Inclusive Business in Myanmar

An Agenda to Catalyse Social Impact

October 2018
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Currencies:
£ - British pound
€ - Euro
₭ - Myanmar kyat
$ - US dollar

Exchange rates as of 15 June 2018 (OANDA):
$1 = MMK 1,347.80;
$1 = £0.74903.
<table>
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CDC</td>
<td>Commonwealth Development Corporation</td>
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<tr>
<td>CEO</td>
<td>Chief executive Officer</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>Danida</td>
<td>Danish International Development Cooperation Agency</td>
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<td>DFID</td>
<td>UK Department for International Development</td>
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<td>DICA</td>
<td>Directorate of Investment and Company Administration</td>
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<tr>
<td>GDP</td>
<td>Gross National Product</td>
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<tr>
<td>GIIN</td>
<td>Global Impact Investing Network</td>
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<td>GIZ</td>
<td>German Society for International Cooperation</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>ICSB</td>
<td>International Center for Small Business</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<td>JETRO</td>
<td>Japan External Trade and Investment Promotion Organisation</td>
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<td>KfW</td>
<td>Germany’s International Development Bank</td>
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<td>LIFT</td>
<td>Livelihood Investment and Food Trust</td>
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<td>MCRB</td>
<td>Myanmar Centre for Responsible Business</td>
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<td>MIC</td>
<td>Myanmar Investment Commission</td>
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<tr>
<td>MoC</td>
<td>Ministry of Commerce</td>
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<tr>
<td>MYEA</td>
<td>Myanmar Young Entrepreneurs Association</td>
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<td>MWEA</td>
<td>Myanmar Women Entrepreneurs Association</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NLD</td>
<td>National League for Democracy</td>
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<td>PSDC</td>
<td>Private Sector Development Committee</td>
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<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprise</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UMFCCI</td>
<td>Union of Myanmar Federation of Chambers of Commerce and Industries</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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Inclusive business is a new and relevant concept for Myanmar. Inclusive businesses are commercially viable investments that provide scaled-up, innovative, and systemic solutions for problems experienced by the poor and marginalised. They can create new income opportunities for the poor by engaging them in the value chains of profitable businesses while paying better than market rates. They can also provide goods and services to the poor that address key needs in areas such as health, education, housing, finance, water and sanitation. Inclusive businesses are typically profitable and innovative companies that consciously address issues that benefit the poor.

Inclusive businesses creates triple wins: for the poor, for companies, and for government. They also contribute to the government’s agendas of reducing poverty, making a more inclusive economy, and achieving Sustainable Development Goals.

While investment in inclusive businesses is driven by the private sector, the government and other actors can promote such investments. The study analyses the enabling environment for inclusive businesses in Myanmar and found strong interest to promote them through business associations, impact investors, and development partners.

The study makes recommendations on how the concept can be further promoted in Myanmar through partnerships between government and the private sector. The recommendations include:

- setting up an inclusive business steering group
- promoting knowledge and advocacy work, including awards for inclusive businesses, by business associations
- creating an inclusive business technical support facility
- supporting the establishment of an inclusive business and impact investment fund

Of particular relevance to the Directorate of Investment and Company Administration (DICA), the study also recommends that government:

- establish an inclusive business certification system
- set up a support desk and focal points in various government agencies
- prioritise inclusive businesses as well as social enterprises in public procurement
- prepare specific policies and incentives for inclusive businesses

In meetings in March–May 2018, the Myanmar Investment Commission and the government’s Private Sector Development Committee working committees generally endorsed the recommendations and assigned DICA to work to coordinate implementation of a strategic framework for inclusive business.

We are grateful to the DaNa Facility and the United Kingdom’s Department for International Development for their preparation of this first market scoping study on inclusive business in Myanmar. We hope that development partners can commit further support to promote inclusive businesses.

Aung Naing Oo
Director General, Directorate of Investment and Company Administration
Ministry of Planning and Finance
Secretary, Myanmar Investment Commission
There are many ways in which the private sector can benefit society and the poor. Some mainstream businesses involve the poor or produce goods and services for them. Corporate philanthropy through social enterprises and corporate social responsibility are traditional approaches. However, these approaches alone cannot change the dynamics of structural poverty or address the systemic issues that many disadvantaged communities face around a lack of economic and social opportunities.

Inclusive business is different. It adds a dimension of scale of both impact and business, as well as commercial sustainability. And it provides a deliberate answer to the problems of the poor and near-poor. It is about companies whose core businesses involve meeting the needs of the poor by generating better incomes and providing better services. Simply working with the poor is not enough. Inclusive businesses engage the poor in a way that offers sustainable solutions to the problems the poor face. This is the triple win of inclusive business: the poor, the company, and society all win. That is why it can have such a profound impact on society and on the economy, promoting inclusive growth and sustainable development.

Inclusive business can play a transformational role in expanding the economy of Myanmar and making it more inclusive. Evidence from around the world shows how powerful inclusive business can be. More inclusive business investments, supported by impact investing funds, mean jobs and increased economic opportunities and with them, access to greater prosperity for poor people. It also means new services and products that meet the needs of poorer consumers, leading to more prosperous lives for families from poorer communities across Myanmar.

I would like to acknowledge the DaNa Facility team of Peter Brimble, Wint Wint Htet Hlaing, Aung Kyaw Phyo, and their assistants, and the team consultants of Hsu Wai Htun, Aung Thura, Jonathan Keesecker, Armin Bauer, and Warren Caragata, for their dedicated work on the market scoping and assessment study on inclusive business, the first of its kind for Myanmar.

I would also like to thank all the people who contributed to this study for their engagement, interest, and the time they have taken to contribute to the discussion. Thanks are due especially to the companies, business associations – led by the Myanmar Young Entrepreneurs Association and the Union of the Myanmar Federation of Chambers of Commerce and Industry – the impact investors and development banks investing in inclusive businesses, the various impact incubators and accelerators, the government through DICA and other agencies, and development partners that promote inclusive business and impact investing.

We hope this study will encourage more companies to develop inclusive business initiatives in Myanmar.

Dr. Gail Marzetti
Head, DFID Myanmar
EXECUTIVE SUMMARY

1. **Rationale:** This study explores the potential for inclusive business in Myanmar and aims to improve understanding of the market for these businesses. It also makes policy recommendations on enhancing the environment for inclusive business investments.¹

2. **What is an inclusive business?** In the words of the G20 Inclusive Business Framework, they “provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the economic pyramid (BoP).”²

3. **Inclusive businesses** can play a major role in making development in Myanmar more inclusive, and they create triple wins: for the poor, for the government, and for the private sector.

4. **These businesses take three forms:** business models, activities, and social enterprise initiatives. Companies with an inclusive model integrate the needs of people at the base of the pyramid in their core operations and aim to make market returns in doing so. Inclusive business activities also involve people at the base of the pyramid but the poor are not a significant part of the customer or supplier base and activities are generally financed by grants or internal corporate resources including corporate social responsibility (CSR) funds. Social enterprise initiatives are generally set up to meet social goals and generally do not generate commercial returns.

5. **Inclusive business makes economic growth more inclusive:** The study is set against rapidly changing economic and social developments in Myanmar. About one-third of the population (32%) live below the national poverty line.³ Gross national product (GDP) per capita in 2016 stood at $1,195, making Myanmar the second poorest country in Southeast Asia behind Cambodia.⁴ Those living on low incomes face major challenges accessing quality and affordable services and in finding well-paid income opportunities.

6. **The study assessed** 176 businesses and found 56 enterprises with potential inclusive business models, initiatives and activities. A deep-dive assessment of those 56 companies found 21 companies with innovative models, initiatives, and activities that have large-scale social reach and depth and also make good financial returns. The study found that, while awareness of inclusive business is low, there is interest by the government, the business community and development partners in promoting the concept more actively in Myanmar.

7. **The study finds** that the inclusive business market in Myanmar remains in its infancy and that knowledge about the concept and its benefits is limited. An existing culture of social enterprise suggests linking the agenda for inclusive business to discussions about social enterprises. Investments in the sector are limited and impact investors report difficulties in finding good deals. There are opportunities in agribusiness, finance, education, energy, health, as well as housing and trade, but fewer in tourism and garments. Government, business associations, investors, and development partners are interested in promoting inclusive businesses and are looking for concrete steps to take action.

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¹ In addition to the main study, additional material was produced that is separately available on request from DaNa. The material comprises: more detailed notes on selected potential inclusive business companies; questionnaires and rating assessments; background information on business champions for inclusive business and key actors in the field; and approaches to assess inclusive business readiness.


8. Sectoral composition and quality:
Of the 56 companies with real or potential models, 23 were in agribusiness, 12 in finance, 6 in energy, 5 each in health and trade, 3 in tourism, and 2 in education. This distribution does not reflect the large potential in education, and perhaps a larger potential in tourism and housing, given the market needs in Myanmar. Quality was an issue. Of firms with high scores, 4 were in microfinance 3 in agribusiness, one in health and one in trade. The others just passed the threshold of being rated as inclusive businesses. Hence, there is immense scope to improve business models for achieving more social impact and better commercial returns. About two-thirds (63%) of the assessed companies target the poor as consumers – many in the microfinance sector – while 29% target them suppliers, 4% as labourers and 4% as shareholders. Two companies had multiple targets.

9. Commercial viability is strong:
20 businesses have revenues between $1 million and $10 million. Profit margins before tax range from 3% to 20%. Both revenues and margins are expected to grow. Profitability is highest among companies with inclusive business models, followed by initiatives and activities. Profitability is highest in agribusiness, followed by education and health, and microfinance. Most companies are bankable, and few need additional commercial financing. Most companies believe that getting financing will not be difficult, especially when their social impact models and commercial viability are better known. This underlines the need for certification or accreditation as well as branding and well-established documentation of impact chains. Some companies would also need grant financing for business plan revisions, testing new approaches, and for direct support to the poor in their value chains.

10. Inclusive business models reach many of the poor and near-poor:
Agribusiness investments typically target 300 to 3,000 farmers. Microfinance models now target at least 70,000 clients. Solutions based on technology and mobile phones in agribusiness and health have higher reach – from 70,000 to 3 million. In all cases, reach is expected to grow by 2020. There is also a considerable social impact because of rising incomes and innovations to address business and social risks.

11. Inclusive business could address selected key challenges of the transforming economy.
Myanmar’s economy faces major challenges, and a better business climate for private sector development is emerging. New laws and regulations promoting economic growth have unleashed entrepreneurship and driven private sector growth. People are eager to take advantage of new market opportunities, start new businesses and bring innovations to their mainstream companies. There is sense across the country of a desire to do things better for society and business by doing things differently. Social entrepreneurship is emerging, especially among young business-oriented people. Inclusive business can become a new way for entrepreneurs to position their businesses against the old crony rules, doing good while making a profit.

12. Actors to promote inclusive businesses:
The study targeted the institutions that can play a significant role in encouraging inclusive businesses:
• Business associations would be interested in promoting knowledge about inclusive business and setting up an award system to enhance branding and recognition;
• Impact investors are not yet making many deals in Myanmar and it would help them if good investment cases could be promoted, and if investment risks could be shared through a fund for co-investing in accredited cases;
• As there are very few technical assistance agencies specific to inclusive businesses and there is a need to more closely tie the work of facilitator and advisory agencies to the inclusive business agenda, the DaNa Facility could take the lead in this effort;
• Given the role played by the Directorate of Investment and Company Registration (DICA), it could champion the inclusive business agenda and support the government in promoting inclusive businesses;
• The Ministry of Industry can play a role in linking inclusive business with micro, small and mid-sized firms and with the ASEAN agenda, while the Ministry of Commerce can support inclusive businesses in the trade sector;
• Development partners are interested in supporting inclusive businesses and could provide support in various ways.

13. A strategic framework:
The study identifies 8 recommendations on how government, the private sector, and other actors can promote inclusive businesses:

a. Establish a steering group on inclusive businesses, social enterprises, and impact investment and mobilise support from development partners;

b. Broaden awareness of inclusive business and related branding;

c. Provide technical assistance for developing inclusive businesses and impact monitoring;

d. Set up inclusive business support desks in various agencies;

e. Set up an inclusive business accreditation or certification system;

f. Prioritise inclusive business in industrial policies and incorporate them in incentive structures;

g. Strengthen demand for inclusive business products through public procurement;

h. Establish an investment fund for inclusive businesses and social enterprises.

14. Moving forward:
The strategic recommendations have generally been endorsed by the Myanmar Investment Commission (MIC) and the Private Sector Development Committee (PSDC). DICA, as the secretariat to the MIC, plans to support the preparation of an action plan and coordinate implementation. Government, development partners and investors are also involved in plans to implement the strategy.
ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။

1. ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။ ဗိုလ်ချုပ်ရေးမှုန်းရေးစနစ်အားဖော်ပြရန် ချိုးဖော်ပြောင်းပါသည်။
စီးပြားလုပ်ခြင်းလုပ်ငန်းများတွင် အေသးစားေခ်းေငြလုပ်ငန်းများကလည်း ယခုအခါ ေထာက္ပံ့ေပးႏိုင္သည္- စိုက္ပ်ဳိးေရးဆက္စပ္လုပ်ငန်းများ (inclusive business models) သည္ ဆင္းရဲႏြမ္းပါးသူမ်ားကို တိုက္႐ိုက္ပံ့ပိုးရန္တို႔အတြက္ ေငြေၾကးေထာက္ပံ့ဟု ကုမၸဏီအမ်ားစုက ယံုၾကည္ထားၿပီး အထူးသျဖင့္ ယင္းရွာေဖြႏိုင္ၾကေသာ္လည္း အနည္းငယ္မွာမူ ျဖည့္စြက္ေငြေၾကးပညာေရး၊ က်န္းမာေရးႏွင့္ အေသးစားေခ်းေငြလုပ်ငန်းများ စိုက္ပ်ဳိးေရးဆက္စပ္လုပ်ငန်းများသည္ အျမတ္ရရွိႏိုင္စြမ္းအျမင့္မားဆံုးျဖစ္ၿပီး ထို႔ေနာက္တြင္ အစပ်ဳိးမႈမ်ားႏွင့္ လုပ္သည္။ ဝင္ေငြႏွင့္ အျမတ္ေငြမ်ား တိုးလာရန္လည္း ေမွ်ာ္မွန္း၀ သန္းအၾကား ဝင္ေငြရရွိလ်က္ရွိသည္။ အခြန္မေဆာင္မီ- လုပ်ငန်းေပါင္း ၂၀ သည္ အေမရိကန္ေဒၚလာ ၁ သန္းႏွင့္ သူမ်ားကို ေစ်းကြက္ပံ့ပိုးသူမ်ားအျဖစ္ ဦးတည္ထားလ်က္လ်က္ရွိကာ အမ်ားအားျဖင့္ အေသးစားေခ်းေငြလုပ်ငန်း...
စီးပြားလုပ်ငန်းများကုိ အလွန်သော အဆင့်，
ေထာက်အကူျပဳႏိုင္ေပသည္။
စီးပြားလုပ်ငန်းအစီအစဥ်များကို စြမ္းစြမ္းတမံဦးေဆာင္
• ရင္းႏွီးျမွဳပ္ႏွံမႈႏွင့္ ကုမၸဏီမ်ား ညႊန္ၾကားမႈဦးစီးဌာန (DICA)
တိတိပပေဆာင္ရြက္သည့္ နည္းပညာအကူအညီေပးလုပ္ငန္း
• အမ်ားႏွင္႔အက်ံဳးဝင္ေသာစီးပြားလုပ်ငန်းများအတြက္
၌ ရင္းႏွီးျမွဳပ္ႏွံမႈမ်ားစြာ ျပဳလုပ္ရျခင္း မရွိေသးေပ။
ေကာင္းမြန္တြက္ ၄င္းတို႔လုပ္ငန်းမ်ားကို ေကာင္းစြာလုပ္ေဆာင္၍ အ
tည္။ လူမႈစြန္႔ဦးတီထြင္စီးပြားလုပ်ငန်းများ ေပၚထြက္လာ
dပန္ႏွင့္ မိမိတို႔၏ အမ်ားနည္းတူျဖစ္ေနေသာ ကုမၸဏီမ်ား
dားတက္မႈကို အားေပးျမႇင့္တင္ႏိုင္မည့္ ဥပေဒ၊ နည္းပညာအငန္းရပ္ဝန္း
dစ္ေပၚေပါက္လာလ်က္ရွိသည္။
စီးပြားခ်က္ အခ်ဳိ႕ကို ေျဖရွင္းႏိုင္ပါသည္။
ျမန္မာ့စီးပြားသည္ အတြက္ စီစဥ္လ်က္ရွိပါသည္။
ဤမဟာဗ်ဴဟာကို လက္ေတြ႕သည္ လုပ္ငန်းစဥ္ေရးဆြဲျခင္းကုိ အေထာက္အကူျပဳရန္ႏွင့္
အားကိုႀမိ႔တင္ေပးၿခင္း
၆။ စက္မႈလုပ္ငန်းဆိုင္ရာမူဝါဒမ်ားတြင္ အမ်ားႏွင္႔အက်ံဳးဝင္
၄။ ဌာနေပါင္းစံုတုိ႔တြင္ အမ်ားႏွင္႔အက်ံဳးဝင္ေသာစီးပြား
နည္းပညာအကူအညီမ်ား ပံ႔ပုိးေပးျခင္း
ေဖာ္ျပမႈမ်ား အေၾကာင္း အမ်ားၿပည္သူ ပိုမိုသိရွိေစရန္
အတြက္ ဦးေဆာင္အဖဲြ႕တစ္ရပ္ (steering group) တည္က်ံဳးဝင္ေသာစီးပြား”
လုပ္ငန်းကုိ အားေပးျမႇင့္တင္ႏိုင္မည့္
• ဖြံ႕ၿဖိဳးေရးမိတ္ဖက္မ်ားသည္အမ်ားႏွင္႔အက်ံဳးဝင္ေသာစီးပြား
ဝယ္ေရး ဝန္ႀကီးဌာနအေနျဖင့္ ကုန္သြယ္ေရးက႑အတြင္းမွ
အေသးစား၊ အလတ္စားအဆင့္ လုပ္ငန်းမ်ား၊ အာဆီယံ
1. INTRODUCTION AND BACKGROUND

1. Poverty and Exclusion in Myanmar

1. Myanmar is rapidly changing: In the early 1960s, Myanmar was one of Asia's leading economies with a per capita income more than three times that of Indonesia and twice that of Thailand. However, 50 years of military rule and a mismanaged socialist experiment changed all that. By 2010, Myanmar had the lowest GDP per capita in Asia. After the 2010 election, the shift to a quasi-civilian government in 2011, and the 2015 election of a government led by the National League for Democracy (NLD), the country and its economy are experiencing significant change for the better.

2. Opportunities and constraints for private sector development: Myanmar has one of the highest growth rates in Asia, albeit from a very low level. With a population of 53 million, a median age of 27 years, a literacy rate of nearly 93%, an important geostrategic location, and a government led by opponents to authoritarian rule, Myanmar could be an attractive destination for investors looking for a largely untapped consumer market and an attractive labour market. However, it is also one of the more challenging countries in which to run a business. In the World Bank's 2018 Doing Business study, Myanmar ranks poorly, coming in at 171 out of 190 economies worldwide. Key constraints for more sustainable growth include the regulatory environment, weak infrastructure, an underdeveloped financial sector, and a lack of appropriate labour skills. As well, the country's reputation still suffers from a history of authoritarian rule and ongoing political and communal challenges.

3. Poverty in Myanmar remains high: Poverty rates have seen some decline but remain high. According to a recent World Bank study, 32.1% of households in 2015 subsisted below the poverty line compared to 48.2% in the year ending in 2005. Another 14% of households in 2015 were considered near-poor and were vulnerable to falling back into poverty. About a third of households reported that they are forced to cut back on food quality and 8% said they run out of food. Poverty is disproportionately concentrated in rural areas: 38.8% of rural inhabitants are poor compared or 14.5% of those living in cities and towns. Myanmar has the highest poverty incidence in Southeast Asia for both rural and urban areas.

4. Living standards are low compared to ASEAN neighbours: Myanmar ranked 145 out of 188 countries in the latest human development report of 2016 with a Human Development Index (HDI) of 0.556. As reflected in human development reports going back to 1990, the country has improved its standing: HDI stood at 0.353 in 1990. But Myanmar's HDI was the lowest of the 10 ASEAN countries and among the 24 countries of East Asia and the Pacific, only Pakistan, Afghanistan, Papua New Guinea and the Solomon Islands rank lower. Cambodia and Lao People's Democratic Republic, which are at similar stages of development, have somewhat better rankings at 143 and 138 respectively. The 2016 report put life expectancy at birth at 66.1 years, mean years of schooling at 4.7, and under-5 mortality at 50 per 1,000 births. Myanmar's 2015 HDI was below the average of 0.631 for countries in the medium human development group and below the average of 0.720 for countries in East Asia and the Pacific.

Figure 1: Poverty in Myanmar

<table>
<thead>
<tr>
<th>Poverty Rates</th>
<th>World Bank Estimate 2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (Weighted Average)</td>
<td>32.1</td>
</tr>
<tr>
<td>Urban</td>
<td>14.5</td>
</tr>
<tr>
<td>Rural</td>
<td>38.8</td>
</tr>
<tr>
<td>Near-poor</td>
<td>14.0</td>
</tr>
<tr>
<td>Bottom of the Pyramid (poor and near-poor)</td>
<td>46.1</td>
</tr>
</tbody>
</table>

Notes: The near-poor are defined as those households living within 20% of the poverty line. Source: ‘An Analysis of Poverty in Myanmar’

1.2. Inclusive Businesses and Poverty Reduction

5. Defining inclusive businesses:
Inclusive businesses are enterprises that help reduce poverty through activities designed to benefit the poor and near-poor. In the words of the G20 Inclusive Business Framework, they “provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid.” They target the poor as consumers, as suppliers, or as workers and their activities are commercially viable. They create scaled-up, systematic, and innovative solutions to the problems of the poor and near-poor. Although inclusive business shares features with social enterprises, corporate social responsibility, and shared value, they are a distinct form aimed specifically at promoting inclusive growth.

6. Forms of inclusive business:
The G20 framework identifies three forms of inclusive business: models, activities, and initiatives. In the model form, a company aims for market returns by directly addressing the poor, as consumers, workers, or suppliers, and does so as a core business. Inclusive business activities are somewhat similar but do not necessarily seek market returns and the corporate relationship to the poor is not central to business operations. Funding for activities may be financed by grants or internal corporate resources, including CSR funds. Social enterprise initiatives are the third type and are generally created to meet social goals without generating profits, and whatever profits are earned are generally reinvested in the business. Inclusive business models obviously have the greatest social impact and may be either mid-sized or large international and domestic firms.

7. Inclusive businesses reduce poverty
by benefitting the base of the pyramid, the bottom 40%. That target has special significance for Myanmar given more than 40% of the population is either poor or near-poor.

8. Inclusive businesses use the challenges faced by those at the base of the pyramid in accessing needed goods and services and finding jobs paying good incomes as business opportunities. The key challenges in Myanmar relevant for inclusive business are:
- high underemployment, especially in rural areas and among young people
- limited access to electricity and cooking fuel
- a low level of relevant skills and an expensive skills-training system
- a lack of access to finance
- problems of access to basic health services and issues of quality
- environmental challenges, especially in cities
- high risks of climate change affects, including flooding and storms
- a lack of security in some regions
9. Opportunities by sector:
There are several sectors where inclusive businesses could find good markets. These include rural income models, especially in agribusiness, tourism, and job placements linked to skills training; and consumer models, especially in health, education, energy, microfinance, and urban housing.

10. Inclusive business offers opportunities to create triple wins by benefitting the poor, the private sector, and government. It has been traditionally assumed that the needs of the poor can only be met by government and civil society, but the rise of inclusive business means that is no longer true. The private sector as traditionally organised has typically been reluctant to engage the poor because the poor have not been seen as a profitable market. Inclusive business recognises that business can organise itself to earn a profit from meeting the needs of the poor as consumers or by engaging them as suppliers or workers. Such recognition opens new markets for business, supports higher standards of living for the poor and, by reducing poverty, benefits society and meets government policy objectives. It can also carry environmental benefits. Given the strong emphasis on sharing in Myanmar and the openness of the government to try new development approaches that work for the BoP, there is a huge opportunity in Myanmar for promoting inclusive business.

2. THE CHANGING ROLE OF THE PRIVATE SECTOR

11. Improving the business climate:
The World Bank’s Doing Business study finds that Myanmar has far to go to improve its business climate. The 2018 report ranked Myanmar 171 of 190 countries and it ranks as the worst among its neighbours. Its closest competitors in Southeast Asia for investment did considerably better: Vietnam ranked 68, Cambodia 135, and the Lao People’s Democratic Republic 141. Thailand ranked 26, Malaysia 24. In the East Asia and Pacific region, only Timor Leste did worse.10 The largest hurdles for doing business in Myanmar include access to finance and land, stable electricity, a lack of skilled labour, burdensome regulations, political instability, taxes, transportation costs, and a lack of protection for investors.

12. Since economic reforms began in 2011, the Myanmar government has taken several measures to support the private sector. The 2015 Competition Law regulates anticompetitive behaviour, while the 2017 Companies Law was written to relax limitations on ownership by foreign firms and set standards for corporate governance and shareholder protections. Other efforts have focused on promoting small and medium-sized enterprises (SMEs) through the 2015 SME Development Law, and light manufacturing in special economic zones through the 2014 Myanmar Special Economic Zone Law. The 2013 Telecommunications Law opened Myanmar’s telecommunications industry to foreign companies through a transparent bidding process. The 2016 Financial Institutions Law laid the groundwork for modernising Myanmar’s financial institutions and attracting foreign investment. The 2013 Securities and Exchange Law provided for the opening of the Yangon Stock Exchange in 2015.

13. However, despite the reforms, the business community believes that more reform is needed to create an hospitable business environment. A December 2017 survey by the Union of Myanmar Federation of Chambers of Commerce and Industries summarises the key constraints as: an absence of clear government economic policies (77% of respondents), a lack of trained staff (77%), an unpredictable legislative environment (74%), and unpredictable regulatory enforcement (72%).

14. Little potential in industrial zones:
The country has many industrial zones and 3 special economic zones generally populated by mid-sized and larger companies. However only a few of the

zones are operating. Companies in the zones typically source inputs from abroad – the garment sector, for example, sources fabric mainly from China – or through middlemen from rural areas. Such companies have little inclusive business potential, and the key social dimension is to enhance labour standards and eventually increase wages for their workers. The study looked at some of these zones and found few if any inclusive business models. Inclusive business opportunities therefore seem to be located mainly outside the established industrial zones.

15. Most companies are small and have low productivity. A dynamic private sector has started to emerge since 2015. Before, the economy was mainly in the hand of state-owned enterprises, military establishments, or conglomerates owned by allies or relatives of military chiefs. There was also a large but relatively undynamic sector of small and mid-sized firms. Today, about 67,000 companies are registered with DICA plus 126,000 with the SME Development Centre, and an estimated 100,000 semi-formal businesses are registered with local governments. In addition, there are about 600 state-owned enterprises and some 100 military firms. An estimated 80% of companies have fewer than 10 employees, and only about 40% have reported annual revenues above $10,000. Most micro and small businesses have low productivity while some medium-sized family businesses have recently made innovations that allow them to employ more people and provide incomes above the poverty line.

16. Opportunities for businesses creating social impact:

   The government has recently passed laws and regulations making the economy more open. It has also supported entrepreneurship and responded positively to the potential offered by inclusive businesses. People around the country are eager to take advantage of new market opportunities, start new businesses or bring more innovation to their mainstream companies. Businesses are slowly but steadily embracing more responsible business practices and also setting up networks for peer learning, and by some reports there is a greater sense of curiosity about how to do business better by doing things differently.

17. An interesting phenomenon has been the emergence of social enterprises since 2016. Social entrepreneurship is growing, especially among the young, and inclusive business is a new avenue for entrepreneurs to position their businesses against the conglomerates set up under military rule. The interest in social enterprises and inclusive businesses is largely driven by young people with a business education, sometimes from abroad, and by an awareness of unsolved social problems. It is also encouraged by the government’s increasing acceptance of and support for independent social businesses, technological change and a burgeoning mobile phone sector, as well as a strong wish to do things differently. However, most social enterprises are small and have had limited business success and limited social impact.

18. The need to explore potential in rural areas:

   The costs of doing business in the Yangon region are relatively high, which may make it difficult for inclusive businesses and social enterprises to grow and prosper. Some investors have said there may be more potential to find enterprises with social impact and scale in rural areas, especially in the agribusiness sector. The large number of agribusinesses in our market scoping study confirms this. However, identifying potential inclusive businesses in rural areas can be challenging because they often do not define themselves as inclusive businesses or social enterprises, and impact investors are reluctant to explore new ventures in remote areas due

11. The new company law classifies small companies as those with less than 50 employees and less than MMK 50 million ($45,500) in annual revenue.

12. The 2016 income tax assessment of the top 1,000 companies shows that about 40 companies have revenues greater than $50 million, 100 have revenues of $10 million to $50 million, 210 have revenues of $3 million to $10 million, 650 have revenues of $500,000 to $3 million. Companies with revenue less than $500,000 are not covered in the list. Given these numbers, the number of companies actually generating income is much lower than the number of registered companies.
to high travel and acquisition costs and, in some areas, security concerns.

3. INCLUSIVE BUSINESS AND THE PUSH FOR GOOD GROWTH

19. Inclusive business is a critical addition to recent pro-business approaches to poverty reduction. In recent years, there has been an increased push for economic growth that is both responsible and inclusive, both through greater respect for human rights and through business models that benefit not only owners but also the poor and the environment. These models include a variety of efforts to expand responsible business, social entrepreneurship, and commercial activities that create shared value. Inclusive business is a unique and valuable addition to these activities and offers a new approach to reduce poverty through more inclusive economic growth.

3.1. Moving Towards More Responsible Business

20. Due to Myanmar’s history, inclusive businesses and businesses in general face challenges in operating responsibly. The challenges arise due to the country’s long history of authoritarian rule, ethnic conflict and economic isolation. An outdated legal and regulatory environment has led to arcane and poorly understood systems for licensing and registration that breed corruption. As well, businesses sometimes use discriminatory employment practices including the use of child labour. The weak regulatory environment of the past has also failed to prevent or mitigate the negative impacts of commercial activity on communities and the environment. Poor working conditions are particularly common in industries tied to natural resource extraction and there are few protections for worker and consumer safety. Many of these factors have been compounded by armed conflict, particularly in Myanmar’s ethnic minority states where there is a history of forced labour and other human rights violations in commercial activity. Modern standards for corporate governance are also often lacking. In 2017, Myanmar ranked 130 out of 180 countries on Transparency International’s corruption practices index.13 As a result, Myanmar businesses face many of the typical challenges in operating responsibly as well as a suite of additional challenges unique to developing economies impacted by conflict.

21. In recent years, there has been increasing support by government and the private sector for responsible business practices. Particularly since economic and political reforms began in 2011, the notion that businesses must act responsibly has increasingly gained currency among businesses and policy makers. In 2013, Myanmar passed an anti-corruption law to address bribery and related issues, although it focuses more on public officials than offences by private actors. The NLD government has placed greater emphasis on fighting corruption and bribery since taking power in 2016, although progress at the highest levels of office is counterbalanced by continued corruption at lower levels. Another important step towards promoting responsible business included the issuance in 2016 of new environmental impact assessment procedures for preventing and mitigating the negative social and environmental effects of commercial activity.

22. A significant challenge in the effort to advance responsible business activity in Myanmar is a lack of understanding among Myanmar companies of what responsible business actually entails. The Myanmar Centre for Responsible Business (MCRB) defines the term as “business activities that comply with the law and international human rights and labour standards and includes responsible social and environmental performance within the context of international standards.”14 In essence, this embraces obeying the law, paying taxes, steering clear of bribes

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and other corrupt practices, respecting employee and human rights, treating customers and other businesses ethically, and respecting the environment. Despite efforts by the MCRB, the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI), and several large businesses to promote responsible business practices, a large swath of the private sector continues to conflate responsible business with companies that do some philanthropic activity tangential to core business activity. Whereas philanthropic activity by businesses may be quite high, this is often not correlated with responsible business activity. Rooted perhaps in a rich history and culture of giving, philanthropy used for whitewashing otherwise unethical business behaviour can prove challenging in helping businesses embrace international norms for business practice.

23. **Inclusive business builds** on many concepts of responsible business, taking responsible business as a baseline and building on it. For example, both responsible business and inclusive business refer to commercial activities that respect international and national laws and regulations and encourage transparency and accountability. However, inclusive business goes further by addressing the problems of the poor and doing so at scale. Small businesses and microenterprises may act responsibly, but at this scale they are not inclusive business. Nor are large businesses that act responsibly but engage only the middle or upper classes. Large businesses that are commercial, bankable, transparent and obey environmental, social, and governance laws and regulations may well be responsible, but if they do not address the issues of the poor then these conventional business models – albeit successful – are not inclusive businesses.

24. **Responsible business promotion** in Myanmar is a necessary foundation for inclusive business but alone is not sufficient for ensuring broadly inclusive economic growth. Without question, establishing laws and regulations that promote transparency, accountability and respect for human rights is fundamental to inclusive business. In cases where corruption prevents the development of functioning markets, enforcement of responsible business practices may well be essential for inclusive business to take root. But to ensure inclusive economic growth, businesses – even responsible businesses – must address the problems of the poor. In short, doing right is not the same as doing good: responsible business is based on the principle of do no harm; it does not necessarily have the additional objective of creating business models that deliberately do good. While responsible business norms should apply to all private sector undertakings, inclusive business models are only found among some (often very few) companies. Although inclusive business investments are made by responsible businesses, not all responsible businesses have inclusive business models. In fact, many responsible conventional businesses do not necessarily contribute directly to poverty reduction and inclusive growth.

3.2. **Corporate Social Responsibility in Myanmar**

25. **Corporate social responsibility** is generally seen as using a small share of the net profit of a company (say around 1%-3%) or some one-time funds to finance social, environmental, or other activities that do not bring an immediate financial return. Globally, while CSR has taken on new meanings such as sustainability, social performance, or shared value, the understanding among Myanmar companies is more associated with making donations, especially for temples, and scholarships and housing for staff of larger firms. With such an understanding, the amount of the donation is more important than the performance of the company as a responsible business or the use of CSR funds to create social and environmental benefits. Today, many

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15. Giving in Myanmar is not tied to wealth but rather the cultural practices of Theravada Buddhism and merit-making, combined with the relatively low levels of state investment in basic human welfare.
multinational companies and some large national companies have CSR programmes. Some industry associations such as American Chamber of Commerce sponsor CSR awards. But while CSR activities may have a desirable social impact, such work would not qualify as an inclusive business activity. However, when larger companies use their CSR programmes to set up new business lines that target the poor and near-poor, thereby considering scale and relevance of impact as part of developing a commercially viable business model, this can then be classified as inclusive business activities.

26. Strategic CSR as an inclusive business activity:
Strategic CSR is corporate social responsibility that is directly connected to the business’s activity. Linking CSR to the core business of a company normally ensures that the quality of CSR spending is higher. Our definition of strategic CSR activity is derived from the G20 framework on inclusive business. The concept of strategic CSR is close to the MCRB framework that distinguishes between CSR that is an activity good for business or good for society. Strategic CSR differs from purely philanthropic activity that is unconnected to the business, that are compulsory business obligations, or activities that are used to gain political or business advantage. To some extent, there has been a push for greater CSR through Myanmar’s engagement in the UN Global Compact for Human Rights in Business. Large numbers of larger firms joined up, but there has been little follow up on their CSR activities.

27. The study does not endorse mandatory CSR spending. Unlike some other countries, Myanmar does not have a legal requirement for a percentage of pre-tax profit to be spent on CSR. Companies submitting investment proposals to MIC are encouraged to allocate a percentage of their expenditure to fund CSR activities. However, this is not yet a legal requirement, although there is a widespread belief by many in government and some in the private sector that such a requirement does in fact exist. In a society where giving has a strong social value and where past governments controlled investment decisions by the private sector, establishing a mandatory requirement for CSR could be seen as a return to past practice. Rather, civil society, the private sector and government should emphasise the quality of CSR spending over quantity. Therefore, this study suggests policy encouragement by government and the use by companies of strategic CSR to create scaled-up inclusive business activities related to core business operations. As well, reporting on CSR activities should focus on its relevance for society.

28. Catalysing the spirit of giving for development:
In neighbouring countries, CSR spending is strongly related to the actual delivery of social goods. In India, for example, there is a discussion about whether the funds from companies that do not comply with mandatory CSR spending should be pooled in a fund used by professional social enterprises and inclusive business for investments with strong social benefits. It would be interesting to see how Myanmar might channel the large sums raised through philanthropy by private individuals into more socially effective uses, and whether the country could pool donations to encourage social enterprises and inclusive businesses to use those funds more systematically to generate greater social benefits.

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16. This section draws on the paper by Vicky Bowman (February 2018), ‘Untangling the Spectrum of CSR in Myanmar,’ cautioning against mandatory CSR requirements in the current context.
18. Although Myanmar is one of the poorest countries in the world, it was the most giving nation globally in 2016 – see Charities Aid Foundation, ‘Myanmar is Most Generous Nation’, 25 October 2016, https://www.cafonline.org/about-us/blog-home/giving-thought/how-giving-works/2016-world-giving-index-shows-myanmar-is-most-generous-nation (accessed 9 July 2016).
29. **Use inclusive business to catalyse** large donations in Myanmar for true development purposes. As noted above, Myanmar is the most generous country in the world. The World Giving index estimates that 91% of the population donate to charity, and there has been a large increase in donations since 2015 that is attributed to a new sense of hope in society. ¹⁹

30. **Myanmar companies** could do more to leverage giving. However, most of charitable giving is not used for investments in development. The challenge for the government is therefore to find a way to harness the private sector’s voluntarism in a better way, not through tax incentives or mandatory rules to give more, but by offering opportunities to invest the funds into more consequential opportunities. Inclusive businesses and scaling social enterprises are such opportunities because they do good while at the same time generating bottom line returns. One possibility could be to set up an accreditation system for inclusive businesses and social enterprises and set up a fund that invests in such companies. Such a scheme could encourage the private sector to contribute and provide some incentives including tax incentives for doing so.

3.3. **Myanmar’s Social Enterprise Landscape**

31. **Myanmar has seen growing interest** in recent years in social enterprises. In 2016 and 2017, the Myanmar Young Entrepreneurs Association (MYEA) organised two large events on social enterprises with more than 1,500 participants each. There are incubators, angel investors, and development partners ready to support social enterprises. Their development is aided by opportunities provided by a growing and liberalising economy, by the rapid growth of mobile phones, and by people coming of age after years of authoritarian rule and wanting to make society better. ²⁰

32. **Despite the enthusiasm**, some experts believe that too many social enterprises are being run by idealists rather than by people with sound business skills. As a result, it is estimated that there are perhaps fewer than 500 active social enterprises in the country, and only about 300 of them may have profit-making initiatives, of which again perhaps 30% at most are financially sustainable long-term. ²¹ The majority of these existing social enterprises have revenues below $50,000 a year, and only very few have potential to scale. As a consequence, only very few social enterprises have the potential to become inclusive business initiatives – that is, profit-making enterprises having considerable social impact. ²²

Not all social enterprises address the needs of the poor. Myanmar has a sizeable number of emerging start-ups in the technology area that call themselves or are counted as social enterprises. Some have a business case, some do not. While these businesses may address important social issues, most of them do not qualify as inclusive business initiatives because their business models focus more on the emerging middle class rather than the poor and near-poor. The Yangon Social Enterprises Ecosystem Snapshot done by the Yangon Impact Hub in February 2018 lists 68 social enterprises in Yangon with further data on 52 cases. Of the 68 enterprises, 31% are said to target disadvantaged communities, while the rest target middle-income and other markets. ²³ There are social enterprises that would qualify as inclusive business initiatives. One oft-quoted example would be Proximity Designs (see right).

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²⁰ An estimated 92% of Myanmar households have mobile phones, up from 13% three years ago.

²¹ It is interesting to note that in neighbouring India, the share of this form of more commercially oriented social enterprise is much bigger.

²² Data is based on interviews with Yangon Impact Hub, the MYEA, and representatives of impact investors.

Figure 2: Characteristics of Social Enterprises and Inclusive Business

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>NGOs (some business activities)</th>
<th>Social Enterprises</th>
<th>Inclusive Businesses (All types)</th>
<th>Mainstream Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Civil-society based</td>
<td>Micro and small enterprise based (inclusive initiatives)</td>
<td>As main provider for government services to address exclusion</td>
<td></td>
</tr>
<tr>
<td>Commercial setup and impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of business activities</td>
<td>&lt;20%</td>
<td>100%</td>
<td>100%</td>
<td>80-100%</td>
</tr>
<tr>
<td>Revenues (million US$)</td>
<td>0.02–1.0</td>
<td>0.5–3.0</td>
<td>3–300</td>
<td>1–50</td>
</tr>
<tr>
<td>Typical profit expectations</td>
<td>None</td>
<td>0%</td>
<td>&lt;3–5%</td>
<td>0–5%</td>
</tr>
<tr>
<td>Use of profit</td>
<td>None</td>
<td>None</td>
<td>Reinvesting</td>
<td>Reinvesting</td>
</tr>
<tr>
<td>Financing</td>
<td>Grants</td>
<td>Grants</td>
<td>Grants and commercial</td>
<td>Commercial</td>
</tr>
<tr>
<td>Typical investment needs (million US$)</td>
<td>0.02–5</td>
<td>&lt;0.1</td>
<td>0.1–1.0</td>
<td>10–200</td>
</tr>
<tr>
<td>Typical investors</td>
<td>Dev partners, social orgs, CSR</td>
<td>Development partners, friends/family, CSR, angel investors, some impact investors</td>
<td>Government, development institutions, churches, private sponsors, commercial banks</td>
<td>Impact investors, development banks, banks, own financing</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>Commercial orientation</td>
<td>None</td>
<td>None–low</td>
<td>Low–medium</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Social impact**

<table>
<thead>
<tr>
<th>Social reach</th>
<th>Small–medium (&lt;500)</th>
<th>Small (&lt;100)</th>
<th>Small–medium (50–300)</th>
<th>Large (1,000–50,000)</th>
<th>Medium–large</th>
<th>Not intended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on society</td>
<td>Small–medium</td>
<td>Small</td>
<td>Small–medium</td>
<td>Large</td>
<td>Medium–large</td>
<td>Not intended</td>
</tr>
<tr>
<td>Addressing</td>
<td>Social needs only</td>
<td>Social needs first</td>
<td></td>
<td>Social and business needs at the same time</td>
<td></td>
<td>Business needs only (mainly)</td>
</tr>
</tbody>
</table>

**Other**

<table>
<thead>
<tr>
<th>Sectors (typical for Myanmar)</th>
<th>Mostly social, rural/urban, environmental, climate change</th>
<th>All</th>
<th>All but mostly IT, trade, agribusiness, health, education</th>
<th>Mostly social sectors</th>
<th>All but mostly agribusiness, health, education, finance</th>
<th>All but mostly agribusiness, infrastructure, manufacturing, textiles and garments, tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market size</td>
<td>Estimated number of entities in Myanmar</td>
<td>300–500</td>
<td>50–100</td>
<td>0</td>
<td>30–100</td>
<td>ca. 200,000</td>
</tr>
<tr>
<td>Example</td>
<td>Yangon Bakehouse</td>
<td>Proximity</td>
<td></td>
<td>Caritas-Germany, a social enterprise running prisons in UK.</td>
<td>Mandalay Snacks, Golden Sunlight, Awba, Yoma Agriculture, OnDoctor, Vision Fund, Greenlight Planet</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Compiled by the survey team.
33. The need to align the agendas for social enterprises and inclusive businesses: Entrepreneurs promoting inclusive business initiatives have much in common with entrepreneurs investing in social enterprises. They both strive for commercial orientation and social impact. They all aim for growth, profit, innovation and responding to market needs. Rather than separating discussions about inclusive businesses and social enterprises, this study suggests bringing them closer together. For example, if those involved in social enterprises want to discuss incentives for their sector with the government, they might be more successful if they are accompanied by well-established and well-respected executives from the small but growing inclusive business sector. Above looks at the characteristics of social enterprises in Myanmar and compares them with inclusive businesses, mainstream businesses, and activities by NGOs.

3.4. The Inclusive Business Approach

34. Inclusive businesses complement traditional CSR and NGO-driven social enterprises. As noted, inclusive businesses are scaled-up, innovative, systemic private-sector-solutions for problems faced by those at the base of the pyramid.

35. Inclusive businesses aim to achieve social results for the poor. Inclusive business is an approach by the private sector to make economic growth more inclusive. Some, but not all, inclusive business models are also designed to address climate change and environmental sustainability. Simply working with the poor, as many companies do, is not enough to qualify as an inclusive business unless the company also seeks to provide sustainable solutions to the problems faced by the poor.

36. Inclusive businesses companies achieve social impact while not compromising profitability. Unlike many social enterprise approaches, inclusive businesses do not put social impact above commercial viability. Inclusive business wants it all: social benefits and profit. There is no trade off, and profits are used to reinvest in the business and to distribute among shareholders. It goes without saying that a responsible business that pays taxes and respects social and environmental safeguards is a precondition to be classed as an inclusive business. As depicted in Figure 3 below, inclusive business can be understood as an association between financial and social returns.

Figure 3: Comparing Business Types

No trade-off between the business bottom line and benefits for the poor and near-poor. It is the private sector's contribution to a society that leaves no one behind.

<table>
<thead>
<tr>
<th>Bankable</th>
<th>Mainstream Commercial Business (Trade-off Between Financial Return And Social Impact)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropy (donations)</td>
<td>CSR (strategic and traditional)</td>
</tr>
<tr>
<td>Social Enterprises (impact first, can be for-profit and not-for-profit)</td>
<td>Inclusive Business Models, Activities, And Initiatives (Impact Drives Return And Viceversa)</td>
</tr>
</tbody>
</table>

Systemic social impact for poor and low income people (and benefits for inclusive society) in scale.

24. In the Philippines, a vibrant social enterprise sector had tried since 2012 to get a special social enterprise law but began to see some success only when the concept was broadened to include inclusive businesses.
37. **Inclusive businesses require** high levels of innovation to ensure that the profitability of the investment is not compromised. Creating inclusive business solutions requires the application of technology and business innovation to serve the markets of the poor and disadvantaged. Inclusive businesses reduce costs not by exploiting labour but by innovating. More importantly, their businesses are often more sustainable as they address the markets of the future. With rising incomes, serving the bottom 40-60% in Asia becomes increasingly important for company growth and for inclusive development.

38. **Models, activities and initiatives:**
As noted above, inclusive businesses take three forms: models, activities and initiatives. Typical models in Myanmar generate revenues from $500,000 to $30 million each and create thousands of jobs and reach millions of customers. While most inclusive business models are created by mid-sized companies, some larger companies, including some multinationals, also innovate to enter markets of the poor and set up specific business lines to create shared value solutions for the base of the pyramid. Start-ups do not often qualify as inclusive businesses given their low bankability.25

39. **Engagements with the poor:**
Companies with inclusive business models, activities and initiatives engage the poor as suppliers, distributors or employees to create new jobs and higher incomes, and as customers to deliver affordable goods and services. Some models also engage the poor as shareholders. Supplier models are common, especially in agribusiness where farmers engaged in supply chains typically earn up to 40% more than farmers supplying to traditional companies. Consumer models often provide financial services, health and education services, essential nutrition products, and supply solar energy in remote areas.

40. **Shared value:**
Large multinational companies such as Nestle and Unilever have developed the concept of shared value. Similar to inclusive business, shared value is a management strategy in which companies find business opportunities in social problems. While shared value and inclusive business concepts are similar, shared value focuses more on the expanded sale of products to BoP markets, while inclusive business emphasises business strategies that offer a solution to the problems of the poor.

41. **Inclusive business in Myanmar** is a new concept. While there are many social enterprises and CSR-funded activities in the country, and there is a strong social tradition of helping the poor, doing so through core commercial business models is not yet commonplace. However, there are already at least 50 to 60 companies across all sectors with the potential to adopt inclusive business models, activities and initiatives. These companies, some of them among the largest in the country, find it important as part of their own branding strategy to highlight the social impact they create while doing business. They are also interested in innovating to find new business models with higher social impact. At the same time, the government, to make growth more inclusive, is interested in inclusive business models that reduce poverty and create incomes and services for the base of the pyramid. A strategy for inclusive business in Myanmar would cover five key areas:

- identifying companies with chief executive officers (CEOs) interested in developing inclusive business models, accrediting them, and helping them with branding their impact
- helping the private sector through some form of technical assistance to design inclusive business models by changing their traditional business plans
- encouraging financial institutions to invest more in such companies

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25. There is a difference between viability and bankability — while viability requires positive financial returns, bankability typically requires sufficiently high returns to attract investment.
• using government procurement to prioritise buying goods and services from such companies, and setting up smart incentives for promoting inclusive business
• establishing policy support for both inclusive businesses and social enterprises

4. THE INCLUSIVE BUSINESS LANDSCAPE

4.1. A Closer Look at Myanmar’s Inclusive Businesses

42. The study assessed 176 companies and businesses that already function as inclusive businesses or have the potential to become inclusive. The methodology to identify inclusive businesses involved a combination of primary and secondary data, interviews with experts, questionnaires, and deep-dive assessments. We interviewed investors, representatives of business associations, and officials of relevant government and technical assistance agencies, and development partners on their work supporting inclusive businesses and social enterprises.26

43. Of the 176 companies, 56 were identified as either real or potential inclusive businesses while 94 were mainstream businesses, 16 were social enterprises associated with non-governmental organisations (NGOs), and 10 involved CSR activities. The study then examined the 56 companies that could be initially identified as potential inclusive business models. Of these, 48 were assessed using a rating tool and 41 of the companies with the best ratings were then further assessed through deep-dive interviews.27

44. The rating tool yields a better picture of the inclusive business landscape.28

To qualify as an inclusive business, a company had to have:
• a minimum composite rating of 3.0
• a minimum commercial rating of 1.3
• a minimum social impact rating of 1.5
• a minimum innovation rating of 0.3

These criteria are based on the potential to be an inclusive business, as not all companies have yet fully realised their potential. A deeper analysis of the ratings shows the strength of agribusiness models, especially on financial viability, and the relative weakness of firms in tourism, education and health cases. An analysis of the models, initiatives and activities shows that agribusiness and finance companies had the highest ratings, while tourism models had the lowest. By type, models had higher ratings than activities and initiatives. The data also shows that there is scope for improving innovation, social impact, and commercial sustainability. The ratings summary is shown in Figure 4 below while more detailed information is in the Appendixes.

26. There is a difference between viability and bankability – while viability requires positive financial returns, bankability typically requires sufficiently high returns to attract investment.
27. Representatives of 40 companies were interviewed and one company was assessed based on other available information.
28. The rating tool uses information on the commercial viability of the company and its business case (42% of total scoring), the social impact emphasizing reach, depth and systemic change (45% of total scoring), and innovation for sustainably reducing poverty and building a growing and risk-mitigated business (13% of total scoring). The performance of each company was rated low (one or 2 points), medium (3 or 4 points) and high (5 or 6 points) against a set of quantitative and qualitative indicators adjusted for the relevant sector. The final scores (rate times weight) indicate the specific weaknesses and strengths of the companies on inclusive business development. A similar tool has been used in the inclusive business accreditation system in the Philippines and in Shanxi province in China as a basis for providing government financial support.
45. The study found that 21 companies from the list of 56 real or potential inclusive businesses ran real inclusive businesses. Eight of the 21 companies had inclusive business models, 9 involved initiatives, and 4 involved activities. Another 35 had potential business lines that would need fine-tuning or a clearer focus. Among the 56 companies, there were 28 model forms, 17 initiative forms, and 11 activity forms. (See Figure 5 below.)
46. **Targeting the base of the pyramid:**
Of the 21 companies, several had multiple business lines. There were 14 business lines addressing the bottom of the pyramid as consumers, 7 as suppliers, and one each as labourers and shareholders. (see Figure 6 below).

![Figure 6: Types of Inclusive Business](image)

<table>
<thead>
<tr>
<th>Inclusive Business Type</th>
<th>60%</th>
<th>20%</th>
<th>20%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Models</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60%</td>
<td>20%</td>
<td>20%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source:** Results of Field Surveys and Questionnaires

47. **The 21 real inclusive business cases** were clustered mainly in agribusiness and finance. Agribusiness accounted for 7 of the 21 while there were 5 in the finance sector, 3 in health, two each in trade and energy and one each in education and tourism. Agribusiness and finance also dominated the sectoral distribution of the 56 real and potential inclusive businesses. Twenty-three were in agribusiness, 12 in finance, 6 in energy, 5 each in health and trade, 3 in tourism, and 2 in education. (See Figure 7 below.)

![Figure 7: Sectoral Composition](image)

<table>
<thead>
<tr>
<th></th>
<th>Of the 57 companies studied</th>
<th>Of the 21 real inclusive businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Finance</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Energy</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Health</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>Trade</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Tourism</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source:** Field Surveys and Questionnaires
48. Firms operating real inclusive business lines are commercially strong. They have revenues from $1 million to $10 million and profit margins before tax of 3% to 20%. As might be expected, companies with inclusive business models had the highest of more than 8%, followed by margins from 2 to 10% for inclusive business initiatives and from 2 to 5% for inclusive business activities.30 Profitability is highest in agribusiness, followed by education, health, and microfinance. Observers believe that both revenues and margins will grow over the next few years. Most companies are bankable and few need additional commercial financing.31 Most companies indicated that they would not have difficulty getting financing, especially once their social impacts and commercial viability are better known. They also noted that a certification scheme would help them raise any needed funds. Some companies indicated they might need some grant financing of $100,000 to $1 million, especially for impact assessments, business plan revisions, piloting new approaches, and for directly supporting the poor within their value chains.

49. The 21 companies have high social reach. Agribusiness investments typically target from 300 to 3,000 farmers. Microfinance models target at least 70,000 clients. Business lines based on technology and mobile phones in agribusiness and health naturally have higher reaches of up to 3 million. Overall, the 21 inclusive businesses in our study are creating new income opportunities for 50,000 households, providing financial services

<table>
<thead>
<tr>
<th>Sector</th>
<th>Reach</th>
<th>Depth</th>
<th>Systemic Change</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productive Sectors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
<td>Medium–high</td>
<td>Medium–high</td>
<td>Medium–high</td>
<td>High</td>
</tr>
<tr>
<td>Textiles, Garments</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Low</td>
</tr>
<tr>
<td>Manufacturing, Handicrafts</td>
<td>None–low</td>
<td>None–low</td>
<td>None–low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Social Sectors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium–high</td>
</tr>
<tr>
<td>Health</td>
<td>Medium–high</td>
<td>Low–medium</td>
<td>Low</td>
<td>Medium–high</td>
</tr>
<tr>
<td>Housing</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Medium–high</td>
</tr>
<tr>
<td>Water, sanitation, other utilities</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Low</td>
</tr>
<tr>
<td>Finance</td>
<td>Medium–high</td>
<td>Low–medium</td>
<td>Low–medium</td>
<td>High</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Low–medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Transport</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Low</td>
</tr>
<tr>
<td>Trade</td>
<td>Low–medium</td>
<td>Low</td>
<td>Low</td>
<td>Low–medium</td>
</tr>
</tbody>
</table>

Source: Results of field surveys and questionnaires

---

30. Revenue and profit figures were discussed and checked in interviews with the companies involved. In some cases, profitability was overestimated. This was adjusted in discussions with the company involved.

31. Bankability refers to the ability of a firm to attract loans from commercial lenders. The composite index for inclusive businesses has specific technical financial and banking criteria for bankability.
to 600,000 households, offering health information to 3 million households, and skills training to 10,000 people. While these numbers are notable, there appears to be scope for improvement in targeting the BoP in all sectors, although less so in agribusiness.

50. There is real social impact. The key element for strong social impact in income-generating inclusive business lines is the increase in incomes before and after the advent of inclusive business activity. Inclusive business frameworks typically set a minimum increase in incomes of 20% as the threshold to qualify as an inclusive business. Agribusiness models show income increases for poor and low-income farmers of up to 40%. The inclusive business rating also qualifies systemic impact; some companies get high ratings in this category, while others can do more, and are willing to do more, to design and implement new business plans to increase impact. Social depth, systemic change and innovation are difficult to compare between inclusive business lines targeting suppliers and workers on the one hand, and consumers on the other. The study therefore shows social depth high, medium, and low ratings rather than attempting to quantify it.

51. Inclusive businesses typically show greater innovation than mainstream firms. In our assessment, innovation is not only based on technological criteria but innovations in business processes, social impact (including innovations using CSR) and environmental impact. There is scope to raise the innovation potential of inclusive businesses in Myanmar. This would require greater knowledge exchange, technical assistance, as well as patient risk capital.

4.2. SECTORAL OPPORTUNITIES FOR INCLUSIVE BUSINESSES

52. Inclusive businesses take different forms depending on sector, company innovation, and strategic orientation. As noted, inclusive business models tend to be found in greater numbers in agriculture and finance. Initiatives are more common in social sectors, while activities are more common in trade.

53. Agribusiness and finance offer good opportunities for inclusive business growth, while opportunities in education, housing, and health still need to be explored. Figure 9 (next page) summarises the number of inclusive businesses by sector, but it should be noted that the study did not aim to provide a comprehensive overview of every inclusive business in Myanmar. Furthermore, the examples noted below are only indicative. The table also shows which sectors in our analysis have more potential for inclusive business investments. More company examples are described in the Appendixes.

54. Many inclusive business lines harness advantages arising from Myanmar’s technology and mobile phone revolutions. The rapid expansion of mobile and smartphones has provided newopportunitiesforinclusivebusinesses. Mobile and smartphone penetration is now one of the highest in the world with 89% of households having mobile phones compared to only 2% in 2011, before the country’s telecommunications landscape was liberalised. Twenty-five per cent of the population now uses the internet, compared to only 1% in 2011. Mobile technology is generating new possibilities for entrepreneurs by opening new markets and creating innovative ways to compete with long-established companies. Technology is the main tool for innovation among inclusive businesses, especially in microfinance and health – mobile phones are used for health consultations in one model and 2 initiatives. They are also used in agribusiness where at least 3 models
involve companies providing information to farmers as either a core business or as an additional service.

55. There is room for more innovation. Phandeeyar is a Myanmar-based start-up accelerator for technology-oriented companies.\(^{37}\) It is co-financed by impact investors and is linked to the US-based Founder Institute.\(^{38}\) So far, it has no focus on inclusive businesses and practically no inclusive business model or initiative is linked to it. However, Phandeeyar could potentially be involved in advising companies that come for its assistance on how to possibly change their business models to become more relevant for the poor and near-poor.

56. Agribusiness innovations. Most programmes for rural employment generation encourage farmers to sell their produce in local markets or to traders. Such self-employment schemes generate income but are often not sustainable and income gains are often small. Innovative inclusive business models in agribusiness follow an approach in which poor farmers are engaged in value-chain supply contracts (not traditional contract farming) with larger firms, ensuring higher and sustainable incomes that are typically 20% greater than market rates. Such an approach generally brings employment to at least 3,000 people per investment.

57. There are several interesting inclusive business cases in agribusiness. Among others, Golden Sunland has made

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37. The name means “creation place”.
38. For more information, see Phandeeyar ‘About’, https://phandeeyar.org/about/ (accessed 12 July 2018).
innovations in land management in rice farming. Mandalay Snacks uses solar-dried organic spices to reduce aflatoxin risk. Yoma Agriculture has made production-cycle innovations in vegetable production. Awba uses information technology innovations to improve productivity. All the inclusive business models replace traditional middlemen and pass on higher margins earned through an orientation to exports. All the models involve high-value crops and the study found no models involving crops and major export products such as pulses. The research shows there is significant potential for further inclusive business investments in agribusiness.

58. Access to finance by the poor is a huge unserved market. About half of the population does not have access to financial services in spite of the expansion of mobile money since 2016. The 167 registered microfinance institutions are mostly associated with NGOs – only 15 to 20 could be classified as commercial enterprises even though they represent about 75% of all microfinance investments and over 45% of total outstanding loans. Information technology innovations are the main reason for the massive expansion of microfinance in the last 2 years.39

59. While most commercial microfinance institutions conduct basic credit services and engage in mobile finance for the middle class, only a few could be considered inclusive businesses. They are developing new products such as mobile banking and providing other services such as client education and insurance. While microfinance institutions reach perhaps 2 million people in Myanmar and have the potential to eventually reach perhaps 30 million, according to various studies and interviews with major microfinance institutions in the country, there are challenges with targeting and social impact. With recent amendments to the microfinance regulations that raise the maximum loan size to MMK 10 million, microfinance institutions with inclusive business models can generate more employment than traditional microfinance institutions. They can also explore new markets with new products and make greater social impacts by offering loans for solar energy or agricultural inputs. Yoma Bank, for example, offers agriculture finance products that trickle down to the poor and near-poor. Other inclusive microfinance businesses include ACLEDA, Fullerton, LOLC, Proximity Finance, and Vision Fund.

60. Electrifying Myanmar is an opportunity for inclusive business investments. More than 65% of the population has no access to grid electricity and rely on candles, kerosene, cheap batteries and diesel generators. About 4.5 million households spend about $200 million a year on candles, kerosene, batteries and diesel, or about $3.70 a month.40 The market for solar systems has increased from 9% in 2014 to about 26% in 2016. One fast-growing part of the off-grid market is pay-as-you-go, a technology that allows companies to provide financing direct to customers. While most solar-home systems are focused on lighting, the needs of the poor go beyond lighting with customer demand for connecting cooktops, fridges, TVs, solar pumps and mobile phone chargers. In urban areas, lighting is also needed in squatter communities. Companies with inclusive business models in energy include Brighter Light, Greenlight Planet, Solar Home, and Sunlabob.

61. Most inclusive business models found in health give advice to clients by phone or Facebook. Unlike other countries, Myanmar so far has no inclusive business models addressing hospital care, medical practitioners, or the costs and distribution of medicines. One example of an inclusive

business model is OnDoctor where revenue is generated by distributing health information. Doctors on Call is a potential inclusive business but has challenges generating customer revenues. KoKoeTech is a social enterprise on the verge of becoming an inclusive business initiative for pregnant women and early childhood development. Ko Shwe is the only inclusive business initiative addressing customer oral care. Social reach is relatively large with a technology platform, but the actual impact on people’s health in form of social depth still needs to be examined. Given the poor coverage and quality of health services in rural areas, there would seem to be good potential for possible inclusive business investments in the sector. It should be noted, however, that in the health sector, and in the agriculture advice sector, there is a risk of confusing active and passive clients. Active clients are those who have approached the provider while passive clients are those who have simply downloaded the application and for whom the provider has no information on use. The issue of passive clients can lead to overreporting reach.

62. While there are some NGO-driven social enterprises in education, inclusive business models in the sector are rare. While public education spending in Myanmar has increased to 8.4% of the budget for the fiscal year 2017 to 2018, expenditures are still low compared to neighbouring countries and well below the recommended level of 20% set by the UN Educational, Scientific and Cultural Organisation. Given the low public spending and the interest of parents in giving their children a good education, there would appear to be a huge opportunity for the private sector. There are, however, few investments by the private sector beyond support for education in Buddhist temples, and nearly none that serve the poor. Private sector support in education is mostly driven by NGOs or involves CSR funds to provide scholarships for company employees. There are a few social enterprises in the education sector. These include Kant Kaw in higher and college education, Good Job in skills training for garment workers, Opportunities Now for entrepreneurship training, Green Wave for rural development knowledge transfer, and eTekkatho, an open digital library for university students. However, these models are small in scale, are heavily dependent on grant funding, and would not qualify as inclusive business initiatives.

63. Unlike other countries with innovative business examples in education that are relevant for the poor and near-poor, Myanmar has few such inclusive business models. The low level of private sector participation in the education sector is not because of a lack of financing opportunities or government restrictions, but a lack of entrepreneurs coming forward with innovative business models. The study found only one inclusive business investment – a business model providing technical training and guaranteeing job placement while training costs are shared by the receiving companies and the students. There are opportunities to promote private sector investments for early childhood education, technical training, and job placement. With a shortage of well-trained doctors and nurses, training medical staff and care givers could be a good business for inclusive business companies.

64. Low-cost housing is an opportunity looking for investment. Myanmar has a large population of young people migrating to Yangon and other cities. The Yangon region has more than 430,000 squatters and a shortfall of as many as 100,000 apartments. With a growing population and rising urban migration, the country will need about 15.7 million housing units by 2040. There is a huge gap between

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42. Various impact investors and the IFC are interested in investing in good business models. For example, the IFC strategy in Myanmar includes inclusive business and other investments in education but has not yet made such investments.
demand and supply and low-cost housing and innovative financing schemes would be a solid investment opportunity for inclusive businesses.45 However, the study has not found much interest in the sector.

65. Municipal services offer some potential. In the case of the Philippines, Manila Water made a massive investment to provide safe, affordable and reliable water and sanitation to 2.8 million families in the slum areas of Manila, a project that was seen as one of the most successful private investments in water for the poor. Manila Water is exploring investment opportunities in Yangon and Mandalay but is not yet considering inclusive business investments. There may be potential to use the experience of Manila Water for more poverty-relevant utility investments in Myanmar.

66. There are no inclusive businesses in the garments and textile sector: The government hopes that the sector can become a source of new employment and growth. However, total employment is relatively low with a current workforce of about 500,000, although by some estimates that could rise to 1.5 million by 2020.46 The development impact of the sector is questionable as the garment industry in Myanmar does not add much value, and hence earning opportunities remain low. The study did not find any inclusive business case in the sector. Nevertheless, there is some potential if innovations could provide scope for higher wages, and most importantly, more local design and sourcing to increase the value added in Myanmar production.47 ADB did a study in 2016 on the garment sector in Myanmar and Bangladesh that explored inclusive business investment options but proposed investments have not yet matured.

67. Trade has some potential: The study found two investments in inclusive businesses in the trade sector. City Mart is creating income opportunities for the poor by engaging them in its supply chain. And Proximity Designs supplies the poor with products such as solar pumps, housing materials, and agricultural equipment. The City Mart business model has good potential to become an inclusive business line, as the company’s management wishes to increase its social impact. However, this would require further innovations to enhance scale, targeting and earnings for the poor.

68. Tourism is growing but remains a small-scale industry with little impact on poverty reduction. The potential, however, is there. International tourist arrivals rose from 1.1 million in 2012 to 3.49 million in 2016, and the tourism master plan projects up to 7.5 million in 2020.48 The numbers, however, are still small compared to neighbouring countries – Thailand, for example, had 35 million foreign tourist arrivals in 2017.49 The industry directly supported about 570,000 jobs in 2017 or 2.6% of total employment. With indirect effects, its contribution to total employment rises to 5.7%.50 Wages in the sector are low, and the regions where tourism is an active economic activity have not seen a reduction in poverty, although the scope of the industry may be too small to have much impact. In niche areas, tourism can have an impact on the poor and poverty reduction. Some tourism companies run CSR activities to enhance environmental sustainability and some support community-based tourism. As in other countries, tourism could have potential

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45. A 60 square meter, one-bedroom unit in the central business district would cost about 4,000 a month in Yangon, compared to 2,000 in Bangkok.
47. Most of the workers are young women (18-23 years of age). Working conditions seem to be reasonable with long-term job security. However, earnings are low – textile workers typically earn about 200,000 MMK ($150) a month.
for inclusive business investments, but the study found few inclusive business activities in the sector. Given Myanmar’s mix of landscapes, biodiversity and ethnic cultures, ecotourism has potential. But to compete with Vietnam, Thailand, Malaysia and Indonesia, the cost of tourism services needs to fall, quality has to rise, and accessibility (including travel permissions) has to improve. As well, there is a need for better environmental protection and, in many cases, environmental clean-up. A major challenge for tourism companies is to come up with business models that can scale or be replicated. Hence, inclusive business models in tourism can contribute to poverty reduction only if they can involve the poor in their value chains and provide incomes above the poverty level. For achieving large-scale impact, inclusive business models in ecotourism would need to be placed close to established tourism areas such as Bagan, Inle Lake or Yangon.

69. Innovation outside Yangon is often overlooked: The private sector complains about high production costs in Yangon due to high costs for housing and office space, traffic delays, and cumulative regulations. But outside of the Yangon corridor, the private sector faces major challenges with infrastructure, skilled human capital, and innovative entrepreneurship. The study tried to find inclusive companies in the Mandalay region and, to some extent, in Shan. While only a few inclusive businesses could be found in those areas, we assume that more inclusive businesses could be created outside Yangon if reasonable efforts were made to encourage them.

5. INCLUSIVE BUSINESS AND IMPACT INVESTING

70. Inclusive business and impact investing complement each other: Both are designed to create social and environmental impact through private sector investment. Impact investing is often an important source of financing for inclusive business.51 However, not all impact investments go to inclusive business, so that impact investing is a much broader concept. Financing for inclusive business comes mainly through banks, development banks, and impact investors. In addition, inclusive business companies finance themselves and occasionally receive small-grant financing from development partners. In Myanmar, inclusive business investments are relatively small and are dominated mainly by self-financing and impact investing.

71. Commercial banks have not yet invested in inclusive business: Since 2012, the Myanmar government has taken several steps to develop commercial lending and move towards a modern banking system. However, while some private banks have expanded rapidly in recent years, access to finance remains a major challenge, especially in rural areas. With the exception of one or two institutions, commercial banks have so far done little lending to inclusive businesses. Commercial lending is generally constrained because of collateral requirements, the financial capacity of the banks, and risk aversion. But the low rate of commercial lending to inclusive businesses is also due to a lack of awareness that such business models can achieve high returns and are designed to reduce risk by acquiring detailed knowledge of the markets of the poor. In our study, we found only one bank with a deliberate approach towards inclusive businesses – a small regional bank largely focused on agribusiness.

72. Multilateral development banks have done little lending to inclusive business. The International Finance Corp. (IFC), the World Bank’s private sector development arm, and the Asian Development Bank (ADB) are the primary multilateral development banks in Asia with the potential to finance inclusive businesses.

51. Globally, impact investing is a rapidly growing industry with estimated $114 billion in assets worldwide. Recently also commercial banks establish their own impact investing funds.
Both, however, are focused more on infrastructure and project financing than inclusive business. IFC has made 3 investments in inclusive business – 2 in microfinance totalling $20 million and one in agribusiness for $10 million. ADB and bilateral development banks from the United Kingdom Germany, France, and the Netherlands have not yet made inclusive business investments in Myanmar.

**73. Apart from self-financing, impact investing is the main source for inclusive business in Myanmar.** The Global Impact Investing Network (GIIN) defines impact investing as “investments made into companies, organisations and funds with the intention to generate social and environmental impact alongside a financial return ...”52 Impact investments can also be made for environmental purposes with little direct effect on people, or for purposes that benefit those on higher incomes.

**74. Impact investing in inclusive business comes in three forms:** philanthropy, funding for NGO-driven social enterprises, and funding for inclusive business models and initiatives. Impact investing often takes the form of donations to civil society organisations or individuals and typically comes from philanthropic organisations or individual angel investors or through CSR funds. It is typically small in scale, ranging from $10,000 to $100,000, and is generally provided as a grant. A second form is mission-driven, often to social entrepreneurs, and promises only limited returns. Such funding often comes as a grant and typically ranges from $100,000 to $1 million. It can come from angel investors, foundations, impact investors focusing on start-up companies, or through crowdfunding.53 The third form is investment in profitable social enterprises operating at scale (inclusive business initiatives), strategic CSR (inclusive business activities) or in inclusive businesses models. Funding can come from impact investors, development banks, and commercial financial institutions.

**75. Philanthropy and mission-driven support for social enterprises, mostly in the form of grants, are the main type of impact investment in Myanmar.** Figure 10 below summarises the social impact investing typology and provides global and Asian investment data for social impact investing, impact investing, and mainstream investing.

**76. Myanmar has seen little impact**

### Figure 10: A Typology of Private Investment for Generating Social Impact (current assets under management)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainstream Investing</td>
<td>$165 trillion worldwide</td>
</tr>
<tr>
<td>Impact Investing</td>
<td>$114 billion worldwide</td>
</tr>
<tr>
<td>Social Impact Investing</td>
<td></td>
</tr>
<tr>
<td>For philanthropy</td>
<td>Estimated $15 billion for Asia</td>
</tr>
<tr>
<td>For SE</td>
<td></td>
</tr>
<tr>
<td>For inclusive business</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Estimates from ADB reports and the Global Impact Investing Network.

53. Crowdfunding is the use of the internet to advertise a need or a socially oriented project, is based largely on many small individual contributions, and does not usually expect immediate returns.
### Key impact investors active in Myanmar

Some 10 impact investors visit Myanmar but only a few are actively pursuing inclusive business investments. Most other impact investors provide grant funding to NGO-driven social enterprises or invest in technology-based start-ups, of which only a few can be classed as inclusive businesses. The Global Impact Investment Network estimates that by 2016 only $56 million in impact investing was committed or reported by impact and impact-related investors. In addition, angel investors and related funds have deployed about $9 million in smaller-ticket funding. However, only a small portion (perhaps one-fifth) of this has actually been invested, mostly in microfinance. Many impact investors serve the market from outside the country, often from Singapore, India, or Thailand, because they do not see sufficient business to open an office. Others have not yet assessed the market because of a lack of success stories that would encourage them to do more intensive due diligence. Figure 11 below provides an overview of the impact investing market in Myanmar.

#### Figure 11: Impact Investments in Myanmar

<table>
<thead>
<tr>
<th>Funder Type</th>
<th>Type of Companies</th>
<th>Investment Type</th>
<th>Expected Return</th>
<th>Funding Type</th>
<th>Active Fund Examples</th>
<th>Possibly Interested in Myanmar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Philanthropy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angel investors &amp; foundations</td>
<td>NGO-driven social enterprises, CSR</td>
<td>$20,000 to $300,000</td>
<td>Near 0%</td>
<td>Grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Impact Investing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angel investors, others</td>
<td>Start-up tech companies</td>
<td>$100,000 to $1 million</td>
<td>0-5%</td>
<td>Grants, some equity</td>
<td>Rockstart, Aavishkar, others</td>
<td></td>
</tr>
<tr>
<td>Inclusive business impact investors</td>
<td>Inclusive business models and initiatives</td>
<td>$500,000 to $30 million</td>
<td>5-15%</td>
<td>Equity (some-times loans)</td>
<td>Insitor, Rockstart, Omidyar, others</td>
<td></td>
</tr>
<tr>
<td>Institutional finance</td>
<td>Inclusive business models</td>
<td>$3 million to $50 million</td>
<td>5-20%</td>
<td>Equity, loans, risk guarantees</td>
<td>IFC, CDC, others</td>
<td>German, French, Norwegian, Swedish, Swiss, UK, development banks, others</td>
</tr>
<tr>
<td><strong>Mainstream capital funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainstream funds</td>
<td>Growth-oriented smaller companies</td>
<td>$3 million to $10 million</td>
<td>&gt;8%</td>
<td>Equity, loans</td>
<td>EMIA, Golden Rock, All Myanmar Advisers</td>
<td></td>
</tr>
<tr>
<td>Mainstream capital funds</td>
<td>Larger companies</td>
<td>$10 million to $300 million</td>
<td>&gt;15%</td>
<td>Equity, loans</td>
<td>Mandalay Capital, Andaman Capital</td>
<td>Others</td>
</tr>
</tbody>
</table>

*Source: Compiled by the survey team*
Myanmar include:
• angel investors for smaller social enterprises and start-up technology firms, for example, Anthem Asia, RONOC, Rockstart
• bilateral development partners providing grants such as DaNa Facility, Denmark’s Responsible Business Fund, and Australia’s Business Support Fund, with investments from $20,000 to $600,000 per deal
• impact investors focusing on inclusive business models and initiatives such as the Insitor Impact Asia Fund or the Omidyar Network;54
• other impact investors with investments oriented more to growth and technology (such as All Myanmar Advisers, Andaman Capital, Golden Rock, and Mandalay Capital)
• institutional investors from bilateral and multilateral development banks emphasising investments in inclusive business models and other deals, such as IFC (with 2 deals in microfinance), and CDC (with a deal in agribusiness).55

78. It is challenging to find deals: Impact investors argue that there are few viable proposals in Myanmar generating sufficient social impact that would justify impact investment. While this may be true, the impression formed from this study is that impact investors are too focused on Yangon and on particular sectors and may not see opportunities in other parts of the country or in overlooked sectors. While challenges exist, this study can help improve the perception of impact investing in Myanmar and cast some light on the potential size of investments. Such a positive change in perception would be based on examples in the study of sound investments in inclusive business, events like the Myanmar Impact Investing Summit, and a new emphasis by the government on encouraging impact investment and inclusive businesses.56

6. THE ENABLING ENVIRONMENT

6.1. The Legal Framework and Policies

79. Inclusive promotion policies yet to come: Promoting inclusive business will require building on the progress of the 2016 Myanmar Investment Law and working with key ministries to promote inclusive businesses in their respective jurisdictions. The current legal and policy environment for promoting inclusive business is relatively weak, as is the case generally for promoting the private sector. Myanmar has only gradually begun implementing effective industrial policies since economic reforms began in 2011. The 2016 Myanmar Investment Law is an important example of this insofar as it allows targeted incentives to promote priority subsectors and business models. Beyond this, few opportunities exist for inclusive business promotion under current laws. However, ministries can adopt other approaches to promoting inclusive business, for instance through export promotion by the Ministry of Commerce (MoC) or by giving them priority in government procurement. These avenues can be further broadened by new regulations and policy efforts, but for the time being they stand as the primary opportunities to support inclusive businesses.

80. The company law is a good starting point for inclusive business certification: The company law defines the role of the private sector in the economy and requires all companies, including not-for-profit business associations similar to NGO-driven social enterprises to register.57 It will be important, however, to ensure that

54. Other impact funds active in Asia and an interest in Myanmar but no current country presence include Aavishkaar Venture Management, Bamboo Capital, BlueOrchard, Credit Suisse Southeast Asia Impact Fund, Proterra Invest, Quadria Capital, responsAbility Investments,TriLinc Global, Uberis Capital, and Patamar Capital (formerly Unitas Impact) – they intend to invest in Myanmar when the market is more developed.
55. Other bilateral and multilateral funds interested in impact investing include the UK’s private sector development bank (CDC), the Netherlands’ development bank (FMO), France’s development bank (AFD) and its private sector development agency, the German development bank (KfW) and its private sector development agency (DEG), the Danish development bank, Sweden’s SWEDFund, Norway’s NorFund, Switzerland’s Economic Development Agency (SECO), and Finland’s FinFund. But few are active to date in impact investing in Myanmar.
56. The second Myanmar Impact Investing Summit was organized by the Asian Venture Philanthropy Network on 27 February 2018 in Yangon.
57. The law, which replaces the companies act from 1914, took effect 1 August 2018. All companies must re-register through a new electronic registration system and those that do not can be dissolved. The new registration system replaces a more complex one that had three different registries. See Myanmar Times, ‘All companies need to re-register starting from August 1’, 25 June 2018 (accessed 12 July 2018); and ASEAN SME Academy, ‘Ministry of Industry, SME Development Centre’, http://www.asean-sme-academy.org/resource/ministry-of-industry-sme-development-center/ (accessed 12 July 2018).
inclusive businesses are not included in the category of not-for-profit associations as most inclusive businesses are medium-sized or larger. A department to support small and mid-sized enterprises known as the SME Development Centre has been set up under the Ministry of Industry. A key part of promoting inclusive businesses, therefore, will be to include them under regulations to the company law, and handle certifications in cooperation with DICA, and only to a lesser with the SME Development Centre.

81. Incentives can be linked to the investment law:

The 2016 Myanmar Investment Law marked a breakthrough in investment promotion and serves as a promising entry point for strategic business promotion. The law, which took effect in 2017, streamlines the investment process and gives the government the ability to use industrial policy to attract business in a strategic way. Specifically, the new law removed blanket incentives such as tax incentives and relief from customs duties for companies approved by the Myanmar Investment Commission and instead provides targeted benefits to businesses deemed to be of national interest – those in priority sectors and development zones defined by township. The law thereby establishes a mechanism for promotion. In theory, such incentives may be extended to a broader set of businesses – including, for instance, inclusive business, although this would likely require amending the law. Nonetheless, future modifications to the investment law and its regulations could conceivably provide investment incentives for inclusive businesses or businesses that promote inclusive growth.

82. Several recent laws have focused on promoting particular business subsets, although none are used to promote particular business models. Two recent examples include the 2015 SME Development Law and the 2014 law on special economic zones (SEZs). These laws establish preferential treatment for SMEs and businesses located in SEZs but do so irrespective of sector or business model. Other laws with potential relevance for inclusive business would include the draft procurement law, which could feasibly include measures to prioritise inclusive businesses. Also, recent discussions of a new law on social enterprises could establish incentives for firms that support a triple bottom line. It is important that the inclusive business agenda is incorporated in those laws and regulations.

83. Legal arrangements for inclusive businesses and social enterprises should be harmonised: The MYEA has proposed a separate social enterprise law and the British Council has prepared a legal guide for such a law. Discussions on a social enterprise law should take inclusive businesses into account and, as noted above, clearly distinguish inclusive businesses from NGO registrations. This would best be done by incorporating both types of enterprises –the three types of inclusive business plus businesses supported by traditional CSR – in regulations under the company law, as not-for-profit business associations and social enterprises are already included. Although it would be better to have a combined law on social enterprises and inclusive businesses, we do not recommend a special law on social enterprises. Further, as noted, we would recommend that both types of enterprise be dealt with under the company law. There is a strong need to distinguish between charitable social enterprises and social enterprises that are commercially oriented and would therefore count as inclusive business initiatives. An integrated approach would ensure that inclusive businesses and commercial social enterprises – that is, inclusive business models and initiatives – would become part of the normal incentive structure for economic development rather than having separate modalities vying for limited government funding.

58. Tax incentives are offered for 3, 5 and 7 years respectively for Zones 1, 2 and 3. Townships in Zone 1 are the least development while townships in Zone 3 are the most developed. Many of the townships in Zone 3 for example are in Yangon and Mandalay. (See Baker McKenzie, ‘Zones Designated Under the Myanmar Investment Law’, 1 March 2017, accessed 12 July 2018). The promoted sectors include agriculture and related services, education, health, manufacturing, telecommunications, and tourism, among others (See Baker McKenzie, ‘Myanmar Investment Rules’, 10 April 2017, https://www.bakermckenzie.com/en/insight/publications/2017/04/myanmar-investment-rules; accessed 12 July 2018).
6.2. Actors to Promote Inclusive Business

84. Advocates for inclusive business. The following sections describe actors and advocates that can promote inclusive business in Myanmar. These include—apart from investors and government agencies, business associations, incubators, and development partners. Figure 12 below gives an overview of key actors with those that could take the lead marked in yellow.

Figure 12: Key Actors Promoting Inclusive Business

<table>
<thead>
<tr>
<th>Government Agencies</th>
<th>Business Associations</th>
<th>Incubators/Intermediaries</th>
<th>Impact Investors</th>
<th>Development Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>DICA</td>
<td>MYEA</td>
<td>DaNa Facility</td>
<td>Select impact funds</td>
<td>DFID</td>
</tr>
<tr>
<td>MoC</td>
<td>UMFCCI</td>
<td>Yangon Impact Hub, Business Investment Facility</td>
<td>Development banks (e.g. IFC, ADB)</td>
<td>Australia, Denmark</td>
</tr>
<tr>
<td>SME Development Centre</td>
<td>Regional chambers (e.g. MRCCI)</td>
<td>MCRB</td>
<td>Commercial banks</td>
<td>EU, Germany, Japan, US</td>
</tr>
<tr>
<td>Select Sector Ministries</td>
<td>Sector chambers (e.g. Myanmar Agriculture Network, Myanmar Women Entrepreneurs Association)</td>
<td>British Council*</td>
<td>Asian Venture Philanthropy Network</td>
<td>LIFT</td>
</tr>
<tr>
<td>Others to be Determined</td>
<td>Foreign business chambers</td>
<td>Others to be determined</td>
<td>Others to be determined</td>
<td>Others to be determined</td>
</tr>
</tbody>
</table>

6.2.1. DICA and Other Government Agencies

85. Various government agencies handle business promotion. Regulations under the investment law provide tax incentives for companies investing in priority sectors and priority regions. The SME Development Centre provides various incentives including credit facilities. There are also other incentives through ministries such as agriculture.

86. MIC and DICA have important roles to play. DICA, part of the Ministry of Planning and Finance, acts as secretariat to the Myanmar Investment Commission. The commission is responsible for approving new investments although the 2016 law delegates responsibilities for investments less than $5 million to state and regional investment commissions. The commission is chaired by the planning and finance minister and has members from such ministries and departments as natural resources and environmental conservation, and general administration.

The commerce ministry representative acts as co-chair and UMFFCCI represents the private sector. The MIC’s mandate includes reviewing all local and foreign investment applications above $5 million and approving industrial zones. DICA handles foreign and local company registration. Foreign investors must register with DICA to become eligible for incentives under the foreign investment law and local companies must acquire an MIC permit to enjoy incentives. It is therefore primarily within MIC and DICA that Myanmar’s investment priorities are implemented. For inclusive business incentives to be established by the MIC would likely require revisions to the investment law.

As a focal point of business registration in Myanmar, and as secretariat to the MIC, DICA could potentially play a key role in:

- accrediting inclusive businesses, perhaps as a voluntary step as part of company registration
- providing incentives to inclusive businesses by integrating inclusive business criteria in the investment law regulations
- in cooperation with the MoC, coordinating further incentives for inclusive businesses with other ministries

87. Endorsement for inclusive business from cabinet:
DICA could serve as the focal point for discussion with the Private Sector Development Committee (PSDC) of Cabinet, which would be the most suitable body to approve a general framework for inclusive business promotion. The PSDC is chaired by a vice president and has members from the Ministry of Planning and Finance, the MoC and other key ministries as well as DICA and UMFFCCI. Getting endorsement from the PSDC for an inclusive business framework would be critically important to advance inclusive economic growth.

88. The Ministry of Commerce also has a role to play in business promotion.
MoC is responsible for export promotion and consumer protection, managing export and customs lists, establishing licensing procedures, and coordinating participation in foreign trade fairs and advancing Myanmar’s National Export Strategy. While the export strategy makes goods such as agricultural products a priority, it does not distinguish between goods produced through an inclusive business model versus more traditional modes. There are various ways in which MoC could promote inclusive businesses. While MoC’s export promotion strategy is strictly sectoral, it could be expanded to promote inclusive growth. To this end, the ministry might wish to provide additional information to foreign and local consumers on production through inclusive business lines once a certification system is established. As well, through its role in promoting products at trade fairs, MoC has a platform for prioritising goods. It could use that platform to promote goods produced by inclusive businesses. It may be possible to provide other incentives to companies with inclusive business certifications such as expedited customs or licensing procedures.

89. The SME Development Centre can promote inclusive business with smaller businesses. The centre works primarily with businesses that lack the scale to become inclusive businesses. However, it could:
- share information on inclusive businesses
- prioritise SMEs with inclusive business lines in its credit programme
- link SMEs to larger inclusive businesses

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62. Both MIC and PSDC endorsed the policy recommendation to promote inclusive businesses in their meetings in March and May 2018 respectively and tasked DICA to further promote the inclusive business agenda.
90. The SME Development Centre has an important role to play promoting inclusive businesses as the Myanmar representative to the ASEAN Committee on SMEs, ASEAN’s focal point for inclusive business. The centre has participated in past ASEAN discussions about inclusive business and is positioned to spearhead inclusive business activities in ASEAN and promote Myanmar inclusive businesses in those venues. To more strategically take advantage of international discussions about inclusive business, the SME Development Centre needs to engage more fully in domestic deliberations about the issue even though many inclusive businesses are not SMEs. Doing so would make the department more relevant in promoting inclusive growth in Myanmar.

91. Sectoral ministries could be more involved in inclusive business promotion, especially by giving priority to inclusive businesses in public procurement. Traditionally, Myanmar ministries – even those associated with particular sectors – have focused largely on policy and regulation rather than business promotion within their respective sectors. The ministries most relevant to inclusive business include agriculture, hotels and tourism, education, health, and industry. For the most part, business promotion has been left to private sector trade associations with the ministries handling aspects of the enabling environment such as licensing and inspections and participating in business promotion only through trade fairs or the provision of business services. That said, these ministries do perform other activities that may be linked to business promotion such as executing government tenders. Although public procurement is not used to promote inclusive business, it could. The government may wish to do a study on using procurement to promote inclusive growth.

6.2.2. Business Associations

92. Business associations could play a strong role as inclusive business advocates. However, awareness about inclusive business is just emerging and concrete plans to promote it are still limited. Business associations would need technical and some financial support to run knowledge exchanges, organise sectoral and thematic workshops, prepare information materials, and host inclusive business awards. Sub-regional chambers like the Mandalay Region Chamber of Commerce and Industry could play an important role outside Yangon. The UMFCCI could play an important role as an advocate for policy changes and some of its sectoral clusters could promote exchanges with companies in sectors such as agribusiness, garments and tourism. The MYEA could become an overall inclusive business champion.

93. The Union of Myanmar Federation of Chambers of Commerce and Industry could establish an inclusive business focal point. UMFCCI is the national organisation representing the interests of the private sector. It supports the business community by sharing information on trade and investment, sponsoring workshops and study tours, and providing commercial opportunities through business facilitation, business matching, and trade fairs. It has about 30,000 members and is made up of 16 regional and state chambers, 9 border trade associations, and other affiliated associations. It also hosts the UN Global Compact. Unlike associations in other countries such as Vietnam, UMFCCI does not have a unit dealing specifically with social enterprises and inclusive businesses. It does, however, have a unit dealing with company commitments to the Global Compact. This could be upgraded to become a hub for inclusive businesses and could coordinate inclusive business activities within UMFCCI. It could also establish focal points in sectoral

64. Following detailed discussions with the leadership of the UMFCCI
65. See the discussion on the Global Compact in Chapter 3
associations where there is potential for investing in inclusive businesses.

94. The MYEA could be the business champion of inclusive business. While UMFCCI represents more traditional businesses, MYEA as an association under UMFCCI represents the innovation and energy of young entrepreneurs. It is already championing social enterprises and would like to have a closer association with inclusive businesses. MYEA could champion inclusive business and promote policy changes favouring both social enterprises and inclusive businesses. However, a quick assessment on potential inclusive business cases among the 2,000 members of the association showed that there are few inclusive business models among them, and MYEA members are more involved in social enterprises and technology ventures than solutions to the social problems of the poor. However, the inclusive business agenda does generate strong interest among leading MYEA members as it combines social benefits with good business practice, and there is perhaps more interest in inclusive business among MYEA members than other associations. MYEA recently formed a specific Committee on Social Enterprise and Inclusive Business.

6.2.3. The Role of Business Incubators

95. Business incubators focus mainly on social enterprises and mainstream businesses. Only a few business incubators are active and most support companies in the agriculture sector. This would include consulting firms and NGOs such as AAT Business Centre, Action Aid, AgriPro Focus, Conyat Create, Greenovator, and Mercy Corps. Others are general business consulting firms like ThuraSwiss, Hamsa Hub and Winrock. Other incubators such as Phandeeyar formed platforms concentrating on new technologies or providing general business support for SMEs as the Hans Seidel Foundation

66. Following detailed discussions with the leadership of the MYEA
A number of development partners have shown interest.

**98. ADB:** It does not yet provide specific backing for inclusive businesses but its public sector cooperation group could take an interest if the Myanmar government asked for support. ADB’s private sector operations group is interested in possible inclusive business investments in agribusiness and social sectors but the size of any investment would have to be significant.

**99. Australia:** Australia’s Department of Foreign Affairs and Trade, which administers the country’s aid programme, has recently identified the private sector as an essential partner to achieve sustainable development outcomes, drive sustainable economic growth, and reduce poverty. The aid strategy also refers to the concept of shared value and inclusive business. Support for private sector development in Myanmar includes a Business Partnerships Platform and a volunteer programme through which Australia could support a possible inclusive business desk at DICA.

**100. Denmark:** Three of the seven development programmes Danida, Denmark’s aid agency, implements in Myanmar are of particular relevance. The programmes are the Responsible Business Fund, the Myanmar Enterprise Monitoring System, and the Danish Investment Fund for Developing Countries.

**101. The European Union:** The EU may be interested in supporting the proposed technical assistance facility and investment fund. It could also see potential in giving priority to inclusive businesses in trade promotion activities with the commerce ministry and provide staff support at the ministry to work with the proposed inclusive business support centre at DICA.

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67. Impact Hub Yangon, ‘Social Enterprises: Yangon Ecosystem Snapshot’

68. This section builds on interviews with these selected agencies in Myanmar
102. Germany: KfW, the German international development bank, does not so far support inclusive businesses in Myanmar beyond an investment in ACLEDA MFI, a microfinance facility, by the German Investment Corp. It could, however, include Myanmar in its support for the Southeast Asia Aavishka inclusive business impact fund. As well, inclusive businesses may be able to receive assistance from the value-chain development programme for agribusiness and ecotourism in Shan supported by the German Society for International Cooperation (GIZ). GIZ could consider supporting the inclusive business policy agenda in Myanmar through its global Inclusive Business Action Network, which is also supported by the EU.

103. Japan: Japan is the largest development partner in Myanmar and might be interested in including inclusive business support in the private sector development programme of the Japan International Cooperation Agency (JICA) and the Japan External Trade and Investment Promotion Organisation (JETRO). For example, JICA-funded staff at DICA could support the proposed inclusive business assistance desk. JICA could also co-finance the proposed technical assistance facility while JETRO could cooperate with business associations on knowledge sharing on inclusive business and awards for inclusive businesses.

104. IFC: The World Bank’s private sector arm is the key promoter of the inclusive business agenda globally with about 10% of its investments in inclusive business. In Myanmar, the IFC has made 2 investments in microfinance and one in agribusiness. Additional investments could be made in inclusive businesses in agribusiness, education, tourism, energy, and housing.

105. LIFT: The Livelihoods and Food Security Trust Fund is a multidonor fund supported by a wide range of bilateral donors and the European Union. It could be interested in funding larger and more commercially oriented enterprises benefitting the BoP.

106. UK: DFID is a strong promoter of the inclusive business agenda. In Myanmar, under the Business for Shared Prosperity programme, DFID finances the DaNa Facility, the Business Innovation Fund that promotes inclusive and responsible business activities in the bamboo, garments and tourism sectors, and the Myanmar Centre for Responsible Business that promotes responsible business practices. Through the DaNa Facility, DFID might wish to increase its support to inclusive business by offering technical assistance for inclusive businesses, policy work, and support for an impact investing fund.

107. UNDP: Its new Myanmar strategy could emphasise the role of inclusive business to promote inclusive growth as a way to achieve the Sustainable Development Goals (SDGs). UNDP’s global Business Call to Action programme could also include some inclusive business cases from Myanmar in its public promotion programme. Furthermore, the UN Capital Development Fund could consider investing more in finance institutions that support inclusive businesses.

108. The US: The work of the United States Agency for International Development (USAID) in Myanmar targets social enterprises and mainstreams social businesses more than inclusive businesses but there are close links that could be explored further, especially in its efforts on access to finance.

109. The World Bank: In its policy work, the bank could emphasise the need for a more conducive environment for inclusive businesses and social enterprises by supporting inclusive business certification and incentives as proposed in this report and endorsed by the government. The bank could also consider taking the lead in establishing a finance facility using a public-private partnership to invest in innovative private sector initiatives that create solutions for the BoP through

69. Since 2005, IFC has committed over $16 billion and worked with over 530 inclusive businesses in more than 90 countries. For more information on IFC’s work in the area of inclusive business, see:
income generation investments and by providing access to affordable services, especially in health, education, and housing, to the poor and near-poor.

7. STRATEGIC FRAMEWORK FOR INCLUSIVE BUSINESS AND IMPACT INVESTING

110. Policy support has good international backing. Many countries have established incentives for inclusive businesses and social enterprises. In Asia, for example, incentives and accreditation regimes have been established in the Philippines, China, Malaysia Thailand, and Singapore. Other countries like Vietnam and Indonesia have coordinating bodies for inclusive businesses. Impact investment funds are active in China, India, Indonesia, Malaysia, Singapore, Thailand, and Vietnam. In China’s Shanxi province, such funds are partly promoted by the government to support inclusive businesses. The governments of Pakistan and Shanxi have included inclusive business support in their poverty reduction programmes. Inclusive business policy coordinating bodies have been created at ASEAN and the G20. Active support for inclusive business and social enterprises can also be found in Latin America, Africa, and countries belonging to the Organisation for Economic Coordination and Development. While Myanmar comes late to the game, it is actively catching up in establishing inclusive business support mechanisms through policy incentives, investment promotion, knowledge sharing, and business development and incubation.

111. There is strong ownership for a more strategic approach in Myanmar:
This study points to several opportunities to encourage inclusive business in Myanmar through government support, technical and financial support, investment, promotion and awareness. These mechanisms are incorporated in the inclusive business strategy framework endorsed by the government through the MIC and the PSDC. Government, business associations, impact investors, and development partners are among the key actors in facilitating this process. On the government side, DICA has expressed willingness to champion the inclusive business agenda, while MYEA and UMFCCI may serve this role in the private sector. Furthermore, development partners can play an important role in advancing the agenda and making growth in Myanmar more inclusive.

112. The policy framework laid out below sets the strategic direction for promoting inclusive business in Myanmar. Further activities were undertaken to broaden awareness and steps were taken to implement it.70 This section lays out a series of key recommendations to support inclusive business and impact investing in Myanmar as part of a policy reform initiative to ensure the achievement of ambitious results and careful nurturing of inclusive business activities. Reform must also encompass improvements in the business environment, infrastructure, financial services, human resources, and business laws and regulations. The eight inclusive business recommendations pertain to government, the private sector, and development partners alike and could therefore create a new form of public-private partnership to support inclusive growth. Proposals range from awareness building to more concrete measures to promote inclusive businesses, social enterprises and impact investing. Facilitating an understanding of the overall policy framework and how the key public and private sector players fit into it, Figure 13 below presents a graphic representation of the strategic approach, recommendations, and the key stakeholder roles. The framework offers direction to the government, the private sector, and development partners.71 Recommendations 1 to 4 are expected to

70. These steps included 2 large business workshops in Yangon and Mandalay, a workshop with the Myanmar Agricultural Network, and various media interviews. A separate workshop to further inform key government officials was held in April 2018 with the Working Committees of the PSD Committee
71. A preliminary draft outline of the framework was presented to the MIC Secretariat in December 2017. A more complete version was discussed and endorsed at the MIC meeting of 20 March 2018 and the.
be undertaken in a shorter term of around one year while recommendations 5 to 8 are of a more medium-term nature of 2-3 years.

113. Recommendation 1: Establish a steering group to promote inclusive businesses, social enterprises, and impact investing. The group would have participation from government, the private sector and business associations, investors, and development partners. The steering group would serve as a strategic focus for inclusive business and impact investing initiatives. It would take the lead role in:

• developing an action plan
• monitoring implementation of commitments
• reporting on private sector contributions to poverty reduction
• promoting new initiatives for inclusive business promotion
• facilitating funding and developing further support options for implementing the inclusive business strategy

Incorporating both public and private actors, the steering group would serve as a public-private partnership with representatives from DICA, the MYEA, the UMFCCI, impact investing, the private sector, development partners, inclusive business incubators, and an inclusive business technical assistance agency such as the DaNa Facility. Other government agencies would include the MoC, the SME Development Centre, plus sector ministries such as agriculture, health, housing, and education. The steering group would meet quarterly.72

114. Recommendation 2: Broden awareness of inclusive business. Awareness of inclusive business in Myanmar is still developing and there is a great need to educate stakeholders on its benefits and best practices. Government agencies and business associations have a critical role to play in this respect. In particular, the MYEA

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72. In September, the DaNa Facility presented a draft concept note for the formation of the Inclusive Business and Impact Investing Steering Group to a meeting with directors general from DICA, the Myanmar Trade Promotion Organisation, the Department of Industrial Supervision and Inspection, and the Small-Scale Industries Department. Based on strong support from the relevant directors general, the steering group will be established during the last quarter of 2018.
can play an important role as could the UMFCCI and its various sector committees, along with private business networks such as the Myanmar Agricultural Network and other associations, and regional business associations and international business chambers. The inclusive business support programme could provide funding and expertise to business associations for knowledge generation and dissemination through business-to-business and business-to-policymaker exchanges. A concrete example could include national inclusive business awards to be given regularly, and participation in ASEAN inclusive business awards. Both the ASEAN Business Advisory Council and the ASEAN summit could support branding. This would not only support branding of investments with high social value but also enhance Myanmar’s reputation as a pro-poor country.

115. Recommendation 3: Provide technical assistance for inclusive business development and impact monitoring. Impact investors find that the biggest challenge is simply finding and structuring good deals. There is a great need to help managers of potential inclusive businesses improve their business plans and maximise their social value through good impact assessments and proper monitoring and reporting tools to measure results. Further technical support to businesses could include advice to structure financing, reduce company and investment risks, build capacity to bid for government contracts, enter value chains that benefit the poor, and grow businesses or consortiums with inclusive business lines. Such technical assistance to be effectively used should be based as much as possible on repayable grants, especially if businesses become successful.73 Beyond support to the private sector, the technical assistance facility could also fund strategic policy work with government and information exchanges through business associations.

73. The Inter-American Development Bank, as part of the Opportunity for Majority Inclusive Business program, and through its Multilateral Investment Fund, has developed a successful program of repayable grants for Inclusive businesses.
116. Recommendation 4: Set up support desks within various government bodies. An inclusive business support desk under DICA could serve as a one-stop shop for inclusive business concerns and handle inquiries related to accreditation, incentives and other support. In essence, it would act as a government coordinating body to promote inclusive business and social entrepreneurship. The desk would have satellite offices or focal points in the MoC and the SME Development Centre as well as relevant sector-specific ministries. It could also have support units in major business associations. Inclusive businesses would report through the Ministry of Planning and Finance to the MIC or the PSDC, providing annual reports on inclusive business progress. This process would facilitate international reporting at ASEAN events and help identify private sector contributions to SDGs. Development partners could be approached to finance these desks. A business case with terms of reference could be drafted with support from the DaNa Facility.

117. Recommendation 5: Create an inclusive business certification system. Providing government incentives to support inclusive businesses requires a system that determines what enterprises are actually inclusive businesses - those that target people at the base of the pyramid and provide commercial solutions to the problems they face. A system of accreditation and certification can do this and ensure that incentives are correctly granted. Systems for certifying or accrediting inclusive business have been developed in the Philippines and China and can be adapted to Myanmar. The same criteria can be adjusted to cover social and commercial impact as well as innovation at larger and smaller firms. Inclusive business accreditation or certification should be offered on a voluntary basis when companies register their business and it should apply to product lines and not entire companies. MYEA could play a role in encouraging companies to register under the accreditation system.

118. Recommendation 6: Prioritise inclusive businesses in industrial policies and bring them into incentive structures. The overall government approach to the private sector is embodied in the Myanmar Sustainable Development Plan, issued in August 2018. This document draws extensively on the Private Sector Development Framework and Action Plan and provides many windows for promoting inclusive business. The government has taken important steps to liberalise the economy by passing the 2016 Myanmar Investment Law and 2017 Myanmar Companies Act. One result is the introduction of targeted investment incentives under the investment law. As is the case in other countries, inclusive businesses could be included when providing government support to companies and could be incorporated in the regulations under the investment law. A more complete study is proposed to determine where inclusive business may fit into existing industrial and investment policies, and how these incentives may be linked to other inclusive business promotion policies such as certification or tax incentives.

119. Recommendation 7: Strengthen demand for inclusive business products through public procurement. Governments spend significant funds procuring goods and services but are often unaware of the social implications of these purchases. Government procurement can deliberately support companies with inclusive business lines that substantially enhance opportunities for inclusive growth. It is therefore recommended that various government agencies establish procurement rules to prioritise purchasing from inclusive businesses where possible. Social procurement

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74. The Indonesian government set up an inclusive business task force under the Coordinating Ministry for Economic Affairs. In the Philippines, inclusive business support is coordinated through the Board of Investment. In Thailand and Singapore, this is done by separate, government financed, social enterprise offices.

75. Alternatively, a certification system could also be placed at the MYEA or UMFCCI but would then need to be vetted by the government to have stronger acceptance and to avoid possible biased representations.

76. In the UK, for example, the government introduced 30% tax relief in 2013 for social investors.

77. In the Philippines, for example, the Department of Education is purchasing school tables and chairs from a large for-profit social enterprise that provides job opportunities for disabled people.
rules can also be used for public bidding. A study can help various government agencies find entry points for public procurement from companies with inclusive business models, initiatives and activities.

120. Recommendation 8: Establish an inclusive business and social enterprise impact investment fund. To support business cases by catalysing further private sector and development investments, the framework calls for government support to create a social investment fund targeting inclusive businesses and social enterprises. The fund could work with impact investors, development banks, and commercial banks to offer financing to accredited inclusive business lines. Financing could be structured as a convertible grant, where companies receive grants along with equity and debt from other parties to be used as patient capital that is repaid based on success.\(^{78}\) An indicative target would be a fund of $30 million to $50 million for an initial investment programme of 3 to 5 years. The fund could be set up by the government but managed externally. Initial grant contributions from development partners could establish the fund with further capital from regional or bilateral development banks, contributions from foundations and CSR funds.

121. Strengthening institutional commitment and developing a plan of action. Government, business associations, and development partners have generally supported the principles embodied in the inclusive business agenda and the idea of developing an inclusive business action plan.\(^{79}\) However, the strategic framework needs formal endorsement by the Government of Myanmar, and the interests of various actors must also be taken into account. In order to expedite the process, the following measures are suggested:
- Seek endorsement from the MIC to implement the recommendations and present them to the PSDC;
- Support DICA and other government stakeholders to approach development partners and coordinate financing for a first-stage implementation program (2018-2020) developed from these recommendations;\(^{80}\)
- Prepare an initial action plan with implementing and partner agencies drawing heavily on recommendations 1, 2, and 4 in order to build stronger awareness and commitment from key stakeholders.

Moving towards implementation.

The DaNa Facility has finalised the concept paper for the steering group on inclusive businesses, social enterprises, and impact investing. The concept paper has been approved by the four key government agencies – DICA and MIC, the SME Development Centre, the MoC, and the agriculture ministry – as well as other key stakeholders. This will prioritise the dissemination of the market scoping study and use the results to prepare additional inclusive business promotion materials to share at national and international events. Myanmar’s progress towards an approach on inclusive businesses and impact investing will be shared as part of the inclusive business activities at the event by the ASEAN coordinating committee on micro, small and medium enterprises held in November in Nay Pyi Taw.\(^{81}\) The DaNa Facility stands ready to support responsible and inclusive private sector development and policies in Myanmar. The DaNa Facility has prepared a concept paper outlining a series of activities to support inclusive business and impact investing that are fully aligned with the overall national agenda outlined in this framework. These include measures on market support and networking as well as on stimulating and facilitating deal flow; facilitating the financing of social impacts; and preparing a technical assistance project on impact investing and inclusive business. To support the activity on stimulating and facilitating deal flow, the DaNa Facility launched a grant funding window in September 2018 on Support for Impact Investing and Inclusive Business Ecosystem Development in Myanmar. Grants are expected to be concluded later in 2018. Figure 13 below summarises the key actions and actors involved in implementing the inclusive business framework.

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\(^{78}\) The Inter-American Development Bank has developed a successful program of repayable grants for Inclusive businesses.

\(^{79}\) A budget of around $5 million is estimated for implementing the inclusive business framework in a lean way during the first phase, plus $30 million to $50 million for the impact investment fund.

\(^{80}\) This could be implemented through the informal Development Partner PSD forum, which serves as the PSD workstream for the Cooperation Partners Group.

\(^{81}\) An inclusive business capacity building event is also being planned for public and private sector candidates.
Poverty Reduction and Inclusive Growth through Inclusive Business Enterprises, Social Enterprises, Impact Investors

Min. of Commerce
SME Center
Other government ministries and agencies

DICA

R4 Secretariat

R1

R5

Secretariat

R2a

R2b

R3

R8

R4, R2, R3, R8

Development partners interested in supporting the inclusive business agenda

R1, R2, R3, R8

Policies and incentives

Prioritizing inclusive business in public procurement

Broaden awareness (inclusive business information exchange, B2B, inclusive business accreditation/certification)

Broaden awareness (inclusive business awards and recognition)

Steering Group

DICA

inclusion business support desk
inclusion business accreditation/certification

UMFCCI
MWEA
Regional chambers (e.g. MRCCI)
Foreign business chambers

Sectoral business groups such as MAN

Impact investors, commercial banks, development banks

inclusive business and SE finance fund

inclusive business/SE technical assistance facility (maybe through DaNa)

Policies and incentives

Prioritizing inclusive business in public procurement

Broaden awareness (inclusive business information exchange, B2B, inclusive business accreditation/certification)

Steering Group

R1

R5

Secretariat

R2a

R2b

R3

R8

R4, R2, R3, R8

Development partners interested in supporting the inclusive business agenda

Note: R1-R8 are the strategic recommendations to the government, business associations, investors, and development partners to systematically promote inclusive business in Myanmar.
<table>
<thead>
<tr>
<th>Main recommendations</th>
<th>Key actions</th>
<th>Main responsibility</th>
<th>Others involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Establish an inclusive business/social enterprise/impact investment (steering group/board) with participation from government, private sector, investors, and development partners</td>
<td>Approaching partners, preparing terms of reference, preparing consolidated draft action plan, 1st meeting; endorsing inclusive business policy framework through MIC and PSD, preparing annual inclusive business implementation reports, arranging regional study tour</td>
<td>DaNa Facility</td>
<td>DICA (for government), MYEA (for business associations), DaNa Facility (for development partners)</td>
</tr>
<tr>
<td>2 Broaden awareness on inclusive business, promote knowledge sharing on inclusive business (incl. B2B) inclusive business awards, inclusive business branding through business associations and business schools</td>
<td>Sharing information materials about inclusive business, participating in ASEAN policy meetings, participating in ABAC inclusive business award and in the inclusive business event of ASEAN summit, arranging a Myanmar inclusive business award, finalising inclusive business study plus translated summary and disseminating the study (including to development partners)</td>
<td>Business Associations</td>
<td>MYEA, MWEA, UMFCCCI, MRCCI, DICA, MoC, SME Centre, DaNa Facility</td>
</tr>
<tr>
<td>3 Establish a technical assistance facility, to help companies with business development and impact assessment, institutions with policy work</td>
<td>Prepare concept note and ToRs, approaching development partners for financing, targeting specific funding in DaNa Facility for inclusive business</td>
<td>DaNa Facility</td>
<td>DICA, MYEA</td>
</tr>
<tr>
<td>4 Create an inclusive business support desk (one-stop support) in DICA with various satellites in government agencies and business association</td>
<td>Preparing ToRs and implementation plan (DaNa Facility), endorsing support desk and focal points</td>
<td>DICA</td>
<td>MoC, SME Centre, MYEA, MWEA, UMFCCCI, MRCCI, DaNa Facility</td>
</tr>
<tr>
<td>5 Establish inclusive business certification (accreditation) system in DICA and SME Centre</td>
<td>Preparing concept note, endorsing concept and ToRs, establishing the certification system</td>
<td>DICA, SME Centre</td>
<td>Inputs from DaNa Facility</td>
</tr>
<tr>
<td>6 Institutionalise incentives in existing programmes specifically targeted to inclusive business companies (incl. tax incentives)</td>
<td>Preparing a study on possible incentives, discussing incentives with line ministries and coordinating ministries, endorsing incentives</td>
<td>DICA</td>
<td>Study inputs from DaNa Facility, DICA, MOPF, UMFCCCI</td>
</tr>
<tr>
<td>7 Prioritise inclusive business and SE companies in public procurement, and buy services from them</td>
<td>Preparing a study on possible priority procurement practices (prioritise ministries responsible for health, education, housing, and agriculture), endorsing commitments on targets, preparing annual monitoring reports</td>
<td>MOPF</td>
<td>Study input by DaNa Facility, MOPF, MoH, MoE, MoALI</td>
</tr>
<tr>
<td>8 Support establishment of an inclusive business and social enterprise fund to co-finance with impact investors, commercial banks, and development banks inclusive investments</td>
<td>Preparing concept note, commitments from development partners, exploring tax incentives for private sector and foundations that contribute to that fund, communicating the fund to the private sector, establishing the fund, preparing annual reports</td>
<td>DaNa Facility, DICA</td>
<td>MOPF, UMFCCCI</td>
</tr>
</tbody>
</table>
8. CONCLUSIONS AND LESSONS LEARNED

122. There is strong potential for more inclusive business investments supported by impact investing: This scoping study on the inclusive business market has shown that there is strong potential to develop inclusive businesses in Myanmar. The study found 56 potential inclusive business cases, of which 21 companies are actively pursuing inclusive business models, initiatives and activities. While there are already some innovative inclusive business models, especially in agribusiness, finance and energy, there are promising opportunities for companies and investors in agribusiness, health, education, and housing.

123. There is strong interest in inclusive business: While awareness is still weak compared to neighbouring countries, there is a strong interest in promoting the inclusive business asset class, especially among business associations, government agencies, and development partners. Inclusive business is seen as a concept that transforms the strong culture of giving in Myanmar into a practice where doing good for society can be effectively linked with innovative private sector engagement.

124. There is a policy framework to support inclusive business and impact investing: Alongside the market scoping study, a strategic framework for promoting inclusive business was endorsed by the government and a medium-term action plan can now be prepared.

125. With the right policy tools and monetary stimulus, resources in the private sector can be leveraged to transform the lives of millions of people, enabling them to have better access to jobs, increased incomes and improved livelihoods. But awareness of the incentives and institutional capacity of government agencies to implement reforms will be critical.

126. An inclusive business ecosystem cannot be built by a single party alone. Doing so requires coordinated effort both from the public and private sectors as well as development partners and impact investors. In-depth discussion with key stakeholders will be an important element in this effort.

127. Identifying influential champions both in government and private sector is key to bring about reform. Key champions will be DICA, the Directorate of Industrial Supervision and Inspection at the industry ministry, and the MYEA.

128. Inclusive businesses should be profitable, have social impact and an ability to scale. Focusing too much on MSMEs could create missed opportunities.

129. Understanding the local context and especially the local business culture which can either be a catalyst or an inhibitor to the required reforms.
### Appendix 1: Potential Business Assessment

#### Figure 15: Assessment of Potential Inclusive Businesses

<table>
<thead>
<tr>
<th>the company</th>
<th>Sector</th>
<th>final assessment after interviews and further information</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>potential IB model, activity, initiative, IB activity, IB initiative, IB activity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>mainstream business</td>
</tr>
<tr>
<td>Inle Princess</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Myanmar Hill Lodges</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Adela</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Awba Maha (agribusiness)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Briterligh Myanmar</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>City Mart</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Coca Cola</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>D-Light</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Doctors on Call</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Don</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Dupont</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>East-West Seeds, MM</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Eden Group</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Fame</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Farm Tech Co., Ltd</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Fosera</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Fresco</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Fullerton</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ge Health</td>
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<td>1</td>
</tr>
<tr>
<td>Genius</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Golden Myanmar Produce</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Golden Sunlight</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Good Brothers</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Greenlight Planet</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>hand in Hand</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
**Figure 15: Assessment of Potential Inclusive Businesses**

**Summary Assessment of Potential IB Companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>final assessment after interviews and further information</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>potential IB model, activity, initiative</td>
<td>real IB model, activity, initiative</td>
</tr>
<tr>
<td></td>
<td>IB model</td>
<td>IB initiative</td>
</tr>
<tr>
<td></td>
<td>IB</td>
<td></td>
</tr>
<tr>
<td>Ikea</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Impact Terra/Golden Paddy</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>IFDC (International Fertilizer Dev. Center)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Japanese Handicrafts Bagan</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Jatapara</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>J-SAT</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Ko Shwe</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>KoKoeTech/MayMay</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>LOLC</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>MAEX</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Mandalay Snacks</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>M-Pitesan/Ooredo</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Myanmar Bell Company</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Nagar Pyan</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>On Doctor</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>PepsiCo</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Proximity (trade&amp;finance)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Rent 2 Own</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sathapana</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sithar Coffee Group</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sonalika</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sunkin</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sunlabob</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Swaynee Group</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TeaSpender</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Toyo Batteries</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Turquoise Mountain</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>UMG - Finance</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Vision Fund Myanmar</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Yoma/Myfood Ind MM</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Yoma Bank</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (1) The criteria for IB or non-IB include financial viability and growth potential, targeting poor, core business orientation, drive for large scale social impact. (2) This overview is not comprehensive and the authors of this study do not claim to have assessed all potential IB companies, CSR or SE. There may be much more SE or IB potential companies in Myanmar. (3) The assessment is based on the authority, assessment taking into account the results of the interviews, public available information (incl. websites) and expert opinions.
Appendix 2: Methodology

130. The inclusive business scoping study forms part of the DaNa Facility’s strategic work. The facility is an innovative private sector development programme funded as one of the three components of DFID’s Business for Shared Prosperity programme. To highlight the potential of inclusive business, it commissioned a market scoping study on inclusive business. The study was undertaken by a team of 4 international and local consultants. The study explored business models and prepared descriptions on those models and provided an overview of the investment market for inclusive business. The study also assessed activities of impact investors, business associations, development partners and incubators. It further looked at government policies to promote industries and investments. It then made recommendations to the government and others on how to promote inclusive business.

131. The study used primary data for screening companies on inclusive business potential. After clarifying an understanding of what constitutes inclusive business, the team prepared a list of 176 companies that had the potential to become inclusive businesses. Information on impact investments and on the enabling environment came from the assessment of publicly available as well as restricted-distribution studies, and from interviews with stakeholders. The team then used a rating tool to further screen the initial list on commercial viability and intended social impact of the companies’ business lines. The interviews with the companies sometimes led to suggestions and coaching from the team on how to increase commercial or social impact.

132. The team collected data directly from firms through the use of a targeted questionnaire. Questionnaires were either completed by the companies that were interviewed, or by the team after the company interview, reflecting the reluctance of many in the private sector to respond officially to questionnaires. While many companies were reluctant to share financial data, and information on social impact was often anecdotal, companies could generally respond to clear and guided questions. The company descriptions summarise the information provided by the companies or gathered through internet searches.

133. Potential companies were assessed using questionnaire data and a composite rating tool for choosing inclusive business models. The literature on inclusive businesses, social enterprises and CSR is mostly descriptive and uses individual case studies. This study differs by using direct data collection through case examples, questionnaires and interviews. It then analysed the information against transparent indicators to make comparative assessments between companies. To this end, the team developed a composite rating tool to assess potential companies in a more scientific way. A similar tool is used in the inclusive business accreditation system in the Philippines and in Shanxi, China. It is also proposed for use in Myanmar to certify inclusive businesses. The criteria and weights for the inclusive business rating are given in the two tables below.

134. The rating shows the quality of inclusive business investments. With the rating tool, the following analyses were conducted. First, the business case – but not the entire company – was analysed against weighted criteria describing the financial return (42% of total scoring), the social impact (45% of total scoring), and the innovation of an investment – not of a company – on its impact to sustainably reduce poverty and build a sustainable growing business (13% of total scoring). Then, the performance of each company was rated as low (1 or 2 points), medium (3 or 4 points) and high (5 or 6 points). The rating is set on quantitative and qualitative indicators adjusted to the relevant sector. Finally, the scores (rate times weight) indicate the specific weaknesses and strengths of the companies with regards to inclusive business development.

82. Dr. Armin Bauer was the team leader with extensive experience on inclusive businesses. Hsu Wai Htin from ThuraSwiss helped with the business assessment. Jonathan Keesecker is an industrial policy expert. Aung Thura from ThuraSwiss provided business and policy advice. The team was guided by Wint Hlaing, the inclusive finance lead at the DaNa Facility, and Peter Brimble, the DaNa Facility team leader.

83. Appendix 6 gives a list of reference materials while Appendix 5 gives a list of institutions interviewed.

84. For example, the social reach in agribusiness of less than 300 people is 0, low is from 300 to 1,000, medium 1,000 to 3,000, and high above 3,000. Ratings for revenue were set at low for less than $500,000, medium for $500,000 to $5 million, and high for greater than $5 million. Ratings for profitability were set at low when a company had a gross profit less than 5%, medium when gross profit was 5% to 15%, and high when it was above 15%.
## Figure 16: Rating Tool for Assessing Inclusive Business Readiness

<table>
<thead>
<tr>
<th>Composite Rating YTool</th>
<th>Company Rating (1-6)</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial returns</strong></td>
<td>42%</td>
<td>0.00</td>
</tr>
<tr>
<td>Company</td>
<td>16%</td>
<td>0.00</td>
</tr>
<tr>
<td>Size</td>
<td>4%</td>
<td>0.00</td>
</tr>
<tr>
<td>Profitability</td>
<td>6%</td>
<td>0.00</td>
</tr>
<tr>
<td>Bankability</td>
<td>6%</td>
<td>0.00</td>
</tr>
<tr>
<td>Inclusive business model</td>
<td>26%</td>
<td>0.00</td>
</tr>
<tr>
<td>Governance</td>
<td>5%</td>
<td>0.00</td>
</tr>
<tr>
<td>Revenue (current)</td>
<td>5%</td>
<td>0.00</td>
</tr>
<tr>
<td>Growth (3 years)</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td>Addressing business risks</td>
<td>6%</td>
<td>0.00</td>
</tr>
<tr>
<td>Profitability</td>
<td>7%</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Social impact</strong></td>
<td>45%</td>
<td>0.00</td>
</tr>
<tr>
<td>Reach</td>
<td>20%</td>
<td>0.00</td>
</tr>
<tr>
<td>Beneficiaries</td>
<td>11%</td>
<td>0.00</td>
</tr>
<tr>
<td>Targeting</td>
<td>6%</td>
<td>0.00</td>
</tr>
<tr>
<td>Women’s empowerment</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td>Depth and relevance</td>
<td>13%</td>
<td>0.00</td>
</tr>
<tr>
<td>Supplier (labour, distributor) models</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Before/after</td>
<td>4%</td>
<td>0.00</td>
</tr>
<tr>
<td>Competitor</td>
<td>6%</td>
<td>0.00</td>
</tr>
<tr>
<td>Sustainability, addressing risks</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Consumer models</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Relevance of product (incl. Income increase)</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Affordability of product</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td>Delivery mode, addressing risks of the poor</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Systemic change for poverty reduction and inclusion</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Sector impact</td>
<td>4%</td>
<td>0.00</td>
</tr>
<tr>
<td>Geographical impact</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td>Relevance and transformation</td>
<td>5%</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>13%</td>
<td>0.00</td>
</tr>
<tr>
<td>Business</td>
<td>4%</td>
<td>0.00</td>
</tr>
<tr>
<td>Technology</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td>Social (labour standards, CSR, etc)</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>3%</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Appendix 3: Inclusive Business in Other Countries

135. An improved enabling environment can stimulate inclusive business growth. Government, business associations, investors and development partners all play key roles in creating an environment for inclusive business. Most policy support is linked to activities of investment promotion agencies and builds on existing support programmes. Figure 22 gives an overview of inclusive business policies in selected Asian countries.85

For example:
- the Philippines established an inclusive business accreditation system through its Board of Investments to promote companies with inclusive business models – the board also has an inclusive business unit;
- Shanxi province recently received a loan from ADB to promote and invest in inclusive business models in the agribusiness sector;
- Indonesia has set up an inclusive business task force under the Coordinating Ministry of Economy;
- Thailand has established financial incentives and an accreditation system for social enterprises and inclusive businesses;
- Singapore is promoting social businesses to address social problems;
- China, Korea, Japan, and Thailand are working with ADB on a possible programme to support foreign investments related to inclusive business in Cambodia, Laos, Myanmar, and Vietnam;
- Vietnam is now considering incentives for inclusive businesses under its SME promotion programme;
- the ASEAN Secretariat and the Asia-Pacific Economic Cooperation forum have established inclusive business as a theme for SME promotion and presented regional inclusive business awards in 2017 that were to be continued in 2018;
- ASEAN’s work on inclusive business is promoted jointly through government structures and the ASEAN Business Advisory Council;
- the G20 focused on inclusive business as a major topic of discussion in 2015 and 2016, has developed an inclusive business framework, and is currently finalising an inclusive business implementation guide;
- inclusive business is also being discussed as part of investment strategies and development assistance approaches in Australia, Canada, France, Germany, India, Latin America, the Netherlands, Germany, Sweden, Switzerland, the US, and countries across Africa;
- business associations can play an important role in promoting knowledge sharing about inclusive business among their members, and banks and impact investors are setting up financing schemes and investment funds specifically for inclusive business;86
- development partners are emphasising inclusive business or similar concepts such as shared value, social enterprise, and strategic CSR in support of private sector strategies to achieve the SDGs.87

86. For example, the IFC has about 10% of its global investment portfolio in inclusive businesses, and Credit Suisse has set up an inclusive business financing scheme for China and Southeast Asia www.ifc.org/wps/wcm/connect/Topics Ext Content/IFC_External_Corporate_Site/Inclusive+Business (accessed 13 July 2018).
Figure 17: Promoting Inclusive Business in Asia

| Source: the authors |
| IB incentives in Asia |

<table>
<thead>
<tr>
<th>public awareness</th>
<th>IB investment cases</th>
<th>IB certification and accreditation</th>
<th>IB policy incentives</th>
<th>IB funding</th>
<th>IB task force/focal point</th>
</tr>
</thead>
<tbody>
<tr>
<td>China/Shanghai</td>
<td>good</td>
<td>strong</td>
<td>established</td>
<td>yes</td>
<td>under the Shanxi poverty agency</td>
</tr>
<tr>
<td>India</td>
<td>very strong</td>
<td>strong</td>
<td>some</td>
<td>some</td>
<td>no central agency yet</td>
</tr>
<tr>
<td>Indonesia</td>
<td>some</td>
<td>emerging</td>
<td>some</td>
<td>in discussion</td>
<td>no</td>
</tr>
<tr>
<td>Myanmar</td>
<td>nascent</td>
<td>very few</td>
<td>strong interest</td>
<td>proposed</td>
<td>proposed</td>
</tr>
<tr>
<td>Pakistan</td>
<td>just starting</td>
<td>some</td>
<td>not relevant yet</td>
<td>proposed</td>
<td>IB as part of the government’s new poverty graduation strategy</td>
</tr>
<tr>
<td>Philippines</td>
<td>strong</td>
<td>strong</td>
<td>emerging</td>
<td>established</td>
<td>IB is part of Investment Priority Plan</td>
</tr>
<tr>
<td>Thailand</td>
<td>strong</td>
<td>many</td>
<td>strong</td>
<td>established</td>
<td>Thailand Social Enterprise Office</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>good</td>
<td>some</td>
<td>good support</td>
<td>some</td>
<td>yes</td>
</tr>
<tr>
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Appendix 4: Inclusive Businesses – A Myanmar Sample

136. The following provides summary examples of investments in inclusive business models, initiatives and activities in Myanmar. These examples are only indicative and intended only to illustrate the nature of inclusive businesses in Myanmar.

Agribusiness Examples

137. Awba is strategically building a comprehensive information platform for farmers – an inclusive business model: Awba Group is one of Myanmar’s largest agribusinesses offering farmers a range of products and services including agricultural chemicals, fertilizers, seeds, finance, and production advice. Using a direct-to-farmer model, the company has a vast distribution and extension network of 47 company-owned sale depots, 5,000 exclusive dealers and sub-dealers, 10,000 selected key farmers, and 1,500 extension workers.

138. The company is now broadening its engagement in new areas such as crop insurance, digital tools, logistics, and knowledge transfer and training. It now wants to explore a new inclusive business model through a technology platform called Htwet Toe currently being developed in cooperation with VillageLink, a for-profit social enterprise. The app will have features such as information on product-specific farm technology and inputs, satellite data for planted areas for crop-yield predictions and crop diagnosis, mobile phone-based tractor rentals, price information, product authentication and soil analysis, a loyalty programme, daily localised weather, app-based training, one-stop-payment for inputs, and connections between smallholder farmers and suppliers and buyers.

139. By the end of 2018, Awba plans to serve about 20,000 clients and is planning to increase its client base to 3.5 million by 2021. If that happens, Awba-VillageLink will be the biggest network for low-income farmers. The social impact of the potential model is currently being assessed through a separate impact study.

140. East West Seeds trains farmers to sell better-quality seeds, thus increasing their income – an inclusive business activity: East West is a well-established multinational seed company with a solid reputation and good financial performance. Asia-wide, it has annual revenue of $74 million and Myanmar revenues of $4.7 million from the early stages of operation, mainly from the sale of imported seeds.

141. The company is in the process of setting up its own production plant for seeds, is expanding its distribution channels, and hopes to expand its customer base to 25,000 by 2020. The company believes that vegetable production can be a viable income opportunity for poor and low-income farmers in Myanmar. Part of the business strategy involves substantial training financed through CSR. Farmers are receiving training on improved farm inputs in various innovative ways. These include mobile information booths, certified plant-doctor clinics, moderated social media and app groups led by model farmers, expos showcasing varieties and improved practices, links to Ministry of Agriculture extension services, and information dissemination through local input dealers and traders.

142. The company provides training to 300 farmers. Ultimately, the information could reach 25,000 farmers. The company believes it could then increase farmer incomes by 20% to 30% based on the fact that vegetable farming can be done as intercropping or a secondary crop, thus creating additional income. As well, vegetables are high-value products bringing higher income than staple foods. Vegetable farming is also a good business for farmers with small plots of land and is thus particularly important for poor and low-income farmers.

143. Golden Myanmar Produce is a well-established organic vegetable exporter now venturing into inclusive business: Golden Myanmar is a sister company of Malarmyaing, a major importer and
distributor of agricultural inputs. It is an exporter of high-quality fresh and processed fruits and vegetables and also operates Go Green retail outlets that sell chemical-free fruits and vegetables and other company products.

144. **It has its own farms that produce chemical-free fruits and vegetables.** The farms are operated by 8 local farmers on a lease basis with low lease rates of MMK 20,000 ($14) per acre per month. The farmers sell their produce to Golden Myanmar and extra produce in local markets. Although the company did not provide income figures, it appears that the business works well for the farmers involved, with some offering tractor and transport services to poorer farmers nearby.

145. **Golden Myanmar claims that farmers earn greater income selling chemical-free products.** The company is in the early stages of operation and it expects to double or triple its revenue by 2020. The company is well-regarded by its export partners and hopes to increase sales and expand to new markets. However, inquiries would be needed to determine the company’s financial performance. Golden Myanmar has a strong CSR programme that it claims uses 10% of profits, providing social housing and community infrastructure, and covering education fees and healthcare.

146. **Golden Sunland innovates to consolidate rice land – an inclusive business model:** Golden Sunland is a locally incorporated Singapore-based company. The management team has more than 25 years of experience in the rice business, with operations in the Philippines, Vietnam, China, and Indonesia. The company hopes to profit by solving two problems afflicting Myanmar’s rice market. The first is a distorted market with many middlemen, volatile prices because of price fluctuations at the border, and the poor reputation of Myanmar rice in export markets. The second involves fragmented land distribution that makes production at scale very difficult. The company is addressing these issues by buying the rice directly from farmers that have consolidated their land and providing modern production techniques and arranging for inputs. It also processes the rice and sells it to consumer markets in Singapore, Brunei, and Malaysia. The company encourages small farmers to consolidate their land and have companies manage about 100 acres of land so that mechanisation, irrigation and pest control can be applied efficiently.

147. **Golden Sunland is currently funded by a US$3.2-million equity injection from private investors and institutional funds.** The company has a sound business plan for a commercially viable business model. Using a conservative domestic-export weighted average of US$500 per metric tonne, the company says it has the potential to generate US$12.5 million in revenues in 2019 at 50% capacity and US$25 million in 2020 at full capacity. The long-term plan is to establish more rice mills to increase capacity to 150,000 tonnes. The company is targeting a profit margin of 14% to 20%. The company now has 70 farmers with 130 acres of land and hopes to increase this to 800 farmers with 1,500 acres in 2018, and 20,000 farmers with 15,000 acres in 2020. About 40% to 50% of the farmers are poor with less than 2.5 acres of land, and family income of less than MMK 170,000 ($120) a month, half of it coming from the rice farms. Some 30% are low-income farmers with up to 5 acres of land.

148. **The concept of pre-sale locks in the price and would allow the company to pay farmers higher prices without taking market risk.** In addition, farmers will gain income by increasing productivity. Overall, the company says it expects income increases for farmers of between 30% to 60% – about half from price increases and half through productivity increases. This would be above what possible competitors might pay and more than the farmers have been receiving.88

88. The company is the sole buyer and there are no other competitors except traditional brokers with variable purchasing prices.
149. One key innovation that benefits the company and the farmers is that farmers will be helped to establish an SME that could give them benefits as shareholders.

150. The company will use the inclusive business brand as a tool to overcome the poor reputation of Myanmar rice abroad, and thus increase margins and farmer incomes. Golden Sunland is an example that shows the importance of the inclusive business brand and the benefits of a possible inclusive business accreditation system.

151. Good Brothers has a business model engaging low and middle-income farmers and poor customers – a potential inclusive business model. Good Brothers is a group of companies aiming to provide full agriculture services to farmers. The company and its subsidiaries are self-financed and also rely on loans from local banks. It ranked 106 of 1,000 companies on the list of the highest taxpayers in the tax years 2014 to 2015.

152. Good Brothers Microfinance provides agricultural loans to 15,000 low-income farmers mainly through group lending while de-risking the farmer’s seasonal exposure by introducing loan repayments after harvesting and waiving charges such as an application and documentation fees for the poor. Good Brothers Chemicals sells fertilizers and farm inputs through cash sales and instalments and maintains demonstration farms for training. Good Brothers Agricultural Services serves about 8,000 low and middle-income paddy farmers with an overall land size of about 40,000 acres by providing services on payback or advance payments for soil preparation, cultivation, harvesting, production inputs, agricultural loans, and paddy-buy-back options. Farmers can rent machinery and equipment as well. It also operates a rice mill that processes for export. The mill also stores rice from farmers in exchange for service fees or buys the rice from farmers to minimise the risk of price fluctuations. The company is currently exploring whether to introduce a marking or point system as a business line that would cover those services.

153. Green Tea is an agricultural cooperative in Shan – an inclusive business initiative: Green Tea is a chain of 6 units producing organic green tea for export to Europe, taking advantage of special import tariffs. It also sells to City Mart. Between 2014 and 2016, the company worked with about 700 farmers. The company’s revenue is about $200,000. 82% of the tea in Myanmar comes from Shan. There is, however, a high failure rate of tea farms and labour is scarce because workers prefer to migrate to China. The company’s success would be of strategic importance to Myanmar as a way to make the tea business profitable and lucrative as well for farmers. The company claims that farmers working for it have increased their income by more than 50%. The company receives technical assistance from GIZ. The company is a social enterprise and not yet an inclusive business as it is not yet commercially viable and is still small in scale. It does, though, have potential to increase its scale.

154. Impact Terra is a phone and Facebook-based information system for farmers – an inclusive business initiative: Impact Terra is a fast-growing for-profit social enterprise that launched digital services platforms for farmers in 2016. The platforms improve livelihoods and food security through 3 information channels: a mobile application, a web application, and a Facebook page. The information is varied and includes weather, market and price information, and knowledge about production issues such as land preparation, seeds, irrigation, fertilizer and pest control use, management, and credit information. Farmers can also record their own financial and business calculations. Information is also available on non-farm services such as health and entertainment. The company helps low-income farmers by providing timely information and knowledge through digital channels.

155. The company claims to reach 2.8 million farmers in 47% of Myanmar villages and says its Facebook page is accessed by about 2 million people. It claims that farmers using their apps increase their yields by as much as 40% and incomes by
as much as 60%. The company’s financial model is based on a double revenue stream from application users and those providing information and buying advertisements. The company is also exploring new revenue streams based on its large pool of users. The company’s revenue is now generated mainly from advertisements and the sale of data. It is now in talks with potential foreign partners for conducting credit risk assessments by assessing mobile usage of farmers in their networks. The credit risk assessment data will be sold to lenders to help them make risk assessments for extending loans to farmers. With this strategy, Impact Terra aims to help farmers access credit. It is also running pilot tests to collect agricultural information through the use of their apps and sell the data for use in agricultural research. Total revenue in 2017 was about $5 million, and the company hopes to double that in 2 to 3 years. However, the company faces major financial challenges to scale up the business. So far, the company is financed by its Dutch owners and grants from the government of the Netherlands.

156. Mandalay Snacks involves poor farmers in the production of solar-dried organic spices – an inclusive business model: Mandalay Snacks is an agribusiness company exporting organic spices and involving poor farmers – mostly women – in high-value supply chains. The company has institutionalised various innovative business lines that help reduce company and farmer risks and improve farmer incomes. Unlike traditional contract farming, the company buys organic spices at the spot-market price in Yangon, which is 16% to 23% higher than the price a farmer traditionally gets from traders. It then dries the produce in its own solar-powered facilities, processes it and sells it through organic and conventional channels, especially in foreign markets. Exports now account for 80% of sales but the company hopes to cut that to 60% as it expands in the domestic market.

157. The company projects that its revenue will grow from $1 million to $6 million by 2020, giving it a profit margin of about 30%, by then engaging about 1000 farmers.
The company says it can guarantee that poor farmers can earn from 20% to 30% more than the market rate. This is because of margins due to the better-quality produce and by excluding middlemen. It is also because the company guarantees to buy 60% of the farmer’s produce and because it helps improve yields through more scientific planting methods. It also supports a greater diversity of production that allows income to be earned throughout the year. In addition, the company intends to set up a system to pay higher incentives to women than men.

158. The company says it can make a health impact as solar-dried chilis lower the risk that they contain aflatoxin, a carcinogen. To protect Myanmar consumers against stomach cancer caused by moist or poorly dried spices, the company has a policy to reserve a part of its produce for the local market even though the profit margin in export markets is higher.

159. Yoma Foods provides new income opportunities for returning migrants – an inclusive business model: Yoma Strategic is a large conglomerate listed in Singapore. In Myanmar, the company has four business lines. MyFood is Yoma’s agribusiness line, a $75-million company 60% owned by Yoma and 40% by a German canned food company. Under a joint venture with German food retailers ALDI and Edeka and taking advantage of Europe’s zero-tariff, zero-quota on the export of specific agricultural produce, MyFood is developing new vegetable production lines in Shan for packed vegetables, especially mushrooms and water chestnuts, and for frozen mandarin orange syrup.

160. MyFood expects to have revenues of about $30 million and margins of over 15% by the end 2020. It intends to involve about 3,000 poor and low-income farmers in Shan and offer income as much as 40% higher than the market rate.

161. The company follows an innovative business model. It reduces farmer risks by connecting to high-value export markets. The company provides free training and pays secured prices that are higher than the going rate. For mushroom bed suppliers, it facilitates the use of straw to reduce transport and storage costs. The company encourages farmers to plant water chestnuts as a substitute for rice, more than tripling farmer income. The new production plant in Shan will source organic vegetables from about 4,000 poor and low-income farmers while paying purchase prices well above the market rate. The company will be advertising in Thailand to encourage informal Myanmar workers there to return. In addition, it will mobilise workers from the dry and poorer regions of central Myanmar, thus creating additional social impact.

Education Examples

162. J-SAT offers innovations in national and international job placement – an inclusive business model: J-Sat Group is a Japanese training and job-placement company with 5 business lines. It runs a business consultancy, a recruitment agency for Japanese companies in Myanmar including a job-placement company in Japan, a training institute, a film business providing information for the Japanese market on travel in Myanmar, and a school for the blind run as a social enterprise on a full cost-recovery model. As the company aims to achieve greater social impact, it is considering integrating these business lines around an inclusive business model.

163. Job placement is the key area of expertise for an inclusive business. J-Sat selects about 1,000 students from about 25,000 applicants a year, trains them for Japanese investors in Myanmar and then places them. The training costs of about $5,600 are covered 50% by the employing companies and the rest from the students. J-SAT convinces Japanese companies to pay half the cost of training by highlighting services after placement and by underlining the social impact in Myanmar. Students are not required to make upfront payments but instead pay back tuition after placement in small monthly instalments of about 6% of earnings. Students receive further coaching after they are placed. About one-quarter of the students come from poor families with incomes less than MMK180,000 ($125) per month, and 40% are from low-income families with monthly family incomes of less than MMK 370,000 ($160). About one-third are from middle-income families. The company is looking for new models to scale and is looking for technical assistance.

164. J-Sat has revenue of about $2 million with a profit margin of about 20%. The company aims to increase its income to $5 million by 2020 and $10 million by 2025. The company is looking for new models to scale and is looking for technical assistance. Suggestions to scale include approaching Korean and European companies. J-SAT is planning to introduce ways to reduce costs to the poor and increase profitability of the training model by relocating parts of the business to cheaper areas of Myanmar and using more technology for language training. It also intends to cross-subsidise the training from higher profitable parts. It is also looking at subsidies from Japanese foundations, exploring results-based public procurement opportunities in Myanmar; and expanding the reach of training and job placement from 5,000 by 2022. inclusive business certification and branding, and support through public procurement – as proposed under the policy framework – would help the company place more poor youth – and especially women – in the Japanese market.

Energy Examples

165. Greenlight Planet sells rent-purchase solar lighting systems – an inclusive business model: Greenlight Planet is a solar company active in India and other countries. In Myanmar, it has two business lines. One is a partnership with a microfinance institution and France’s Total E&P Myanmar selling high-quality solar systems for the home. The second sells solar-home systems on an

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90. The governments of Japan and Myanmar are finalizing a labour exchange agreement. It is proposed that part of this agreement could include targets from Japan to absorb well-qualified talent in Japan in exchange for incentives from the Myanmar government for job-placement offices certified as Inclusive businesses.

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innovative rent-purchase basis. Under this model, customers – mostly low-income households earning less than MMK 4,000 ($2.80) a day – make an upfront payment of MMK 10,000 to get a system installed and then pay the remainder in daily instalments of up to MMK1,000 depending on system size. To avoid misuse, the products are equipped with a smart card that regulates use according to the payment schedule.

166. In 2017, the company sold about 1,000 units and earned about $1 million in revenue. The company is profitable but margins are low. It expects to have 10,000 sales a year by 2020. If the company can overcome its various challenges, it expects to increase both sales and profitability. The key challenge is low-quality solar lighting subsidised by the government that distorts the market and damages the reputation of solar lighting products. The government, with the help of a World Bank and IFC, is considering changing the consumer-based subsidies into results-based incentives for private sector companies to broaden access to quality energy.

167. Solar Homes goes beyond lighting – a starting inclusive business model: Solar Home started its pay-as-you-go business in 2016 with revenue of $400,000 in the delta region and targets revenue of $91 million in 2025 with a gross margin of 58% through sales in Myanmar, Indonesia, Cambodia, and the Philippines. Apart from household lighting, Solar Home wishes to target larger energy products for appliances such as stoves, TVs and fridges. Insitor just recently made its second investment in Solar Homes.

168. The Swanyee Group sells natural fertilizers for the poor – an inclusive business initiative: Integrated Swanyee Social Business produces and sells natural fertilizers in one business line, and smoke-free and energy efficient wood stoves in another. The stove business is subsidised through carbon credits. Both business lines are relatively small.

169. The organic fertilizer business sells about 120,000 litres a year of plant supplements in 200 villages with yearly revenue of $300,000 and what it says are high profit margins. Natural plant supplements aim to reduce chemical use and spending on supplements as Swanyee's supplements are cheaper than ordinary chemical supplements. The Swanyee biofertilizer product is about 30% cheaper than chemical fertilizers, is not harmful to farmers, and is said to enhances soil quality, enhance the flavour of the vegetables, and improve the density of the crops. To enhance reach and create additional income for the poor, the company sells its organic fertilizers and stoves through a network of 800 agents (mostly from low-income households) where profit margins are about 25%. This is an inclusive business distributor model.

170. The stove business is less viable with gross margins of 15% to 20% for a product costing about MMK 20,000 ($14), a price that the poor consider expensive. The stove enables a 60% cost reduction for wood and charcoal costs and helps poor households save about $120 per year. Furthermore, the stoves do not emit large amounts of smoke and thus do not harm the health of people, usually women, using them. As they are more efficient, they also reduce wood and charcoal use.

171. In 2017, the company recorded revenue from these two products of $0.71 million in addition to about $1 million from other products not classified as inclusive business lines. It made a gross profit of about 30% and a net profit of about 15% from the inclusive business products. The company is looking for new financing to scale up its business but given the revenue streams such financing would probably need to be grant-based.

Financial Sector Examples

172. ACLEDA makes use of business technologies from Cambodia in its operations to improve business performance – an inclusive business model: ACLEDA MFI Myanmar is microfinance company owned by Cambodia's ACLEDA Bank along with France's Compagnie Financière de la BRED, the IFC, and KfW. As of September
In 2017, it provided loans to some 58,000 customers. Its portfolio consists of two main loan products – group and individual loans. Most loans are for individuals, but ACLEDA has also some microenterprise and small-business loans for low-income people. The loans are used mostly for income-generating activities. ACLEDA’s main social impact comes from facilitating new employment and income generation for the poor and low-income people. From 2018 onwards, the company plans to implement $50 million expansion plan over 3 to 5 years. Most of the funds will come from its own equity, but ACLEDA is also looking to raise debt capital from commercial banks.

173. **Fullerton Financial is introducing innovations to make its credit disbursement systems more efficient – an inclusive business model:** Fullerton Financial Myanmar is a microfinance institution owned by Singapore’s state-owned Temasek Holdings, the IFC, and Capital Diamond Star Group, a leading Myanmar conglomerate. It operates in 45 townships in the Yangon, Mandalay, Bago and Ayeyarwaddy regions with 14 branches and 8 sub-branches. It serves townships where it does not have physical branch using mobile teams. Fullerton has $25 million in outstanding loans to 90,000 customers. It achieved break-even in 2017.

174. **Fullerton provides group and individual loans, loans for solar purchases, and hire-purchase or instalment loans.** While there is competition from existing players that specifically focus on financing motorbikes, Fullerton sees potential in offering lower interest rates for the hire-purchase business, although it is cautiously assessing the risks through a pilot run. The company has made innovations to enhance profitability. It is planning to partner with local mobile wallet providers and convenience stores to optimise loan disbursement and collection processes. It also uses fingerprints to make loan disbursement and collection processes more efficient. As well, it has established a cloud-based credit monitoring system that helps its mobile teams.
175. **LOLC Myanmar is looking for new product innovations – an inclusive business model:** LOLC Myanmar is a subsidiary of LOLC, one of Sri Lanka’s largest conglomerates. It has 30 branches in the Bago, Mon and Yangon regions and serves 60,000 clients with an average loan size of MMK 60,000 to MMK 80,000 ($42 to $55), a range similar to that of other microfinance institutions. It says it has no non-performing loans. The company provides four types of loans. Group loans to those earning a regular wage and vendors who earn between MMK 2,000 to MMK 10,000 ($1.40 to $7) a day make up 92% of the portfolio. The individual loan scheme provides up to MMK 10 million to those wanting to start small businesses. LOLC recently set up a product providing loans to farmers of MMK 1 million to MMK 10 million ($700 to $7,000), providing better access to finance training on topics such as cash management. The scheme has a seasonal repayment feature, which allows flexibility in making payments. LOLC is focusing on paddy farmers in Bago region and plans to expand to other crops and regions in the future. LOLC also provides so-called employee loans to help address the financial needs of wage earners in urban areas. The company is considering loans for agriculture equipment but there has been little interest from agricultural machinery dealers in partnering with LOLC as machinery dealers prefer to market directly. The company is in the process of digitising its entire loan process, thus reducing loan disbursement time from 2 weeks to 3 to 4 days.

176. **LOLC’s main clients are women,** and with an increased focus on individual loans, the company will further emphasise lending to women, as it sees them as more reliable business partners. The company forms close relationships with its clients to reduce credit risks. To this end, the company sets up female staff in home-based loan bureaus rather than offices.

177. **The company has not yet done a formal impact assessment.** The company has a credit guarantee from USAID covering 50% of first-loss risk up to a total portfolio of $1 million. It also received
foreign-exchange hedging assistance from the United Nations Office for Project Services and LIFT. Otherwise, funding comes mainly from its own sources.

178. **Vision Fund is planning to expand its client base and service offering** – an inclusive business model: Vision Fund is owned by World Vision international, an international NGO, and is the largest commercial microfinance institution in Myanmar. It has some of the most diverse products, leads in the use of mobile banking, and provides microinsurance and remittance services in addition to traditional microfinance and savings products. As of 2017, the company had a portfolio of $27 million and plans to increase this to $90 million by the end of 2020. The growth plan foresees increasing income from $7 million to $27 million in 2020. This will be possible through the expansion of value-added services such as microinsurance, remittances, mobile top-ups, and bill payment. It is also planning new delivery channels such as mobile banking and introducing technology and system upgrades to increase efficiency. As well, it is expanding individual business loans for small entrepreneurs that generate at least 5 to 10 new jobs each. Vision Fund now reaches about 175,000 clients – up from 48,000 in 2015 – with an average loan size of about $250. It plans to expand to 500,000 clients by 2020. Of these clients, 12% are below the national poverty line and more than 78% are below the $2.50 per day poverty line; more than 85% are women.

179. **While the company has previously focused on group lending to the poor**, its business strategy is to expand its client base to include garment workers and small entrepreneurs. It also intends to provide consumer loans for such products as solar-home systems, cooking stoves, and motorcycles, and business loans. It will also offer investment loans for education, microinsurance, agriculture, remittance financing, and, to a lesser extent, cottage industries and crafts. The company is modernising its internal accounting system. It is also looking at reducing costs by expanding reach using tablet-equipped sales agents and focusing on large unserved markets – garment workers for example – in concentrated areas. The company completes regular progress-out-of-poverty surveys, reports on the social impact of its operations and looks for ways to improve existing products and services to have greater client impact.

180. **Yoma Bank’s loans for the better-off farmers can help the poor – a possible inclusive business model**: Yoma provides loans to better-off and low-income farmers in the delta and dry zones for hire-purchase agricultural equipment. The business model is straightforward: financing is provided through 14 dealers of agricultural equipment, thus reducing Yoma’s distribution costs. These dealers set a down payment that averages 15% on a term up to 3 years with average interest rates of 15.3%.

181. As of 2017, the bank had provided MMK 140 billion ($98 million) to buy about 4,000 pieces of equipment. While the equipment goes to better-off farmers with larger landholdings, it also benefits lower-income farmers, as it is rented out. An impact assessment done by the company shows that a better-off farmer uses his hire-purchase machinery to serve the needs of an average of 33 families. Thus, the equipment going to 4,000 better-off farmers actually reaches about 130,000 farmers, at least 60% of them being low-income and poor. The average net income per acre is MMK 15,000, slightly more for richer farmers and less for poor farmers.

182. **Yoma Bank is an interesting inclusive business model** which posts strong commercial returns and that targets better-off farmers but achieves social impact for low-income groups. While overall reach is high, the actual depth of social impact through increases in income for poor farmers could be enhanced by applying innovations in sub-letting the equipment. The business could perhaps be classified as an inclusive business model, although its targeting of the poor needs improvement.

**Health Examples**

183. **Ko Shwe provides toothpaste for betel chewers – an inclusive business**
Ko Shwe was established in 2016 as a for-profit social enterprise offering oral care products for people chewing betel nut. The company tries to provide a solution to the serious health problems caused by chewing betel—about 400,000 people a year suffer from oral cancer. There is also the social stigma as both men and women say it is hard to find life partners. The company’s business plan uses the social stigma as an entry strategy. It doesn’t aim to replace betel but instead uses some of the 150,000 betel shops as sales agent for its toothpaste and mouthwash. The company targets initially taxi drivers, factory and construction workers as their main customers. About 35% of its customers are poor, about 40% have low incomes. It expects to reach 250,000 customers by 2018 and 10 million by 2020. Ko Shwe was forecasting 2018 revenues of $1 million and believes that can increase substantially by 2020. The company expects a mid-range profit margin.

OnDoctor lets others pay for health information services to the poor—an inclusive business model: OnDoctor is a technology-based healthcare service owned by a couple, both doctors. The CEO has also created other companies. The business model is different from that of other online health companies, as OnDoctor charges providers of health information, not patients. OnDoctor has a large consumer base that is of interest to the health service providers who pay the bills of the company through their advertisements. The company adapted this model from similar companies in India.

There are two business lines. One provides health consultations using a phone application, the other health information through Facebook. As approved by the Ministry of Health, the company can also prescribe electronically (by phone) some selected medicines. Most of the company’s telephone customers are women. The consultation services are not paid by the people with health problems but by third-party health service providers. The second business line is information on Facebook on issues such as diabetes, diet control, exercise, unwanted pregnancies and other common health problems. All information is screened by the company or prepared by the company to ensure it is relevant for the poor and near-poor.

OnDoctor is a commercially viable business operating a unique model. Established only in 2016, it is already profitable. There are 3 major revenue streams. There is revenue from mobile phone advertisement by health insurance and health service providers, revenue from services provided by phone, and revenue from health content information such as sponsored articles, video services and video advertisements. In 2017, the company had revenue of $340,000, most of it coming from the first and third revenue streams. The company expects revenue to grow to $1 million by 2020 and $2.7 million by 2025. After the first year of operation, the gross profit margin was 6%. The company hopes for gross margins of 35% by 2020.

OnDoctor’s services are targeted at people who have limited access to healthcare and find it inconvenient to visit doctors in person. Migrant workers are one of the biggest segments as they cannot visit local clinics. The company has a large social reach. By the end of 2017 it was serving about 70,000 clients through the phone app and had about 1 million social-media followers. It hopes to see phone app clients reach 360,000 in 2020 and have some 2.4 million social-media followers by the same year. About 10% of users are poor families and 50% are low-income earners. The rest are middle class or rich. The company is planning an impact assessment to find out how providing health information actually improves the health of the poor.

Trade Examples

City Mart engages the poor in a large commercial activity—an inclusive business activity: City Mart has a large-scale CSR programme that provides grants to train small-scale entrepreneurs, many of them above the BoP threshold, and gives them an opportunity to sell their products in City Mart outlets. However, such activities only can have a systematic impact on poverty reduction if the training and market opportunities target the BoP and if it can be substantially scaled-up to involve large numbers. City Mart is still
looking for a model on increasing its scale to that of an inclusive business model, which could then become a major source of revenue generation for the company.

189. Proximity Designs shows how commercial trade can benefit the poor – an inclusive business initiative: Proximity is a not-for-profit social enterprise that is designing and delivering products and services to the rural population and especially farmers with the intention of enhancing livelihoods. For now, it is focused only on the delta and dry zones, focal regions for rice plantations but has plans to expand into other regions as well.

190. Proximity has 3 core businesses. Proximity Designs sells irrigation pumps redesigned to suit the needs of Myanmar farmers. The second line involves a farm advisory service that gives advice to farmers free of charge through SMS and other digital channels. The advisory service has also launched a scheme that provides soil health diagnostic services for 14,000 MMK ($9.85). The scheme is still in the pilot stage. Proximity Finance is the third business line and offers different types of crop loans to farmers. In its 2017 fourth quarter report, the company said its loan portfolio totalled $15 million with an average loan size of $183. It had 78,500 borrowers in the delta and dry zones. Proximity also has plans to develop more apps and platforms for farmers.

191. As a social enterprise and inclusive business initiative, Proximity Designs sells solar pumps to about 20,000 clients a year. While the product has a large impact on a farmers’ income, the business line is commercially challenging and can only be financed with cross subsidies from the microfinance branch of the company and through grants. Proximity has its own team conducting impact assessments of its products and services. The assessment for irrigation pumps showed that they last 4 years and increase yearly income by $254 per family. For sprinkler pumps, the increase in yearly income is $248. Its farm advisory services provided income increases of about $480 a year and an increase in crop yield of from 10% to 15%. In the company’s 2016 to 2017 financial year, Proximity Designs sold 23,000 irrigation
products and had revenue of $600,000. In its 2017 report, Proximity said it had 111,570 clients in all its business lines.

192. **Proximity is mainly financed through grants and donations.** In its 2016 to 2017 financial year, some 45% of total operating expenses were covered by its own revenue, which came mainly from irrigation products and Proximity Finance. Proximity is not profit-oriented and its target is to cover 60% of its operating expenses by its own revenue and expects that will take about 5 years to achieve. For now, Proximity Finance covers its own costs. Proximity invests heavily in CSR. In terms of innovation, it believes farm advisory services through digital channels can create loyalty among its customers while also creating positive impacts for them. A rental service model for solar pumps is another innovative solution.

**Water and Sanitation Examples**

193. **A successful inclusive business model waits for replication in Myanmar:** Manila Water has a large-scale inclusive business model in the Philippines that provides safe, affordable, and reliable water and sanitation to 2.6 million households in the slums of eastern Manila. The company is one of the few profit-making companies worldwide in the urban water sector. Manila Water’s Philippines investment is known internationally as a model case for inclusive business, and the company received a lot of recognition and won prizes for its pro-poor business model. Manila Water recently entered the Myanmar market but its business model in Mandalay and Yangon is focused more on fixing water leak in middle-income areas and does not provide a comprehensive package for the poor. However, with some design changes, the investment could perhaps become an inclusive business. Hence, we qualified Manila Water as perhaps a potential inclusive business, but in its current business line implementation in Myanmar, it would not be.

**NGO-Driven Social Enterprise Examples**

91. See particularly the awards given by the IFC, one of the major investors in Manila Wat.
194. Other than those cases described above of NGO-driven social enterprises and CSR activities, there are several others worthy of mention.

195. KoeKoeTech provides health services for women: KoeKoeTech is a for-profit social enterprise providing health services targeted mainly to rural women with information on pregnancies and early childhood development. Through its Facebook page and a phone app called MayMay that was developed in cooperation with Telenor and Ooredoo, the company provides daily messages on poor health practices and links to 10,000 medical and 1,500 tele-medicine practitioners. The company is still in its infancy. It has about 120,000 users and targets 350,000 by 2018. The income model is mainly based on revenues from the use of the information ($1 per user), but only one third of the users pay for consultation services by phone. As a result, net income is only about $70,000 although it is looking at a target of $200,000 by 2020. The company is mainly financed by grants from development partners.

196. Inle Princess is a small tourism company: It has about 150 employees who established a social enterprise, the Inle Heritage Foundation, that is financed through CSR funds and donations. The NGO-driven social business developed value-added services to enhance guest experiences – cooking classes, spa treatments, and traditional restaurants among others – and passed them on to about 20 poor small-scale entrepreneurs employing about 150 people. The foundation has also trained about 170 people for jobs in the hotel industry and maintains a craft bazar with 31 shops. While 91% of the operational expenses of the foundation are covered by internal revenues, the enterprise faces significant challenges to increase scale and help large numbers of the poor earn higher incomes.

197. Charging for phone advice in health: Doctors on Call has a business model under which it charges health customers for phone advice – MMK 1,000 ($0.70) for 5 minutes. It also offers consulting services with practitioners in the field for a minimum consulting fee of MMK 5,000. The company has a roster of doctors who prescribe medicines that can then be bought
at the company’s 25 centres at prices 20% to 30% lower than retail. The company’s revenues come from calls, medicine sales, membership, and referral fees. It is also in talks with other players who could make effective use of its existing platforms. As well, it is searching for rural partners to help it reach its target segments with lower penetration costs.

198. The company has so far invested $250,000 and has projected the need for another $3 million to expand the numbers of storefront centres from 25 to 3,000 and become profitable. While the company has 40,000 customers and tries to increase revenues by selling services to insurance companies, it says it will only become commercially viable when it has at least 300,000 customers. Given its commercial challenges, in its current form the company’s business model is more a social enterprise rather than an inclusive business.

199. Innovations to help the blind can be commercially viable but need more scale: J-SAT’s social enterprise for the blind is a good example of an inclusive business that also responds to the needs of those with a disability. While the company has inclusive business lines in training and job placement, it also runs a social enterprise that trains about 100 blind people a year in 3 schools. It also creates jobs for them at a massage spa. The schools have annual revenue of $150,000 and make a small profit. However, the business model lacks scale and does not yet provide an employment and income solution for a sufficiently large number of the blind in Myanmar. Since the market for massage is limited and NGO models are not sustainable, the owner of J-Sat is looking, so far unsuccessfully, for new employment opportunities for the blind that can be developed as a business.

200. Open library, an IT solution not used by the poor: eTekkatho is a digital library for university students. As of mid-2017, it operates in 24 public universities and 6 public community libraries. Over 4,000 students have attended eTekkatho training courses and more than 400,000 pieces of content have been downloaded. eTekkatho, a not-for-profit organisation that does not generate any revenue, is not an inclusive business as it does not target solutions for the poor and low-income people on a commercially viable basis. Rather, it is an NGO-based social enterprise.
Appendix 5: Champions and Contacts

Inclusive business models, initiatives, and activities as well as potential inclusive business

- ACLEDA (microfinance), inclusive business model
- AWBA (agribusiness), potential inclusive business
- City Mart (trade), currently CSR, potential inclusive business model
- East West Seeds (agribusiness), inclusive business activity
- FarmTech (agribusiness), potential inclusive business
- Fullerton (microfinance), inclusive business model
- Golden Myanmar Produce (agribusiness), potential inclusive business
- Golden Sunlight (agribusiness: rice), inclusive business model
- Good Brothers (agribusiness), potential inclusive business
- Greenlight Planet (energy), inclusive business model
- Impact Terra / Golden Paddy / Shwe Thee Nan (information for farmers), inclusive business initiative
- Integrated Swanyee Social Business Co. Ltd. (agribusiness and trade), inclusive business
- initiative
- International Fertilizer Development Centre (linked to LIFT), potential inclusive business
- J-SAT (skills development and job-placement), inclusive business model
- Ko Shwe (oral health), inclusive business initiative
- LOLC (microfinance), inclusive business model
- Malamay / Golden Myanmar (agribusiness), potential inclusive business
- Mandalay Snacks Ltd. / Three Star Chili (agribusiness), inclusive business model
- Manila Water, now a mainstream business, but inclusive business potential
- MAPCO (agribusiness), potential inclusive business model
- Myanmar Belle Group / ShinShin Food (agribusiness), potential inclusive business model
- Myanmar Hill Lodges (tourism), inclusive business activity and potential inclusive business model
- On Doctor (health), inclusive business model
- Proximity (trade and microfinance), inclusive business initiative
- Total, CSR, potential inclusive business activity
- Unilever (consumer products), potential inclusive business activity
- Village Link (internet platform working with AWBA), potential inclusive business
- World Vision Fund (microfinance), inclusive business model
- Yoma Agriculture Group (agribusiness), inclusive business model
- Yoma Finance (finance), potential inclusive business model

NGO-driven social enterprises and traditional CSR

- Centre for Vocational Training, social enterprise
- Doctors On Call, social enterprise
- Grace Works Myanmar, social enterprise
- Inle Princess (tourism), CSR
- KoeKoeTech / MayMay (health), social enterprise
- Telenor (mobile apps), CSR
- Total, CSR, potential inclusive business
- Unilever (consumer products), CSR, potential inclusive business
Mainstream businesses surveyed during the inclusive business assessment

- Blue Ocean, mainstream business
- Cho Cho Industries, mainstream business
- Daw Hla Tin (sausage making), mainstream business
- EAM (solar), mainstream business
- EL Thitsar (fisheries), mainstream business
- Genius Coffee, mainstream business
- Karen Coffee – Sabanan Company (agribusiness), mainstream business
- L-IFT, (consulting firm), mainstream business
- Lotus Garden (tourism), mainstream business
- Mahar Awba (microfinance), mainstream business
- Mandalay Region Mango Group / Thazin Nwe Family Co. Ltd, (agribusiness), mainstream business
- Manila Water; now a mainstream business but inclusive business potential
- Matrix (consulting), mainstream business
- Memories Group (tourism), mainstream business
- M-Pitesan / Ooredoo, mainstream business
- Myanmar Eco Solutions, mainstream business
- Myanmar Hand in Hand (job placement), mainstream business
- Myanmar Liquid Petroleum Gas Group, mainstream business
- Myanmar Makro (agribusiness), mainstream business
- Myanmar Oriental Bank (finance), mainstream business
- MyKyats (finance), mainstream business
- Myo Thein Electrics, mainstream business
- Ngwe Ding Gar (agribusiness), mainstream business
- Ocean King (agribusiness / fisheries), mainstream business
- OK$ (finance / mobile money), mainstream business
- Opal (textiles), mainstream business Phoe Wa (agribusiness), mainstream business
- Pyae Mahar (microfinance), mainstream business
- Royal Success (manufacturing / shoes), mainstream business
- Sithar Coffee Group, mainstream business
- Star Ticketing (tourism), mainstream business
- Sweet Dreams (manufacturing / toys), mainstream business
- Syngenta, mainstream business
- United Pacific (agribusiness: rice), mainstream business
- Wave Money (finance), linked to Telenor, mainstream business
- Yoma Strategic Holdings, mainstream business

Impact and other investors

- Anthem Asia
- Asian Development Bank
- Asian Venture Philanthropy Network
- Ayeyarwady Bank
- Bagan Capital
- DANA Investment team
- Delta Capital
- Emerging Markets Investment Advisers
- Global Impact Investing Network
• Golden Rock
• International Finance Corporation
• Insitor
• Leapfrog
• Myanmar Angel Investment Network
• Myanmar Investment
• Omidyar Network
• One to Watch
• Patamar Capital
• Responsible Business Fund
• Rockstart Impact
• United Nations Capital Development Fund
• United Nations Economic and Social Commission for Asia and the Pacific Impact Fund

Business associations working on inclusive business

• ASEAN Business Advisory Council
• Mandalay Region Chamber of Commerce and Industry
• Mandalay Region Young Entrepreneurs Associations
• Myanmar Agriculture Network
• Myanmar Corn Farmers Association
• Myanmar Fruit and Vegetables Export Association
• Myanmar Gem Association
• Myanmar Women Entrepreneurs Association
• Myanmar Young Entrepreneurs Association
• Union of Myanmar Federation of Chambers of Commerce and Industry
• Australian-Myanmar Chamber of Commerce
• American Chamber of Commerce in Myanmar
• British Chamber of Commerce in Myanmar
• European Chamber of Commerce in Myanmar
• Japan External Trade Organization

Government agencies involved in inclusive business support or open to inclusive business promotion

• Directorate of Investment and Company Administration
• Ministry of Commerce
• Myanmar Investment Commission
• Private Sector Development Committee
• SME Centre

Incubators and knowledge hubs

• AAT Business Centre (Mandalay)
• AgriProFocus
• ActionAid
• British Council
• Building Markets
• Business Call to Action
• Business Innovation Facility
• Business for Peace program
• DaNa Facility
• Dalberg Consult
• Global Compact
• Global Green Growth Institute
• Impact Tech
• Inclusive Business Action Network
• Mekong Business Initiative
• MercyCorps
• Myanmar Centre for Responsible Business
• Social Enterprise Development Association Myanmar
• Thura Swiss
• Winrock, Value Chain Development Program
• Yangon Impact Hub

Developments partners interested in or engaged in inclusive business promotion

• Asian Development Bank
• Embassy of Denmark: DANIDA
• Embassy of Australia: DFAT / AusAID
• Department for International Development
• European Commission Development Cooperation
• German Society for International Cooperation, Private Sector Development Team
• International Finance Corporation
• International Labour Organisation
• International Monetary Fund
• Japan International Cooperation Agency
• KfW
• Livelihoods and Food Security Trust Fund
• United Nations Development Programme
• USAID
• World Bank

Other Experts

• Armin Bauer, development and inclusive business consultant
• Tom Harrison, consultant, Partner for Development
• Jonathan Keesecker, development consultant
• Myanmar Development Institute
• Sean Turnell, special economic consultant to the state counsellor
• Michael Ward, development and inclusive business consultant
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