

DEVELOPING AN INCLUSIVE BUSINESS ACCREDITATION SYSTEM IN SRI LANKA:

LEARNINGS FROM INTERNATIONAL CERTIFICATIONS



Developing an Inclusive Business Accreditation System in Sri Lanka: Learnings from International Certifications

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Executive Summary

The Sri Lankan Government's *Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka* (ISB Strategy) recommends the creation of an inclusive business accreditation system (IBAS). This system would accredit inclusive businesses (IBs) that provide goods, services, or livelihoods on a commercially viable basis to people living at the base of the economic pyramid.

This document reviews government-led accreditations for IBs and social enterprises, as well as prominent non-government-led accreditations that measure businesses' social and/or environmental impact. Drawing on insights and lessons from these diverse accreditation models, the document provides seven key recommendations to support the development of a robust and effective IBAS in Sri Lanka.

Recommendation 1: Assign responsibility to a lead government agency. The experience of other government-led accreditations shows that it is essential to designate a lead government agency with overall responsibility for IBAS implementation. Doing so ensures accountability, builds specialized expertise, and enhances coordination among stakeholders.

Recommendation 2: Seek lessons learned from other governments. The insights and experience of other countries should be leveraged by compiling a comprehensive reference list of IB materials, and establishing dialogues with other government agencies responsible for IBs. This will allow a Sri Lankan IBAS to adapt proven strategies and avoid common challenges during implementation.

Recommendation 3: Adopt a simple and flexible approach. To ensure effective ongoing implementation, the IBAS should adopt a simple and flexible framework that allows for continuous improvement based on feedback and experience. This approach creates a strong foundation during the IBAS's initial years, ensuring it remains resilient and sustainable for long-term application.

Recommendation 4: Ensure accreditation is valid, credible, and respected. The system should set high but achievable standards and include a multi-stage process to validate applicants thoroughly. Additionally, a phased approach to accreditation, with delayed financial benefits and ongoing monitoring, will help maintain the integrity of the certification while providing time to refine the system during its early implementation period.

Recommendation 5: Measure systems, policies, and procedures in addition to actual impact. This approach helps address the challenge of accurately assessing impact across various criteria and encourages business to create plans to address long-term, structural challenges. By combining both direct impact measurements and evaluations of management systems, the IBAS can be made more reliable, effective, and practical to implement.

Recommendation 6: Develop tailored criteria for industry/company size. To ensure relevance across various industries and company sizes, IBAS developers should consider including tailored

criteria and feedback mechanisms. During its development and pilot stages, the IBAS should consult with a diverse range of industries and business sizes to determine the need for such customizations.

Recommendation 7: Consider specific adaptations to the Sri Lankan context. The IBAS should be tailored to Sri Lanka's unique context, including national priorities such as social cohesion and reconciliation. Criteria should be developed in line with these goals, such as promoting the publication of trilingual impact reports (in Sinhala, Tamil, and English), and rewarding businesses that create economic inclusion for marginalized communities across Sri Lanka's diverse regions.

By implementing these recommendations, the Government of Sri Lanka can implement an effective IBAS that harnesses the transformative power of inclusive businesses to benefit individuals and communities across the country.

Contents

1. Introduction	1
1.1. Purpose of this document	1
1.2. Context: International support for IBs and Sri Lanka's ISB Strategy	1
1.3. Definitions	2
1.4. Different understandings of 'Inclusive Business'	3
1.5. Rationale for a Focus on IBs	4
2. Review of Accreditation Systems	6
2.1. Government-Led Accreditation Systems	6
2.1.1. Cambodia	6
2.1.2. Vietnam	8
2.1.3. The Philippines	9
2.1.4. Malaysia	9
2.1.5. South Korea	10
2.2. Non-government-led accreditation systems	12
2.2.1. B Corp	12
2.2.2. ISO 14001	13
2.2.3. LEED (Leadership in Energy and Environmental Design)	13
2.2.4. Fairtrade	14
2.2.5. SA8000	15
2.2.6. Rainforest Alliance	15
2.2.7. Forest Stewardship Council	16
2.2.8. Green Seal	16
3. Analysis and recommendations	18
3.1. Assign responsibility to a lead government agency	18
3.2. Seek lessons learned from other governments	19
3.3. Adopt a simple and flexible approach	19
3.4. Ensure accreditation is valid, credible, and respected	20
3.5. Measure systems, policies, and procedures in addition to actual impact	21
3.6. Develop tailored criteria for industry/company size	23
3.7. Consider specific adaptations to the Sri Lankan context	23
Conclusion	25

Acronyms

ASEAN	Association of Southeast Asian Nations
DEI	Diversity, equity, and inclusion
ECCSL	The European Chamber of Commerce of Sri Lanka
EMS	Environmental Management System
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
IB	Inclusive business
iBAN	Inclusive Business Action Network
IBAS	Inclusive business accreditation system
ISB Strategy	The Sri Lankan Government's <i>Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka</i>
ISO	International Organization for Standardization
KoSEA	Korea Social Enterprise Promotion Agency
MaGIC	Malaysian Global Innovation & Creativity Centre
MISTI	Ministry of Industry, Science, Technology and Innovation of Cambodia
MSME	Micro, small, and medium enterprises
SDC	Sustainable Development Council of Sri Lanka
SE.A	Government of Malaysia's Social Enterprise Accreditation
SEPA	South Korea's Social Enterprise Promotion

1. Introduction

1.1. Purpose of this document

In early 2024, the Government of Sri Lanka adopted its *Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka* (ISB Strategy).¹ The strategy aims to build a resilient, sustainable, and equitable economy by creating a business ecosystem in which Inclusive and Sustainable Businesses (ISBs) can flourish and drive large-scale change.

One potential policy set out by the strategy is to extend and support “national and international certification, accreditation, or registration schemes for inclusive and sustainable business models”.² In line with this recommendation, the Sustainable Development Council of Sri Lanka (SDC) is currently exploring how an inclusive business accreditation system (IBAS) could be implemented in Sri Lanka.

This document contributes to these efforts by reviewing and comparing existing accreditation systems to inform the development of an IBAS in Sri Lanka. Chapter 1 sets out the purpose of this document, background on international support for inclusive businesses (IBs), definitions of key terms, clarifies different understandings of ‘inclusive business’, and explains the rationale for focusing on IBs. Chapter 2 reviews government-led accreditations systems for IBs and social enterprises in five Asian countries, as well as eight prominent non-government-led certifications that address inclusivity and/or sustainability worldwide. Chapter 3 analyses insights, best practices, and learnings from this review and makes seven recommendations to inform the development of an IBAS suited to the Sri Lankan context. A conclusion is then provided along with a list of useful links for businesses and policymakers.

1.2. Context: International support for IBs and Sri Lanka’s ISB Strategy

Globally, there is an increasing trend in supportive government policy for inclusive business.

In 2015, the G20 endorsed the *G20 Leaders’ Call on Inclusive Business*, the *G20 Inclusive Business Framework*, and called for the creation of the *G20 Global Platform on Inclusive Business*.³

Recent policy reforms in Asia also reflect a strong political will to spur inclusive growth and improve the lives of people with low income through IB models. In 2017, leaders of the

¹ Government of Sri Lanka, *Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka* (January 2024), <https://sdc.gov.lk/sites/default/files/2024-02/ISB%20Strategy.pdf>.

² Ibid, 5.

³ G20 Development Working Group, *G20 Inclusive Business Framework* (United Nations Development Programme, January 18, 2016), <https://www.undp.org/policy-centre/istanbul/publications/g20-inclusive-business-framework>.

Association of Southeast Asian Nations (ASEAN) acknowledged the need to create an enabling environment for inclusive business through conducive rules and regulations.⁴ This culminated in the ASEAN Economic Ministers endorsing the *Guidelines for the Promotion of Inclusive Business in ASEAN* in August 2020.⁵ These guidelines outline policies that ASEAN member states can use to support IBs, including by establishing an IBAS.

In line with these developments, the Sri Lankan Government adopted its ISB Strategy in early 2024. One of the key activities within the ISB Strategy is the establishment of a certification/accreditation system for IBs, intended to raise awareness and recognition of IBs, increase their perceived value in the market, and enhance their access to international export markets.

1.3. Definitions

This document references various types of organizations, with the most commonly discussed being ISBs, IBs, and social enterprises. These are defined below.

Inclusive and Sustainable Businesses (ISBs)

The ISB Strategy defines ISBs as:

“...purpose-driven enterprises that take a deliberate and intentional approach towards positive change in communities and the environment. ISBs use market-based approaches to achieve positive social and environmental impacts, ensuring their own sustainability while benefiting society and the planet. ISBs include green businesses that operate in an environmentally sustainable manner; inclusive business models that provides goods, services and livelihoods on a commercially viable basis to people living at the base of the economic pyramid; social enterprises; women-focused and women-led enterprises; and businesses providing decent employment to vulnerable groups (such as women, young people and persons with disabilities).”⁶

Inclusive Businesses (IBs)

IBs are a subset within the above ISB definition, as highlighted by the reference to “inclusive business models...”. The G20 defines IBs as businesses that “provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of

⁴ ASEAN, *ASEAN Inclusive Business Framework* (August 14, 2017), <https://asean.org/wp-content/uploads/2021/09/ASEAN-Inclusive-Business-Framework.pdf>.

⁵ ASEAN, *Guidelines for the Promotion of Inclusive Business in ASEAN* (September 2020), <https://asean.org/wp-content/uploads/2021/09/6.-ASEAN-IB-Promotion-Guidelines-Endorsed-at-the-52nd-AEM.pdf>.

⁶ Government of Sri Lanka, *Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka* (January 2024), <https://sdc.gov.lk/sites/default/files/2024-02/ISB%20Strategy.pdf>, 4.

the economic pyramid, making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers.”⁷

Social Enterprises

Social enterprises are similar in nature to IBs, sharing a focus on creating social impact through business. The main distinction between social enterprises and IBs is that social enterprises generally reinvest profits towards their stated social objective, whereas IBs are expected to generate market returns.⁸

1.4. Different understandings of ‘Inclusive Business’

It is important to clarify that the term ‘Inclusive Business’ can be interpreted differently by different readers. A potential source of confusion is the distinction between inclusivity in terms of poverty alleviation (i.e. economic inclusion) and inclusivity in the context of businesses’ diversity, equity, and inclusion (DEI) efforts.

Poverty alleviation

In the IB model proposed by the G20, ESCAP, and used by the majority of government-led accreditation systems reviewed in this report (see chapter 2.1),⁹ inclusivity predominantly refers to addressing poverty. These models define IBs as businesses that make a positive impact on people living at the base of the economic pyramid by offering income opportunities and access to basic goods and services.

For example, an IB in this context might work with smallholder farmers to improve their agricultural practices, allowing the company to pay farmers 20% more than the market rate. Another example might be an IB that provides high-quality, affordable healthcare to low-income consumers. In both cases, these businesses are considered inclusive because they create opportunities for improved income and enhanced quality of life for low-income populations.

Diversity, equity, and inclusion (DEI)

Inclusivity is also often understood, particularly in the business world, within the framework of DEI. While there is some overlap in these frameworks, the objectives of DEI are fundamentally different to the poverty-focus of the above IB model. DEI promotes fairness, representation, and equal opportunities for all individuals, particularly for groups who have been historically

⁷ G20 Development Working Group. G20 Inclusive Business Framework, 2015.

<https://www.ifc.org/content/dam/ifc/doc/mgrt/attachment-g-g20-inclusivebusiness-framework-final.pdf>.

⁸ Dalberg Global Development Advisors, *Are Social Enterprises the Inclusive Businesses of Tomorrow? Development Banks’ Perspective* (September 2017), <https://www.adb.org/sites/default/files/project-documents/46240/46240-001-tacr-en.pdf>, 5.

⁹ Of the five government-led accreditation systems reviewed in chapter 2.1, three (in Cambodia, Vietnam, and the Philippines) are focused on IBs. The remaining two accreditation systems (in Malaysia and South Korea) are for social enterprises, which are similar to IBs but do not use IB terminology.

underrepresented or subject to discrimination on the basis of identity or other personal characteristics.

As highlighted in The European Chamber of Commerce of Sri Lanka's (ECCSL) 2024 report, *Unlocking the Power of DEI: Diversity, Equity, and Inclusion as a Strategic Imperative for Business Success and Social Harmony*,¹⁰ businesses that embrace DEI can realise tangible, commercial benefits while also making important contributions to social harmony and the empowerment of marginalized groups. An example of an 'inclusive business' in this framework could be a business that implements DEI practices to ensure that people of all genders and from a variety of ethnic and religious communities are represented, treated fairly, and feel that they belong in the company.

Clarifying meaning of 'Inclusive Business'

Given the overlap in terminology, there is a risk that some readers might mistakenly assume that the proposed Sri Lankan IBAS accredits businesses solely based on their DEI practices. This is not the case. The Sri Lankan IBAS is intended to follow the poverty alleviation model, similar to IBAS frameworks adopted in other countries and aligned with the models advocated by the G20 and ESCAP.

This being said, poverty alleviation and DEI are not entirely separate concepts, and there are opportunities to incorporate DEI elements into the IBAS without diluting its primary focus on poverty alleviation. For example, ESCAP's IBAS manual suggests that:

“Inclusive businesses can also target specific groups, such as indigenous people, ethnic minorities, migrants, low-income women, persons with disabilities, etc. The IB accreditation system can prioritize accreditation for businesses that serve specific marginalized groups whose development is relevant to the national context.”¹¹

For this reason, this report explores how DEI elements can be thoughtfully integrated into the IBAS (for example, in line with the Government of Sri Lanka's national unity and reconciliation goals, see chapter 3.7). Despite these inclusions, the core focus of the proposed IBAS remains poverty alleviation, consistent with similar systems in the countries reviewed below and the model promoted by G20 and ESCAP.

1.5. Rationale for a Focus on IBs

Although the ISB Strategy refers to businesses that are inclusive, sustainable, or both, the proposed accreditation system is intended to assess businesses solely in relation to inclusivity.

¹⁰ The European Chamber of Commerce of Sri Lanka, *Unlocking the Power of DEI: Diversity, Equity, and Inclusion as a Strategic Imperative for Business Success and Social Harmony* (March 2024), <https://eccsl.lk/wp-content/uploads/2024/03/Unlocking-the-Power-of-DEI.pdf>.

¹¹ ESCAP, *Inclusive Business Accreditation System: A Manual* (May 2024), <https://www.unescap.org/kp/2024/inclusive-business-accreditation-system-manual>, 27.

This is for two main reasons:

1. Sustainability certifications already exist, but there is a gap for inclusivity

certifications: There are currently a wide range of industry-specific accreditation systems for sustainable businesses operating in Sri Lanka, such as Sustainable Sri Lanka's tourism business certification,¹² or the Green Accreditation offered by the Sri Lanka Green Building Council.¹³ There are currently no certifications focused on inclusive businesses available in Sri Lanka, so the creation of a certification focused solely on inclusivity would fill this gap.

2. Assessing businesses on both inclusivity and sustainability within one certification process can reduce the reliability and accuracy of the evaluation. Having multiple focus areas increases the complexity of the evaluation system as it requires the measurement and aggregation of various different criteria. Firstly, each additional criterion introduces more potential for error in the overall measurement. Secondly, the process of aggregating these criteria into an overall score involves subjective judgments of their relative importance, leading to (perceived or real) biases and inconsistencies. This potential for error and subjectivity undermines confidence in the accuracy and reliability of the accreditation.

¹² Sustainable Sri Lanka, "Compliance and Sustainability Certification," <https://sustainablesrilanka.com/compliance-sustainability-certification/>.

¹³ Sri Lanka Green Building Council, "Green Rating System for Built Environment," <https://www.srilankagbc.org/green-rating-system-for-built-environment/>.

2. Review of Accreditation Systems

This chapter sets out key features of various existing accreditation systems that are relevant to the design and implementation of a Sri Lankan IBAS. The review includes government-led accreditations systems for IBs and social enterprises in five Asian countries (chapter 2.1), as well as eight prominent non-government-led certifications that address inclusivity and/or sustainability globally (chapter 2.2). Insights and learnings from these models will then be analysed and compiled into recommendations in chapter 3.

2.1. Government-Led Accreditation Systems

The establishment of an IBAS under the Sri Lankan government's ISB Strategy would be an example of a government-led accreditation system. To inform the development of a Sri Lankan IBAS, this document reviews IBAS models in Cambodia, Vietnam, and the Philippines, as well as social enterprise accreditation systems in Malaysia and South Korea. The focus on Asia is due to the predominance of such government-led accreditation systems in Asian countries.

2.1.1. Cambodia

The Government of Cambodia recently established an IBAS as part of its Inclusive Business Enabling Environment for Cambodia Strategy.¹⁴ An initial step in developing the IBAS was to conduct research into IBs in Cambodia. The Government of Cambodia requested the assistance of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN) to conduct a landscape study of IBs in Cambodia, which was published in 2020.¹⁵

The study assessed 119 potential IB companies, of which 19 were identified as having inclusive business lines benefitting a total of 800,000 people. Six of these IBs created income for the people at the base of the economic pyramid through agrobusiness and handicrafts, while the remaining 13 companies created affordable and relevant services in energy, finance, insurance, technical training, water and housing.¹⁶

The findings of this landscape study – together with the more general Guidelines for the Promotion of Inclusive Business in ASEAN¹⁷ – were then used as a base to develop an IBAS suited to the

¹⁴ Ministry of Industry, Science, Technology and Innovation of Cambodia, *Inclusive Business Enabling Environment for Cambodia Strategy* (2019), <https://misti.gov.kh/page/index?article=ibeec-strategy.html>.

¹⁵ ESCAP, *Landscape study of Inclusive Business in Cambodia* (2020), <https://www.unescap.org/kp/2021/landscape-study-inclusive-business-cambodia>.

¹⁶ Ibid, vi.

¹⁷ ASEAN, *Guidelines for the Promotion of Inclusive Business in ASEAN* (September 2020), <https://asean.org/wp-content/uploads/2021/09/6.-ASEAN-IB-Promotion-Guidelines-Endorsed-at-the-52nd-AEM.pdf>.

Cambodian context. Today, Cambodia's IBAS is implemented by an IB unit within the Ministry of Industry, Science, Technology and Innovation (MISTI).

IB accreditation occurs in two stages:

1. **Initial rating:** An independent consultant team conducts a preliminary assessment (including company interview) and initial rating.
2. **Formal review and finalized rating:** The formal IB accreditation team, which consists of representatives from various government agencies and business associations, reviews and finalizes the rating and the company's case.¹⁸

The Cambodian IBAS uses a composite rating tool with weighted criteria, shown below.¹⁹

company:						
IB Business line:		actual	company assessm.	ES /TC rating	team rating	score
potential IB, but needs to turn around the business case						
The commercial return	41%					0.00
company	11%					0.00
size	3%					0.00
profitability	4%					0.00
bankability	4%					0.00
IB model	25%					0.00
governance	5%					0.00
revenue (today)	5%					0.00
growth (3 years)	4%					0.00
addressing business risks	6%					0.00
profitability	5%					0.00
ESG standards (company=40%, IB model	5%					0.00
The social impact of IB model	46%					0.00
reach	17%					0.00
beneficiaries	8%					0.00
targeting	6%					0.00
women empowerment	3%					0.00
depth and relevance	15%					0.00
for supplier (labor, distributor) models	15%					0.00
before - after; how much is the money	4%					0.00
competitor	6%					0.00
sustainability, addressing risks of the poor	5%					0.00
for consumer models	15%					0.00
relevance of product (incl. Income inc	6%					0.00
affordability of product	4%					0.00
delivery mode and how the company	5%					0.00
systemic change for poverty reduction and inclusion	14%					0.00
sector impact	3%					0.00
geographical impact	3%					0.00
relevance and transformation (how relevant is the core problem for systemic poverty reduction; how relevant does the company address the	8%					0.00
Innovation	13%					0.00
business	4%					0.00
technological	3%					0.00
social (labor standards, CSR, ...)	3%					0.00
environment	3%					0.00
Overall IB rating	100%					0.00
IB commercial rating (financials + business and technological innovation)						0.00
IB social impact rating (social impact + social innovations)						0.00
IB innovation and transformation rating						0.00
To qualify as an IB business lines, companies must achieve at the same, (a) an IB overall rating > 3.2 (of 6.0 maximum), (b) an IB commercial rating > 1.5 (of 2.1 maximum), (c) an IB social impact rating > 2.0 (of 2.92), and (d) an IB innovation and transformation rating > 0.35 (of 0.71). Companies with ESG ratings <3 will not be eligible for IB accreditation.						

¹⁸ Ministry of Industry, Science, Technology and Innovation of Cambodia, "Inclusive Business in Cambodia: IBeeC Strategy", <https://misti.gov.kh/page/index?article=ibeec-strategy.html>.

¹⁹ Ministry of Industry, Science, Technology and Innovation of Cambodia, "Inclusive Business in Cambodia: IB Accreditation", <https://misti.gov.kh/page/index?article=ib-accreditation-.html>.

Other features of Cambodia's IBAS include:

- The same criteria are applied irrespective of company size. However, different targets are used for different-sized companies.
- Company size is determined by annual revenue (in USD):
 - o small companies and for-profit social enterprises, \$0.2-\$0.5 million
 - o medium sized companies, \$0.5-2 million
 - o larger companies, more than \$2 million.
- Start-ups and very small companies (annual revenue less than \$0.1 million) are unlikely to receive IB accreditation.
- Companies also have the opportunity to complete a self-rating, which in most cases turns out to align closely with the independent expert assessment.²⁰

In 2021, the Cambodian government accredited the first cohort of 18 IBs.²¹

2.1.2. Vietnam

Vietnam is currently developing its own IBAS, though at the time of writing it has not yet accredited its first cohort of IBs.

In 2019, Vietnam's Agency for Enterprise Development, under the Ministry of Planning and Investment, requested ESCAP and iBAN to conduct a landscape study of IB in Vietnam.²² The study included a rating of potential IB companies using a composite rating tool, finding 9 real and 10 potential IB models benefiting approximately 2.6 million poor and low-income people. These IBs were primarily medium-sized enterprises that integrated social impact into their core strategic objectives, particularly by enhancing income opportunities for poor and low-income populations, mostly within agribusiness value chains.

Although these businesses were not officially accredited under Vietnam's IBAS at the time (as the IBAS had not yet been developed), it is anticipated that they will receive accreditation as the IBAS is finalised and implemented. The landscape study recommended that an IBAS is established at the regional level and is implemented in collaboration with major business associations.

As of June 2023, ESCAP was working with Vietnam's Agency for Enterprise Development to support the design and piloting of an IBAS in Vietnam.²³

²⁰ Ministry of Industry, Science, Technology and Innovation of Cambodia, "Inclusive Business in Cambodia: IB Accreditation", <https://misti.gov.kh/page/index?article=ib-accreditation-.html>.

²¹ Ministry of Industry, Science, Technology and Innovation of Cambodia, "Inclusive Business in Cambodia: 1st IB Accreditation in Cambodia", <https://misti.gov.kh/page/index?article=1st-inclusive-business-ib-accreditation-in-cambodia.html>.

²² ESCAP, Landscape Study of Inclusive Business in Viet Nam (2021), <https://www.unescap.org/kp/2021/landscape-study-inclusive-business-viet-nam>.

²³ ESCAP, *Viet Nam Inclusive Business Accreditation System: Presentation* (13 June, 2023), <https://www.unescap.org/sites/default/d8files/event-documents/IB%20Gov%20Buss%20Dialogue%20VN%20Programme%20230510%20v0.1%20IB%20%283%29.pdf>.

2.1.3. The Philippines

A market scoping study on IBs in the Philippines was conducted in 2012 by Asian Social Enterprise Incubator.²⁴ The study considered 70 companies with IB models, some of which were eventually accredited with the Philippines Board of Investments as IBs.

More recently, in 2022, iBAN published a follow-up report titled ‘Ten Years of Inclusive Business in the Philippines’.²⁵ This report included several recommendations, including that there should be a “[p]ush for the creation of a body or lead agency to specifically champion IB.”²⁶ This recommendation was made due to the challenges caused by the lack of lead government agency to coordinate IB activities. The report notes that:

“...from the beginning of 2020, the activities related to IB promotion and development have waned. This was partly a result of the pandemic and partly because of the dissolution of the IB unit at the BOI. This lack of a lead agency or entity to continue on the overall work of coordinating efforts at awareness building, promoting, and developing IB hampers the promotion of IB on the public sector side.”²⁷

And:

“There is no lead government agency which serves as a one-stop-shop to which a company doing IB or meaning to do IB can go to in order to secure all the necessary support. Even while different NGAs [national government agencies] espouse IB to some extent or the other, they still have different definitions or understanding of IB. Without a lead agency to coordinate IB initiatives, efforts and strategies of different agencies remain disjointed. Overlapping or redundancy of interventions still happen to the confusion of the company or the MSMEs it is working with.”²⁸

2.1.4. Malaysia

The Government of Malaysia’s Social Enterprise Accreditation (SE.A) certifies social enterprises in Malaysia to help them access greater support and opportunities to grow. Although this accreditation is not for IBs, the similar nature of social enterprises (see chapter 1.3) means that insights and learnings from this accreditation are still broadly applicable for the creation of an IBAS in Sri Lanka.

²⁴ This study does not appear to be publicly available, however, details on the study are mentioned in the iBAN report *Ten Years of Inclusive Business in the Philippines* (2022),

<https://www.inclusivebusiness.net/sites/default/files/2022-11/Ten%20Years%20of%20Inclusive%20Business%20in%20the%20Philippines.pdf>.

²⁵ iBAN, *Ten Years of Inclusive Business in the Philippines* (2022),

<https://www.inclusivebusiness.net/sites/default/files/2022-11/Ten%20Years%20of%20Inclusive%20Business%20in%20the%20Philippines.pdf>.

²⁶ Ibid, 6.

²⁷ Ibid, 9.

²⁸ Ibid, 29.

Information about the SE.A and the accreditation process is set out on the Malaysian Global Innovation & Creativity Centre (MaGIC) website. To be accredited as a social enterprise, the business must satisfy three main criteria:

1. Proactively create positive social or environmental impact
2. Contribute significant resources to a social or environmental mission
3. Be financially sustainable²⁹

The SE.A also offers three different levels within the accreditation framework.³⁰

- **Basic SE**
 - o Self-declared social enterprises
 - o After receiving Basic SE status, can then apply for full accreditation process
- **SE.A Status**
 - o Officially accredited as a social enterprise by MaGIC
 - o Grants eligibility to apply under Income Tax Act to provide tax deduction receipts to donors
- **SE.A Plus**
 - o Enables issuing of donation receipts to individual and corporate donors

The benefits of accreditation for SE.As are:

- Listing on a public directory of social enterprises
- Inclusion in the 'Buy-for-impact' campaign, which encourages public and private organisations to procure from SE.As
- Access to funding and support from the Ministry of Entrepreneur Development (MED) (not yet initiated)
- Access to networking events and opportunities with Malaysia's leading social enterprises³¹

The accreditation is free to apply for, and is valid for 3 years, after which the organisation will need to reapply.

2.1.5. South Korea

In 2007, the Government of South Korea enacted the Social Enterprise Promotion Act (SEPA), which created a framework for social enterprise certification in South Korea.³²

²⁹ Malaysian Global Innovation & Creativity Centre, "Social Enterprise Accreditation (SE.A) FAQs," <https://central.mymagic.my/sea/frontend/faq>.

³⁰ Ibid.

³¹ Ministry of Entrepreneur Development of Malaysia, "Social Enterprise Accreditation (SE.A) Guidelines," https://s3-ap-southeast-1.amazonaws.com/mymagic-misc/SEA_Guideline-en.pdf.

³² Social Enterprise Promotion Act, South Korea (2007) https://www.icnl.org/wp-content/uploads/South-Korea_socent.pdf.

Article 2.1 of the SEPA defines a social enterprise as “an organization that pursues a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities, such as the manufacture or sale of goods and services.”³³

In 2010, the Korea Social Enterprise Promotion Agency (KoSEA) was created under the Ministry of Employment and Labor. KoSEA assists social economy enterprises with commercialization, provides consulting and supports the development and operation of social economy networks. KoSEA also promotes other types of social economy enterprises such as cooperatives, community companies, and self-sufficiency companies.³⁴

KoSEA is responsible for the social enterprise certification evaluation system, of which there are seven main requirements:³⁵

1. **Type of organization:** Must be a legal organization such as a corporation, non-profit, non-governmental organization, etc.
2. **Employment of paid workers:** Must employ paid workers and conduct business activities.
3. **Social objectives:** Primary objective must be to realize social objectives, such as by providing vulnerable social groups with social services or job opportunities
4. **Decision-making structure involving interested parties:** Must have a decision-making structure that involves interested parties, such as beneficiaries and employees.
5. **Revenues generated through business activities:** Must generate at least 50% of labor expenses through business activities.
6. **Adoption of bylaws:** Must adopt articles of incorporation, bylaws, or similar regulations, as referred to in SEPA Article 9.
7. **Use of profits for social objectives:** Must use at least 2/3 of its profits towards realization of its social objectives.

As of December 2021, there were over 3,215 certified social enterprises in South Korea employing over 61,877 workers including 36,605 vulnerable persons.³⁶

³³ Social Enterprise Promotion Act, Article 2.1, South Korea (2007) https://www.icnl.org/wp-content/uploads/South-Korea_socent.pdf.

³⁴ “Korea Social Enterprise”, Korea Social Enterprise Promotion Agency, https://www.socialenterprise.or.kr/_engsocial/?m_cd=0102.

³⁵ “Social Enterprise Promotion Agency,” Korea Social Enterprise Promotion Agency, https://www.socialenterprise.or.kr/_engsocial/?m_cd=0202.

³⁶ Korea Social Enterprise Promotion Agency, *Korea Social Economy* (December 2021), <https://www.socialenterprise.or.kr/atchFileDownload.do?menuId=EN02&seqNo=249687&fileSeqNo=253433>.

2.2. Non-government-led accreditation systems

As noted above, the establishment of an IBAS under the Sri Lankan government's ISB Strategy is an example of a government-led accreditation system.

Valuable insights can, however, still be gained from examining non-government-led accreditation systems. This sub-chapter surveys a selection of the most prominent non-government-led accreditations related to business sustainability and inclusivity, and highlights key insights and lessons learned.

Although the Sri Lankan IBAS will likely focus on only inclusivity, this review also includes non-government-led certifications that address sustainability. This is due to there being few non-governmental-led certifications that focus solely on inclusivity, and that the general lessons from these certifications—regardless of their specific focus—still provide valuable insights for the design of the IBAS.

The following eight accreditations were reviewed: B Corp, ISO 14001, LEED, Fairtrade, SA 8000, Rainforest Alliance, Forest Stewardship Council, and Green Seal. These were selected for their status as leading global standards in business sustainability and inclusivity.

2.2.1. B Corp

Focus: Businesses' entire social and environmental impact across all stakeholders, not just shareholders.³⁷

Industry: All industries.

Accreditation process:

- **Impact On Various Stakeholders:** B Impact Tool measures company's impact on its workers, customers, community, and environment.
- **Broad Criteria:** Emphasizes high standards of performance, accountability, and transparency across wide variety of social and environmental criteria.
- **Scoring Tool:** Companies must score at least 80 out of 200 points on the B Impact Assessment Tool.

Other features:

- **Legal Accountability:** B Corps commit legally to consider the impact of their decisions on all stakeholders, not just shareholders. In many jurisdictions, this involves altering the company's corporate governance structure or articles of incorporation.

³⁷ "About B Lab", B Corp, <https://www.bcorporation.net/en-us/movement/about-b-lab/>.

- **Transparency:** Certified B Corps must publish a report that is publicly available on the B Corporation website. This report includes scores from the B Impact Assessment and other details about the company's social and environmental performance.
- **Currently paused in Sri Lanka:** Since October 2023, B Lab Global has temporarily paused support for new B Corps to certify in regions without Global or Country Partner representation, including Sri Lanka.³⁸

2.2.2. ISO 14001

Focus: Environmental management systems.³⁹

Industry: All industries.

Accreditation process:

- **Environmental Management System (EMS):** Organizations must develop and implement an EMS that complies with ISO 14001 standards.
- **Criteria:** The EMS must include policies, procedures, and practices that address areas such as resource usage, waste management, pollution prevention, and stakeholder engagement.
- **Audits:** Certification requires ongoing monitoring, including initial certification audits and regular surveillance audits.

Other features:

- **Continual Improvement:** ISO 14001 emphasizes ongoing improvement, requiring organizations to regularly review and update their EMS to enhance environmental performance.
- **Leadership Commitment:** Top management must demonstrate a commitment to the EMS and ensure that environmental policies are integrated into the organization's strategic planning.
- **Documentation and Monitoring:** Organizations must maintain comprehensive records of their environmental management activities and continuously monitor their environmental impact to ensure compliance and identify areas for improvement.

2.2.3. LEED (Leadership in Energy and Environmental Design)

Focus: Sustainable building practices.⁴⁰

³⁸ "Announcing a temporary pause in certification for companies operating outside of Global Partner regions", B Corp, <https://www.bcorporation.net/en-us/news/blog/temporary-changes-to-certification-support-2023/>.

³⁹ "ISO 14001:2015", ISO, <https://www.iso.org/standard/60857.html>.

⁴⁰ "LEED rating system", U.S. Green Building Council, <https://www.usgbc.org/leed>.

Industry: Construction and building operations.

Accreditation process:

- **Criteria:** Buildings are assessed on a wide range of criteria, including energy use, water efficiency, sustainable building materials, waste management, indoor environmental quality, and regional environmental priorities.
- **Tailored criteria:** Some criteria specifically suited for different types of building projects such as building design, interior design, and building operations and maintenance.
- **Certification Levels:** Projects earn points across these criteria and are awarded one of four certification levels based on the total points: Certified, Silver, Gold, or Platinum.

Other features:

- **Comprehensive Framework:** LEED provides a comprehensive framework for designing, constructing, and operating green buildings that are environmentally responsible and resource-efficient.
- **Documentation and Verification:** Requires detailed documentation and verification to ensure compliance with LEED standards, including third-party validation of performance claims.

2.2.4. Fairtrade

Focus: Fair prices, decent working conditions, and sustainable practices for farmers and workers in developing countries.⁴¹

Industry: Agriculture and trade.

Accreditation process:

- **Standards:** Economic, social, and environmental standards that include fair wages, safe working conditions, sustainable farming practices, and environmental protection.
- **Audits:** Regular, independent audits and monitoring are conducted to maintain certification and ensure ongoing compliance.
- **Fairtrade Mark:** Certified products are allowed to carry the Fairtrade Mark.

Other features:

- **Consumer Trust:** The Fairtrade Mark is widely recognized and trusted by consumers, signalling that products are ethically sourced and produced under fair conditions.

⁴¹ “Get Certified”, Fairtrade International, <https://www.fairtrade.net/act/get-certified>.

2.2.5. SA8000

Focus: Workers' rights and working conditions.⁴²

Industry: All industries.

Accreditation process:

- **Standards:** Based on internationally recognized standards, including the Universal Declaration of Human Rights, International Labour Organization (ILO) conventions, and national laws.
- **Criteria:** Includes criteria such as child labour, forced or compulsory labour, health and safety, freedom of association, discrimination, disciplinary practices, working hours, remuneration, and management systems.
- **Audits:** Certification involves ongoing auditing processes, including initial certification audits, surveillance audits, and recertification audits.

Other features:

- **Management Systems:** Organizations must establish robust management systems including policies, procedures, and regular reviews.
- **Continual Improvement:** Organizations required to regularly assess and improve their practices.
- **Worker Participation:** Encourages involvement of workers in implementation and monitoring.
- **Transparency and Accountability:** Organizations must maintain detailed records and documentation of their social performance and make them available for audits and stakeholder review.

2.2.6. Rainforest Alliance

Focus: Sustainable business practices.⁴³

Industry: Agriculture, forestry, and tourism.

Accreditation process:

- **Criteria:** Includes biodiversity conservation, sustainable land use, fair labour practices, and climate resilience.
- **Tailored criteria for specific industries:** Different criteria within framework for certifications for sustainable agriculture, forestry management, or sustainable tourism.

⁴² "SA8000 Standard", SAI (Social Accountability International), <https://sa-intl.org/programs/sa8000/>.

⁴³ "2020 Certification Program", Rainforest Alliance, <https://www.rainforest-alliance.org/for-business/2020-certification-program/>.

- **Audits:** Independent audits and continuous monitoring ensure compliance with Rainforest Alliance standards, including regular recertification audits to maintain the certification.

Other features:

- **Sustainable Agriculture:** Promotes sustainable farming practices that conserve biodiversity, improve soil and water management, and ensure fair labour conditions.
- **Forestry Management:** Encourages responsible forest management practices that protect ecosystems, support local and indigenous communities, and promote economic viability.
- **Tourism:** Supports sustainable tourism practices that minimize environmental impact, support local economies, and preserve cultural heritage.
- **Market Access:** The Rainforest Alliance Certified seal is recognized globally, helping certified products and services gain access to markets and providing consumers with assurance of sustainability.

2.2.7. Forest Stewardship Council

Focus: Responsible management of the world's forests.⁴⁴

Industry: Forestry and forest product industries.

Accreditation process:

- **Criteria:** Cover environmental, social, and economic aspects of forest management including compliance with laws, recognition of land rights, protection of workers' rights and welfare, environmental impact management, sustainable harvesting practices, and maintaining high conservation value forests.
- **Different certification types:** Chain-of-custody certification, project certification, forest management certification.
- **Audits:** involves a detailed evaluation process, including pre-assessments, main audits, surveillance audits, and recertification every five years.

2.2.8. Green Seal

Focus: Environmentally responsible products and services.⁴⁵

Industry: Various industries, but only for products and services, not for companies.

⁴⁴ "Help us ensure forests are forever", Forest Stewardship Council, <https://fsc.org/en/find-the-right-certification-or-licence>.

⁴⁵ "Meet The Highest Standard", Green Seal, <https://greenseal.org/>.

Accreditation process:

- **Criteria:** Environmental and health standards specific to each product or service category such as toxicity, biodegradability, energy efficiency, water use, and resource conservation.
- **Audits:** The certification process includes comprehensive assessments, product testing, and periodic monitoring to ensure ongoing compliance.

Other features:

- **Consultation process:** Standards are developed with input from environmental scientists and stakeholders, followed by public comment periods to ensure transparency and consensus.
- **Continuous Improvement:** Certified products and services are subject to continuous review and improvement to meet evolving environmental and health standards.
- **Pass/Fail System:** Green Seal employs a straightforward pass/fail certification system, where all criteria must be met for certification.

3. Analysis and recommendations

This chapter analyses features and insights from the accreditation systems reviewed above, offering seven key recommendations for the design and implementation of a Sri Lankan IBAS.

3.1. Assign responsibility to a lead government agency

The experience of other government-led accreditations shows that it is essential to designate a lead government agency with overall responsibility for IBAS implementation.

Assigning this responsibility creates accountability by establishing clear lines of responsibility and oversight. This centralized accountability ensures that there is a specific entity that can be held responsible for the successes and challenges of the initiative. It allows for consistent monitoring and reporting on progress, and means the single agency can develop specialized expertise in inclusive business, leading to more effective and sustained promotion of inclusive business practices. This approach not only enhances the credibility of the IBAS but also builds trust among stakeholders, knowing that there is a committed and accountable body overseeing the process.

Having a lead government agency responsible for IB also streamlines efforts, enhances coordination, and ensures the alignment of policies and initiatives across the whole of government. IB promotion will involve various stakeholders, including government agencies, businesses, and civil society, so a lead government agency is necessary to coordinate these actors. As observed in the Philippines, the absence of a dedicated lead agency can result in fragmented efforts and reduced efficacy in promoting IBs.

It should be noted that assigning a lead government agency responsible for IBAS implementation does not exclude non-government actors from being involved. For example, there are potential advantages to allowing private certification companies (such as Bureau Veritas, SGS, Intertek, etc.) to certify IBs under the IBAS. These companies' specialized expertise and operational efficiency can enhance the overall effectiveness of the IBAS while still ensuring the government retains control over the IBAS's design and operation. Similarly, a Participatory Guarantee System (PGS) could also benefit the IBAS. A PGS relies on volunteers to establish standards, conduct inspections, and ensure compliance, making certification more accessible and cost-effective for MSMEs. This model is already successfully employed in Sri Lanka by Good Market for its organic certification,⁴⁶ showing that such a community-driven approach is a practical option that still allows the government to maintain oversight and authority over the IBAS.

⁴⁶ Good Market, "Organic Participatory Guarantee System," <https://www.goodmarket.global/organicpgs>.

3.2. Seek lessons learned from other governments

It is crucial that Government of Sri Lanka learn from the experiences of other countries that have successfully developed similar IBASs. Leveraging the insights and best practices from these countries can help avoid common pitfalls and ensure efficient and effective implementation in Sri Lanka.

The lead government agency should create a comprehensive reference list of relevant materials, including documents, case studies, and reports from countries with established IBAS frameworks. This resource will enable this agency to draw on a wealth of knowledge and adapt relevant strategies to the Sri Lankan context. The materials included in the annex of this document can be used as a starting point for this reference list. For example, ESCAP's IBAS manual is a particularly useful document that collates the learnings and experiences of IBAS implementation from various countries.⁴⁷

In addition to studying these models, the responsible government agency should establish dialogues with counterparts in other countries with IBASs like Cambodia, the Philippines, and Vietnam. Regular information-sharing, workshops, and exchange programs can facilitate the transfer of knowledge and help Sri Lanka learn from the significant progress these countries have made in IB promotion.

3.3. Adopt a simple and flexible approach

To ensure effective ongoing implementation, the IBAS should adopt a simple and flexible framework that can be improved and refined based on future feedback and experience. This approach creates a strong foundation during the IBAS's initial years, ensuring it remains resilient and sustainable for long-term application.

A 'simple' approach could involve designing the accreditation based on existing IBASs in countries like Cambodia, the Philippines, and Vietnam. This avoids the complexity of creating a new system from scratch and allows the designers of the IBAS to incorporate the experiences and best practices of these countries.

Adopting an 'flexible' approach is also crucial as it allows for continuous improvement of the IBAS. For example, running an initial pilot of the IBAS has two advantages as it 1) helps develop knowledge and capacity within the responsible government agency, and 2) allows the responsible agency to make important improvements and fixes based on feedback and experience before the official IBAS is implemented.

Following the pilot, the IBAS should remain adaptable and responsive to feedback, allowing for continuous refinement and enhancement over time. The IB legal framework should be designed with this in mind, granting the responsible government agency the authority to modify the IBAS as

⁴⁷ ESCAP, *Inclusive Business Accreditation System: A Manual* (May 2024), <https://www.unescap.org/kp/2024/inclusive-business-accreditation-system-manual>.

needed. However, the legal framework should also include appropriate oversight, checks, and balances to maintain the integrity and credibility of the IBAS.

3.4. Ensure accreditation is valid, credible, and respected

To be effective, a Sri Lankan IBAS must be valid, credible, and respected. One significant risk is that the certification could be seen as non-credible—similar to 'greenwashing' accusations often levelled at sustainability certifications⁴⁸—if businesses receive accreditation without making genuine efforts or creating actual impact. This perception could damage the image of IB accreditation in the eyes of both businesses and consumers, ultimately undermining the effectiveness of the IBAS. There are several strategies that can address this risk:

Set rigorous but achievable standards

Standards set by the IBAS should be rigorous enough that not every applicant business can immediately satisfy them, while also supporting businesses in aspiring to meet these standards over time. While some applications for IB accreditation may not succeed initially, this ensures the certification remains meaningful and rigorous, rather than a mere tick-box exercise. Including a feedback mechanism within the IBAS to provide guidance on areas needing improvement can help businesses become eligible for accreditation in the future.

Focus initially on established IBs

Another strategy to build credibility is to initially focus on accrediting only a small number of well-established Sri Lankan IBs. Leveraging the positive reputations of these businesses can strengthen the credibility and attractiveness of IB accreditation within the business community. This approach also protects the IBAS's reputation by minimizing the risk of mistakenly accrediting non-IBs (businesses that do not meet the required criteria) during the early stages of implementation.

Adopt multi-stage accreditation process

Adopting a multi-stage accreditation process, as utilized in Cambodia's IBAS, can also enhance the credibility of the Sri Lankan IBAS. This approach involves an initial independent assessment followed by a formal review conducted by a multi-agency team. The added layers of oversight and checks ensure that only businesses genuinely meeting the criteria are certified, thereby bolstering the certification's overall credibility and reliability.

Delay financial benefits for IBs

To further mitigate the risk of non-IBs applying for accreditation in bad faith, financial benefits, such as tax concessions, could be delayed during the early implementation period until the IBAS

⁴⁸ For example, see Changing Markets Foundation, "Licence to Greenwash: How Certification Schemes and Voluntary Initiatives Are Fuelling Fossil Fashion," March 2022, <https://changingmarkets.org/report/licence-to-greenwash-how-certification-schemes-and-voluntary-initiatives-are-fuelling-fossil-fashion/>.

is properly established. New government programs typically go through an initial ‘implementation dip’,⁴⁹ a period where capacity and understanding among stakeholders are developed, operational issues are addressed, and processes are optimized. The Sri Lankan IBAS will similarly need time to refine its procedures and structure to ensure that accreditations are awarded accurately and reliably. During this formative phase, it is crucial to encourage applications only from genuine IBs that are motivated by non-financial incentives like official recognition as an inclusive business.

Implement tiered accreditation system

A tiered accreditation system, similar to Malaysia's SE.A system, could also be adopted. This approach allows businesses to progressively achieve full accreditation, starting at a basic level and advancing through higher stages (in the SE.A system from Basic SE to SE.A Status, to SE.A Plus). In the Sri Lankan IBAS, financial benefits could be reserved only for IBs that achieve the highest accreditation level. By requiring all applicants to start at the basic level and progress gradually, this phased approach encourages businesses with a long-term commitment to inclusivity. The multiple review stages also ensure that businesses receiving significant benefits are thoroughly vetted, enhancing the credibility of the IBAS and ensuring that only genuine inclusive businesses are rewarded.

Include ongoing monitoring and audits

The framework must also address the risk of bad publicity from certified IBs failing to meet expected standards, which could damage the overall reputation and value of the IB accreditation. To mitigate this risk, the IBAS should include a process for investigating and potentially revoking the accreditation of any business that fails to maintain the required standards after a thorough review. This process could mirror those used in non-government-led accreditations, where ongoing monitoring, follow-up audits, and regular recertification (e.g., every three years) are employed to ensure continuous compliance.

3.5. Measure systems, policies, and procedures in addition to actual impact

Some of the non-government-led accreditations reviewed in this document focus on systems for managing impact in addition to directly measuring impact.

For example:

- **ISO 14001** focuses heavily on an organization having an effective environmental management system (EMS) in place, and provides a framework for developing and

⁴⁹ Fullan defines the ‘implementation dip’ as “...a dip in performance and confidence as one encounters an innovation that requires new skills and new understandings.” See *Leading in a Culture of Change*, Michael Fullan (San Francisco: Jossey-Bass, 2001), 40.

implementing an EMS that includes policies, procedures, and monitoring systems to manage environmental impact.⁵⁰

- **B Corp** certification does include some direct measurement of impact, but also requires companies to make a legal commitment by changing their corporate governance structure to be accountable to all stakeholders, and to make information about their performance publicly available on B Corp's website.⁵¹
- **Rainforest Alliance**⁵² and **Forest Stewardship Council**⁵³ both include a focus on environmental management systems and practices in their certification criteria.

This approach could be for several reasons, such as:

- **Difficulty in accurately measuring direct impact:** One reason for prioritizing the evaluation of management systems over direct impact measurement is the difficulty in accurately assessing impact across multiple criteria. For example, an environmental certification might consider criteria for energy consumption, pollution, biodiversity, product lifecycle, etc. Combining these measurements into a single meaningful score can be difficult. Firstly, each additional measurement adds more error into the combined score, reducing its reliability. Additionally, assigning proportional weight to each criterion requires subjective judgments about their relative importance, introducing potential bias and reducing objectivity. In contrast, it is more straightforward to reliably and consistently evaluate businesses based on their implementation of management systems, policies, and procedures.
- **Addressing long-term, structural challenges:** Management systems help organizations deal with complex social and environmental challenges by giving them the right tools and processes to assess, plan, and manage their impact over time. This approach embeds sustainable practices into the everyday operations of organizations, ensuring these good practices last and get better over time. Also, by focusing on management systems, certifications can be flexible and applied across different industries.

Developers of an IBAS in Sri Lanka should recognize the challenges and complexities associated with accurately measuring the direct social impact of a business. Incorporating criteria that focus on management systems, procedures, and practices can help address these challenges. However, it's important to recognize that focusing on these types of criteria has its own challenges, such as ensuring the effectiveness of these systems in achieving meaningful outcomes. Insights from leading non-government-led accreditations suggest that a balanced approach, combining both direct impact measurements and management system evaluations, can enhance the overall practicality and reliability of the certification process.

⁵⁰ "ISO 14001:2015", ISO, <https://www.iso.org/standard/60857.html>.

⁵¹ "About B Corp Certification", B Corp, <https://www.bcorporation.net/en-us/certification/>.

⁵² "Rainforest Alliance Certification and Beyond: Useful Tools for Company Due Diligence", Rainforest Alliance, <https://www.rainforest-alliance.org/business/the-rainforest-alliance-certification-program-a-useful-tool-for-due-diligence/>.

⁵³ "How the FSC system works", Forest Stewardship Council, <https://fsc.org/en/how-the-fsc-system-works>.

3.6. Develop tailored criteria for industry/company size

Some non-government-led accreditations provide tailored criteria for different sectors, such as construction, agriculture, and forestry. Other accreditations adjust their certification processes depending on company size, such as B Corp which classifies businesses into 7 different sizes ranging from sole proprietors to XX Large (10,000 employees or USD1.5 billion revenue). These customizations ensure that the standards are relevant and effective across various industries and company sizes.

Consultation and public feedback on the development of the IBAS should consider whether any customizations to the certification process should be added. The consultation process should therefore ensure that a wide variety of industries and business sizes are involved. Consultation and feedback on customization of criteria should also be requested at the pilot stage of the IBAS, and opportunities for continuous review and adaptation of the certification process should be embedded into the IBAS framework.

For example, a Sri Lankan IBAS could be designed to accommodate Micro, Small, and Medium Enterprises (MSMEs), recognizing their potential for innovation and social impact. While larger companies often have more resources, smaller businesses can be more agile and innovative in their approach to inclusive business models. Varying targets and scoring systems could be used to ensure that MSMEs are not disadvantaged due to their size. This should be balanced, however, against making sure that inclusive businesses are commercially viable, an important consideration that is discussed in ESCAP's IBAS Manual.⁵⁴ The manual includes suggested criteria to measure commercial viability such as company revenue (net revenue in local currency), profitability (gross profit in per cent of net revenue), and bankability (ability to access finance). If the IBAS is intended to include smaller businesses, then criteria such as profitability (which is indifferent to company size) could be given more weight than criteria like net revenue or bankability (which inherently favour larger companies).

3.7. Consider specific adaptations to the Sri Lankan context

To ensure the successful implementation of the IBAS, it is essential to tailor the framework to Sri Lanka's unique context. Specific adaptations should be considered by the IBAS steering committee to ensure the certification framework aligns with the socio-economic realities of the country, taking into account national priorities, institutional features, and regulatory frameworks.

Reporting in multiple languages

ESCAP's manual for setting up an IBAS notes that:

“Businesses can demonstrate their efforts in being transparent by publishing a social impact report or dedicating a section in their annual report to social impact. The working

⁵⁴ ESCAP, *Inclusive Business Accreditation System: A Manual* (May 2024), <https://www.unescap.org/kp/2024/inclusive-business-accreditation-system-manual>.

group responsible for establishing the accreditation system can decide whether it is sufficient for the reports to be published in one language or two (the local language[s] or English) for the business to be awarded full points. The decision will depend on the national context and the indicators being used.”⁵⁵

In the Sri Lanka context this means that reports should be published in Sri Lanka’s official languages (Sinhala and Tamil) as well as its link language (English) for maximum points. Publishing in all three languages ensures inclusivity and accessibility for all stakeholders in Sri Lanka. This multilingual approach not only promotes transparency but also fosters social cohesion by breaking down language barriers across the country.

Promoting economic inclusion across various regions in Sri Lanka

A Sri Lankan IBAS can also support economic inclusion across geography by incorporating criteria that promote IBs in the country’s diverse regional areas. The IBAS should adopt a holistic approach that considers the unique challenges and opportunities present in various regions of Sri Lanka. This includes setting specific criteria that encourage businesses to operate in underserved areas, thereby spreading economic benefits more evenly across the country.

For example, businesses in the North and East could be recognized for their role in post-conflict economic recovery, those in the up-country regions can be acknowledged for enhancing the livelihoods of plantation workers and their families, or enterprises in poorer rural areas, such as Monaragala, could be highlighted for driving economic upliftment for small-scale farmers.

Integrating these regional considerations into the IBAS criteria ensures that the accreditation system not only promotes inclusive business practices and growth but also contributes to the country's broader reconciliation and social cohesion goals.

⁵⁵ ESCAP, *Inclusive Business Accreditation System: A Manual* (May 2024), <https://www.unescap.org/kp/2024/inclusive-business-accreditation-system-manual>, 14.

Conclusion

Establishing an IBAS in Sri Lanka is a significant opportunity to drive economic inclusion by supporting businesses that provide goods, services, or livelihoods to those at the base of the economic pyramid. This report, drawing on a review of various government-led and non-government-led accreditation systems, offers seven key recommendations for the creation of a Sri Lankan IBAS.

Firstly, it is essential that a lead government agency is assigned responsibility to oversee IBAS implementation, as this ensures centralized accountability and effective coordination across various stakeholders. The responsible government agency should also establish dialogues with and draw on the experiences of other countries with existing IBAS frameworks to avoid common pitfalls and ensure efficient implementation.

In designing the IBAS, it is recommended that simplicity and flexibility are prioritized, allowing the system to evolve based on feedback and practical experience gained during the early stages of implementation. Safeguarding the IBAS's credibility is also of utmost importance, and this can be achieved through a variety of measures including setting rigorous but achievable standards, initially focusing accreditation on only established IBs, and using a tiered accreditation system. In addition, it is recommended that the IBAS address challenges in accurately measuring direct social impact by also including criteria for management systems, policies, and procedures.

Finally, designers should consider including customizations to the IBAS where necessary. Tailored accreditation criteria should be considered for different industries and company sizes, ensuring relevance for various sectors and accessibility for MSMEs. The IBAS should also align itself with national social cohesion and reconciliation goals by promoting multilingual reporting and economic inclusion for marginalized communities across Sri Lanka.

By implementing these recommendations, the Government of Sri Lanka can establish a robust and effective IBAS that harnesses the transformative potential of inclusive businesses to uplift individuals and communities across the nation.

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ANNEX: USEFUL LINKS FOR BUSINESSES & POLICYMAKERS

General information on inclusive businesses and policy frameworks

Document/webpage title (year)	Author	Link
<i>G20 Inclusive Business Framework</i> (2016)	G20 Development Working Group	https://www.undp.org/policy-centre/istanbul/publications/g20-inclusive-business-framework
<i>ASEAN Inclusive Business Framework</i> (2017)	ASEAN	https://asean.org/wp-content/uploads/2021/09/ASEAN-Inclusive-Business-Framework.pdf
<i>Guidelines for the Promotion of Inclusive Business in ASEAN</i> (2020)	ASEAN Secretariat	https://asean.org/wp-content/uploads/2021/09/6.-ASEAN-IB-Promotion-Guidelines-Endorsed-at-the-52nd-AEM.pdf
<i>Inclusive Business Guide</i> (2023)	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	https://endeva.org/wp-content/uploads/2023/05/inclusive-business-guide-inclusive-business-for-private-sector-development-part-1-1.pdf
<i>Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka</i> (ISB Strategy) (2024)	Government of Sri Lanka	https://sdc.gov.lk/sites/default/files/2024-02/ISB%20Strategy.pdf
<i>Inclusive Business Accreditation System: A Manual</i> (2024)	ESCAP	https://www.unescap.org/kp/2024/inclusive-business-accreditation-system-manual

Information on government-led accreditation systems

Country	Document/webpage title (year)	Author	Link
Cambodia	Government webpage for Inclusive Business	Ministry of Industry, Science, Technology & Innovation of Cambodia	https://misti.gov.kh/page/index?param=home.html
	<i>Landscape study of Inclusive Business in Cambodia</i> (2021)	ESCAP	https://www.unescap.org/kp/2021/landscape-study-inclusive-business-cambodia
Vietnam	<i>Landscape study of Inclusive Business in Viet Nam</i> (2021)	ESCAP	https://www.unescap.org/kp/2021/landscape-study-inclusive-business-viet-nam
	Viet Nam Inclusive Business Accreditation System: Presentation (2023)	ESCAP	https://www.unescap.org/sites/default/d8files/event-documents/IB%20Gov%20Buss%20Dialogue%20VN%20Programme%20230510%20v0.1%20IB%20%283%29.pdf
The Philippines	Government webpage for Inclusive Business	Philippines Board of Investments	https://boi.gov.ph/inclusivebusiness/
	<i>Ten Years of Inclusive Business in the Philippines</i> (2022)	iBAN	https://www.inclusivebusiness.net/sites/default/files/2022-11/Ten%20Years%20of%20Inclusive%20Business%20in%20the%20Philippines.pdf
Malaysia	<i>Landscape study of Inclusive Business in Malaysia</i> (2022)	ESCAP	https://www.unescap.org/kp/2022/landscape-study-inclusive-business-malaysia
	<i>Malaysia Social Entrepreneurship Blueprint 2030</i> (2022)	Ministry of Entrepreneur Development and Cooperatives	https://www.kuskop.gov.my/admin/files/med/image/porta/PDF/SEMy2030/SEMy2030_Booklet_ENG.pdf
	Social Enterprise Accreditation (SE.A) Guidelines	Ministry of Entrepreneur Development	https://s3-ap-southeast-1.amazonaws.com/mymagic-misc/SEA_Guideline-en.pdf
South Korea	Government webpage for Social Enterprise	Korea Social Enterprise Promotion Agency	https://www.socialenterprise.or.kr/_engsocial/?m_cd=0102
	Korea Social Economy (2021)	Korea Social Enterprise Promotion Agency	https://www.socialenterprise.or.kr/attachFileDownload.do?menuId=EN02&seqNo=249687&fileSeqNo=253433
	Social Enterprise Promotion Act	Government of South Korea	https://www.icnl.org/wp-content/uploads/South-Korea_socent.pdf

Information on non-government-led accreditation systems

Accreditation	Link
B Corp	https://www.bcorporation.net/en-us/
ISO 14001	https://www.iso.org/standard/60857.html
LEED	https://www.usgbc.org/leed
Fairtrade	https://www.fairtrade.net/
SA8000	https://sa-intl.org/programs/sa8000/
Rainforest Alliance	https://www.rainforest-alliance.org/
Forest Stewardship Council	https://fsc.org/en
Green Seal	https://greenseal.org/

