



MSMEs: Drivers of Green and Inclusive Economies in Thailand

Policy Landscape Paper | Thailand, 2020
SEED Practitioner Labs Policy Prototyping



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Imprint

Publisher: SEED
c/o adelphi research gGmbH
Alt Moabit 91, 10559 Berlin, Germany
www.seed.uno | info@seed.uno

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Suggested citation: SEED (2020). MSMEs: Drivers of Green and Inclusive Economies in Thailand. Policy Landscape Paper. Berlin, Germany.

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LIST OF ABBREVIATIONS

AIBF	ASEAN Inclusive Business Framework
ASEAN	Association of Southeast Asian Nations
ASEF	Asia-Europe Environment Forum
BAU	Business As Usual
BDS	Business Development Services
BOP	Base of the Pyramid
CAP-SEA	Collaborative Action on Prevention of single-use plastic in SouthEast Asia Initiative
CSD	National Committee on Sustainable Development
CSR	Corporate Social Responsibility
DEPA	Digital Economy Promotion Agency (Thailand)
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
INDC	Intended Nationally Determined Contributions
MSME	Micro, Small and Medium Enterprise
NDC	Nationally Determined Contribution
OSMEP	Office of Small and Medium Enterprise Promotion
PLPP	Practitioner Labs Policy Prototyping
RBF	Responsible Business Forum
SAPSMED	ASEAN Strategic Action Plan for SME Development
SDG	Sustainable Development Goals
SE	Social Enterprise
SEI	Stockholm Environment Institute
SMAE	Small and Medium Agro-Enterprise
SMCE	Small and Micro Community Enterprise
TSEO	Thailand Social Enterprise Office

EXECUTIVE SUMMARY

The Thai community is firmly focused on implementing the 2030 Agenda for Sustainable Development. As a leader in the region, Thailand's policy frameworks are well aligned with regional and international frameworks such as ASEAN complimentary initiatives, UN Sustainable Development Goals (SDGs) or Paris Agreement. In 2017, the Thai cabinet endorsed its Nationally Determined Contributions Roadmap (2021-2030) to deliver on climate change adaptation and mitigation efforts. The 20-Year National Strategy (BE 2561-2580) launched in 2018 intends to realise the vision of Thailand as a developed country that is secure, prosper and sustainable in accordance with the principle of 'Sufficiency Economy Philosophy'. Similarly, Thailand 4.0 is a long-term vision to transition the country into an innovation-based economy, with a focus on technology, creativity and services.

Operating under these ambitious policies and frameworks are micro, small and medium enterprises (MSMEs) involved in direct implementation of these goals and visions, delivering direct impact to local communities. Many of Thailand's government policies focus on greening big industries and supply chains. Nevertheless, for Thailand to achieve its ambitious green economy goals, MSMEs must be included in the transition.

MSMEs contribute 43% to Thailand's overall GDP¹ and play a significant role in accelerating green inclusive growth. They also contribute between 40%-80% of the value in the manufacturing, trade and service sectors. According to 2018 records, more than 86% of the nationwide hiring total comes from MSMEs. In addition to these characteristics, MSMEs that are small and agile also ideally position them to adapt quicker than big industry players to accelerate green and inclusive growth. However, as SEED and several stakeholders have identified, eco-inclusive MSMEs still face unique barriers such as access to market, funding, and technology, or are still left in the dark unaware of resources available to support them, to name a few².

SEED Thailand promotes and supports MSMEs who practice socially inclusive, environmentally beneficial and economically viable business models. SEED's Policy Lab brings together key stakeholders in the ecosystem - policy makers, change-makers, enterprise support organisations, and eco-inclusive MSMEs from the private sector to co-create solution prototypes to address these identified challenges. This ensures a co-creation process that is inclusive of the target beneficiaries - the eco-inclusive MSMEs and local community.

This policy landscape paper provides a brief overview of the social and environmental impact entrepreneurial ecosystem in Thailand. It serves as the background for the Practitioner Labs for Policy Prototyping hosted by **SEED** with **UNDP Thailand** as strategic partner. Three key thematic areas for the Policy Labs are identified, following SEED's research and consultation with key stakeholders and partners in Thailand: 1) Enhancing and Scaling MSMEs' Capacities to Reduce Single-use Plastics; 2) Improving Data Management of SMAEs Network for Smart Food Supply Chains; and 3) Supporting MSMEs in the Creation of a Circular Economy.

¹ OSMEP 2019 "SMEs White Paper 2019". Retrieved from https://www.sme.go.th/upload/mod_download/download-20190919092631.pdf

² Barriers faced by MSMEs identified by SEED through interviews with eco-inclusive MSMEs themselves, as well as from challenge hosts



CHAPTER 1

Background

1

1. BACKGROUND

Under the Paris Agreement, governments across the world have pledged their commitment to building green and inclusive economies. Thailand’s pledges at the 2015 Paris Climate Conference (COP21) are incorporated into various national strategies, for instance, within the National Development Action Plans where the government has committed to reducing 20% of its greenhouse gas emissions by 2030.

In 2011, the United Nations Environment Program (UNEP) defined the green economy as “one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities”.³ In other words, a green economy is an environmentally friendly economy, integrates social inclusion and socially

responsible practices and promotes sustainability. Thai Micro Small and Medium Enterprises (MSMEs) contribute 43% to Thailand’s GDP⁴ and have proven to accelerate green inclusive growth. While the majority of Thailand’s government policies focus on greening big industries and supply chains, MSMEs are worth highlighting as actors that solve social and environmental problems and drivers of green and inclusive industry.

Office of Small and Medium Enterprises Promotion (OSMEP) adjusted the definition of Thai SMEs that was approved by the Cabinet on 7 January 2020. The new definition considers the number of employment and annual incomes rather than capital size as before. The details in Table 1.

Table 1: SME Definition by Employment and Annual Income

SECTOR	SMALL				MEDIUM	
	Micro		Small		Medium	
	Employment	Annual Income	Employment	Annual Income	Employment	Annual Income
Manufacturing	Up to 5	<1.8m	Up to 50	<100m	Up to 200	<500m
Trade & Services	Up to 5	<1.8m	Up to 50	<50m	Up to 200	<300m

1.1 Scope of the Input Paper

At SEED, we coined the term ‘eco-inclusive enterprises’ for this group of MSMEs. These enterprises employ between 5 and 200 people and use market-based mechanisms to drive positive change with their staff, customers and beneficiaries and work towards green and inclusive growth. MSMEs operate at community level, often including marginalised peoples in the value chain - thereby strengthening local economies with innovative solutions. SEED’s definition of eco-inclusive enterprise does not focus on legal status but rather on their inclusive, environmentally objectives and economically viable business model. The profit-making motives of an eco-inclusive enterprise thus go hand in hand with scalable and systemic contributions to social and environmental impact.

This policy landscape paper provides a brief overview of the entrepreneurial ecosystem in Thailand, specifically focusing on aspects relevant to social and eco-inclusive enterprises. It also provides the background for the SEED Practitioner Labs for Policy Prototyping. Three key thematic areas are the focus of the Policy Labs:

1. Enhancing and Scaling MSMEs’ Capacities to Reduce Single-use Plastics
2. Improving Data Management of SMAEs Network for Smart Food Supply Chains
3. Supporting MSMEs in the Creation of a Circular Economy

³ Board of Investment Thailand 2018 “Thailand Investment Review” Vol. 28, No. 5. Retrieved from https://www.boi.go.th/upload/content/TIR_Newsletter_August_5b9f4b8655ef0.pdf

⁴ OSMEP 2019 “SMEs White Paper 2019”. Retrieved from https://www.sme.go.th/upload/mod_download/download-20190919092631.pdf

1.2 Transformative Roles of MSMEs in the Thai Economy

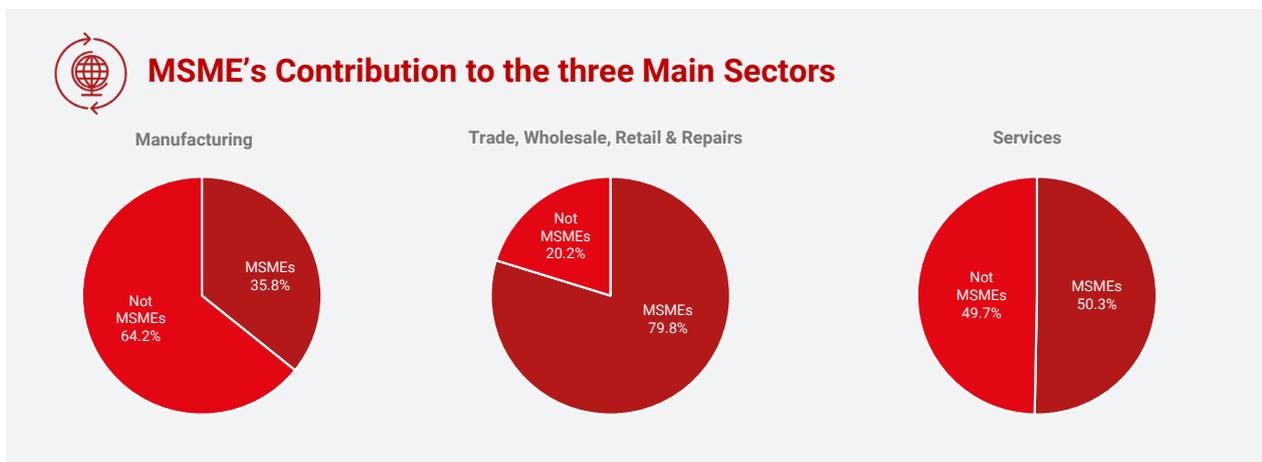
Sectoral

The **Office of SME Promotion (OSMEP)** reports 3.1 million Thai MSMEs in its 2019 database of which 85% or 2.6 million are micro enterprises.⁵ In 2018, MSMEs contributed seven trillion Baht or 43% of the country's total GDP⁶. Its sector distribution reflects the sector distribution of the national economy where the largest shares belong to the manufacturing, trade and the services sectors. In the **manufacturing sector**, MSMEs account for 35.8% of the sector's production value with food and beverage topping the category share. MSMEs create 79.8 % of value in the **trade sector** that includes wholesale, retail and repairs. In

the **service sector**, MSMEs contribute 50.3% of the sector total value.

Thailand knows a very particular form of MSMEs called a Small and Micro Community Enterprise (SMCE) registered under the **Department of Agriculture Extension, Ministry of Agriculture and Cooperatives**. As of June 2020, the department reported 125,613 SMCEs in Thailand. 71,796 or 58% of which are in agriculture, livestock, aquaculture and fisheries including in processed food production. Most of these enterprises are in rural areas. North-Eastern Thailand is the home of most SMCEs, accounting for 54% of the total registered SCMEs, followed by the north and the south. Only 305 SMCEs are in Bangkok.⁷

Figure 1: MSME's Contribution to the three Main Sectors



Employment

MSMEs – micro & small, and medium enterprises – are spread throughout sectors and across the country, absorbing labour across industries and regions. In 2018, the MSME sector generated 13,950, 241 jobs, or 86% of the nationwide hiring total. Small (and micro) enterprises employed the greatest share of labour among all other enterprises at 78% of the overall employment market.⁸ MSMEs thus have a direct and large impact on the country's employment and household income. These enterprises have a key role in economic inclusivity and contribute to the country's development, especially that of rural areas.

Impact Entrepreneurship

Beyond economic aspects, the Thai government also recognises the importance of MSMEs in social development and green growth. This is concretised in the enactment of the **Social Enterprise Promotion Act 2019** that aims at supporting the development of MSMEs whose main objective is to promote employment of marginalised and vulnerable groups, solve community problems or develop community, society or environment. The Act also supports enterprises that work on common interests or return other benefits to society.⁹

As of March 2020, there are 130 enterprises registered under the new Act.¹⁰ However, according to records from 2015 from the former **Thailand Social Enterprise Office (TSEO)** database, up to 371 organisations can

⁵ OSMEP "SME Big Data Dashboard". Retrieved 31.07.2020 from <https://sme.go.th/th/page.php?modulekey=348>

⁶ OSMEP, 2019 "SMEs White Paper 2019". Retrieved from https://www.sme.go.th/upload/mod_download/download-20190919092631.pdf

⁷ Department of Agricultural Extension "Community Enterprise Information System". Retrieved from http://smce.doe.go.th/smce1/report/select_report_smce.php?report_id=17

⁸ OSMEP, 2019 "SMEs White Paper 2019". Retrieved from https://www.sme.go.th/upload/mod_download/download-20190919092631.pdf

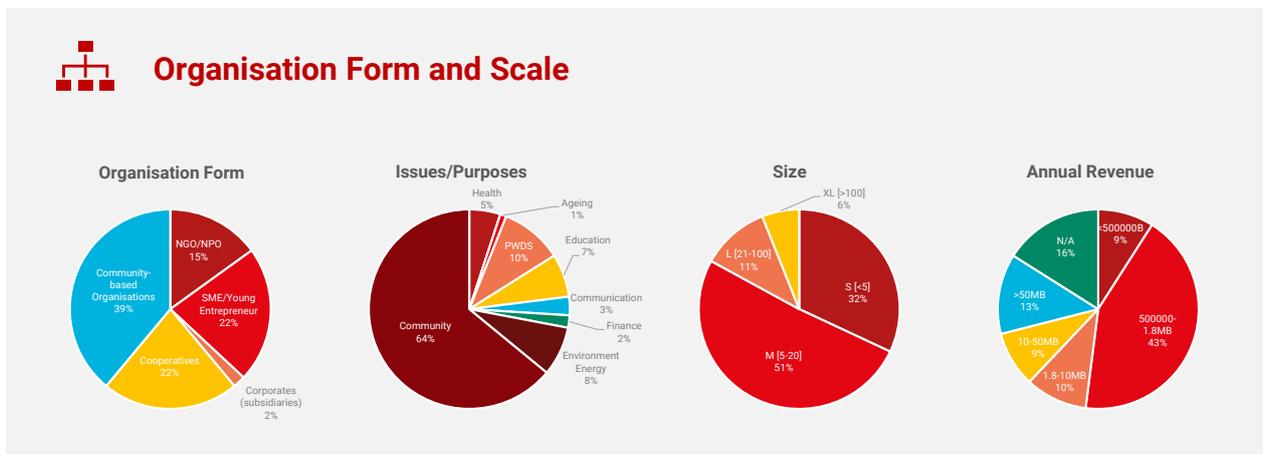
⁹ The Government Gazette, 22 May 2019 "Social Enterprise Promotion Act, B.E. 2560. Retrieved from http://www.ratchakittha.soc.go.th/DATA/PDF/2562/A/067/T_0032.PDF

¹⁰ SE Thailand 2020 "ประกาศรายชื่อกิจการที่จดทะเบียนเป็นวิสาหกิจเพื่อสังคม" (Announcement of Companies Registered as Social Enterprises) 03.01.2019 Retrieved from: <https://www.sethailand.org/resource/registered-se/>

be considered a social enterprise under the regulation. Looking at organisational forms, community-based organisations were the highest in number, accounting for 39%, followed by cooperatives (22%), SME/young (individual) entrepreneurs (22%), and NGO/NPO (15%). The remaining 2% are corporate subsidiaries. In terms of organisation scale, the majority is small; 80% employ less than 20 staff members and over half have annual revenue of less than THB 1.8 million. The majority of the enterprises (64%) target community issues as illustrated in Figure 2. (TSEO, 2019) The figures reported by the former TSEO represent social enterprises falling within the criteria provided by the national master plan.¹¹

MSMEs' contributions to the nation's production value, employment and investment is significant. To provide SMEs with access to liquidity having experienced difficulties caused by COVID-19, the Thai government with OSMEP has set up a 50 billion baht (€1.4bil) fund for MSMEs.¹² The Thai government clearly recognises the transformative potential of MSMEs within its economy. In production, MSMEs are the largest contributor in volume as already illustrated in its fair contribution to the country's GDP. At the same time, MSMEs play the role of increasing the variety of consumer products and services and serve as an important part of the domestic supply chain. They function as intermediate goods providers for larger companies.

Figure 2: Organisational Form and Scale



¹¹ Jaruwannaphong, N. (Former Director of Thailand Social Enterprise Office (TSEO)), 2019 "ANDE Talk: Update on Thailand Social Enterprise Promotion Act" Wednesday, April 24th | 3:00 PM - 4:30 PM PACT Thailand Office, Bangkok.

¹² Pattaya Mail, 2020 "Thailand sets 50-billion-baht fund to help 700,000 small and medium businesses" Retrieved from <https://www.pattayamail.com/thailandnews/thailand-sets-50-billion-baht-fund-to-help-700000-small-and-medium-businesses-305973>





CHAPTER 2

Thailand's
Commitment to
Global Agendas

2

2. THAILAND'S COMMITMENT TO GLOBAL AGENDAS

2.1 Thailand and SDGs

Thailand - like the international community - is firmly focused on implementing the 2030 Agenda for Sustainable Development. The country established the **National Committee on Sustainable Development (CSD)**, chaired by the Prime Minister, as a main mechanism to oversee, coordinate and follow-up and review the sustainable development policies and its implementation.

In 2018, Thailand launched its 20-Year National Strategy (B.E. 2561-2580). The development framework is

intended to realise the vision of Thailand as a developed country with security, prosperity and sustainability in accordance with the principle of 'Sufficiency Economy Philosophy'. The Strategy covers six areas that include security, competitiveness enhancement, human capacity development, social equality, eco-friendly growth, as well as rebalancing and improving public sector management.¹³ Covering local efforts to achieve all 17 SDG, in addition to achieving environmental sustainability, the Strategy also emphasises inclusivity, ensuring no citizen is left behind.

Figure 3: SDGs and The 20-Year National Strategy



¹³ Ministry of Foreign Affairs, 2018. "Thailand's Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development." Retrieved from: <http://www.mfa.go.th/sep4sdgs/contents/filemanager/images/sep/VNR%202018%20English%2010.07.18.pdf>

2.2 Thailand and the Paris Agreement

As one of the top ten countries facing climate risk, Thailand has taken different steps to address climate change. The country has committed to a 20-25% greenhouse gas (GHG) emissions reduction compared to a Business as Usual scenario (BAU) by 2030.¹⁴ Thailand's **Intended Nationally Determined Contributions (INDC)** plan prioritises adaptation efforts in key sectors such as agriculture and water management. Proposed mitigation actions in the INDC include feed-in tariffs, tax incentives, and access to investment grants/venture capital to promote renewable energy.

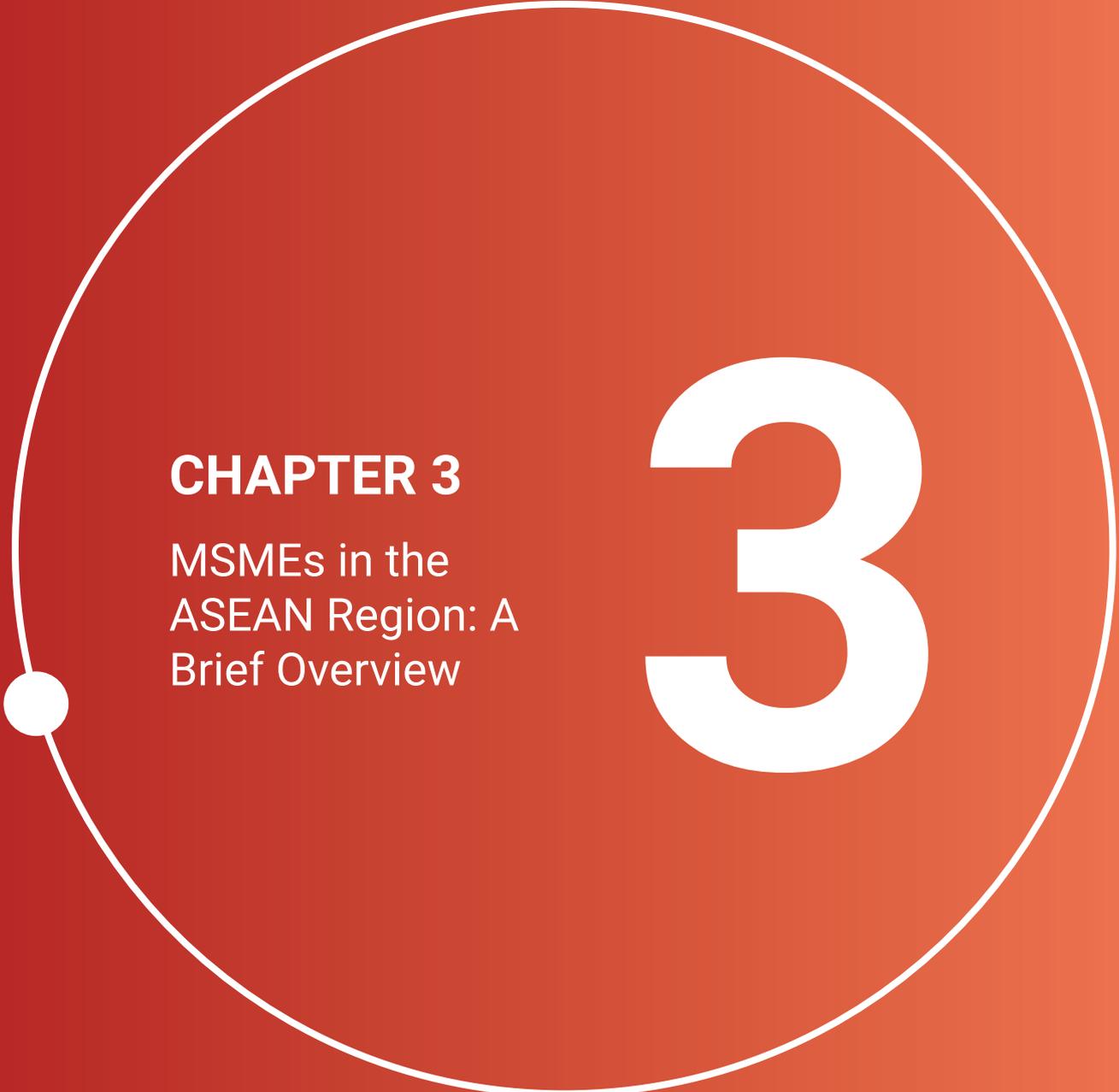
In 2017, the Thai Cabinet endorsed its **Nationally Determined Contribution (NDC) Roadmap (2021-2030)** to deliver on NDC targets. Developed through a national consultative process, it identified mitigation actions in the energy, transport, waste management, and industrial processes and product use sectors. The NDC Roadmap constitutes a tangible action plan to achieve ambitious goals. Specific attention is set on the NDC roadmaps on private sector engagement. Thailand has facilitated two working groups, comprising the private sector (industry & trade) and government agencies, to recommend de-risking measures and incentive structures based on findings of investment analyses.

In acknowledging Thailand's achievements thus far, it is also pertinent to acknowledge the effects of the COVID-19 pandemic on its NDC progress. As the world faces the greatest socio-economic shock of this generation, the UNDP predicts that COVID-19 will leave deep social, economic and political scars for years to come¹⁵. All sectors of the economy, and all its actors, smaller and bigger ones need to be activated to find ways to mitigate impacts of the pandemic with sustainable and resilient solutions. MSMEs have a significant role as job creators in the Thai economy and the production of aggregate environmental impact. In light of this value-add SEED Practitioner Labs for Policy Prototyping aim to create space and dialogue between relevant stakeholders and social and environmentally focused MSMEs to proactively contribute to Thailand's progress of achieving the NDCs.

¹⁴ UNFCCC, 2015 "Thailand's Intended Nationally Determined Contribution (INDC)" https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Thailand%20First/Thailand_INDC.pdf

¹⁵ UNDP, 2020 "COVID-19 UNDP's Integrated Response." Retrieved from: https://www.undp.org/content/undp/en/home/librarypage/hiv-aids/covid-19-undp_s-integrated-response.html





CHAPTER 3

MSMEs in the
ASEAN Region: A
Brief Overview

3

3. MSMEs IN THE ASEAN REGION: A BRIEF OVERVIEW



ASEAN's Vision 2025¹⁶ comprises three main communities with distinct but interlinked blueprints - the ASEAN Political-Security Community, Economic Community, and Socio-Cultural Community - that serve as frameworks to which member states develop current national policies across all aspects of development. Vision 2025 shares common visions, goals, and objectives with the global **UN 2030 Agenda for Sustainable Development**¹⁷. In essence, the alignment between regional (ASEAN) goals and global (UN) goals means achieving ASEAN Vision 2025 would translate into achieving the SDGs in the region. Similarly, as these global and inter-governmental frameworks are translated into policies at the local level, they become applicable and directly relevant for the communities served, leading to the realisation of improved livelihoods and quality of life for locals.

3.1 Inclusiveness, Equality and Sustainability: The ASEAN Economic Community 2025 Blueprint

The **ASEAN Economic Community Blueprint** promotes inclusiveness and sustainability in the business sector as a whole. It explicitly promotes the uptake of strategic measures to “developing a sustainable growth agenda that promotes the use of clean energy and related technologies, including renewable energy through green technology, as well as enhances sustainable consumption and production, and including it in national development plans”.¹⁸

It also acknowledges the importance of strengthening MSMEs who are the backbone of ASEAN economies¹⁹. The Blueprint emphasises the need for enhanced productivity, technology and innovation within MSMEs. It suggests increasing their access to finance and markets,

enhancing MSME policy and regulations that promote intra- and inter-governmental cooperation, and promoting human capital development especially amongst youth and women – all to contribute towards an equitable and inclusive economic growth that narrows the development gap and reduces poverty.

In the region, there is an emergence of a thriving social-environmental entrepreneurship environment where many – often young – entrepreneurs step up to deliver solutions to address social and environmental challenges in their local communities.²⁰ With their contribution to poverty reduction and targeted government policies, increased financing opportunities, intermediaries paying more attention to social development, regional dialogue events and a growing private sector appetite in supporting small business actors – all creating environments conducive for social and environmental entrepreneurship.



¹⁶ ASEAN, 2015. “ASEAN 2025 Forging Ahead Together”. Retrieved from: <https://www.asean.org/wp-content/uploads/2015/12/ASEAN-2025-Forging-Ahead-Together-final.pdf>

¹⁷ UNESCAP, 2017. “Complementarities between the ASEAN Community Vision 2025 and the United Nations 2030 Agenda for Sustainable Development: A Framework for Action”. Retrieved from: https://www.unescap.org/sites/default/files/publications/UN%20ASEAN%20Complementarities%20Report_Final_PRINT.pdf

¹⁸ ASEAN, 2015. “ASEAN Economic Community Blueprint 2025”, Section B.8 Sustainable Economic Development.

¹⁹ ASEAN, 2015. “ASEAN 2025: Forging Ahead Together”, pg. 88.

²⁰ British Council et al, 2018. “ASEAN Social Enterprise Structuring Guide”. Retrieved from https://www.britishcouncil.org/sites/default/files/asean_social_enterprise_structuring_guide_guide_final_web_version_0.pdf

3.2 MSMEs in Environmental & Social Inclusion Policies

As the aggregate environmental and social impact of MSMEs is significant^{21,22}, governmental regulatory frameworks are crucial to further enable and incentivise the greening of MSMEs while ensuring inclusivity and environmental standards are appropriately enforced.²³ According to the **SME Policy Index** by Economic Research Institute for ASEAN and East Asia (ERIA), policy frameworks, regulatory incentives, and financial support programmes for greening of MSMEs are accessible mainly to larger corporations and not targeted to MSMEs²⁴. Thus, having policies that incentivise not only the greening of MSMEs, but also enable existing MSMEs in the green sectors to scale up, are key.

Another concept pertaining to social and environmental entrepreneurship used in the region is the **ASEAN Inclusive Business Framework (AIBF)**. Inclusive businesses are deemed to provide goods and services that focus on people at the Base of the Pyramid (BOP), including them in their value chain as suppliers, distributors, retailers or consumers. The AIBF aims to integrate inclusive business in the implementation of the ASEAN Strategic Action Plan for SME Development 2025 (SAPSMED 2025), positioning inclusiveness as a cross-cutting theme integrated into all strategic goals of SAPSMED 2025 rather than as an add-on, in the form of an afterthought or Corporate Social Responsibility (CSR) project²⁵.

21 Cheok & Singh, 2018. APEC Policy Support Unit, "POLICY BRIEF No.19" February 2018

22 SEED, 2020 "SDG Impact Snapshot" <https://seed.uno/articles/reports/eco-inclusive-enterprises-forerunners-in-advancing-the-sdgs>

23 ASEAN, OECD, ERIA, 2018. "SME Policy Index".

24 Analysing frameworks related to greening of SMEs, Thailand scores in the top 3 along with Malaysia and Singapore.

25 ASEAN, 2017. "Inclusive Business Framework". Retrieved from <https://asean.org/wp-content/uploads/2012/05/ASEAN-Inclusive-Business-Framework.pdf>





CHAPTER 4

MSMEs in Thailand
Policy Frameworks

4

4. MSMEs IN THAILAND POLICY FRAMEWORKS

4.1 Thai Government Vision: Thailand 4.0



In the context of the 4th industrial revolution or industry 4.0, the Thai government introduced **Thailand 4.0**, a long-term vision to transform the country from a traditional economy into an innovation-based economy with the input of technology, creativity, and services under the slogan “Security, Prosperity and Sustainability”. Thailand 4.0 aims at tackling three key issues 1) the middle-income trap 2) income inequality and 3) imbalanced development.

Mobilising economic growth with technology and innovation will be no easy task for Thailand, which is heavily reliant on imported-foreign technology and services. As a response to this, the government is currently strengthening technology clusters and the factories of the future based on the country’s core competency sectors:

1. Food, Agriculture & Bio-Tech,

2. Health, Wellness & Bio-Med
3. Smart Devices, Robotics & Mechatronics
4. Digital, Internet of Things, Artificial Intelligence & Embedded Technology
5. Creative, Culture & High Value Services

The vision emphasises a value-based economy driven by innovation and focusing on enhancing economic wealth, social well-being, human wisdom, and environmental wellness. It targets transformation in four sectors:

1. Traditional farming to modern farming,
2. Conventional SMEs to smart SMEs and start-ups,
3. Low value service to high value service, and
4. Low skilled labour to high skilled labour.

Thailand 4.0 has been translated into government policy and action plans across relevant ministries. This includes, but not limits to:

1. The **Agriculture 4.0** and **Smart Farming** policies under the Ministry of Agriculture and Cooperatives
2. The establishment of **Digital Economy Promotion Agency (DEPA)** and
3. The SME capacity-building programme injected through the **Office of SME Promotion (OSMEP)**.

Ultimately, the Thai government recognises the importance of innovation based MSMEs and start-ups to help drive the national economy and maintain balance in the national economic ecosystem.

4.2 Policies promoting MSMEs

Thailand 4th SME Promotion Plan B.E.2560-2564 (2017-2021)

The **4th SME Promotion Plan**²⁶ aims to enhance the economic potential of SMEs so they contribute to more than 50% of the GDP by 2021. The plan focuses on SME development as a way to enable economic competitive

26 OSMEP. “SME Promotion Plan 4th Edition (2017-2021)”. Retrieved from [https://www.sme.go.th/upload/mod_download/%E0%B9%81%E0%B8%9C%E0%B8%99%E0%B8%81%E0%B8%B2%E0%B8%A3%E0%B8%AA%E0%B9%88%E0%B8%87%E0%B9%80%E0%B8%AA%E0%B8%A3%E0%B8%B4%E0%B8%A1%20SME%20%E0%B8%89%E0%B8%9A%E0%B8%B1%E0%B8%9A%E0%B8%97%E0%B8%B5%E0%B9%88%204%20\(%E0%B8%9E.%E0%B8%A8.%202560-2564\).pdf](https://www.sme.go.th/upload/mod_download/%E0%B9%81%E0%B8%9C%E0%B8%99%E0%B8%81%E0%B8%B2%E0%B8%A3%E0%B8%AA%E0%B9%88%E0%B8%87%E0%B9%80%E0%B8%AA%E0%B8%A3%E0%B8%B4%E0%B8%A1%20SME%20%E0%B8%89%E0%B8%9A%E0%B8%B1%E0%B8%9A%E0%B8%97%E0%B8%B5%E0%B9%88%204%20(%E0%B8%9E.%E0%B8%A8.%202560-2564).pdf)

capacity (competitive growth), and SME promotion as a tool to uplift income distribution and decrease inequality (inclusive growth).

Competitive growth focuses on the support for SMEs that show a high potential in innovation, technology or creativity. These are high growth, high value-add SMEs with mechanisms to accelerate growth and economic sustainability. Inclusive growth promotes SMEs, self-employed entrepreneurs, necessity entrepreneurs and community enterprises. The focus on inclusivity is to create jobs and distribute income across the country. Supporting this group of SMEs will contribute to reducing economic inequality.

Three strategies focus on operationalising the above-mentioned goals:

1. **Promote and develop SMEs by:** Enhancing technology, innovation and productivity; promoting access to funding; promoting market access and internationalisation; and developing and encouraging entrepreneurship.
2. **Enhance the capacity of specific SME groups:** Supporting high-value startups, encouraging integration and networking; and strengthening community-based enterprises.
3. **Develop systematic SME promoting mechanisms that include:** Developing tools to efficiently promote SMEs capacity and competitiveness; and a legislative incentive for SMEs that would reduce their barriers to success.

Social Enterprise Promotion Act 2019 (SEPA)²⁷

The key essences of the Social Enterprise Promotion Act could be discussed in two parts:

1. Administrative and Legal Structure: Consists of Social Enterprise (SE) definition and certification system, SE National Board as governing body, Office of SE Promotion and an SE Promotion Fund.
2. Enabling Measures: The SEPA (2019) has identified four SE promotion measures
 - a. Financial support from SE Promotion Fund which includes Loan Programmes, Start-up Grant or other financial support directed by a Royal Decree
 - b. Tax incentives under Revenue Department

- c. Benefits from Public Procurement System
- d. Other benefits as may indicate in other legislations

As the SEPA (2019) has just been enacted in 2019, it is now under the process of establishing an administrative structure and an SE certification. Detailed operations of the enabling measures are yet to be announced.

4.3 Thailand's Green and Inclusive Agenda

A Green and Inclusive Agenda is deemed of the highest priority by the Thai Government, embedded in the **Master Plan on Sustainable Growth** under the **20-Year National Strategy of Thailand B.E. 2561-2580** (2018 – 2037).²⁸

This Plan highlights environmental degradation and pollution created as a result of development, as well as climate change as big threats that affect quality of life and hinder future growth. The Master Plan identified five directions in which to create sustainable growth: 1) Green Economy Society; 2) Marine Economy Society; 3) Climate Resilient Society; 4) Pollution Management; and 5) Elevating an environmental-focused thinking paradigm based on inclusive and good governance. The Ministry of Natural Resources and Environment adopts the Master Plan on Sustainable Growth and translates it into the 20-Year Strategic Plan for the Ministry of Natural Resources and Environment (B.E. 2560 – 2579)²⁹ in particular:

- The third strategy: **Solid Waste and Environmental Management** with the goal to ensure that waste and environmental management are managed according to the international standards. This includes solid, toxic, wastewater and particulate matter control.
- The fourth strategy: **Enhancement of Eco-Friendly Production and Consumption** with the goal to launch guidelines for sustainable consumption and production, which are the primary mechanisms for driving sustainable development.
- The fifth strategy: **Reduction of Effects of Climate Change and Natural Disasters** with the goal to 1) enhance effectiveness, develop mechanisms, create capacity for reducing the greenhouse gas, and adapt to climate change in the country (results of reducing greenhouse gas monitored through INDCs 111 Metric tons of carbon dioxide equivalent); and 2) increase the effectiveness of the management to reduce the risk of disaster losses in lives and property caused by natural disasters.

27 OSMEP. Social Enterprise Promotion Act B.E 2562 (2019)

28 Office of National Economic and Social Development Council. “แผนแม่บทภายใต้ยุทธศาสตร์ชาติ (๑๘) ประเด็น การเติบโตอย่างยั่งยืน (พ.ศ. ๒๕๖๑ - ๒๕๘๐)” (Master plan under the national strategy 18. The issue of sustainable growth (2018 - 2037)). Retrieved from การเติบโตอย่างยั่งยืน 24 Green

29 Ministry of Natural Resources and Environment “20-Year Strategic Plan For The Ministry Of Natural Resources And Environment (B.E. 2560 – 2579) Retrieved from <http://www.mnre.go.th/en/about/con tent/1065>

CHAPTER 5

Gaps to be Filled

5

5. GAPS TO BE FILLED

In most ASEAN nations, while advances in policies are ongoing, legal frameworks for social enterprises - organisations that are profit making while pursuing a social mission - are non-existent or difficult to qualify for.³⁰

In Thailand, despite growing resources promoting social entrepreneurship, qualifying as a social enterprise is not easy, with strict conditions regarding the formation of a social enterprise.³¹ Social entrepreneurs who operate a model of pursuing profit as well as social and environmental goals would need to navigate legal and tax frameworks designed for conventional SMEs, and as such, incur higher costs (financial and non-financial) of starting up.³² Although the more targeted support under the Social Enterprise Promotion Act is underway - certifications for social enterprises began only recently in 2019 and the body administering the act was activated as recently as June 2020. As such, supporting legislation

to be further developed to spell out the implementation process for all the intended support pillars.

Despite the private sector having been named a driver of 'national priority', the role of MSMEs to produce significant impact in a green and inclusive economy is often overlooked.³³ There is a clear recognition of MSMEs' significant economic contribution in the private sector (42.4% of total enterprises with an aim to reach 50% in 2021). However, when it comes to environmental and social contributions, many policies and financial support target bigger enterprises or corporations. Nevertheless, the general appetite for social and environmental entrepreneurship development continues to grow. Thailand's policy makers, implementers and infrastructure have positioned the nation as a forerunner in the transition to an inclusive and green economy in ASEAN.

³⁰ British Council et al, 2018. "The ASEAN Social Enterprise Structuring Guide."

³¹ The Nation Thailand, 2018. "New law to be tough on use of 'social enterprise'". Retrieved from <https://www.nationthailand.com/Corporate/30337636>

³² British Council et al, 2018. "The ASEAN Social Enterprise Structuring Guide." This document was put together as a free guide to help social enterprises to navigate legal structures in the respective ASEAN countries.

³³ Concluded from desktop research conducted by SEED in the process of identifying policy gaps pertaining to social and environmental entrepreneurship.



CHAPTER 6

Engagement of
Ecosystem Actors

6

6 ENGAGEMENT OF ECOSYSTEM ACTORS

In-country partners, or Challenge Hosts, serve as a focal point for each solution development group throughout the multi-step labs process, co-facilitating group sessions for product development and refinement, as well as partnership building. The Challenge Hosts also play a central role in the initial framing of core challenges to address during the labs, based on the major issues they experience in their work with MSME support, climate change activities in the private sector, business advocacy, and more.

Identifying challenges and aligning solutions

In this section, each of the three challenges will be presented in turn by (1) outlining the context, (2) identifying core challenges and sub-challenges, (3) identifying opportunity for action, and (4) outlining expected outcomes from the lab.

6.1 Enhancing and Scaling MSMEs' Capacities to Reduce Single-use Plastics



Thailand has been amassing two million tons of plastic waste per year over the last ten years. To tackle the growing problem, the Thai government has issued a **Roadmap on Plastic Waste Management 2018-2030** and **Action Plan on Plastic Waste Management 2018-2022**. These two key legislative pieces are implemented mainly by the Pollution Control Department.³⁴ The roadmap identifies three main challenges in plastic waste management, which are 1) problem in design and production and 2) problem in consumer behaviour 3) problem in waste management

Meanwhile, there are emerging MSMEs and growing markets in alternative, environmental friendly products as realistic alternatives to plastic. Such innovations contribute to the existing action plan, and can benefit from its aim to promote eco-design and eco-product standards.

Challenge

The capacity of these innovative MSMEs to fully contribute with potential solutions are limited due to:

1. A **lack of access to market** mainly due to the higher cost structure of plastic alternative in comparison to traditional plastic products
2. A **lack of access to technology**, research and development support to design, test, develop and scale production and manufacturing
3. A **lack of access to funding** or incentive mechanisms enabling actors (which offer these solutions) a way to compete in normal market conditions

Opportunity

Several stakeholders are working on the waste management and plastic reduction sector in Thailand. To streamline synergies to address these common challenges and goals, SEED Policy Labs is exploring potential cooperation with **GIZ** under the **Collaborative Action on Prevention of single-use plastic in Southeast Asia Initiative (CAP-SEA)**. The CAP-SEA project aims to reduce single-use plastics (SUP)³⁵ through: i) supporting governments to develop waste reduction policies, ii) international exchange of knowledge and policy instruments, iii) replicating business innovations, iv) develop environmental standards for SUP avoidance, and v) promotion of SUP avoidance.

The Policy Lab will aim to unlock the potential of MSMEs to provide greener alternatives to current products and manufacturing methods through offering a shared space for multi-stakeholders to design and develop action towards successful SUP reduction in Thailand and the region.

Expected Outcomes

- The Lab connects stakeholders in the plastic waste reduction ecosystem to further support MSMEs contribution to the cause
- Develop solutions to further empower MSMEs in plastic waste reduction towards a plastic-waste-free future
- Validate single-use plastic prevention mechanisms developed under the CAP-SEA programme with the PCD.

³⁴ Under the Thai Ministry of Natural Resources and Environment.

³⁵ The key is on reducing plastics and avoiding resorting to recycling which is a high-energy consuming activity.

6.2 Improving Data Management of SMAE Networks for Cohesive Smart Food Supply Chains



The agricultural sector employs more than 30 percent of Thailand's labour force. However, the agricultural sector accounts for only 10% of the countries' gross domestic product.³⁶ The sector shows slow growth rates and is more fragile than other economic sectors of the country. This is because most Thai farmers are trapped in traditional farming methods and monoculture. Farmers face high economic risks and earn low incomes despite significant investments in the sector every year and agriculture being earmarked a priority sector in national strategies like Agriculture 4.0³⁷ under the **Ministry of Agriculture and Cooperatives**. Agriculture 4.0 addresses the root cause of farmers' low incomes by driving a value-based or innovation-driven economy and incorporating technology into old ways of farming. This refers to the use of precision agriculture, climate smart agriculture, digital technology and the internet of things in the production process and value chain.

Challenge

In achieving this policy goal, an intervention from high-value MSMEs (agri-tech Start-ups) is required. This will support in closing the gap of low productivity and added value of most agriculture yields and products leveraging the aforementioned technologies. However, the basic

requirement for agri-tech start-ups to generate such advice is sufficient and good quality data. ListenField, an eco-inclusive enterprise with experience of working with more than 30 farmer communities throughout Thailand, has identified 1) insufficient access to data and 2) data decentralisation as two main challenges that hinder a sound analysis.

Opportunity

SEED sees the opportunity of the SEED PLPP as a platform to bring together relevant stakeholders and prototype solution ideas based on good examples initiated and implemented by ListenField, currently in 30 farmer communities. The Lab will emphasize the complementary strengths between agri-tech start-ups and SMAEs as well as draw synergies between the public sector, SMAEs and technology.

Expected Outcomes

- SMAEs are better supported with innovative action/proposal that directly target in enhancing their specific needs
- Agri-tech start-ups are better recognised as key stakeholders contributing to national policy agenda solution
- Showcase ListenField's data management model as a good practice for potential replication and scale
- The Lab contributes to forging partnership between the public sector, agri-tech start-ups and SMAEs in enabling smart agriculture/smart farming.

³⁶ Bank of Thailand, 2019. "ภูมิทัศน์ภาคเกษตรไทย จะพลิกโฉมอย่างไรสู่การพัฒนาที่ยั่งยืน?" (Thai agricultural landscape: How to change to sustainable development?). Retrieved from https://www.bot.or.th/Thai/ResearchAndPublications/articles/Pages/Article_26Sep2019.aspx

³⁷ Ministry of Agriculture & Cooperatives, 2017 "แนวคิดเกษตร 4.0 ของรัฐมนตรีว่าการกระทรวงเกษตรและสหกรณ์" (Agricultural Concept 4.0 of the Minister of Agriculture and Cooperatives). Retrieved from http://survey.rid.go.th/th/images/file/circular_notice/4523-60.pdf



6.3 Supporting MSMEs in the Transition to Circular Economy



As part of Thailand's wider efforts to climate change adaptation and sustainable economic growth, the **Ministry of Industry** has proposed the circular economy framework as the future direction of "Factory 4.0" for Thai industries³⁸. The circular economy model - an alternative to the traditional linear economy's production process of 'take, make, dispose' - will also increase competition and growth in the Thai economy by focusing on four areas³⁹:

1. Manufacturing/Production - by promoting circular product design and developing efficient production processes to design innovations throughout the product life cycle;
2. Consumption - by encouraging reduction, reuse, and use-if-necessary concepts;
3. Waste Management - by improving waste management procedures and long-term investments into waste management; and
4. Use of second-cycle raw materials and efficient recycling processes.

A circular economy model would promote responsible resource management in a way that improves environmental and social sustainability⁴⁰. In support of these policies, other departments such as the **Board of Investment** have also introduced favourable incentives for companies that use second-cycle raw materials, operate waste recycling or are in the business of improving environmentally friendly production processes.

Challenge

Although some policies and infrastructures are in place to support transition to a circular economy, the implementation of circular economy in Thailand has not achieved its full potential. This is due to a number of internal and external factors such as

1. Slow change in consumer behaviour towards products and services produced under circularity model

2. Enterprise cost structures that may have limitations on additional costs incurred as a result of circularity practice
3. Insufficient skilled labour to develop or use advanced technology necessary for circularity practice
4. The risk of changing to new business models or practices
5. Insufficient institutional support from policy and regulators⁴¹ since the efforts to promote circular economy transition is still largely focused on big industry players⁴².

Nevertheless, these challenges present an opportunity to advocate for MSMEs' significant potential - to increase business activity, generate employment, and create investment opportunities - in the national movement towards a circular economy, especially in a time that demands urgent green recovery.

Opportunity

In line with these efforts, the **Stockholm Environment Institute (SEI)** in Thailand is conducting a research project on "Transition to Circular Economy for Private Enterprises in South East Asia" that aims to highlight the barriers and challenges faced by the private sector that hinder transition towards sustainable production and adoption of circular economy business models. In addition, the research will identify key enablers that would alleviate these barriers and create an enabling environment for the adoption and deployment of a circular economy. It will focus on policies; institutional, economic and financial enablers; information, skills and competences as key enablers.

MSMEs in Thailand will be invited to complete a needs assessment survey, which will provide an understanding and overview of the implementation level of circular practices and the practical challenges faced by the companies. **The SEED Lab will provide a platform for further dialogue for stakeholders in public sector, private sector, financial institutions and intermediaries.** The results of this project will be used as a science-based research for policymakers to influence policy development for the circular economy on platforms such as the Responsible Business Forum (RBF) and Asia-Europe Environment Forum (ASEF -ENV Forum).

38 Ministry of Industry, 2017 "รัฐมนตรีสมชายฯ เปิดงานสัมมนา 'ทิศทางกรพัฒนาอุตสาหกรรมไทย...ในอนาคต' พร้อมกล่าวปาฐกถาพิเศษ 'การขับเคลื่อน Factory 4.0 and Circular Economy'" (Somchai Minister Seminar opening 'The direction of Thai industrial development ... in the future'). Retrieved from <http://www.industry.go.th/industry/index.php/en/about/2017-04-20-15-23-14/item/40601-2019-03-13-09-15-5>

39 Ibid.

40 Bangkok Post, 11 Sep 2018, "Circular model going to cabinet". Retrieved from <https://www.bangkokpost.com/business/1537718/circular-model-going-to-cabinet>

41 Insights garnered from SEED research with SEED-supported eco-inclusive enterprises.

42 Board of Investment Thailand, 2019 "Thailand Investment Review" Vol 29, November 2019. Retrieved from http://www.boi.go.th/upload/content/TIR5_2019_5e2e95134a76b.pdf

Expected outcomes

- The Lab connects stakeholders in the OSMEP network with SEI's research project on private sectors in the transitioning to circular economy
- MSMEs are acknowledged as a key player in the private sector's transition to a circular economy
- Verification of findings and insights to challenges and barriers faced by MSMEs

Contribution to policy development for the circular economy in Thailand and the ASEAN region by providing a science-based research

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