises. In 2015, Credit Suisse launched an IB fund for Southeast and East Asia and has closed various investments in the PRC (ADB 2016e). The three most active international investors are Credit Suisse Southeast Asia Fund (with six IB investments), LGT Venture Philanthropy (with two investors in social enterprises), and Patamar Capital (with one IB investment). IFC invested in five IB deals and ADB invested in one IB deal in the PRC.

More responsible business investing abroad needed. As more companies from the PRC operate in other parts of the world, especially in Africa and Southeast Asia, there is some pressure from the host countries that these investments contribute better to sustainable development and poverty reduction. The government—under its Going Global initiative—is also interested in having more companies develop IB strategies and investing in such when going abroad.

Mandatory corporate social responsibility for companies have led to increase in focus on social development. The PRC made CSR mandatory for larger and state-owned companies through its 2006 Company's Law in the PRC, which requires companies to be socially responsible as part of their business operations (Sarkis, Ni, and Zhu 2015). However, CSR is typically following a philanthropist approach and not developing core business investments for the poor. Most CSR programs targeting the poor in the PRC are more ad hoc in nature than systematically solving the basic challenges facing the BOP. While more companies implement CSR, awareness is also growing for making CSR more transparent, larger, and strategic.

Emerging social enterprise sector. The impact investing and social enterprise ecosystem has been growing in the PRC, though it is still very nascent. Despite the strong entrepreneurial nature, the growth of social enterprises initiatives has been slow. Experts attribute this to the strong government-focused welfare initiatives that have kept business out in building solutions to the poor's problems. Business is then often limited to giving back to the community through donations and tax payments. However, this is changing quickly (ADB 2016e). With the support of the government, incubation centers for social enterprises and innovation have been set up and the Shanghai University of Finance & Economics Social Enterprise Research Center was established (Shanghai University of Finance & Economics Social Enterprise Research Center et al. 2013). One example of an incubation center is Transit, which offers up to $1 million to early-stage entrepreneurs. (Shanghai University of Finance & Economics Social Enterprise Research Center et al. 2013). Chinese corporates have also begun supporting the social entrepreneurship sector,

such as the instant messaging giant Tencent's support to the social enterprise competition, and to the Intel-supported "Core World" public welfare innovation plan competition. Many academic institutes now host forums and conferences on social enterprise, and organizations like the British Council conduct training programs for social enterprises focused on SMEs and start-ups in the environmental and sustainability sector. With the lack of institutional impact investors, some local commercial banks are looking to provide impact capital, like the HongSHan Capital and the UOB Venture Management (ADB 2016e). Regional players like the Development Bank of Singapore (DBS) launched its "Social Enterprise Philanthropy Plan" in 2012, which supports the development of social enterprises that help poor and disadvantaged community groups improve their employment and life prospects.

Government support for inclusive business is beginning to take shape. The PRC government is emphasizing the role of the private sector to provide solutions for societal problems through various policies. IB can play a significant role in achieving the government's goal of doubling the size of its economy and lifting all of its population above the poverty line by 2020—this goal was announced as part of its next 5-year plan in a white paper on the PRC's progress in poverty reduction by the PRC's State Council Information Office (China.org 2016). Government agencies in commerce, civil affairs, economic, and information bureaus are renewing their interest in asking the private sector to play a more active role in social and environmental development. So far, there is no special finance program by the government for IB, except the pilot in Shanxi province; however, there is interest from other provincial governments and from the national government to encourage IB models in their regions. The Government of the PRC took over the leadership of IB agenda as 2016 chair of the G20, and commissioned research studies on IB in the PRC. Business associations are another stakeholder, which are active in promoting IB among companies, encouraging them to build core business models that are inclusive.

F. Colombia

A strong economy with potential for growth. Colombia's economy has grown steadily over the last decade, driven by a boom in extractive industries like oil and mining, bringing in foreign direct investment in the commodity sector (OECD 2015c). Colombia is the fourth largest economy in Latin America with a GDP of $292 billion in 2015 while the growth rate stood at 3% (The World Bank Group 2017b). However, oil being the main export commodity, the economy was hit by lower oil prices in 2016 resulting in growth slowing to 2%. With a new peace agreement between the Government of Colombia and the Revolutionary Armed Forces of Colombia (FARC-EP–Fuerzas Armadas Revolucionarias de Colombia–Ejercito del Pueblo) in place in 2016, this lead to improved security situation and stability that contributed to growth (The World Bank Group 2017n).

Poverty has been reduced but remains high. Of the country's population, 14% lives below the international poverty line of $3.10 while 5% lives below the $1.90 in 2014 (The World Bank 2017b). Poverty is still highly prevalent in rural areas with around 40% of the poor living in rural areas. Decades of conflict are a key reason for the poverty, which has also displaced more than 6 million people. Growth has not been inclusive, with the majority of

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 31/187	2015	UNDP
Ease of Doing Business	Rank 53/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 37/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

people working in informal sectors—informal employment accounts for 50%–70% of total employment. Youth, female, low-skilled workers, and those displaced by political violence are the most likely to work informally, leaving them vulnerable. Old-age poverty remains among the highest in Latin America, despite recent progress in overall poverty reduction (OECD 2015c).

Inclusive Business in Colombia

Inclusive business models are mainly seen in the agriculture sector. IB models are widely seen in Colombia, especially in the agriculture and food-related sectors. A 2015 Inclusive Business Action Network study identified 36 IB models in Colombia, with 61% of the cases integrating the low-income families as suppliers and 33% as customers, with the investments being made in agribusiness and food (56%) and in financial inclusion (11%) sectors (IBAN 2016). Many large corporations in Colombia engage IB models to enhance the efficiency of supply chains and as part of their CSR strategy. IB is promoted through the National Inclusive Business Council (CONNIC) that drives CECODES (the national chapter of World Business Council for Sustainable Development), which is a multi-stakeholder platform with the academia, business, consultants, and the public sector. CONNIC has developed a National Strategy on Inclusive Business to promote, identify, and monitor IB cases in the country (The World Bank Group 2017n). Other initiatives like MINKA—an IB-focused NGO—developed an online platform to connect IB companies to communities that could serve as suppliers. An example is Nutresa, a large food corporation that works with over 12 farmer associations in the cultivation of sesame. The company also supports the farmers through partnerships with the Agricultural National Bank (Finagro) and the Universidad Externado of Colombia for training. Nutresa also provides technical assistance for improving quality and productivity of the crops (Nutresa 2015).

Increasing move toward strategic corporate social responsibility activities. Colombia has a long tradition of CSR across many industries, while the government encourages public and private enterprises to follow OECD guidelines (Export.gov 2014). CSR continues to be a strong concept in Colombia and many corporations and their foundations have begun developing strategic initiatives. Corporations like Pepsico, Grupo Nutresa, and Alpina work with local suppliers in the agricultural sector for their supply chain needs (Colombo Britanica n. d.). The National Business Association of Colombia (ANDI) developed the project "Productive Concatenations" within the framework of CSR, which was financed by the MIF, promoting IB.

Social enterprises are growing in number. Colombia has seen social enterprises grow over the years. The Ashoka social enterprise group was set up in Colombia as early as 1994. In 2011, the international Grameen Bank movement then established its first social business branch in Colombia. In 2013, the Acumen fund opened its Latin America headquarters in Bogota and in the same year "Socialab" established itself as the first social entrepreneur incubator in Colombia. Some $56 million has been invested in 2014 and 2015, with a focus on agriculture and financial inclusion sectors.

Growing support for inclusive business from private sector and civil society. The overall ecosystem for IB is strong, even though there is no specific legislation that promotes IB. While there is strong interest from the government on IB, there is no cohesive policy. Some government programs like "Alianzas productivas" have facilitated IB, with a goal to help small farmers generate income by connecting them with traders. The program has resulted in more than 218 alliances in 30 departments, impacting 12,530 small farmers as beneficiaries (Ministry of Agriculture, Government of Colombia 2016). Intermediaries and development partners have been working with the National Planning Department to boost IB policies. Other government institutions like Social Prosperity Office, National Association for Overcoming of Extreme Poverty (ANSPE), and Learning National Service (SENA) are already considering the promotion of the IB concept. In addition, the Office of Social Private Investment, the Centre for Social Innovation, and the Ministry of Agriculture are also playing a role among the government entities in promoting IB.

Professional and business associations have been the leading voices in promoting IB with a focus on large corporations. CONNIC set up by the Colombian Business Council for Sustainable Development (CECODES) has been at the forefront of IB development. At least 32 impact investors are active in Colombia, including Bamboo Finance, Inversor, Acumen fund, LGT Venture Philanthropy, and Banca de Inversion Social while international development banks like the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB) have invested in 24 deals in Colombia (IBAN 2016). Many nonprofit organizations like Fundacion Carvajal, Fundacion Bavaria, Ventures Corporation, Minka-Dev, Fundes, and Centro Internacional de Responsabilidad Social & Sostenibilidad are also looking at market-based solutions and increasingly interested in IB. All of this is encouraging for the growth of IB in the country.

Colombia is a strong economy in the region and has seen many active IB models. With support from the private sector and international development agencies, the IB sector has high potential to grow. While agriculture has seen the most number of models, other sectors too have the potential for IB. A more strategic ecosystem and support from the government can unlock further market opportunities in IB in Colombia.

G. Hong Kong, China

Top business city in Asia and the gateway to the People's Republic of China. Hong Kong, China is the 26th-largest economy in the world and the 14th-largest among the APEC economies. It has a population of 7.2 million people who enjoy the 26th-highest GDP per capita in the world and the 7th-highest among APEC economies (IMF 2016). Hong Kong, China ranks fourth in the 2016 Ease of Doing Business index

FACT SHEET

Indicators		Year	Source
Human Development Index (HDI)	Rank 12/197	2015	UNDP
Ease of Doing Business (DB)	Rank 4/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 1/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

(third among APEC economies). As of 2016, it is the world's most services-oriented economy, with services sectors accounting for more than 90% of GDP, Asia's largest recipient of foreign direct investment (FDI) and Asia's third largest source of FDI, after Japan and the PRC (HKTDC 2017). With its strategic location, government support for the private sector, and low and simple tax regime, the economy is recognized as a prime investment and trading location in Asia.

Working poor and elderly most vulnerable. The government views poverty alleviation as a priority policy area. According to the 2015 poverty report (Government of the Hong Kong Special Administrative Region of the People's Republic of China 2016), the national poverty rate was 14.3% of the population, or close to 1 million people. Almost half of those living in poverty are working poor, while the number of senior citizens living in poverty increased and reached over 30% (310,000 seniors).[4] Ethnic minorities and people with disabilities are also recognized as vulnerable to poverty. The aim of the government is to provide a non-contributory social security system to meet the basic and essential needs of the financially vulnerable and the special needs of severely disabled and elderly persons. In 2016–2017, the government plans to spend about $8 billion on its social welfare programs, which are delivered through the government itself, 165 NGOs, and the private sector (Social Welfare Department, Government of the Hong Kong Special Administrative Region of the People's Republic of China 2016).

Inclusive Business in Hong Kong, China

Hong Kong, China-based companies do not know much about inclusive business. In Hong Kong, China, core business operations and philanthropic efforts are strictly divided and very few companies see solutions to the problems of the poor and socially excluded as a basis for their business success. There are, however, various family foundations and high net worth individuals (HNWI) with a strong emphasis on giving back to society and promoting social entrepreneurship. Awareness for the concept of combining social impact and financial results in core business operations is only emerging and mostly under the conceptual framework of Shared Value and sustainability. The Social Innovation and Entreprenurship Fund launched in 2015 its Shared Value initiative "to encourage businesses to implement innovative business plans that create business value and social impact at the same time" (SIE Fund 2016). After creating awareness for the topic in 2015 and 2016, the

[4] Developed economies typically have much higher poverty thresholds, and define poverty as a relative concept, not as an absolute concept as in emerging economies. Therefore, the poverty data and incidences between developed and emerging economies in APEC are not comparable.

objective is to create viable social venture business plans in the future. However, the impact finance community is small with SOW Asia and RS Group among the more prominent funders. Furthermore, no evidence could be found of a major gateway function for the PRC-based IB and social enterprises in the form of impact investment and access to the market in Hong Kong, China.

Corporate social responsibility is a part of corporate culture but still evolving. According to the 2015 Hong Kong Business Sustainability Index, corporations in Hong Kong, China are still exploring the issue of CSR, especially in areas related to sustainability. The index found that although companies had CSR strategies, the companies lagged behind when compared to peers in the US and Europe (Lai Ying-kit 2015).

Social enterprise initiatives are increasingly regarded as an efficient delivery mode of social welfare and innovation. Hong Kong, China defines social enterprises as a business that emphasizes specific social objectives with its profits principally reinvested for the social purpose rather than distributed to shareholders. Since its emergence 10 years ago, the social enterprise sector has grown and has doubled in size from 222 to 457 social enterprises in 2014 (The Home Affairs Bureau and the Social Enterprise Advisory Committee 2014). The sector is still dominated by charities running specific programs with registered companies contributing more than one-third of all social enterprises. The report further highlights the cost efficiency with social enterprise generating HK$7 of social impact per Hong Kong dollar subsidy. With strong government support in the form of institutional structures, financing, and capacity building, an enabling ecosystem has developed for the social enterprises sector, which is now reaching out also to larger companies and offering support for the development of IB models using Shared Value and sustainability frameworks as the entry point.

Government support. The government supports social enterprises through three major programs—the Enhancing Self Reliance through District Partnership Programme (HK$300 million), the Enhancing Employment of People with Disabilities through Small Enterprise Programme (HK$154 million), and the Social Innovation and Entrepreneurship Development (SIE) Fund (HK$500 million), which is the government's main flagship program for social enterprise development. The SIE Fund was launched in 2013 to connect the community and to create social impact through innovative solutions that address poverty and social exclusion. The SIE Fund provides funding to social enterprises through intermediaries and, as of July 2016, funded 38 ventures with the plan to fund 100 by 2018 (SIE Fund, Hong Kong 2016). In addition, the government sponsors events such as the annual Social Enterprise Summit and the Hong Kong Social Enterprise Challenge, which have contributed toward increasing public awareness from 59% in 2009 to 79% in 2013. However, most of the social enterprises focus only on domestic issues, and only a few expand internationally. The scalability of the social enterprises is also limited due to the relatively small number of beneficiaries in the economy; therefore, it is unlikely that they will develop into IB models.

For investments in inclusive business models from Hong Kong, China, higher awareness is needed. While the domestic social enterprise sector is expanding and receiving substantial policy and financial support, the awareness of IB models is not visible. The promotion of Shared Value models and sustainability are possible entry points of

discussion with the business community and the public sector. This is to highlight the benefits of IB models for company growth and social impact. Most of the largest businesses in Hong Kong, China are family controlled, so convincing the key decision makers of the social and financial value of injecting greater inclusiveness represents the greatest opportunity for change, if they buy into the idea, or an obstacle, if they are not convinced. Successful cases of IBs in relevant markets will be a great incentive for businesses to seriously reconsider their business models.

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 110/187	2015	UNDP
Ease of Doing Business	Rank 91/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 99/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Source: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

H. Indonesia

Indonesia is one of the fastest growing countries in the world. Indonesia, the 16th-largest economy in the world with a population of 256.7 million, is driven by an emerging middle class with increasing consumption and domestic production (The World Bank Group 2017w). The economy has seen steady growth at 4.8% (2015) with GDP per capita at PPP$11,058 in 2015 (The World Bank Group 2017w). According to a Standard Chartered commentary, nominal per capita GDP is expected to quadruple by 2020 and the economy is projected to grow fivefold by 2025 (ADB 2013b). Indonesia could potentially become the world's seventh-largest economy by 2030 after Brazil, the PRC, India, Japan, the US, and the Russian Federation (ADB 2013b).

Poverty has been reduced, but vulnerability is high. Despite strong macro-economic indicators, 21 million Indonesians (8.4% of the population) still live in extreme poverty (on less than $1.90 per day) and a further 94 million (36.4% of the population) are vulnerable to poverty with daily available expenditures of less than $3.10 (The World Bank Group 2017j). Based on the national poverty line ($25 a month income per person), 11.2% of the Indonesian population lives in poverty (The World Bank Group 2017s), and there is a large vulnerability to poverty with a big share of the population moving in and out of poverty various times during their life. According to ADB, 55% of households who were classified as poor in 2014 were not poor a year earlier, which shows the vulnerability to fall back into poverty (Aji 2015).

A large base-of-the-pyramid market that is underserved. Due to its large population size, Indonesia has—after the PRC and before Mexico—the second-largest BOP market among the emerging APEC economies. A strong CSR culture is seen in large corporations and a rising number of social enterprises are addressing this market. However, relative to the market size, the country only has a few companies with IB models. According to the World Bank Consumption Data, the BOP market (low and lowest consumption segments)

in Indonesia is almost 98% of the population. The consumption data shows that the low and lowest segment of the population spends 50% of their income on food, 11% on housing, and 8% on transport, indicating that these sectors have great demand. However, this also highlights the fact that both health and education are underserved sectors for these income groups with only 2% spent on health and 3% spent on education (The World Bank Group 2010b).

Inclusive Business in Indonesia

Strong corporate social responsibility culture seen across sectors. Indonesia's economy is made up of many large corporations, with many displaying a strong CSR culture. However, the CSR investments are typically not strategic in the way that companies use them for developing core business models with the poor and low-income people. So CSR investments in Indonesia as they are at the moment are not generating much systemic development impact, and the activities pursued are also not really innovative.

Growing number of social enterprises and impact investments. There is no specific legislation recognizing social enterprises. Most social enterprises take the form of private limited companies. Both the small and medium enterprise (SME) and social enterprise sectors have been growing, with entrepreneurs working in multiple sectors. Leading global and regional impact investors are active in Indonesia, funding social enterprises that are building profitable businesses. LGT Impact Ventures invested in Kakoa, a social enterprise that improves livelihoods of smallholder cocoa farmers by providing training, paying premium prices, and managing an integrated value chain (LGT Venture Philanthropy 2017). Patamar Capital, formerly Unitus Impact Partners, has made two investments in agribusiness in Indonesia in enterprises that work with smallholder farmers as suppliers and a third in a technology platform that provides financial services to small shopkeepers (Patamar Capital n.d.). Regional impact investor Aavishkaar Venture has expanded to Indonesia with its investment in North Atlantic, Inc., a company sourcing seafood from Indonesian artisanal fishermen, and markets frozen seafood products to supermarkets and restaurants in North America and Asia (Aavishkar 2016). Peer to peer lending platform Kiva has also begun facilitating funding to social enterprises in Indonesia with 44 loans so far. It has supported RUMA, the tech platform that has also received funding from Unitus (Kiva 2017) while organizations such as Ashoka, UnLtd, and British Council Indonesia are active in awareness-creation and capacity-building programs for social entrepreneurs.

No specific IB-focused funds exist, and so far, very few banks show interest in supporting IB (Vega, Rumondang, and Finneran 2013). ADB has invested in two IB projects in Indonesia: the OLAM inclusive coffee value chain project and the West Jarkarta Water supply development project (ADB 2017b).

Agribusiness is the main sector for inclusive business models. According to a market scoping study by ADB, more than half of the IB models in Indonesia are in agribusiness. Some 28 large national and multinational agribusiness companies united under the PISAgro business association share information and jointly promote investments, many of which have IB characteristics. An example of a successful IB model is Indofoods, a large food solutions company in Indonesia. The company has integrated close to 60,000 smallhold farmers in its supply chain to produce snacks and sauces, and supported

them with access to finance giving them a path toward becoming independent farmers. Indofoods also supports the establishment of small manufacturing business to which it outsources preproduction manufacturing processes and engages with over 50,000 micro-entrepreneurs in the distribution of its products (Indofood Indonesia 2017). The scale of business model of Indofoods is a prime example of how the agribusiness value chain can be more inclusive downstream and upstream.

Inclusive business in tourism. Apart from agribusiness, tourism is another sector where IB could be promoted. The Ministry of Tourism has made inclusive tourism a priority and is now developing interventions in different areas of the country to create linkages between communities and tourism companies. From 2013 to 2016, the German development assistance agency GIZ ran the Responsible and Inclusive Business Hub from Jakarta and mainly supported inclusive tourism projects.

Business associations can play a strong role to promote inclusive business. Business associations like Kamar Dagang Dan Industri Indonesia (Indonesian Chamber of Commerce and Industry) and Asosiasi Pengusaha Indonesia (the Indonesian Employers Association) are increasingly interested in getting involved in information dissemination, IB accreditation, and IB support programs. Organizations like Indonesia Business Council for Sustainable Development, a business association operating in Indonesia, are active advocates for IB. Indonesia is one of five GrowAsia country partnerships, which develop agribusiness IB models with its members using a public–private partnership (PPP) model.

An enabling policy ecosystem to promote inclusive business is taking shape. In April 2016, the government set up the Inclusive Business and Innovation Task Force under the Coordinating Ministry of Economic Affairs to promote IB in the country. In 2016, the IB task force has focused on promoting IB in agri-commodity sectors like onion, fisheries, and forestry; on supporting micro, small, and medium enterprises (MSMEs) to scale. However, there was no concrete IB support program (unlike in the Philippines and other economies). For 2017, the task force aims to set up an IB accreditation system in the country to encourage more corporates to adopt IB models. In 2015, a new national framework for poverty reduction was launched, with a focus on making the growth process more inclusive. This framework recognizes that it is important to improve the investment climate for labor-intensive industries and small business, and to improve connectivity and accelerate the development of basic infrastructure to support economic activity and sustainable livelihood in rural and border areas (Aji 2015). To spur entrepreneurship, the government increased support to MSMEs (G20 2016b) and launched PENSA—Program for Eastern Indonesian Small and Medium Enterprise Assistance—in collaboration with the International Finance Corporation (IFC).

I. Japan

One of the largest economies in the world with strong technology and financial industries. The world's third-largest economy with its high-tech industries, Japan's GDP stood at $4.38 trillion with a 1.2% GDP growth in 2015, which is projected to reach 1.0% in 2017 (The World Bank Group 2017x). Japan achieved tremendous economic growth after the destructions of the Second World War, pushed by its successful car and

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 20/187	2015	UNDP
Ease of Doing Business	Rank 34/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 22/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

consumer electronics industries, playing a strong role globally as a source of global capital and credit, and as a leading aid donor. With the second-highest spending worldwide on research and development (R&D), a push for intellectual property and new trends, and an increasingly globalized outlook, Japanese companies remain among the most valuable and technologically advanced in the world. Japan's major growth driver is exports despite external demand accounting for 16% of its total GDP (UK Department of Trade and Industry n.d.). Japan was ranked 6th in the 2015–2016 World Economic Forum's Global Competitiveness Report (World Economic Forum, *The Global Competitiveness Report, 2014–2015*) and ranked 34th in the 2016 World Bank's "Ease of Doing Business" report (World Bank 2016b). However, in the last decade, growth in Japan remained sluggish and the country's role in development assistance is also gradually declining.

Japan has a highly urban population that is aging. Japan has a population of 127 million people with more than three-quarters of the population living in coastal areas of cities in Japan's four main islands (The World Bank Group 2016a). A crucial long-term challenge for Japan is its rapidly aging and declining population, projected to drop from 127 million people to 117 million in 2030 and below 90 million people in 2057 (UK Department of Trade and Industry n.d.). Japan faces social welfare challenges similar to those of other developed countries, including an aging population, people with disabilities, deteriorating educational levels, smaller nuclear families, rigid criminal justice system, increasing unemployment, noncommunicable diseases related to unhealthy lifestyle, etc. Among these, the most critical issue facing Japanese society is the rapidly aging population, which is considered the fastest in the world. It is estimated that by 2050, one in three people will be over 65 years old. In recent years, income inequality has been on the rise in the country, with child poverty seeing a steady increase. A 2016 United Nations Children's Fund (UNICEF) report states that the children of the poorest households in Japan are significantly more disadvantaged than their counterparts in most other industrialized nations. The report showed that the inequality gap in Japan is the eighth largest of the 41 countries surveyed, with Japan also being well below average in its relative poverty rate, or the ratio of people living on less than half the median income. By this measure, one child in every six in Japan is poor (UNICEF 2016).[5]

[5] Developed economies typically have a much higher poverty thresholds, and define poverty as a relative concept, not as an absolute concept as in emerging economies. Therefore, the poverty data and incidences between developed and emerging economies in APEC are not comparable.

Inclusive Business in Japan

Strong commitment to corporate social responsibility with a focus on sustainability. Japan is one of the leading economies in CSR, with many of its corporations establishing CSR and sustainability departments regularly publishing sustainability reports. The Japan Business Federation, one of the largest business associations set up since 1991, has promoted CSR and sustainability as part of its charter. Initiatives like the Toyo Keizai Corporate Social Responsibility Survey have been undertaken every year since 2005, which provides a CSR ranking for all publicly listed companies.

Impact investing is nascent but growing. In Japan, financial institutions, corporate funds, and some intermediaries play a significant role in the development of social investment and its total accumulated size is estimated at $247.7 million in 2014 (Japan National Advisory Board, G8 Impact Investment Taskforce 2014). A series of policies was implemented with the most prominent being a $210 million social innovation fund to provide financing for 800 social entrepreneurs over 2 years (Japan National Advisory Board, G8 Impact Investment Taskforce 2014). Both social entrepreneurship and social innovation have become increasingly prominent in Japan pushed by such support. However, impact investing is still a concept less understood and there is very little funding going to that sector. This seems to be mainly due to a lack of committed information sharing, as a recent initiative by IFC to establish Inclusive Business Bonds in Japan was well perceived and very quickly taken up by the market. Another indication that the impact investment sector is growing is the establishment in 2017 of the $100 million "Impact Fund for Women in Asia"—the first social investment fund focused on gender—set up by a private foundation, the Nippon Foundation.

Japanese corporations are moving toward inclusive business abroad. Japanese companies have a strong interest in IB as an opportunity to diversify their export-oriented business model targeting high- tech and upper-income markets. According to Business Call to Action, more and more top companies are exploring ways to develop IB value chains in new regions. Examples are Ajinomoto Co., ITOCHU Corporation, Panasonic, Kurkku, Ryohin Keikaku (MUJI), Sumitomo Chemical, Fujitsu, and Unicharm Corporation. The leading retailer and lifestyle brand MUJI is focusing on expanding in an eco-friendly manner, sourcing from low-income artisans in post-conflict regions of Cambodia, Kenya, and the Kyrgyz Republic. However, this business line is still small in the number of people engaged, and requires further innovation at the BOP to make it more sustainable (Business Call To Action n. d.). Another leading company, Yamaha, has targeted small farmers through its promotion of the use of new pump-based farming methods in Africa with its drip system. The company has worked with NGOs, local governments, and other organizations to explain and guide the use of the devices, and to collect money from sales. Use of the product has resulted in more efficient production of onions and other crops, and in reducing production costs (Yamaha. 2016).

The Government of Japan and corporations show strong support for inclusive business. The government encourages domestic companies to develop IB initiatives overseas. Japan's Ministry of Foreign Affairs, through the Japan International Cooperation Agency (JICA), implemented the "Preparatory Survey for BOP Business Promotion" scheme from 2010 to 2016 promoting private sector BOP business in developing countries. It assisted

over 100 companies providing feasibility study funding to Japanese companies to develop IB models, project planning and ideas for collaboration with JICA projects in developing countries (The Practitioner Hub for Inclusive Business n.d.). In 2017, the scheme was renamed "Feasibility Survey for SDGs Business" to expand its scope. In 2010, the Ministry of Economy, Trade & Industry (METI) launched the Japan Inclusive Business Support Centre, where METI and the Japan External Trade Organization (JETRO) established an Information Portal Site for BOP/IBs (BoP Japan n. d.). JETRO has partnered with Japanese businesses to implement IB in Africa, Asia, and South America. JETRO has also put in place local coordinators that support Japanese companies in Bangladesh, Ethiopia, India, Indonesia, Kenya, Nigeria, Pakistan, Peru, and Tanzania (The Practitioner Hub for Inclusive Business n.d.).

Aligning to the Sustainable Development Goals—can it help in promoting inclusive business? Japan is the fourth-largest aid donor country with total official development assistance (ODA) contributions amounting to $9.3 billion. According to the OECD, Japan ranked fourth among the member countries after the US, the UK, and Germany. JICA is the world's largest bilateral agency with a key focus on Southeast Asia ($3.4 billion) and the Pacific region ($16.4 million). The Government of Japan has been leading the way for SDGs alignment both domestically and through its ODA, with strong support and partnerships with the private sector. While Japanese corporations are expanding their markets and their "social license" in emerging markets through their IB activities and models, the actual number of Japanese foreign direct investments—be it through social enterprise initiatives or IB models—is still relatively small. The discussion on reporting the Japanese private sector's contribution to the SDGs is increasingly getting active, however, despite encouragement from the government, no systematic approach has emerged so far, neither in the business community, in the government, the NGO sector, or in the academe. In 2016, the Government of Japan launched its SDGs Promotion Headquarters, with the prime minister as the chair, to develop implementation guidelines for the government (Sustainable Development Goals Promotion Headquarters, Prime Minister's Office n.d.). Japanese corporations are following the lead and are aligning their strategy with the SDGs.

J. Republic of Korea

A strong and highly industrialized economy. The Republic of Korea's economy is the third largest in Asia, only behind the PRC and Japan, with GDP at $1.267 trillion and a GDP growth rate at 2.612% in 2015 (The World Bank Group 2017k). The Republic of Korea has experienced strong economic growth and global integration to become a high-tech industrialized economy (OECD 2016b). It has moved from a GDP per capita similar to poorer countries in Africa and Asia in the 1960s to a trillion-dollar economy in 2004. The government's economic policies resulted in real GDP growth averaging 10% annually from 1962 to 1994, fueled by exports (The World Bank Group 2017y). However, recent political turmoil has caused some disturbances in the economy.

New social development challenges. The Republic of Korea is facing new social development challenges today, including an aging population, gender inequality, growing income disparity, a slowing economy, and youth unemployment. Today's youth struggle to find employment, and the jobless rate for the youth reached 12.5% in February 2014,

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 18/187	2015	UNDP
Ease of Doing Business	Rank 5/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 23/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

the highest in 15 years. Although net national income increased from $21,286 in 2006 to $27,119 in 2014, an estimated increase of 27.4% per capita, the proportion of young breadwinners (34 years or under) who live below the poverty line increased from 10.7% in 2006 to 12.2% in 2014, despite their high levels of education and academic qualifications. Problems of unemployment and poverty are also emerging among the elderly people (Asian Foundation 2016).

Inclusive Business in the Republic of Korea

Strong corporate social responsibility is becoming more strategic. CSR has traditionally been very strong in the Republic of Korea, with the largest corporations Hyundai, LG, Yuhan-Kimberly (YK), Samsung Electronics, and POSCO all engaging in CSR initiatives (Mee-Hyoe Koo 2013). The Republic of Korea's companies also engage in CSR initiatives in developing countries where they operate. For example, in 2013, through its Hyundai Hope On Wheels program, Hyundai committed over $14 million for pediatric cancer research to institutions across the US (Korea Society 2016). Large companies that have paid importance to the Shared Value concept, are increasingly reporting their contributions to the SDGs, exploring social impact PPPs, and undertaking new investments in impact-driven business. Examples are efforts by the Hyundai Motors, and LG, which support social enterprises through their own philanthropy programs that provide grants and follow-on investments. Companies are also collaborating with the government as seen in initiatives such as the Action Initiative for Youth and Women on SDGs. This aims to achieve gender equality as promoted by the Korean Association for Supporting the SDGs (ASD), an NGO aligned with the Ministry of Foreign Affairs. The initiative has brought together corporations like LG Electronics, Korean Air, and Hyundai Engineering, among others (United Nations 2015).

Social enterprises are emerging as a strong sector. The Republic of Korea has a thriving social enterprise sector with support from the government (since 2015) and private sector. Young social entrepreneurs are going up against the entrenched culture of pursuing high grades in a highly competitive education system followed by corporate jobs (The Kennedy School, Harvard University n.d.). The country's social enterprise ecosystem has been growing with the presence of organizations like the Korea Impact Investment Network and the SK Happiness Foundation, which are active in the country and in the region. Social ventures such as Crevisse, an impact investment and incubation company that invests in educational and environmental social enterprises, and impact investor D3jubilee helped to grow the ecosystem. In 2017, Impact Finance Korea, a $179 million social impact

fund was launched, aiming at investing in the health care and employment sectors. An interesting trend seen in the country is that large corporations have set up social enterprises that are blending profits with social objective. An example of a local social enterprise initiative that has reached scale is Happy Nare, with revenues of $250 million, a spin-off from SK Group's stationery business. Engaging a social procurement model, Happy Nare purchases supplies from firms that hire socially vulnerable people. The company has now expanded to the PRC (Social Enterprise Buzz 2012).

Government support. The government—at the national and local levels—has set up a comprehensive system to promote social enterprises (Kyujin Jung 2015). The national government developed legislation for recognizing social enterprises. It set up the Korea Social Enterprise Promotion Agency, and promotes universities that offer classes on social entrepreneurship, including an MBA on Social Enterprise. A social enterprise certification system was introduced and 1,606 social enterprises have been certified in the country (FOMIN n. d.). Once accredited, social enterprises can have access to preferential support, such as expert support in human resource management, tax affairs, accounting, and loans for renting land and facilities; public procurement bidding; tax benefits and subsidies for social security premiums; and subsidies for personnel and operational expenses. Through its development assistance agency the Korean International Cooperation Agency and the Korea Trade-Investment Promotion Agency, the government established a social enterprise incubator program that supports the country's social entrepreneurs that invest abroad (Devex 2015). Through the country's ODA program, the government supports MYSC, a B-Corp organization, which partners with corporations, government, nonprofit organizations, and social enterprises, and provides services for social innovation through business. It is now training six teams in Cambodia and Viet Nam to develop their business models (Devex 2015). A still pending legislation, the Social Economy Law, aims to ensure that public institutions procure 5% from registered social enterprises and/or NGOs.

Emerging inclusive business investments. While CSR activities and social enterprise initiatives are strong in the country, and a good ecosystem to support IB investments is in place, companies are only starting to develop IB models in their investments abroad. The Conglomerate CJ Group is one example. Operating in the food and food services, biotechnology, logistics, entertainment, and media sector, it developed an IB model for sourcing chili for its kimchi production in Viet Nam. In 2012, following the OECD Fourth High-Level Forum on Aid Effectiveness in Busan (OECD 2014), workshops by Global Compact Korea Network and the UNDP were held to raise the awareness of private sector engagement in IB (UN Global Compact 2012).

K. Malaysia

An upper-middle income economy with a diversified economy. Malaysia is one of the "upper-middle" income economies in the APEC. Malaysia was 1 of 13 countries identified by the World Bank's Commission on Growth and Development in its 2008 Growth Report to have recorded average growth of more than 7% per year for 25 years or more (The World Bank Group 2017o). From an economy dominated by the production of raw natural resource materials, such as tin and rubber, even as recently as the 1970s, Malaysia today has a diversified economy and has become a leading exporter of electrical appliances,

electronic parts and components, palm oil, and natural gas. Malaysia was hit by the Global Financial Crisis in 2009 but recovered rapidly, posting growth rates averaging 5.7% since 2010 with GDP growth rate at 5% in 2015 (The World Bank Group 2017c). To spur the transition in restructuring its economy, Malaysia has a big demand for knowledge and skill-based human resources in capital-intensive and high value-added activities (Zulkarnain and Isahaque 2013).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 62/187	2015	UNDP
Ease of Doing Business	Rank 23/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 29/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Economic growth has been relatively inclusive. It brought poverty levels to only 0.28% of those living below the international poverty line of $1.90, and 3.27% of people living below $3.10 (The World Bank Group 2017c). Though extreme poverty is less than 1%, pockets of poverty remain and income inequality remains high relative to other developed countries. Malaysia's Gini coefficient of income inequality stood at 0.41 in 2014 (The World Bank Group 2017u). In spite of the steady economic growth, some vulnerable sections of the population remain poor due to several disadvantaged circumstances. According to the World Economic Forum's Inclusive Growth and Development Report 2015, some sectors stand out for lack of inclusivity, like health care due to higher out-of-pocket expenditure. Malaysia's gender gap is the fifth highest among upper-middle income countries in education and pay scale, and third highest in labor force participation. The report highlights that Malaysia has the most inadequate social assistance among peers, and among the poorest coverage of old-age pensions and the lowest spending on social protection. Therefore, targeted government interventions and strong IB models can help the country achieve higher levels of inclusive growth (World Economic Forum 2015).

Inclusive Business in Malaysia

Inclusive business is not a well-known concept. Given the small size of the BOP market, the potential for IB models is low. There is no government support policy for IB models. Sectors with potential for IB models are in agribusiness, financial inclusion, and technical training. Some IB models are seen in financial inclusion, with the government promoting it through its banking institutions. A holistic framework was formulated as part of the Central Bank's Financial Sector Blueprint 2011–2020 to improve the overall well-being of communities on aspects of convenient accessibility, high take-up, responsible usage, and high satisfaction of financial services (Bank Negara Malaysia 2015).

Corporate social responsibility is an important part of Malaysian corporate culture. While IB is not a familiar concept, CSR first gained momentum in Malaysia when the

5th Prime Minister, Abdullah Badawi, introduced numerous incentives and inducements for companies to practice CSR. This included tax breaks from the government to the guidelines provided by the national investment company, Khazanah. This initiative resulted in CSR awards, conferences, workshops, and seminars but has not gone forward to building IB models. In 2007, it became compulsory for companies listed on Bursa Malaysia to disclose their CSR activities or practices. The government has also established a fund of RM50 million to promote CSR activities and announced that in the future, inclusion of CSR in state-owned investment funds will be a criterion for future investments. Businesses that demonstrate exceptional CSR practices are recognized by the government and presented with the Prime Minister's CSR Awards at the end of each year, since 2008. All these steps by the government have facilitated more and more companies to adopt CSR as part of their company's strategy and core values (Eco-CSR Japan n.d.). This can be leveraged to build knowledge around IB models and how companies can integrate the BOP into their businesses.

Social enterprise initiatives are new but growing. It is estimated that in 2015, about 100 of these for-profit social enterprises exist, and were focused on education, environmental sustainability, rural development, and poverty. Many social enterprises have shown that they are able to blend profits and impact. Examples include Earth Heir, an ethically driven business that sells handmade scarves and clothing. It donates 10% of its revenue to charities that support victims of human trafficking. Another social enterprise, Epic Homes, builds relationships between Malaysia's indigenous *orang asli* population and urban communities through the construction of homes.

There is government support for kick-starting social enterprise initiatives and social innovation in the country. The government's proactive role in promoting CSR and social enterprise has resulted in growth of these sectors. Similarly, its promotion of IB will allow growth to reach more Malaysians. For example, the government could extend its CSR tax incentives to businesses that implement IB models, with a clear accreditation of models.

Inclusive Innovation is a program run by Malaysia's SME Corp., which steers the country's SME master plan. It aims at encouraging innovations that lead to affordable access of quality goods and services, and creating livelihood opportunities for the excluded population, primarily at the base-of-the-pyramid, on a long-term sustainable basis with a significant outreach. As of October 2017, the program has resulted in 15 innovations ready for diffusion to reach 12 communities.

The government-backed Malaysian Global Innovation and Creativity Centre (MaGIC) was launched with a mission to spur the entrepreneurial ecosystem in Malaysia, bringing together resources from partners and communities, and to develop entrepreneurs of enduring, high-growth start-ups that will make a positive impact at a regional or global scale. In May 2015, Prime Minister Datuk Seri Najib Razak announced a plan to grow the sector by allocating RM20 million to MaGIC to increase the number of social enterprises to 1,000 by 2018, from just over 100 (MaGIC, Government of Malaysia 2015). MaGIC has committed over RM500,000 to five social enterprises—Epic Homes, Mabul Skills Project, MakanLah, Tonibung, and Arus Academy—under the Amplify Awards. MaGIC's work plan also encourages the formation of a strong, supportive ecosystem of social entrepreneurs through incubators and accelerator programs that offer them business consulting, legal

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 74/187	2015	UNDP
Ease of Doing Business	Rank 47/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 62/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

advice, recommendations for co-working spaces, and networking opportunities with others in their industries. In June 2015, MaGIC launched its first accelerator program for social enterprises. Social Enterprise Alliance Malaysia also runs its own incubator programs, which are typically long term. Another player, Tandemic, helps foster connections between social entrepreneurs and industry experts.

Several social enterprises from Malaysia have been seen participating in regional social enterprise competitions like DBS NUS Social Innovation Challenge Asia.

L. Mexico

A strong economy that is dependent on exports. After Brazil, Mexico is the second-largest economy in Latin America. The GDP stood at $1.14 trillion in 2015 with a modest growth rate of 2.2% over the last 5 years. The GDP per capita is $17,277 in recent international PPP (The World Bank Group 2017l). Mexico manufactures and exports the same amount of goods as the rest of Latin America combined. Foreign trade is a larger percentage of Mexico's economy than any other large country, with manufactured products being the top exports. It also exports silver, fruits, vegetables, coffee, and cotton.

Almost 50% of the country lives in poverty. Of the 127 million people in Mexico, 11% live below the international poverty line of $3.10 and 3.04% live below the $1.90 (The World Bank Group 2017l). The much higher national poverty line puts more than 50% of the population in poverty. UNICEF estimates that more than 1.6 million children live in extreme poverty (UNICEF 2015a). Of the population, 19% does not have access to formal education, 23% suffers from hunger, 18% does not have access to health care services, and 12% does not own their houses. While economic growth has been steady, this has not significantly decreased poverty, but widened the inequality gap. Mexico has one of the world's most unequal societies, mainly due to a lack of jobs and no increase in incomes.

Huge potential for base-of-the-pyramid market with 79% of consumers in the poor and low-income sector. According to the Global Consumption Data, 88.8 million BOP consumers in Mexico spent approximately PPP$141 billion. The largest expenditures are in the food and beverages (28%) and housing (27%) sectors, showing that affordable housing market is huge in the country. While education and transport came in second with 7% each, 6% of incomes were spent on energy, clothing, and education, showing the need for affordable products and services in these sectors.

Inclusive Business in Mexico

Inclusive business is becoming an important concept in Mexico. According to a 2015 study (IBAN 2015), 26 IB models were identified in Mexico, out of which 61% of the models integrate low-income communities as customers and 31% as suppliers. The main sectors engaged in IB are agroindustry (19%), food (19%), housing (19%), and financial inclusion (14%). Companies are pursuing IB to enhance the efficiency of their businesses in the supply chain and as part of their CSR strategy. In 2015, the third "Forum of Development for the BOP markets in Latin America and the Caribbean" was organized as part of the Opportunities for the Majority (OMJ) initiative by the IDB, promoting market-based opportunities to impact the BOP. The main promoters in the country and in the region are "The Pacific Alliance," the association of Latin American Entrepreneurs (ASELA), and the IDB´s MIF, which has been supporting Mexico, Colombia, Peru, and Chile to create the Pacific Alliance Venture Fund. An example of an IB model is Vinte, a home-building company specializing in affordable, sustainable housing for low- and middle-income families in Mexico. Its R&D in innovative technologies added features that provide savings for homeowners, e.g., homes are designed to reduce gas bills by 75% or have the option of rooftop solar cells for energy generation. The company has won many awards including the G20 Challenge on Inclusive Business and has been invested in by the IFC (IFC 2014). Another award-winning IB investment in the housing sector is Patrimonio Hoy from the cement giant CEMEX.

Strong corporate social responsibility activity in Mexico's private sector. The Mexican Centre for Philanthropy (CEMFI) leads the CSR work in Mexico with its certification for corporates with the RSE (Socially Responsible Enterprise) label. Most leading companies in Mexico have gained this label, including fastfood businesses like Coca-Cola and McDonald's, and alcohol brands such as Bacardi and Casa Cuervo, which all have an RSE mark on their products. For some companies, CSR in Mexico is still used as a media and branding strategy and there is little evidence that it develops social impact at scale. The organization has been taking a leading role by providing a platform to prompt organizations to undertake sustainability measures by granting an annual CSR designation to those companies that deliver exhaustive evidence of their sustainability activities.

Growing social enterprise sector with a wide variety of players. The social enterprise ecosystem has been growing considerably with various actors, such as domestic foundations, the IDB, and the social enterprise incubator New Ventures Mexico. Initiatives such as the Global Impact Investing Map piloted in Mexico have helped map the sector (Hanley, Wachner, and Weiss 2015). Focused initiatives like the OMJ from the IDB, and the 2013 "Change makers," which supported and encouraged social entrepreneurs to develop new business models, sponsored by Ashoka Mexico, Cemex, and Fundemex, have highlighted the work of many social enterprises. Although the number of impact investment players has increased in the region, early stage financing and support is still lacking.

The government shows increasing support for inclusive business. The Government of Mexico encourages IB through the promotion of CSR instruments and other initiatives. Through the Ministry of Economy and its National Contact Point for the OECD Guidelines for Multinational Enterprises, it has carried out annual National Forums of CSR since 2014 to promote these principles among stakeholders.

The Third National Forum of CSR in 2016 was developed jointly with the Ministry of Labor to review labor conditions in Mexico and to promote quality jobs, productivity, equity, and competitiveness. The number of participants and speakers—among them international organizations such as the OECD, United Nations Environment Programme (UNEP), WWF; and Mexican multinational enterprises like Grupo CEMEX and Grupo Bimbo—has increased gradually each year demonstrating the interest of the private sector and civil society in this important subject and how to develop IB initiatives (Secretaria de Economia 2017). The government also supports IB through the development of a National Plan for Enterprises and Human Rights with the participation of members of the public and private sectors, NGOs, and the academe to accomplish the Guiding Principles of Enterprises and Human Rights of the UN (Business and Human Rights Resource Center. n. d.).

The National Institute of the Entrepreneur (INADEM, in Spanish, n.d.) also implements a set of actions to encourage IB through SMEs. It has a Support Network for Entrepreneurs called El Instituto Nacional del Emprendedor and every year, since 2013, INADEM carries out the National Week of the Entrepreneur, which informs about the various programs it offers and exhibits the talent and potential of entrepreneurs in the country.

INADEM also provides a free online course called "Online Incubation: Set up Your Own Business" to support entrepreneurs in obtaining the skills and abilities to develop a business model and a financial plan to start a business. All year round, entrepreneurs related to trade, industry, and services sectors who took this course can participate in public tenders to receive equipment, furniture, and materials for up to MXN$50,000.

On women's empowerment, INADEM has two special programs. The first one is the "Women Moving Mexico," which promotes their access to financial resources, training courses, and technical and administrative advice to build up business plans that will allow them to start or grow a business. This program currently works in nine states of Mexico: Aguascalientes, Mexico City, Coahuila, State of Mexico, Guerrero, Guanajuato, Hidalgo, Querétaro, and Yucatán. The second, "SMEs Women," is focused on fostering the development and strengthening of SMEs led by women, through access of preferential funding and business development skills.

On youth empowerment, INADEM has three special credit schemes for people aged 18–35 and the amount given ranges from MXN$50,000 up to MXN$2.5 million. "You First Credit" is a program that provides financial access, training, and advice to start a business. For entrepreneurs that already have a business and want to expand it can apply for the program "Your Credit to Grow." "Your SME Young Credit" is available for entrepreneurs with less than a year of business operation.

As to the IB-related certificates granted by the government to the private sector, the Ministry of Labor issues certificates for SMEs and multinational enterprises called "Family Responsible Company," "Child Labor Free Agricultural Company," and "Inclusive Company Rincón Gallardo." The first certificate endorses companies with best labor practices on gender equity, prevention and confrontation of labor violence and sexual harassment, and for their actions and policies that favor family life among their employees. The second acknowledges companies with best practices and policies against child labor. The third recognizes companies for offering decent job opportunities to indigenous peoples,

persons with disabilities, seniors, persons with AIDS, and former inmates, among others (Secretaría de Trabajo y Previsión Social n.d.).

In addition, the National Council for the Prevention of Discrimination, the National Institute of Women, and the Ministry of Labor launched the Mexican Norm NMX-R-025-SCFI-2015 as a voluntary mechanism for companies that promote labor equity and nondiscriminatory practices to stimulate the comprehensive development of its employees (Instituto Nacional de las Mujeres n.d.).

Likewise, the Ministry of Agriculture, Livestock, Rural Development, Fishery and Nutrition grants the National Certificate of Responsible Agricultural Enterprise "Welfare of Agricultural Workers" to companies that ensure labor and social rights to their employees at the time that they develop sustainable practices and the necessary infrastructure conditions, regardless of their competitiveness or productivity in the market (Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación 2017).

Moreover, the Ministry of Social Development and the CEMFI recognizes companies that take actions in favor of better access to nutrition, health, education, social welfare, housing, and income of both their employees and the community that surrounds their factories with the certificate of "Social Inclusive Business" (Secretaría de Desarrollo Social 2016).

Legislative support for social enterprises exists. In 2012, the Social and Solidarity Economy Act was passed, which created the National Institute of Social Economy, formerly known as the National Fund for the Support of Solidarity Enterprises. The goal of this law is to establish mechanisms to advance the development, strengthening, and visibility of social economic activity. There is no current legislation to promote IB in Mexico.

An evolving ecosystem to support inclusive business. While no specific legislation is present, some government departments play a role in promoting IB, including SEDESOL and INADEM. Multilateral organizations, which have been promoting IB, both through financing and knowledge creation, include the IDB, CAF Development Bank of America, and UNDP. Many NGOs and foundations operating in Mexico support IB in some form, such as Avina, Fundemex, AMUCCS, Via Educación, Ashoka, Fundación Ercus, Technoserve, Crea, Peced, Cauce Ciudadano, Fundes, and FMDR. Impact investors like Bamboo Finance, Agora, Promotora Soc Mx, New Ventures MX, IGNIA Fund, and Root Capital provide capital to growing social enterprises. It is estimated that 42 companies in the region have received impact investments, 15 of which are operating in Mexico (IBAN 2015). With its large BOP market, Mexico has huge potential for IB, with a growing social enterprise ecosystem with impact investors and intermediaries. It is also actively supported by multilateral agencies like the IDB—and all of these actors along with a strong culture of CSR can give a strong boost to IB.

M. New Zealand

Strong economy in Asia and the Pacific with top agricultural exports. New Zealand is a strong economy. The GDP per capita is PPP$37,575 in 2015 with a population of 4.4 million (The World Bank Group 2017d). New Zealand has a very competitive export-driven

economy with exports accounting for about 30% of GDP. Various primary commodities account for around half of all the goods for export. One of the top five dairy exporters in the world, New Zealand's fertile lands, excellent growing conditions, coupled with sophisticated farming methods and advanced agricultural technology provide the ideal environment for pastoral, forestry, and horticulture activities.

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 9/187	2015	UNDP
Ease of Doing Business	Rank 1/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 3/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Source: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Child poverty is on the rise. New Zealand has a rural population of 14% and there is no official poverty line. However, recent UNICEF reports have highlighted as many as 28% of New Zealand children—about 295,000—currently live in poverty (UNICEF 2015b).[6]

Inclusive Business in New Zealand

Inclusive business models not present. The IB agenda in New Zealand is primarily focused on making companies more inclusive by employing people with disabilities. Inclusive New Zealand, for example, is a federation of organizations and individuals involved in providing employment and community support services for people with disabilities. Its goal is for New Zealand to become "100 percent inclusive and accessible to all." In its investments abroad and especially in APEC economies, no IB model was found.

Strong corporate social responsibility with interest in protecting the environment. New Zealand has a strong CSR culture among its companies. According to a 2015 survey comparing CSR in New Zealand with those in Australia, the New Zealand businesses are more focused on environmental goals than Australian companies but less concerned with social issues (ACCSR 2015). The State of CSR Report suggests that business innovators are tackling social and environmental issues because it creates both financial and nonfinancial value for them (Sustainability Business Council, New Zealand 2015). Other CSR priorities for New Zealand businesses include sustainability reporting and linking it to the Sustainable Development Goals (SDGs), as well as developing new products or services with environmental attributes. Business organizations like Champions for Change are pushing the diversity agenda. Champions for Change is a group of New Zealand CEO's and Chairs from across the public and private sector who are committed to raising the value of diversity and inclusiveness throughout the wider business community (Champions for Change 2017).

[6] Footnote 4.

Social enterprise is a nascent but a growing sector. New Zealand will host an international conference on social enterprise in 2017, a testament to the growing interest in the sector. The conference organizers hope to "further accelerate the development of the emerging social enterprise sector and to bring the best international practice and strengthen relationships with the global movement and to develop a national strategy for the sector" (Social Enterprise World Forum 2017). Eat My Lunch, which gives a free lunch to a child in a low-income area for every lunch bought, is an example of a for-profit social enterprise, while fair trade store Trade Aid is a nonprofit example (*The Register* 2016). Local impact investors are emerging, such as Soul Capital, an impact investment fund that makes growth capital available to social enterprises and sustainable businesses.

One of the largest donors in Asia and the Pacific. New Zealand is the largest development assistance provider in terms of ODA as a percentage of gross national income, and the 21st largest by volume. The Pacific region is the geographic focus of New Zealand's aid program (OECD 2015a). From 2017 to 2019, New Zealand aid is estimated to invest $1 billion in the Pacific countries and $600 million in the ASEAN regions. New Zealand with its strong CSR culture could create an enabling ecosystem for its companies to engage in IB models overseas. With its large ODA presence, especially in the Pacific countries, New Zealand could focus on promoting the IB agenda, especially in that region.

N. Papua New Guinea

The least developed economy in Asia–Pacific Economic Cooperation with strong extractive industries. Papua New Guinea (PNG) is abundant in natural and mineral resources, so extractive industries thrive in the country. PNG has experienced robust economic growth for over a decade (8.6% in 2015), with expanding formal employment opportunities and strong growth in government expenditure and revenues (The World Bank Group 2017g). However, GDP per capita only reached PPP$2,869 in 2014. Most of the economic growth comes from the export of minerals and liquefied natural gas, while non-mining GDP growth remains more subdued at a forecast of 3.3% (DFAT 2015b). Agriculture continues to provide a subsistence livelihood for 85% of the population.

High poverty incidence. Of the population, 64% lives below the international poverty line of $3.10 while 39% live below the international poverty line of $1.90 (The World Bank Group 2017g). According to an ADB poverty analysis, the Government of PNG does not define poverty, but uses a "poverty of opportunity" concept that refers to "a lack of access to education and health services and to income-earning opportunities." This is due to an assumption that "all native Papua New Guineans are customary landowners and therefore have a right to a life of 'subsistence affluence' in communities to which they belong." In practice, it is not clear how many of the people can actually exercise this right and earn incomes (ADB 2016c). PNG has a huge scope for socioeconomic development given that 85% of the population remain unbanked, less than 15% have access to electricity, 60% do not have access to safe drinking water, and 40% lack basic literacy and numeracy (UNDP 2015). The low level of development is reflected in PNG's human development index rank of 157 out of 187 countries in 2014 (UNDP 2016).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 158/187	2015	UNDP
Ease of Doing Business	Rank 119/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 140/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking

A large base-of-the-pyramid market. The BOP market is estimated to be 66% of the total consumption of PNG. PNG has one of the lowest levels of urbanization in the world and close to 85% of the 7.3 million people live in rural areas. Access to education, health care, clean water, sanitation, energy, telecommunications, and financial services is lacking. According to the World Bank Consumption Data, the BOP market in PNG comprises 66% of the population, with a spending power of over $7.9 billion (The World Bank Group 2010a). The BOP in PNG spends 68% of its income on food, 9% on housing, 3% on health, 2% on education, 2% on clothing, and 2% on transport. Given the large unserved market and the weak government social system, there is a good potential for companies with IB models to provide relevant products and services for the BOP in PNG.

Inclusive Business in Papua New Guinea

IB is a new concept and only few companies are beginning to develop IB models in PNG. While many organizations are providing services for the poor and low-income people, this is mainly done through local foundations, multilateral aid projects, and CSR activities. IB models in PNG at the moment can only be seen in the financial inclusion sector with Digicel Group providing banking service via mobile phone. The extractive industry could become more active in developing strategic CSR into IB models. One such example is the Ok Tedi Development Foundation (OTDF) project to identify market linkage opportunities for rubber farmers in Western province of PNG (OK Tedi Foundation 2016).

Corporate social responsibility activities are seen across the country. Large companies, especially multinationals in the extractive and agribusiness sectors, are actively financing CSR projects, but such activities are small and often not part of their core business, hence, these create less systemic impact. For example, Starbucks provided $25,000 to renovate a local hospital in a region that grows coffee procured by the company (Starbucks 2015). Australian gas consortium Oil Search funds education and local health care programs, and is credited with completely eradicating malaria from the area (Oil Search Health Foundation 2016). Western Rubber works with communities around their mines (Business for Development 2015).

A new generation of social entrepreneurs is emerging. A report on social enterprise activity in PNG showed that the ecosystem is at a very early stage. It finds that social entrepreneurship is gaining momentum among the young generation to find solutions for PNG's substantial development challenges, notably in the agricultural, energy, health, education, and waste management sectors (Intellecap, UNDP, Australian Aid, and Kamul

Changemakers 2015). The changing demographics as well as migration to cities is driving changed consumer preferences which offers opportunities for social enterprises. Joint efforts with the government, donors, and development finance institutions to build a strong support ecosystem to social enterprises can contribute to a robust social enterprise landscape in PNG.

Government policy recognizes importance of inclusive policies. The Government of PNG's Development Strategic Plan 2010–2030 and Vision 2050 has identified the need to extend inclusive financial services in the country (Intellecap, UNDP, Australian Aid, and Kamul Changemakers 2015). The UNDP, working through the UN Capital Development Fund's Pacific Financial Inclusion Programme, supports the Bank of Papua New Guinea in developing an inclusive financial sector by providing technical advice and assistance to public and private stakeholders, and performance-based grants to private sector financial service providers (UNDP n.d). Government's support through enabling policies like IB accreditation could be extended beyond financial inclusion to help encourage corporations to include the BOP in their business models.

Strong presence of development assistance that could develop inclusive business. PNG is supported by several donor and multilateral organizations such as the DFAT of Australia, United Nations Development Programme (UNDP), ADB, and New Zealand Aid. However, given PNG's development indicators, combined resources of government and donor aid are not enough to ensure sustainable development. Private sector participation, particularly in impact enterprises or for-profit businesses that focus on the low-income population can help in the faster and better achievement of development goals (Intellecap, UNDP, Australian Aid, and Kamul Changemakers 2015). Recognizing the strong agricultural capacity of PNG, donors like DFAT could focus their efforts more on IB solutions in the agribusiness sector by engaging smallholders and providing them with good income opportunities especially in the coffee, cocoa, rice, palm oil, and other food processing sectors (DFAT 2015a).

PNG with its growing economy, strong private sector players, and a large rural population has an untapped market. However, to realize the commercial and development potential of IB, a stronger enabling environment from the government is required. The government, along with the support of donor agencies, could play a pivotal role in promoting and supporting IB models.

O. Peru

Strong economic progress in recent decades. Peru is the sixth biggest economy in Latin America and has achieved remarkable economic development in the last 20 years owing to systemic changes in macroeconomic policies. The average GDP growth in the last 3 years was 3%. The country ranked 69th out of 140 in 2015 in Global Competitiveness (World Economic Forum 2016). Peru has a population of 31.2 million, with 23.3% or 7.1 million living in rural areas and the rest in the cities, mainly in Lima and its suburbs. The GDP per capita is PPP$12,529 in 2015 and the Gini coefficient was 0.473 in 2010 (The World Bank Group 2017e). Its ranking in the perception of corruption was 88th out of 167 countries. The employment rate is 6.1% and the inflation rate 3.25%.

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 84/187	2015	UNDP
Ease of Doing Business	Rank 54/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 49/178	2016	Heritage Ranlkings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Peru has reduced poverty significantly over the last 20 years. The poverty incidence dropped from 59% in 2004 to 25% in 2015. About 70% of the poor live in the cities (World Bank, Global Poverty Working Group 2017). Many people live just above the national poverty line and are highly vulnerable to drop back into poverty (IDB 2015). According to a research by the GIZ–IDB, 62% of the population make up the BOP market and represented a market of $43 billion per year, which highlights the substantial opportunity for businesses.

Inclusive Business In Peru

There are many inclusive business models in Peru, especially in agribusiness. Examples are mainly from large companies like Dole, Mibanco, Edyficar, Nestle, and Tasa. Dole, one of the biggest fruit and vegetable producers worldwide, works with smallholder banana growers in Piura Valley and exports to the Japan, the US, and the European Union. The company started in 1998 with the cultivation of organic bananas and involves more than 1,600 small farmers (with less than 2.5 acres each) in banana farming. The farmers saw their incomes increase from $2,700 to $8,300 on average. The project had been supported by SNV/IDB–IMF IB program with an initial investment of more than $300,000 (Dole 2011). Another example is Sab Miller; which set up in 2008 the program Progressando Juntos through its subsidiary, Backus, to promote and develop micro and small enterprises and integrate those into the supply chain. SABMiller works with a local NGO, the CEDEPAS (The Ecumenical Centre of Promotion and Social Action) to provide capacity building and agricultural extension services to the farmers (Entrepreneurship Tool Kit 2011a). In 2008, PepsiCo established partnerships with The International Potato Center (or CIP), and the Peruvian nonprofit organizations FOVIDA and CAPAC to launch a native potato chips product. Smallholder potato farmers were integrated into the company's value chain through the partnership framework, where PepsiCo contracted farmers to supply potatoes with a buy-back guarantee while the nonprofits organized the farmers and provided training.

Corporate social responsibility activities are common among large corporations. CSR is a common practice among large corporations especially in the extractive industries in Peru. In agribusiness-related companies such as Nestle, Coca Cola, PepsiCo, and Grupo Backus, CSR practices have been integrated into their Peruvian operations. Peru 2021, the representative of World Business Council for Sustainable Development, is a coalition of Peruvian businesses that promotes CSR and advocates for best practices through courses on CSR, Carbon Markers, and corporate governance. Another organization—Iniciativa Papas Andinas—was established in 2008 to promote CSR in the native potato trade, and to facilitate information sharing among the value chain players. Iniciativa Papas Andinas also

developed a certification scheme for responsible practices in the potato trade. In 2009, PepsiCo was certified to use the label on its Lays Andinas product (Entrepreneurship Tool Kit 2011b).

Social enterprise initiatives are a new development and are growing in number. Social enterprises like NEEst Peru and Arariwa Association are spearheading the social enterprise development in the country. Lima Valley is a network of social entrepreneurs who focus on information and communication technology (ICT)-based solutions; members throughout the country give and receive resources and knowledge from a group of voluntary sponsors and collaborators at various events (Lima Valley n.d.). The Government of Peru has acknowledged that the private sector's participation is essential in lifting the BOP market out of poverty. Its approach is mainly focusing on social entrepreneurship. In 2011, the government created a Ministry of Development and Social Inclusion, and one part of its responsibility is to encourage social entrepreneurship. The country has since then hosted the first Social Innovation Summit at the World Economic Forum on Latin America and launched Start-Up Peru in November 2013. The Start-Up Peru initiative is expected to provide support to 200 start-ups over the next 5 years. Peru does not have a specific legal framework for social enterprises. Most enterprises are set up as a nonprofit, corporation, or a cooperative (Farber, Caballero, Prialé, and Fuchs 2015). Intermediary players like Ashoka are present in Peru and have supported 39 Peruvian social entrepreneurs.

Policy support. While there is good support for social entrepreneurship, there is no cohesive policy support for IB so far. The national government had been involved in specific initiatives like the promotion of the use of biofuels (PROBIOCOM), and designed specific policies to boost programs that are aligned with international environmental best practices, specifically programs to eliminate illegal crops and encourage the small farmer to move to legal business. However, there is no legislation on the promotion of IB from the central government. With the government's initiative, Start-Up Peru, the country's entrepreneurial development is progressing. The initiative has encouraged universities and organizations to join the start-up movement and have strengthened their entrepreneurship and innovation centers, which can also make them eligible for grants offered by Start-Up Peru for incubators (Plus Social 2013). Other programs have given a push to technology developments, including the Science and Technology Program (FINCyT) created by the IDB, which helps entrepreneurs and innovators to access grants. Peru's Ministry of Production has opened up a new innovation fund—FIDECOM—and companies, universities, and research institutions have been inspired to join in by the number of incentives for collaboration.

P. Philippines

The Philippines is one of the fastest-growing economies in the Asia–Pacific Economic Cooperation. GDP growth in the Philippines remained strong in 2016 with higher investments and consumption, with growth for the Philippines at 6.4% in 2016 and forecasted at 6.2% in 2017, according to the World Bank (The World Bank Group 2017f). Economic growth is also spurred by remittances from overseas Filipino workers with around 12 million Filipinos living abroad contributing over 10% to GDP in 2015. GDP per capita is the third lowest among the APEC economies, reaching PPP$7,387 in 2015. The economy

is mainly oriented toward the service sector, with many low-paid jobs and a large share of informal sector (The World Bank Group 2017v).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 115/187	2015	UNDP
Ease of Doing Business	Rank 99/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 70/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Poverty is falling slowly and remains high, especially due to lack of income opportunities in rural areas. According to the Philippine government statistics, the national poverty incidence in 2015 was estimated at 21.6%. At international standards, 13.11% of the population lives below the international poverty line of $1.90 and 37.61% below $3.10 (The World Bank Group 2017f). While poverty declined, millions remain vulnerable, especially in rural areas. The government is maintaining a massive conditional cash transfer program, which is successful in promoting social development goals in education and health; however, it is not targeted to reduce income poverty.

The base-of-the-pyramid market consumption in the Philippines is at $96 billion. The consumption data shows that the low and lowest segments of the population spend 51% of their income on food, 13% on housing, 7% on transport, and 7% energy, indicating that these sectors have great demand. But this also highlights that both health and education are underserved for these income groups—only 3% for health and 2% for education are being spent.

Inclusive Business in the Philippines

Strong culture of corporate social responsibility that is still mainly philanthropic. Traditionally, CSR has been strong among Filipino corporations. The majority of CSR activities are still mainly philanthropic and event-driven, with employee engagement being a key feature. Some companies have started making a shift from philanthropy to more strategic CSR.

A growing social enterprise ecosystem. Social entrepreneurship is growing in the country as seen in the number of start-ups, SMEs, and intermediaries like incubators, accelerators, and angel investors. According to a 2015 British Council Study on social enterprises, the ecosystem comprises an estimated 20,000 social enterprises, though many are cooperatives or associations, or microfinance institutions (British Council 2015). Social enterprises are building for-profit market-based models to impact the poor. For example, BagoSphere is a social enterprise vocational training company in the Philippines that trains highly motivated, rural BOP youth to become employed in call centers, increasing their incomes fourfold (Bagospehere 2016).

Though still at the early stage of development, inclusive business is a recognized concept. Companies and government are actively engaging in IB development since 2013. An IB market scoping study identified more than 70 companies with IB models in the Philippines, engaging the BOP mainly as consumer, supplier, and distributor (ADB 2013c). Many well-known examples are in agribusiness, but there are also examples found in other sectors. Jollibee Foods Corporation, one of the largest food service companies in the Philippines, is one example. When faced with the opportunity to promote rural development while meeting its daily need for raw ingredients, the company decided to source vegetables directly from small farmers. Another prominent example of an IB model is the investment of the International Finance Corporation (IFC) in Manila Water.

Business associations support inclusive business. The major business organizations in the country actively support the IB concept. The Makati Business Club and the Management Association of the Philippines are often part of IB events. The Cagayan de Oro Chamber established an IB promotion center for Mindanao. The Philippine Business for Social Progress (PBSP), an association of more than 270 member companies to professionalize CSR activities among its members, established the Inclusive Business Imperative Center, a platform to provide the private sector resources to plan, monitor, and measure the social impact of IB activity (Philippine Business for Social Progress 2017). The Philippine Center for Entrepreneurship and business schools are actively promoting social entrepreneurship training. There are also various IB and social entrepreneurship incubators active in the country. Various impact funds are also active in the Philippines. Commercial banks, such as the Bank of the Philippine Islands, are starting to show interest in IB and social enterprise investments utilizing its corporate foundation's social enterprise competition as pipeline generator.

Strong government action in promoting inclusive business, which is unique in Asia. In 2014, the Philippine Board of Investments, the Office of Senator Paolo Benigno Aquino, and ADB came together to pursue IB approaches in the Philippines (G20 2016d). The government—under the Board of Investments of the Department of Trade and Industry (DTI)—made IB part of the investment priority plan (IPP) and is finalizing specific tax incentives for companies with IB models in the agribusiness sector (G20 2016d). While IB was included as a crosscutting theme in the IPP 2014–2016, in the IPP 2017–2019, the IB models will be part of the priority sectors eligible for incentives (G20 2016d). IB is seen as one of the ways in which the government's new poverty reduction strategy can reduce poverty by 1.25% to 1.5% per year.

Evolving legislative frameworks for social enterprise and inclusive business. Three major legislations are under process, which actively advocate social enterprise and IB. One is the Poverty Reduction through Social Entrepreneurship (PRESENT) bill. The other one is a more comprehensive Inclusive Business Bill that "provides for the establishment of a national strategy for the promotion of Inclusive Businesses to be implemented by a new office, the Inclusive Business Center." The bill also provides policies for IB accreditation, and support and incentives for IBs and their community partners, including social enterprises (Aquino 2016). A third legislation is the Social Value Bill, which proposes the inclusion of "social value" into all government procurement. All legislations are still pending.

Inclusive business promotion through the Association of Southeast Asian Nations and Asia–Pacific Economic Cooperation. The Government of the Philippines, as host of APEC 2015 and chairman of ASEAN 2017, is also promoting IB at the international level. It supported the ASEAN Business Advisory Council in establishing the ASEAN Inclusive Business Awards to recognize successful IB models in the region and to create a pipeline of IB projects for replication and funding by impact investors and commercial banks.

Q. Russian Federation

A large economy boosted by oil and gas. The Russian Federation is the biggest country in the world, expanding across Europe and Asia with a GDP per capita of PPP$25,186 in 2015 (The World Bank Group 2017h). While the economy is dominated by large corporations, there are also many small businesses supplying goods and services for the daily life of the low- and medium-income people. The country's economy is heavily reliant on energy export with oil and gas comprising about half of the government's revenue. Other raw materials, such as metals, also contribute to the country's exports. While the rapid economic growth of the last few years has improved the standard of living of many Russians, the increased prosperity has largely bypassed far-flung provinces (The World Bank Group 2017h).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 50/187	2015	UNDP
Ease of Doing Business	Rank 40/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 153/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Poverty in the Russian Federation has decreased but the poor remains vulnerable. According to the World Bank's Russia Economic Report, the disposable incomes decreased by 5.8%, while poverty could be reduced marginally. In early 2016, 21.4 million people or 14.6% of the population had incomes below the national poverty line, 0.5 percentage lower than a year ago.[7] Almost 26% of the Russian Federation's population lives in rural areas with 0.04% living below the international poverty of $1.90 and some 0.5 % living below PPP$3.10 (The World Bank Group 2017h). Russian households are well equipped with electrical appliances. Cell phone ownership is as high as 114.9%.

[7] Developed economies typically have much higher poverty thresholds, and define poverty as a relative concept, not as an absolute concept as in emerging economies. Therefore, the poverty data and incidences between developed and emerging economies in APEC are not comparable.

Inclusive Business in the Russian Federation

Corporate social responsibility is more popular with companies working in international markets. CSR in the Russian Federation has existed for decades but Russian Federation corporations are increasingly engaging in CSR when they expand to overseas markets. In many cases, they are also prompted by the need to raise capital from global capital markets. This has been noted in the extractive industries (OECD 2008). Associations like The Russian Union of Industrialists and Entrepreneurs/RSPP, an independent NGO, is one of the largest national business organizations that promote best practices and CSR (RSPP n.d.). The group also pushed forward a Social Charter of Russian Business, signed by 230 companies and organizations, similar to the UN Global Compact's principles and stimulates the participants to follow progressive CSR principles. Many companies have moved toward international standards including using global reporting initiative (GRI) standards. RSPP has also been compiling its sustainable development, corporate responsibility, and reporting indices since 2014, setting standards for the Russian Federation companies (RSPP 2016).

Social enterprise initiatives exist in the Russian Federation despite strong government role in social welfare. Fond Nashe Budushee (Our Future Foundation) is an example of philanthropic capital employed for the promotion of social enterprise. The foundation provides interest-free loans and technical assistance to socially oriented enterprises across the Russian Federation. Since its foundation in 2007, Our Future Foundation has distributed over $6 million loans and took part in the first Social Impact Investment Conference (*The Guardian* 2013). However, further growth in the sector is hindered by bureaucratic interference.

Potential in selected sectors for the consumption of the low-income market. Although the lower-income groups have a reasonable standard of living, the market is undersupplied for many essential services and products. For example, only 21.5% of Russians have internet access and only 69% have access to financial services (Endeva 2009). Hewlett and Packard's Microenterprise Acceleration program provides micro-entrepreneurs with computer training and business management (Endeva 2009). Microsoft equips the Cafemax Internet cafés with software, schedules, and marketing resources for e-learning (Endeva 2009). There is also a rising demand in the country for affordable housing, health care, and education and products and services to address low levels of internet penetration.

Government is starting to recognize social enterprises and other inclusive business models. In 2011, the government released an order that gave a broad definition of social entrepreneurship, developed to support small and medium businesses engaged in solving social problems. The annual Russian Forum on Social Business has been held since 2011 for 5 consecutive years with the Ministry of Economic Development's support. In 2014, a bill with the term "social entrepreneurship" was introduced to the State Duma, but is still pending.

The Russian Federation is a big donor, especially focusing on Central Asia, but has not included IB in its programs. In 2014, the Russian Federation's net ODA amounted to $876 million and increased to $1.1 billion in 2016. ODA, as part of the Russian gross national income, increased from 0.03% in 2010 to 0.06% in 2016. However, the increase

in the Russian Federation's ODA is mostly related to debt conversion operations in Cuba, Democratic People's Republic of Korea, Mozambique, and Tanzania for a total of $240 million to implement long-term developmental projects in these countries. The Russian Federation's ODA, excluding debt relief, reached $622 million in 2014. Bilateral development assistance is mainly focusing on technical assistance, capacity building, scholarships, and budget support (such as the Russian–Kyrgyz Development Fund) and debt relief in health, public finance, food security, nutrition, and education sectors for the members of the Commonwealth of Independent States (OECD 2015d). IB is not mentioned as a development objective, and there are no development support programs for IB from the Russian Federation in other countries.

R. Taipei,China

Strong economy backed by exports. Taipei,China is a strong market economy. However, economic growth has declined and GDP annual growth stood at 0.7% in 2015, a major decline from the 3.9% in 2014. GDP reached $1.25 trillion in 2016 while the unemployment rate stood at 4% (Stats APEC 2017). The economy of Taipei,China ranks the highest in Asia for 2015 Global Entrepreneurship Index for specific strengths. The economy ranks 14th for Economic Freedom globally and 5th in the Asia and Pacific region (Heritage 2017). The performance of the economy is mainly influenced by exports led by electronics, machinery, and petrochemicals; this export dependence exposes the economy to fluctuations in global demand. Challenges remain in the economy's long term vigor, and further efforts to enhance competitiveness are vital to sustain growth in its export-oriented economy.

FACT SHEET

Indicators		Year	Source
Human Development Index	NA	2015	UNDP
Ease of Doing Business	Rank 5/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 11/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

An aging population and low birth rates pose significant problems. Overall, the percentage of people living below the poverty line and on welfare is low at 1.8%.[8] This is a very low number not only compared to APEC economies but also compared to developed Asian neighbors such as Japan and the Republic of Korea. The government primarily addresses poverty through its social welfare programs including insurance and pension programs, social allowance programs, assistance programs, social welfare service programs, and programs for improving employment, developing communities and building social housing (Qi, Dongtao 2013). The government changed what it considers the poverty line

[8] Footnote 4.

to enable more people to qualify for welfare, though the limits vary from area to area. However, social protection benefits—while comprehensive—are quite small: on average, welfare recipients in Taipei,China get NT$4,200 ($140) a month in public assistance money, while the basic wage is about NT$19,000 per month (Sui 2013). The economy has a rapidly aging population structure with low birth rates.

Inclusive Business in Taipei,China

Strong corporate social responsibility culture. Companies are putting increasing emphasis on CSR across a wide range of areas, and are striving to align their CSR thinking and practices with international standards (PwC 2012). In 2015, the government was also active in promoting CSR. Taipei,China mandated CSR reporting adhering to the internationally recognized GRI G4 principles, the first to do so in Asia and the Pacific (Corporate Social Responsibility 2014). The government also promoted the establishment of a private organization exclusively to promote CSR in Taipei,China. The government also supported a CSR website, which provides the most updated information on CSR in Taipei,China (*Overview* 2003).

Social enterprise is growing. In 2015, the economy had about 800 social organizations, including 200 for-profit corporations and 600 not-for-profit organizations. Like many other developed countries, social enterprises can be found traditionally in sectors like employment for persons with disabilities, marginalized communities, and indigenous population groups. More recently, the social enterprise sector is growing alongside the tech start-up ecosystem. The economy is home to many public and private social enterprises start-up incubators and accelerators like AppWorks and Garage+, with a strong ecosystem for funding and mentoring. In addition, there is an active foreign business community that further assists international entrepreneurs and SMEs with the growing start-up ecosystem (Sui 2013).

An enabling ecosystem is taking shape. The Social Enterprise Action Plan 2014 was set up to promote sustainable innovation and growth and encourage young people to engage in social enterprises (Ministry of Economic Affairs, Government of Taipei,China 2015). The vision of the plan is to create an ecosystem that nurtures innovation, start-up businesses, growth, and the development of social enterprises in Taipei,China. The plan focuses on (i) creating a friendly legal environment for social enterprises; (ii) networking to build a social networking platform for different groups of social enterprises at home and abroad; (iii) financing through multiple channels of funding through angels, venture capital, credit guarantees, etc.; and (iv) incubation to build a mechanism for social enterprises and establish a professional support system. Plans are also underway to set up a registration system for social enterprises utilizing a two-stage verification process, which could include charity reports and financial reports (Ministry of Economic Affairs, Government of Taipei,China 2015).

Inclusive business models are rare. No information on IB in Taipei,China could be found. While there are social enterprises that are working on including the BOP, especially in sectors like agriculture, these models have not scaled. For example, Neways2021 aims to improve product distribution channels and help small farmers sell their products by linking together all peripheral areas into an economically viable plum-producing district—with products like pastries, handmade soap, and other natural products (Neways2021 2013).

S. Singapore

An open economy with strong financial and services sectors. Singapore has a highly developed and successful free-market economy known for being corruption-free, with a per capita GDP higher than that of most developed countries at PPP$85,382 in 2015 (The World Bank Group 2017i). The economy depends heavily on exports, particularly of consumer electronics, information technology products, medical and optical devices, pharmaceuticals, and on its vibrant transport, business, and financial services sectors. From 2000 to 2010, the GDP nearly doubled, going from S$163 billion to S$304 billion with unemployment rates averaged less than 2% and 3% per annum, respectively during this period (Singapore Government Securities 2017).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 11/187	2015	UNDP
Ease of Doing Business	Rank 2/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 2/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

An aging population poses threats to economic growth. In the next 25 years, Singapore's challenge would be its aging and declining population. Singapore is already facing a demographic crisis, with its 2014 population growth rate at 1.3%—the slowest in a decade (Prashanth-Parameswaran 2017). While every five working adults support one senior citizen in Singapore today, it will be two adults supporting one senior citizen by 2030 (Department of Statistics, Government of Singapore 2017). Like most developed countries, Singapore's social challenges are around the elderly, the physically and mentally challenged citizens, and high costs of housing.

Inclusive Business in Singapore

Inclusive business is not a well-known concept. Singapore has a limited number of companies with IB models and many companies considered inclusivity to being inclusive for people with physical or mental disabilities. Eleven companies with existing and potential IB models have been identified, most of them are regional headquarters of multinational corporations (Business for Development 2015). The IB models are implemented outside Singapore with the majority in the agribusiness sector engaging the BOP as supplier. Exceptions were models in the housing, water, and finance sectors.

Strong corporate social responsibility culture with a focus on improving society. CSR culture is fairly strong in Singapore with the government placing importance on it as well. In 2005, Singapore Compact, a national society, was formed to promote sustainable development among businesses and stakeholders (Singapore Compact 2017). Singapore Compact organizes annual conferences, both stand-alone and with partners, and launched

the "Enabling CSR Journeys," a one-stop online portal of CSR-related research information and case studies from Singapore and the region (CSR Singapore 2017).

Growing number of social enterprises dealing with local social issues. Singapore's social enterprises are building solutions to solve challenges facing the society, with many focusing on the elderly and persons with disabilities, while new companies are expanding to mental health issues and working with vulnerable groups like former offenders and migrant workers. Successful examples include a design and technology company—(these) abilities—that "aims to 'Disable Disabilities' by designing & building products that level the playing field for Persons with Disabilities (PwDs) at work, at home and during play" ([these]abilities 2015). One of the company's successes was designing a wheelchair for public transport that was subsequently adopted by the Singapore public transport system. Despite the growing number of companies, a significant challenge for Singapore companies is to scale up as they are focused on the Singapore market and, hence, limited by its size.

Strong government support for social enterprises is addressing challenges in Singapore. The Ministry for Social and Family Development in 2003 began promoting policies that aimed to provide job opportunities for those who are socially disadvantaged to move them out of welfare. To deal with challenges from the bottom up, the Singapore Centre for Social Enterprise, raiSE, was launched by President Tony Tan Keng Yam in May 2015 as the central body for the social enterprise sector in Singapore. It took over the existing work undertaken by the Ministry of Social and Family Development, the Social Enterprise Association, and the Social Enterprise Hub supported by the Singapore Totalisator Board (Tote Board). raiSE brings together the public and private sectors to develop the social enterprise ecosystem in Singapore. raiSE has had a strong impact on the growth of social enterprises in the country with 340 of them as registered members, with 2,900 beneficiaries, and have created 205 jobs. The total social enterprise sector is estimated to have created up to 800 jobs and served 20,000 beneficiaries. Of these social enterprises, 30% are financially sustainable, while others are still dependent on government funding or are in start-up mode. Most social enterprises come into the raiSE portfolio with private capital—out of the 340 raiSE members, 40 companies are receiving grants between S$20,000 and S$300,000. In addition, raiSe has investment portfolio for up to S$2 million financing with five investees (Raise Singapore 2017). No specific legislation on social enterprises has been enacted in Singapore nor has an explicit definition been established. However, the government supports social enterprises with funding and capacity building through raiSE. More enabling rules and regulation like social procurement could help promote social enterprise in Singapore.

Many impact investors are based in Singapore but are focused on the region. Singapore has increasingly become a regional impact finance hub, with many players setting up base in the country, though their investment focus is on regional deals rather than Singapore deals due to the small size of the domestic market. Singapore's academic institutions have also been actively engaged in promoting social enterprise with the NUS ASEAN Center for Social Enterprises at the National University of Singapore, and the Institute for Social Innovation, with a Social Enterprise program at INSEAD Singapore. The DBS–NUS Social Venture Challenge Asia has been another active player in awarding both local and regional social enterprises (DBS–NUS Social Venture Challenge Asia 2017). Impact Hub Singapore has been a big supporter of social enterprises, which provides co-working space

and support for social enterprises and has launched a fund for social enterprises that participates at investment rounds of up to S$500,000 and has invested in two companies (Impact HUB Singapore 2015).

Singapore, a global financial center, with its strong support for domestic social enterprises can be a strong leader for promoting IB in the region with additional incentives for corporations as well as investors operating outside the domestic market.

T. Thailand

A strong economy backed by manufacturing. Thailand is one of the biggest success stories of the region. It had made remarkable progress in social and economic development, moving from a low-income country to an upper-income country in less than a generation (The World Bank Group 2017p). However, average growth has slowed to 3.5% during 2005–2015, with challenges in political stability and barriers in the agriculture sector, which is the sector that the majority of the rural economy is engaged in. The economy grew at an average annual rate of 7.5% in the boom years of 1986 to 1996 and 5% following the Asian crisis during 1999–2005, creating millions of jobs that helped pull millions of people out of poverty (The World Bank Group 2017p). The country's progress along human and social development indicators have been strong, with big strides in education, health insurance, and other forms of social security (Economic Freedom 2017). The GDP per capita stands at PPP$16,340 in 2015 with a Gini coefficient of 36.04. The manufacturing industry dominates Thailand's economy with MSMEs accounting for around 70% of the total manufacturing employment and producing 30% of the manufacturing output.

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 93/187	2015	UNDP
Ease of Doing Business	Rank 46/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 67/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Almost 50% of the population live in rural areas, though poverty has declined significantly. According to the World Bank Data, poverty in Thailand has been reduced extensively from 67% in 1986 to 11% in 2014 during high growth periods and increasing prices for agricultural products. Nevertheless, poverty and inequality still pose significant challenges, with fluctuating levels of economic growth, agricultural prices, and climate induced challenges such as ongoing droughts (The World Bank Group 2016t). Poverty in Thailand remains primarily a rural phenomenon where over 50% of the country's 7.3 million poor live. Up to 6.7 million are vulnerable to poverty living within 20% above the national poverty line (The World Bank Group 2017p). Successive Thai governments, along with NGOs, international NGOs, individuals, and corporations have sought to tackle

these issues in recent years in pursuit of sustainable development for the country. Anti-poverty campaigns have included the government's Blue Flag program, which endorsed shops that sell good-quality, low-priced consumer goods. The Energy Credit Card scheme, minimum wage policies, bonuses for those holding higher education certificates and village community funds, the Thai Women's Empowerment Fund, and the Business Fund are all examples of this effort. Social security programs have also been expanded to include the informal sector (Oxford Business Group 2016a).

The base-of-the-pyramid market is relatively smaller than in other neighboring Asia-Pacific Economic Cooperation economies. The consumption data show that the low and lowest segments of the population spend 48% of their income on food, 24% on housing, 8.9% on transport, and 3.9% on energy while 3% of income are spent on personal care and ICT. The consumption patterns also highlight that spending on health and water is very low with only 1% of their income being spent on these necessities.

Inclusive Business in Thailand

Inclusive business is nascent in Thailand. The market opportunity for IB is smaller owing to the smaller size of the low-income market and the strong government programs for the poor. According to ADB estimates, there are about 15 companies with IB models in Thailand. An example is the Urmatt Group, the world's largest producer of organic jasmine rice, which works with thousands of small farmers to grow and procure organic jasmine rice, chicken eggs, chia, and coconuts through contract farming models (Urmatt 2017). Several corporations, especially in the agribusiness and fast-moving consumer goods (FMCG) sectors have adopted sustainable sourcing practices. For example, Nestle Thailand, through its Cocoa plan, intends to increase the sustainable supply of quality cocoa by sourcing from small farmers and providing them seedlings and training. Globally, the company committed to source 15% of its cocoa directly from small farmers (Nestle 2010). Another example is Sompo Japan Nipponkoa Group, a Japanese insurance company, which has introduced insurance products to help low-income farmers in Thailand to mitigate the adverse impacts of climate change. The company has expressed a commitment to enhance the resilience of 30,000 small-scale farmers in Southeast Asia by 2025 through its weather index insurance (ADB 2010). More enabling legislation and awareness of IB models could significantly see the rise of IB in Thailand as the country is already very focused on inclusive growth. Given that Thai companies operate abroad, the country is also interested in promoting responsible investments abroad, especially in the Mekong region.

Corporate social responsibility traditionally a part of Thai businesses. Thailand's corporate social commitment is an extension of the Thai culture of "doing good," which has made companies to engage in philanthropy for local communities. This has made some leading companies in Thailand pursue CSR as a core strategy for their sustainable business development, blending both new concepts and traditional cultural elements. Siam Cement Group, one of the largest cement manufacturers in Thailand, promotes recycling of the cement bags by turning them into usable handbags in an effort to reduce environmental waste. CSR in Thailand is also based on the "Sufficiency Economy Philosophy" promoted by the former King Bhumiphol Adulyadej, which focused on local community development. In addition, there is a growing interest among corporations to set up, invest, or support social enterprise. A key driver of this approach is the Stock

Exchange of Thailand, which offers incentives for companies to shift their CSR approach toward social enterprise. The current government also encourages corporations to co-create social enterprises through public–private partnerships (British Council 2016a).

Strong social enterprise movement with a robust ecosystem. Thailand has a strong social enterprise movement, supported by an active government policy to encourage social entrepreneurship. According to Change Fusion, a leading social enterprise intermediary, there are around 116,000 social enterprises in Thailand, and growing steadily. The support of the Thai National Social Enterprise Committee and Thai Social Enterprise Office has spurred this development. Young Thais are also embracing the concept of social enterprise and this sector continues to grow. Thailand is home to intermediaries such as Change Fusion, Ashoka Thailand, and NISE Corporation, which work as capacity builders to stimulate social enterprise start-ups and growth. New players like Unlimited Thailand and other incubators and accelerators have also sprung up. An example of a social enterprise is Siam Organic, winner of the regional social enterprise award, a DBS-NUS social innovation challenge. The enterprise currently provides 800 farmers with Jasberry rice seeds and guarantees a premium price for the organic crop output (Asia For Good 2013).

Strong enabling social enterprise frameworks and ecosystem are in place, with support from the government. As one of the few countries that have a strong, explicit commitment from the government to develop the sector, social enterprises in Thailand have benefited from expertise and consultancy provision, workshops, and promotion activities to help them grow (British Council 2016b). In 2009, the Government of Thailand and a number of civil society organizations formed the National Social Enterprise Committee to increase awareness of the sector and their access to finance. Encouraged by the growth of social enterprise internationally, the government supported the establishment in 2010 of a national body, the Thai Social Enterprise Office, and since then has developed a Social Enterprise Promotion Act, offering tax relief for corporations setting up social enterprises and tax incentives for social investment. In 2011, it set aside $3.2 million worth of funding. Following the new government's coming to power in 2014, the National Reform Council Committee proposed a bill to promote the continued support for social enterprise. The bill advocates the establishment of a new independent regulating body, the Office of the National Social Enterprise Promotion—which was a commission to coordinate policy and a new Social Enterprise Fund to provide financial support. The draft bill also proposed that a regulatory framework be established to encourage the development of social enterprises, and provide tax incentives for private businesses to encourage them to spend a proportion of their profits in addressing societal needs (International Business Publications 2016). In 2016, social enterprises were given tax exemption status, the law also specified a definition of "social enterprise." This strong government support accelerated the growth of social enterprises in Thailand over the last few years.

Financing for social enterprises is available. While there are a number of seed funding options for start-ups offered through incubation programs (e.g., UnLtd Thailand) and business plan competitions (e.g., Banpu Champions for Change), such funding are often on short term. In 2015, the Thai Social Enterprise Office collaborated with two state-owned banks to set up a loan program of $57 million, yet there is insufficient funding for social enterprises that are moving from validation to growth stage. Impact investors in Thailand are supporting social enterprises in agriculture, tourism, education, and

technical training. Regional and global impact investors are active, such as LGT Venture Philanthropy, which has invested in Hilltribe Organics, an agribusiness working with organic poultry farmers with an equity investment of $80,000, while providing loans to Grassroots Innovation Company ($50,000) and New Haven Partnership Environment ($14,000) (LGT Venture Philanthropy 2015). Singapore-based Leapfrog Investments and crowdsourcing platform Kiva has also made investments in Thailand. Investments in large IB companies are not common, which highlights the need for a strong knowledge sharing on IB in Thailand. The government can also work with development finance institutions and donors to support IB models like the way it has collaborated in the past for social enterprise.

With a strong and robust social enterprise ecosystem backed by the government, Thailand is a role model for many economies in the region for impact investing. However, IB is yet to take off—which means the scale of impact still remains small. IB has a strong synergy with the government's goal for inclusive growth and stronger awareness creation can help Thai companies scale their impact, both at home and abroad.

U. United States

Largest economy in the world. The US economy is the largest in the world with GDP at $18.03 trillion, and GDP growth rate at 1.6% in 2015 (The World Bank Group 2015e). The US economy has rebounded 7 years after the financial crisis as reflected in the strong private sector employment gains, which has brought down unemployment Fiscal sustainability has been largely restored and corporate profits are on the rise (OECD 2016a).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 8/187	2015	UNDP
Ease of Doing Business	Rank 8/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 11/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Rising income inequality. Even with the improvements in the economy, income inequality is rising. Women in the US typically receive lower salaries than men, and some groups are disadvantaged in the labor market with lower chances of returning to work. A common occurrence is that children of poor families lack access to high-quality schools and tend to drop out of college. For those in the labor force lacking in skills demanded by employers, vocational trainings and continuing education have had mixed results. According to the US Census Bureau in 2015, 43.1 million people lived in poverty in the US. However, the idea of poverty as described by the bureau is relative to that defined in developing countries. Of the 321 million population, 1% live below the international poverty line of $1.90 and 1.33% lives below $3.20 (The World Bank Group 2015e). What most Americans would

consider poor is lacking in nutritious food, adequate warm housing, or clothing (US Census Bureau 2015).

Private sector collaboration to solve global challenges is championed by the United States Agency for International Development. The USAID has disbursed $41 billion across 223 countries in 2015, making it the largest donor agency in the world (USAID 2015). In 2014, USAID adopted a new strategy with a mission to partner with the private sector "to end extreme poverty and promote resilient, democratic societies," which has been a big push for private sector engagement in development toward the implementation of IB models. It launched the Global Development Alliance, a model for building public–private partnerships, focused on market-based solutions to deepen USAID's development impact. For example, USAID's "Feed the Future implementers are partnering with Walmart to train more than 200,000 farmers in Rwanda, Zambia, Kenya, Ghana, and Bangladesh. Through a $5 million contribution, Walmart is funding trainings on agricultural best practices and market linkages with a focus on reducing gender inequality in the sector and transforming farming into a key driver of economic growth." (USAID 2014) According to USAID, private sector financial flows vastly exceed official development assistance (ODA): 91% of resources flowing from the US to developing countries come from private resources like private investment, remittances, and philanthropy. Hence, the agency continues to push for collaborations with the private sector (The Practitioner Hub for Inclusive Business 2017).

Inclusive Business in the United States

Inclusive business is a well-known concept for United States corporations and is seen in their operations in developing countries. While some of the world's largest companies are embracing IB activities, the Coca-Cola company has embraced the SDGs and aligned itself to working on each of the goals through strategic partnerships. In 2013, the company set a goal to more sustainably source 100% of its priority ingredients by 2020, which means purchasing ingredients from farm locations and suppliers that meet company-approved standards, adhering to the company's Sustainable Agriculture Guiding Principles (Coca Cola 2013).

Corporate social responsibility is not mandatory for United States corporations but is a social norm. Corporations in the US are not as regulated as in other parts of the world, and hence, it is not necessary for companies to engage in CSR. However, many US corporations have built a norm of CSR. With the initiation of SDGs, many companies are taking a lead in aligning with the global goals. Three US corporations ranked in the top 10 of the most reputable companies according to the Global RepTrak 100, including The Walt Disney Company, Google, and Intel (Reputation Institute 2017). Global US corporations like Coca Cola also undertakes strategic CSR activities. An example is the Project Last Mile initiative, which helps African governments get vital medicines and supplies to the "last mile" of hard-to-reach communities; it is expanding its support to additional countries, including a new early-stage work in Nigeria, while support also exists in Tanzania, Mozambique, and Ghana (Coca Cola 2013). Another example is Facebook, the successful US social media giant, which launched Internet.org, an initiative bringing together technology leaders, non-profits, and local communities to connect the two-thirds of the world that does not have internet access (Internet.Org 2016).

Increasing support for impact investing. According to Global Impact Investor Network's (GIIN) annual survey, in 2015, impact assets under management grew to $35.5 billion from $25.4 billion in 2013, with 45% of the investors based in North America. In 2014, the US National Advisory Board on Impact Investing proposed recommendations on the role of US policy makers to promote more impact investing. At the same time, with leadership from the US administration, 28 US organizations and investors announced a $2.5 billion fund in new private commitments for impact investing (Impact Alpha 2017). Duke University's CASE i3 Initiative on Impact Investing has been tracking the deployment of these commitments: by the end of 2015, $1.04 billion had been invested in 367 deals (case i3 2016). In 2015, the government introduced two new regulations that affect impact investing. The US Treasury Department issued guidance stating that private foundations may invest their endowments based on their own charitable purposes, even if it could reduce financial returns. Second, the Department of Labor issued new guidance for pension funds interested in pursuing "economically targeted investments" (ETIs), a type of impact investment that seeks certain social or environmental goals alongside a market rate financial return. This move is expected to unleash more capital for impact investments as US-based pension funds have a combined $17.9 trillion in assets under management (GIIN 2016). New legislative support for social enterprises have also been taking shape through actions by states, pushed by supporters of social entrepreneurs, for the creation of new corporate forms, such as benefit corporations, flexible purpose corporations, and L3Cs, Low Profit Limited Liability compnaies. Benefit corporations, for example, allow shareholders to hold managers accountable not only for financial performance, but also for social and environmental objectives that the company has achieved. In 2012, Delaware—home to more than half of America's publicly traded businesses—became the 20th state to sign benefit corporation legislation into law (GIIN 2016). Private foundations in the US have been leaders in investing in development with leaders like the Bill & Melinda Gates Foundation offering funding and grants to causes, using their assets of around $40 billion (Gates Foundation 2015). In a Devex assessment of the top 10 private foundations, 9 out of 10 came from the US, highlighting the role of US private and NGOs in global development (Devex International 2013).

Creating an ecosystem for impact investment. Global Reporting Standards is another US-based organization that helps businesses, governments, and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption, and many others. Global Reporting Initiative (GRI) standards are now being adopted by leading corporations across the globe (GRI 2015). The impact investing sector has also seen many US organizations taking the lead on information and measurement areas, such as GIIN, backed by the Rockefeller Foundation, a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world (GIIN 2015a). GIIN is also well known for setting up IRIS—the catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success; to evaluate deals; and to grow the credibility of the impact investing industry (GIIN 2015b). The US continues to lead impact investing through the work of its private and philanthropic capital, and the work of USAID that pushes for private sector participation. Organizations from the US have been at the forefront of thought leadership around impact investing, IB, and sustainable development.

V. Viet Nam

A growing economy with a strong manufacturing sector. Viet Nam is one of the strongest economies in Asia, with the country seeing a steady GDP growth reaching 6.7% in 2015 and with GDP per capita income at $6,034 (The World Bank Group 2015a). Apart from oil and gas, the apparel and footwear industry are important sectors for the economic growth of Viet Nam, accounting for approximately 23% of exports. While a growing economy has brought with it opportunities for poverty alleviation, the benefits created so far have not been enough to address the needs of Viet Nam's marginalized communities. Economic development, marked by rapid and steep growth, can be related in large part to industrialization and liberalization that have successfully transitioned the country's historically agrarian-based economy to one based on manufacturing of finished products (The World Bank Group 2015a).

FACT SHEET

Indicators		Year	Source
Human Development Index	Rank 116/187	2015	UNDP
Ease of Doing Business	Rank 82/190	2016	Doing Business Rankings
Index of Economic Freedom	Rank 131/178	2016	Heritage Rankings

UNDP = United Nations Development Programme.

Sources: United Nations Development Programme. International Human Development Indicators. http://hdr.undp.org/en/countries. World Bank. Ease of Doing Business Ranking. http://www.doingbusiness.org/rankings. Index of Economic Freedom. https://www.heritage.org/index/ranking.

Inequalities in income and opportunities are growing. The poverty head count in Viet Nam fell from nearly 60% to 20.7% in the past 20 years. However, the rapid economic transformation and growth have meanwhile contributed to rising inequality in income and opportunities. World Bank poverty data shows that 12.02% of the population falls under the international poverty line of $3.10 while only 3.06% fall under the poverty line of $1.90 (The World Bank Group 1990). The poor lack access to quality education and health services, and to income opportunities especially in the rural areas. With the rapid pace of urbanization, the urban poor also pose a new challenge in Viet Nam, according to the World Bank (The World Bank Group 2012). "A growing number of workers from rural areas are migrating to the cities to work in private industry and services, and many of these jobs are informal and lack employment benefits, such as health insurance and pension" (Tieng Viet 2013). The domestic private sector is the biggest employer (over 90%) and the state sector accounts for 9% of the total employment. In terms of sectors, manufacturing is the largest employer (51% of employees), followed by construction, trading, and transport (ADB 2015).

Base-of-the-pyramid market poses a substantial business opportunity in Viet Nam. The consumption data shows that the low and lowest segment of the population spend 55% of their income on food, 7% on transport, 6% on energy, 4% on education, 4% on housing, 4% on clothing, and 3% on ICT. It also highlights that personal care at 2% and financial service at 1% spending is low. The purchasing power of the BOP in Viet Nam represents a significant opportunity for goods and services that meet their needs and improve their livelihoods.

Inclusive Business in Viet Nam

Both the public and private sectors are interested in inclusive business. According to an ADB market study on IB in Viet Nam, the private and public sectors, development agencies, and investors have significant interest in IB. However, given the low level of awareness of IB models in Viet Nam, it is essential to undertake specific awareness and promotional activities to highlight models and opportunities (ADB 2012). IB intermediary organizations like the Vietnam Business Council for Sustainable Development have created mechanisms, such as ranking top sustainable businesses to promote IB. Others, like SNV Consulting, work with companies to build inclusive models in agriculture, health, tourism, and others. However, IB models are not reported widely or discussed in the mainstream commercial activities. Viet Nam has seen a few IB investments so far but there is potential especially in agribusiness and seafood industries. Companies are beginning to include the BOP in their value chains. For example, Ecofarm trains local farmers to switch from solely rice to both rice and corn production. Orient Dragon (Tea) increases the access of farmers to technical services for safe, clean tea, which improves farmers' income. Both companies then buy the produce from the farmers.

The Department for International Development (DFID) of the United Kingdom funded the "Viet Nam Business Challenge Fund" that exists alongside some other impact investors. There is still limited awareness among banks although the government, through the Ministry of Planning and Investment, is increasingly interested in IB. The country offers a potential for a lot more activity. In 2012, the Viet Nam Business Challenge Fund (VBCF), funded by DFID and managed by SNV, was launched. The fund supports private companies operating in Viet Nam to develop innovative IB in agriculture, low-carbon growth, and infrastructure. VBCF pledged nearly $9 million to 21 IB ventures. The expected social returns in 2015 as a result of the VBCF investments 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 flowers and vegetable production.

Corporate social responsibility is prevalent among larger companies. Though CSR was originally deployed by international companies, more and more domestic corporations are undertaking CSR activities. Traditionally, these often took a philanthropic route but companies are now engaging in more strategic CSR. In 2014, the first Viet Nam Corporate Sustainability Forum was organized by the Vietnam Chamber of Commerce and Industry in collaboration with the British Council and Viet Nam Business Challenge Fund (CSR Vietnam 2014). Inclusive Business Accelerator Viet Nam was designed to both consolidate and scale up private sector engagement in the low-income markets. In 2016, the Vietnam Business Council for Sustainable Development, in cooperation with the Ministry of Labour, Invalids, and Social Affairs, the Ministry of Industry and Trade, the Ministry of Natural Resources and Environment, the Viet Nam General Confederation of Labour, and the State Securities Committee of Viet Nam launched the first "Programme on Benchmarking and Ranking the Most Sustainable Companies in Viet Nam in 2016" to promote and recognize companies actively addressing sustainability.

Social enterprises are growing in number but sector still nascent. In Viet Nam, the social enterprise ecosystem is still at a nascent stage. According to the Centre for Social Initiatives Promotion, an organization supporting social enterprises based in Ha Noi, the

total funding in cash invested in social enterprises in Viet Nam in 2012 was estimated at around $2 million. This amount is modest compared to the current needs of social enterprises, most of which are at their early stages and in need of capital to fuel their growth (CSIP 2012). A British Council and CSIP study put the number of social enterprises in the country at 167,000, with the majority being not-for-profit model, and around 200 for-profit (CIEM, CSIP, and British Council 2012). However, the majority of these businesses are very small, at their early stages, and struggling to attract capital and capacity-building support. Cooperatives that support economically disadvantaged people are at the forefront of social enterprises. This trend is changing with more social enterprises using market-based models. An example is the Medical Technology Transfer and Services, which provides affordable and easy-to-use medical equipment to pediatric doctors for newborn babies (MTTS Asia 2015). Recognizing the role social enterprises play in the country's growth, Viet Nam's Enterprise Law was revised in 2014 to provide a legal definition of social enterprise, and the government promised to "encourage, support, and promote the development of social enterprises" (CIEM, CSIP, and British Council 2012). Impact investor Patamar Capital has invested in four companies in Viet Nam.

The government is interested in building an enabling ecosystem. The government has begun developing policies and incentives for business to become more inclusive. The SME team in the Ministry of Planning and Investment is specifically interested in pursuing IB. The government is working with ADB to develop responsible IB investments in the Mekong region. Viet Nam cochaired an IB discussion as part of its 2017 APEC activities.[9] Donors and companies should work with government agencies like the Ministry of Agriculture and Rural Development, Ministry of Planning and Investment, and other platforms for development to execute strategic projects. Legislative and regulatory support through strong legislation and policy that would accelerate the growth of social enterprises and inclusive models are necessary, in addition to the 2014 new changes in the Enterprise Law. Accreditation and incentives from the government will help push companies to integrate inclusivity into their business models.

Viet Nam's economy is expected to continue to grow with a strong push for inclusive growth. With the government supporting the growth of entrepreneurship, the IB market has great potential for expanding, with more companies looking to include the BOP in their value chain.

[9] As an input to this discussion and a follow up of the 2015 APEC summit in the Philippines where Inclusive Business was also a topic, ADB is currently finalizing a study on Inclusive Business in APEC.

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Inclusive Business in the Asia–Pacific Economic Cooperation

This report illustrates the current state of inclusive business (IB) models in the Asia–Pacific Economic Cooperation (APEC) economies, particularly the market potentials, constraints, and necessary policy instruments for an enabling environment for IB. A profile of IB initiatives, the overview of the base of the pyramid market size, and the IB ecosystem in each APEC economy as well as a recommended a framework to guide future work on IB under the APEC regional economic cooperation agenda are also included in this report.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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