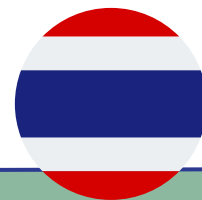


Inclusive Business in Thailand



“IB's are specific innovative business models that explicitly seek to address the needs of low-income groups (and) often integrate micro, small and medium-sized enterprises as suppliers, distributors or retailers in their operations and enhances (their) market access”

Dr. Wimonkan Kosumas
Deputy Director-General
The Office of SMEs Promotion
Thailand

8.7
million
people live on \$6.85 per day



World Bank, 2023

\$14.64 billion

Foreign Direct Investment received in 2021



World Bank, 2021

99.6%

of all business in Thailand are SME's



OECD, 2020

Ranked **21** of **190**

countries in the Ease of Doing Business Index



World Bank, 2020

35.1

Gini Index

World Bank, 2021

Ranked **64** of **113**

countries on Global Food Security Index

The Economist, 2021

Experienced

1.5%

GDP growth in 2021



World Bank, 2021

Market Opportunities for Inclusive Business

Poverty and living standards

Driven by high growth rates and structural transformation, Thailand has made remarkable progress in reducing poverty from 58 per cent in 1990 to 6.8 per cent in 2020 and becoming an upper-middle-income economy. However, progress in poverty reduction slowed since 2015, with the national poverty rate increasing slightly from 6.2 per cent in 2019, to 6.8 per cent in 2020 due to the COVID-19 pandemic before falling again to 6.3 per cent in 2021 as most Covid relief measures were extended amid a slow pace of growth. Rural poor outnumber urban poor by almost 2.3 million people, and poverty rates in the south of the country and in the northeast are almost double the poverty rate at the national level.

Inequality

Thailand's income inequality has declined but remains high. With an income Gini coefficient of 43.3 per cent in 2019, Thailand had the highest income inequality level in East Asia. For rural households that same year, the average monthly

income was only around 68 per cent of urban households. Rural households continue to suffer from low levels of education, a larger number of dependents, and difficult living conditions.

Economic development

Thailand has prioritized restructuring the country towards an innovation-based economy while promoting inclusive growth through policies and measures targeting the needs of small businesses and the grassroots sector.

According to the OECD, as of 2020, small and medium-sized enterprises make up 99.6 per cent of all businesses in Thailand, and the private sector accounts for nine in 10 jobs and about 90 per cent of Gross Domestic Product (GDP). Large corporations could help drive social impact through their value chains, and the private sector is expected to take the lead on digital technology and bio, green and circular models.

The social enterprise landscape

Social enterprises in Thailand are a way to solve social and environmental challenges through private

Key areas for investment opportunities:



Food & Beverage

Agricultural products, retail and distribution



Renewable energy

Solar power plants, power transmission lines,



Healthcare

Telemedicine, medicine and supplement production, medical technology



Infrastructure

Clean water supply, waste processing management, energy generation from waste

sector initiatives and social innovation using businesses that bring efficiency and social innovation. A comprehensive social enterprise law was passed in 2019, which among others, provided legal recognition to social enterprises. So far, there has been limited uptake from firms to be formally recognised as social enterprises, which could be due to their infancy, lack of understanding and/or lack of perceived benefits. Nevertheless, these companies represent an opportunity and pave the way for a strong private sector role in meeting the 2030 Agenda for Sustainable Development. This could be by implementing inclusive business (IB) models that differ from social enterprise by being commercially viable in its definition, offering new market opportunities to enterprises, above market-rate income opportunities for low-income and marginalised groups, and helping governments lift people out of poverty at scale.

To enable innovation for inclusive development, the Office of Small and Medium-sized Enterprises Promotion of Thailand (OSMEP) is now working to promote inclusive business models in Thailand, focusing on the agricultural sector.

Investment opportunities to meet the Sustainable Development Goals

According to the SDG investor map, the sectors in Thailand holding the most opportunities for development impact are the food and beverage value chain, renewable resources and alternative energy, financial, and infrastructure such as transportation and waste management, health services and education.

Inclusive Business Case Study

Urmatt Limited

Urmatt Limited is among the world's largest producers of organic jasmine rice. It also produces several other varieties of high-quality organic rice and rice products, priding itself as a regional leader in the responsible use of the environment and sustainable agricultural practices. The company's mission is to promote sustainable organic agriculture in partnership with rural farmers in northern Thailand through completely integrated and traceable operations. Urmatt abides by Fairtrade standards and, in 2000, was certified by Ecocert, an international organic certification organisation.

Commercial results: The company has a double-digit bottom line and is constantly growing through product diversification. Some of its products, such as high-value spices, are more financially successful than others. Other products, such as organic eggs produced by hill tribe farmers, are just breaking even but offer important financial benefits to the farmers. Urmatt is the biggest organic egg brand in the country.

Social impact: Urmatt works with 3,000 farmers, 36 per cent of whom are women, and has 4,750 hectares under contract farming agreements. 100 per cent of all contracts the company has for rice straw are with women. Altogether Urmatt impacts about 21,000 people. The company pays above market rates for their produce, which it can do by using its expertise in high-value organic crop growing in the

country's poorest areas and its knowledge of global marketing. It also pre-funds or provides inputs such as biofertilizers and organic seeds free of cost.

Innovations: The company focuses on creating a zero-waste circular economy for its products, which gives farmers additional revenue streams. It also has a strong research and development department that has promoted product diversification from organic rice to rice bran, rice flour, rice pasta and noodles, rice crackers, rice cakes, organic free-range eggs, chia and spices. Next, the company plans to start marketing low-glycaemic rice, opening new markets for its producers.

Government Policies

Although no specific policy around inclusive business has yet been established in Thailand, some government policies have the potential to create an enabling environment for this type of business model:

- The Thai Government has issued a 20-Year National Strategy (2018-2037) to promote and support innovation, creativity, research and development in higher and green technologies.
- Thailand's 13th Economic and Social Development 5-year Plan prioritizes restructuring the country towards an innovation-based economy while promoting inclusive growth through policies and measures that target the needs of micro, small and medium-sized enterprises (MSMEs).
- Thailand's Social Enterprise Promotion Act (2019) outlines several key components and enabling measures aimed at accelerating the growth of its social enterprise sector. These include four types of benefits for registered SE: the right to receive grants or loans from the Social Enterprise Promotion Fund, preferential treatment in government procurement, tax benefits and fundraising.
- Thailand is formalizing Inclusive Business models and promotes SMEs, community enterprises, and social enterprises, yet needs specific policy tools to promote IBs.

- Thailand recently promoted voluntary environmental, social and governance (ESG) reporting for businesses. This could lead to raising awareness and providing incentives for businesses to look at their social impact as an integral part of their bottom line.
- The Ministry of Commerce is advocating the concept of a bio-circular-green economy as a promising strategy to efficiently use resources, reduce water and allow businesses to thrive.
- Thailand will use the ASEAN Inclusive Business Framework endorsed in 2017, to promote inclusive business models as they support MSMEs.



Photo by Boudewijn Huysmans on Unsplash

Government Innovations

The Government of Thailand, with the support of United Nations ESCAP, is developing key initiatives to promote inclusive businesses further:

- An inclusive business landscape study is conducted to identify opportunities and actions to promote inclusive businesses.
- Investment toward inclusive business will be facilitated through government-business dialogues and an investment forum.

Key Actors

- Office of SMEs Promotion (OSMEP)
- Office of Social Enterprise Promotion (OSEP)
- Securities and Exchange Commission (SEC)
- Board of Investment
- Ministry of Agriculture and Cooperatives
- Department of Business Development, Ministry of Commerce

- National Farmers Council
- Business associations, intermediaries, and sector councils
- Private Sector

Opportunities to Support IB Models

IBs provide a pathway for sustainable economic growth and poverty reduction by promoting local economic development and incorporating low-income communities and marginalized groups, including women, into the business model.

These commercially viable businesses provide access to more affordable goods and services and increase the purchasing power of low-income groups while expanding their earnings. Inclusive businesses open up new markets and stimulate innovative business solutions.

Opportunities in Thailand to support IB include:

- Generating awareness about IB's potential,
- Providing business coaching services to firms seeking to develop inclusive business models,
- Recognising and providing incentives to those firms with impact business models through IB accreditation, and
- Developing innovative financing instruments that enable access to finance for enterprises seeking to expand their inclusive business model.

ESCAP'S IB Work in Thailand

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) is supporting the promotion of inclusive business in Thailand and the Asia-Pacific region.

ESCAP, with the support of the Bill & Melinda Gates Foundation, is working with the and Medium Enterprises Promotion (OSMEP) to promote inclusive business in agriculture and food systems. To do so, it is conducting a comprehensive landscape study of inclusive business in agriculture and the food sector that will help identify opportunities and critical actions to support inclusive businesses.

In addition, United Nations ESCAP will work closely with key public and private actors in Thailand to support government-business dialogues and a national IB investment forum to encourage investments and partnerships.

Expanding the reach and impact of businesses that provide affordable goods and services and better livelihoods to low-income people through policy advice and capacity building.

Inclusive Business Programme

Expanding the reach and impact of businesses that provide affordable goods and services and better livelihoods to low-income people – through policy advice and capacity building.

#InclusiveBusiness @UNESCAP

www.unescap.org/projects/promoting-IB-in-AP



Trade, Investment and Innovation Division

+66 2 288-1234

escap-tiid@un.org

Sources: World Bank (2020, 2021, 2023), The Economist (2022), OECD (2022), UN ESCAP (2018), SE Thailand, UNDP (2022)