

The World Guide to Sustainable Enterprise

Volume 2: ASIA PACIFIC



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Edited by **Wayne Visser**



The World Guide to Sustainable Enterprise

Volume 2 – Asia Pacific

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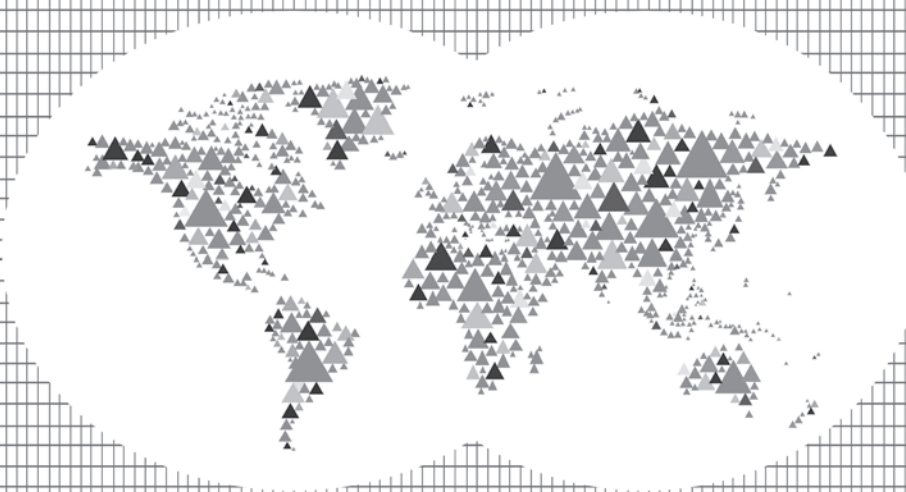
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The World Guide to Sustainable Enterprise

Volume 2: ASIA PACIFIC



Wayne Visser

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Introduction

When I published *The World Guide to CSR* in 2010, it was the most ambitious project of its kind, providing the most comprehensive country-by-country analysis of corporate sustainability and responsibility, with over 100 contributors profiling five regions and 58 countries. It remains an excellent reference book and I highly recommend it.

However, I am acutely aware of how fast the ideas and practices around social responsibility and sustainable business are evolving around the world, many of which I have observed at first hand in my work in over 70 countries, including more than 30 countries in the past five years. So I knew *The World Guide to CSR* needed updating, but I also knew the agenda had shifted.

One of the shifts I have become aware of is a move away from narrow conceptions of corporate social responsibility to a more multifaceted understanding. Indeed, my work in the last five years has been all about promoting the evolution of CSR from defensive, charitable and promotional modes to more strategic and transformative approaches – what I call CSR 2.0. Despite these efforts, and those of the ISO 26000 standard on social responsibility, it seems that if the label doesn't change, it is hard to change people's preconceptions and habits.

The second shift I have noticed is away from CSR and towards sustainability as a more holistic practice, as well as alternative conceptions such as Michael Porter and Mark Kramer's notion of creating shared value (CSV), or what myself and Chad Kymal are now calling creating integrated value (CIV). The change in language may seem like semantics, but it signals a change in thinking, which is important. In essence, the management of

social, environmental and ethical issues is moving from the periphery (as a nice-to-have, optional extra) to the core of business (as a must-have, strategic imperative).

The third shift I am observing is that sustainable business is becoming less about compliance and risk management and more about breakthrough opportunities and innovation management. On the one hand, we see the rise of eco-innovation, being strongly promoted by the European Commission, OECD and UNEP, and on the other hand, the explosive growth of social entrepreneurship, with the catalytic support of institutions such as Ashoka, the Schwab Foundation and the Skoll Foundation. In effect, environmental and social challenges are being turned into market opportunities and we are looking not only to big corporates to bring solutions, but increasingly to creative, disruptive start-up ventures as well.

The combination of these three shifts convinced me to change the focus of the new World Guide, from corporate social responsibility to sustainable enterprise. Like *The World Guide to CSR*, this new edited collection brings together powerful summaries of the best academic research and practical cases on sustainable enterprise from countries around the world. However, unlike *The World Guide to CSR*, the emphasis is on sustainable business and social entrepreneurship, rather than traditional CSR and philanthropic approaches.

I define sustainable enterprise as any business, large or small, that integrates sustainability and responsibility, which includes value creation, good governance, societal contribution and ecological integrity, into its strategy, operations and products, in order to have a transformational, positive impact on the biggest social and environmental challenges we face.

The emphasis on sustainable enterprise, rather than corporate social responsibility, means that we are looking especially at innovative practices, including social enterprises, eco-entrepreneurs and companies that are introducing sustainable products and services into the market. We want to showcase companies and projects that are bringing disruptive solutions to our global challenges, rather than code-compliance or incremental change.

Sustainable enterprises are typically businesses that are practising five principles: creativity (innovation, entrepreneurship), scalability (designing solutions that can be applied to the mass market), responsiveness (using their business to directly tackle global social and environmental challenges), glocality (adopting global best practices, while maintaining local adaptation and sensitivity) and circularity (embracing zero-waste, closed-loop, cradle-to-cradle production).

Sustainable enterprise has also evolved from being a largely Western, developed-country phenomenon to being a diverse, “glocal” practice, with rapid take-up and many exciting innovations coming from developing countries and economies in transition. So I am especially pleased that we have 101 countries and eight regions profiled across the four volumes of *The World Guide to Sustainable Enterprise* – including 21 countries in Volume 2: Asia–Pacific.

My hope is that, in the coming five years, the sustainable enterprise movement will continue to spread around the world and to evolve into more transformative practices. We desperately need to reinvent capitalism to help smooth the transition to a low-carbon, more equitable and sustainable society. Sustainable enterprise can – indeed, must – be an integral part of this economic revolution. The alternative is a world in a state of perpetual crisis and collapse, where business is cast as the arch villain. Let us choose instead a more positive future – one that is safe, smart, sustainable, shared and satisfying – where business responsibility and innovation are a source of solutions and a beacon of light.

Wayne Visser
Cambridge, UK
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Part 1: Regional profiles



Central, East and South Asia

Aparna Mahajan

Director, Resource Mobilization and Partnerships, S M Sehgal Foundation, India

Regional context

Central Asia, comprising five independent republics, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan, is strategically positioned, acting as a bridge between Europe and Asia. About 90 million people, or 2% of Asia's total population, reside in Central Asia. Historically, Central Asia has been at the crossroads between different civilizations, largely because of the Silk Route which passed through this region, connecting Europe, West, South and East Asia. Central Asia is an extremely large region of varied geography, including high passes, mountains, deserts and grassy steppes. The majority of people earn a living by herding livestock, while economic centres are located in the major cities of the five countries. Central Asia has great potential to become an important trade corridor, particularly for small and medium enterprises.

About 38% of the population of Asia and 22% or over one-fifth of all the people in the world, live in East Asia. The region is one of the world's most populated places, ranking second in population only to South Asia. East Asia is home to some of the world's largest and most prosperous economies, such as China, Japan and the Democratic People's Republic of Korea. Rising exports have been a major source of domestic growth for most countries of the region. Although this region has witnessed remarkable growth

in world trade and investment and is well positioned to become the largest regional market in the world, some economies such as Mongolia are still grappling with development challenges. East Asian countries are the principal beneficiaries of the massive increase in international private investment that is taking place.

South Asia, home to over one-fifth of the world's population, is the most populous and the most densely populated geographical region in the world. According to the UN's Multidimensional Poverty Index (MPI), just over a quarter of the world's MPI poor people live in Africa, while a half live in South Asia. According to the World Bank's ICP 2011 report, South Asia's share of the world's absolute poor was estimated at about 49% in 2005, but in 2011 it had declined to 29% due to record poverty declines in India.

India is by far the largest country in the subcontinent, covering around three-quarters of the land area and having largest population. It is also the world's largest democracy. According to the World Bank, 70% of the South Asian population and about 75% of South Asia's poor live in rural areas and most rely on agriculture for their livelihood. According to the Global Hunger Index, South Asia has one of the highest child malnutrition rates in the world.

Priority issues

Poverty, largely in rural areas in Asia, is a major issue, which is exacerbated by climate change. More than two-thirds of the world's poor people live in Asia, and nearly half of them are in South Asia. In some major countries, nearly 80% of poor people live in rural areas. While East Asia and South-East Asia have made impressive progress in reducing rural poverty over the past three decades, progress has been limited in South Asia. Poor rural households tend to have larger families, less education and higher levels of underemployment. They also lack basic amenities such as a safe water supply, sanitation and electricity and have limited access to credit, equipment and technology. Many poor rural households also suffer from landlessness or limited access to land.

In Central Asia, issues of rural poverty and food security are prominent and social and economic deprivation persists. For instance, high food and energy prices, combined with ineffective social protection systems and deteriorating Russian-era infrastructure, have left millions of households

vulnerable to food insecurity and with limited access to reliable, affordable heating, electricity and basic services, particularly in the winter. These problems are exacerbated by the consequences of mismanagement of land and water resources and pollution, which have placed new strains on local economies, livelihood opportunities and ecosystems. The global economic and financial crisis, along with climate change and volatile food prices, have had serious impacts on economic development in many countries in the Central Asian region.

By contrast, the economies of East Asia make up one of the most successful regions of the world. A high level of structural differentiation, functional specialization, and autonomy of the economic system from government is a major contributor to industrial and commercial growth and prosperity. East Asia has been at the centre of what has been called an “economic miracle”. In the last three decades, poverty in the region has been reduced by about two-thirds. Gross Domestic Product has been growing by 7–10% each year and Gross National Income by about 7% per year. Of the roughly US\$170 billion in private capital flows to all developing countries last year, US\$100 billion (nearly 60%) went to East Asia. Agricultural growth has contributed significantly to this economic upturn, especially in those countries where an egalitarian distribution of land took place, and where macroeconomic policies were stable and trade policies relatively open. China is an outstanding example of this trend.

According to a World Bank report in 2007, South Asia is the least integrated region in the world; trade between South Asian states is only 2% of the region’s combined GDP, compared with 20% in East Asia. Sri Lanka has the highest GDP per capita in the region, while Afghanistan has the lowest. India is the largest economy in the region (US\$1.97 trillion) and makes up almost 82% of the South Asian economy. Water scarcity remains one key environmental challenge, besides pollution and other issues of climate change for the South Asian countries.

Trends

In Central Asia, Kyrgyzstan is in a better situation to establish social enterprises in the country. Although not many NGOs are active, the country still has a more robust NGO sector than Kazakhstan or Tajikistan and NGOs play a significant role in the development process of the country. Social

entrepreneurs in Kyrgyzstan and Tajikistan mainly focus on social and economic development of vulnerable groups. Their main activities are employment and capacity-building opportunities, arts, crafts and tourism initiatives, technical and financial support, and policy advocacy. Some explicitly promote active citizenship and civil society, including among youth. These social enterprise initiatives seek to improve the lives of target groups through empowerment and connection to markets and services. Target groups include people with disabilities, women, youth, refugees/migrants, and rural populations. Some key problems facing social enterprises in this region are lack of public awareness, an unfavourable legal environment, no sharing of best practices between social enterprises, lack of networking and communication between organizations and a lack of systemic and coherent government support/strategy.

There are varying levels of growth of sustainable and social enterprises in Eastern countries. Social enterprises are booming in Japan, where a survey by their Ministry of Economy, Trade, and Industry estimates that social business is a US\$2.4 billion industry in Japan, which covers over 8,000 companies. Women's participation and leadership in social sectors is also being encouraged by the Japanese government. Social enterprises and civil society in Japan have flourished in the wake of natural disasters, and according to Nana Watanabe, founder of the Japanese arm of social entrepreneurship foundation Ashoka, it was the Great Hanshin (Kobe) earthquake in 1995 that first really mobilized civil society in Japan. Now there are many initiatives providing education for children and care for isolated elderly people in the disaster-stricken areas.

In China, on other hand, social enterprises are at a nascent stage (Zhao, 2012). Following the 2008 Sichuan earthquake and the expeditious response to the disaster by social entrepreneurs and non-profit organizations, social entrepreneurship increased in prominence. Since then, the sector and its advocates – incubators, impact investors, the media and academic researchers – have expanded across the country. Despite the various challenges social entrepreneurs face in China, an increasing number of social enterprises such as Shokay, Miaolosophy, Beijing LangLang Learning Potential Development Center and Canyou, are slowly emerging (BSR, 2012).

In South Korea, the Korea Social Enterprise Promotion Agency has been established to promote social enterprises. According to the Agency, a total of 850 social enterprises have obtained governmental authorization since the Social Enterprise Promotion Act was put into effect. Additionally,

2,000 new cooperatives were established in 2013. There has also been a growing number of intermediary organizations to help new social enterprises with mentoring, consulting and incubating services, such as the Social Enterprise Support Network, Seeds and the Korean Social Enterprise Promotion Agency.

In Mongolia, social enterprises are growing. Examples include: Nomsys, an internet providing company in the Gher districts of Ulaan Baatar; Righteous Living, a business that makes Ghers (traditional Mongolian houses) and that employs and assists Mongolians in need; Suu Milk, a dairy company that obtains milk from Mongolian nomadic herders; Mary & Martha Mongolia, a fair-trade company (certified by the World Fair Trade Organization) primarily focusing on hand crafted gifts made by Mongolian and Mongolian ethnic Kazakhs; Gateway Development, manufacturer of insulated building material in Mongolia, which can significantly reduce the cost of heating in Mongolia (with over seven months of severe winter where the temperature can drop below -50°C , Mongolia lacks innovative ways to reduce energy usage during winter); and Nemer International LLC, a water resources management company that works to advocate responsible water usage in Mongolia.

In South Asia, sustainable and social enterprises have been on the rise with social enterprises having grown spectacularly in India. The country has been referred to as “a social enterprise superpower” by Think, a social action think-tank and action hub, as well as “a hotbed for social enterprise” by *Beyond Profit* magazine (Poon, 2011). Over the last decade, the scope of social enterprises and impact investors in India has expanded and key sectors include agriculture, education, energy, financial services, health-care, housing, sanitation, and water. According to the *Beyond Profit* 2010 survey, about 68% of social enterprises in India have been in existence for five years or less (Asian Development Bank, 2012). A growing trend is the transformation of many not-for-profit models into for-profit models. Examples include: Pipal Tree Ventures Private Limited, which trains rural youth in various construction and infrastructure-related skills and has found a way for rural youth to get out of poverty; and International Development Enterprises, which has helped pull millions of small farmers out of poverty in India.

In Pakistan, the social enterprise landscape is nascent but fast-growing. In a 2013 report called “Enterprising Pakistan” by the British Council in collaboration with the YES Network Pakistan, social entrepreneurship in the areas of health, environment and skills is highlighted. The Economic Policy

Group report entitled “Social Entrepreneurship in Pakistan: Unlocking Innovation Through Enterprise Incubation” explains how incubator hubs can unlock the innovation potential of Pakistan’s social entrepreneurs, highlighting successful incubator models already in existence at some of Pakistan’s premier business schools (Shah and Shubbisham, 2013).

Government policies

In Central Asia, the Association of Social Entrepreneurs (ASE) was registered as a legal entity in April 2012 in Kyrgyzstan and represents the first attempt to associate a network of organizations. While there is legislation in Kyrgyzstan that provides tax incentives for charitable organizations, there are significant barriers to entry that have negated the impact of the legislation. The Philanthropy law (1999) states that any NGO can re-register as a charitable organization if they spend 98% of their income on charity (meaning only 2% can be spent on all operational costs including rent and salaries). Under such strict conditions, not a single organization has registered as a charitable organization since the law was passed.

Another law relates to Not-for-Profit Agencies (1999), which governs the registration and operations of all NGOs in Kyrgyzstan. However, the National Tax Code administers economic activity of NGOs separately. There is a draft law on Charitable Organizations and Charitable Activity which aims to increase the role of charitable organizations in social life, to stimulate and enhance efficiency of their public benefit activity, and to set high standards of management, transparency and accountability to society. There is another law on Social Order (2008), which aims to improve the efficiency of state funds allocated to socioeconomic needs and to improve the quality of the country’s social services. Under this law, the Ministry of Labour and Social Protection allocates funds to NGOs (via a tender process) for improving the social environment and for solving social issues in the communities (USAID and Synergos, 2013).

In Tajikistan, there is a National Tax Code, which regulates the taxation system for all legal entities, including the economic activities of NGOs. There is a law on Charitable Activity (2003), which provides a detailed explanation about what types of organization, activity and programme should be considered as charitable. This law also describes the nature of

Charitable Foundations that provide needed support to the marginalized people of the country.

In East Asia, among the major policy choices commonly adopted are openness to foreign trade, significant levels of government savings and an emphasis on education. Government intervention has played an important role in East Asian economies. To varying degrees, East Asian economies maintained significant tariff and non-tariff barriers through much of their initial rapid growth periods and also adopted industrial policies, in varying degrees, to support selected industries.

In South Korea, the Social Enterprise Promotion Act was approved in December 2006 and was put into effect in July 2007. The Ministry of Labour is obliged to “establish the Basic Plan for Social Enterprises Support” every five years (Article 5). In terms of this law, not only companies but also cooperatives and non-profit organizations can be recognized as social enterprises, which are eligible for tax relief and/or financial support from the Korean national or provincial governments or city councils. 680 entities have been recognized as social enterprises as of October 2012. The majority of Korean social enterprises are primarily concerned with job creation.

South Asia is influenced by a major policy convergence. The policies of India and the nearby countries of ASEAN, are all pro-economic growth, pro-international trade, and generally against tensions and conflicts that may inhibit trade and growth. These policies are backed by commitments by governments to economic liberalization at home, and to achieving high economic growth through market-oriented methods. Social enterprises aim to provide high-quality yet affordable goods and services such as healthcare, education, and financial services to the poor, thus creating social benefits while making a profit.

As a clear validation of the power of social innovation, the Government of India announced an Rs.1,000 crore National Innovation Fund to support ideas to address developmental needs in education, health, infrastructure and sanitation. One of the recent landmark laws in India is Section 135 of the new Companies Act 2013, which states that with effect from 1 April 2014, every company, private limited or public limited, which either has a net worth of Rs.500 crore or a turnover of Rs.1,000 crore or net profit of Rs.5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities.

Case studies

Golden Sun (China)

Golden Sun offers a range of support services and emergency assistance to a network of over 30,000 elderly residents of Fuzhou. Launched in 2007, it describes its mission as a “Nursing Home Without Walls” and seeks to provide high-quality care for the elderly at low cost. Each member of its network is provided with a mobile phone and can call Golden Sun’s 24-hour hotline to access a range of services. These include assistance with shopping and food delivery, home cleaning services, companionship and medical consultations, as well as emergency assistance if members are ill, in danger or lost. The call centre receives 5,000 calls per month. The phones are connected to a satellite positioning system so that if a member calls in distress, staff at Golden Sun can contact the emergency services and direct them to the right place.

In addition to its call centre, Golden Sun operates 89 community centres in Fuzhou. Its staff included retired care professionals, doctors, nurses, housekeepers and volunteers. At present, Golden Sun serves around 30% of all pensioners in Fuzhou and all residents over 85. Most receive membership as part of their retirement package and for those who pay, the fees are means-tested so even those on low incomes can join. Golden Sun has enjoyed rapid growth and formed partnerships with China Telecom, Ping An Insurance and Xiamen Bank and secured angel investment (typically the earliest equity investments made in startup companies by wealthy individuals) as well as local government support.

Hanbit Art Company (South Korea)

This art company develops performance art among the handicapped by discovering and fostering their talents. For example, through the performances of the blind concert orchestra, the art company improves the recognition of the handicapped, while providing vulnerable social groups with jobs and social services. By working with local residents, it aims to promote economic stability and self-reliance, while adding to their quality of life by providing cultural activities.

Hathay Bunano Proshikhan Samity (HBPS) (Bangladesh)

This social enterprise employs female Bangladeshi artisans to produce children’s toys and clothes that are sold in Australia, the USA, the UK and

other European nations. Through this organization, which was launched in 2005, women are able to obtain economic freedom and rural employment opportunities without any debt. While many NGOs in Bangladesh try to generate employment for the poor through microcredit, HBPS chose to provide direct employment opportunities for poor women in rural areas, with special preference given to disadvantaged groups. Since 2005, the company has been producing hand-crocheted and hand-knitted children's toys and clothes. The working model of HBPS is based on a low-cost, labour intensive, electricity-saving, low technology production process and leverages the women's capabilities.

HBPS benefits from the leadership of its founders, a British-Bangladeshi couple, and the financial support of multinational corporations, international development agencies and local NGOs. It relies on local leaders to obtain information about the local workforce and infrastructure, and to raise awareness. The growth of HBPS has been quite phenomenal, with employment and revenue almost doubling every year. In 2009, HBPS had 54 centres and 3,500 employees. Beginning with an initial investment of US\$500, it is now generating a sales volume of about 120,000 pieces per year, and a profit margin of 42%, which is reinvested into the business for training, marketing, research, and other development purposes.

Social Enterprise English Language School (SEELS) (Japan)

SEELS is a social enterprise that provides innovative and compelling English-language teaching services operated by under-served Filipino migrants as certified teachers. It targets residential areas with middle- and low-income brackets and plans to scale up and replicate its micro-franchising model to untapped residential areas where under-supported families reside. Akira Foundation Japan works collaboratively with SEELS to foster an inclusive community-based culture for both Filipino migrants and lower-income families in Japan. SEELS offers its services at very low cost, compared with existing traditional English schools common near train stations or around major cities. Most of its teachers have been under-served Filipino migrants living in Japan and will be certified through a high-quality teaching-learning method, dubbed the Community and Home Based English Teachers (CHOBET) training programme, in collaboration with the national network of Filipino English Teacher in Japan (FETJ).

Akira Foundation provided Mr Cesar Santoyo, Executive Director of the Center for Japanese-Filipino Families (CJFF) and President of SEELS, with