



**Asia-Pacific
Economic Cooperation**

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APEC Workshop on Promoting Social Enterprises for Inclusive Growth

APEC Small and Medium Enterprises Working Group

July 2022



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Economic Cooperation**

APEC Workshop on Promoting Social Enterprises for Inclusive Growth

SUMMARY REPORT

Ha Noi, Viet Nam | 31 March-1 April 2022

APEC Small and Medium Enterprises Working Group

July 2022

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APEC WORKSHOP ON PROMOTING SOCIAL ENTERPRISES FOR INCLUSIVE GROWTH

Ha Noi, Viet Nam

31 March & 1 April 2022

Summary Report

I. Introduction

On 31 March and 1 April 2022, the APEC Workshop on Promoting Social Enterprises for Inclusive Growth was organized by Viet Nam and co-sponsored by Australia; Chile; Indonesia; Japan; and the Philippines. It was held physically in Ha Noi, Viet Nam, for local participants and virtually for foreign speakers and participants due to the COVID-19 impacts. Speakers and participants came from the private sector, business associations, international organizations, research institutions, and APEC member economies' relevant Ministries and government agencies.

The APEC Workshop on Promoting Social Enterprises for Inclusive Growth aims at the following objectives:

- (i) exploring and addressing the challenges that social enterprises in APEC member economies are to face;
- (ii) sharing experiences among experts, government officials, and social enterprises' representatives with views on promoting social enterprises; and
- (iii) making a set of recommendations for involved beneficiaries as well as exploring cooperation opportunities and networking in APEC to promote social enterprises.

II. Background

Social enterprises have been facilitated and significantly grown both in scope and scale in many economies across the globe in the past time, owing to their strengths in promoting "a novel strategy to solve social problems, create employment opportunities, ensure sustainable development, and alleviate poverty"¹ through businesslike disciplines. It is beneficial for all the economies since it helps boost sustainable economic development, address inclusive growth by creating jobs, and redistributing income, narrowing the rich-poor gap in society. Given its potential contributions and developments in practice, social enterprises are of more attention among APEC member economies.

However, in practice, they face many challenges in various aspects such as legal, social, economic, and governance issues that impede them from development. Since social enterprises aim to achieve social missions and more social benefits to the community while still being based on a business model for profit and competition, their challenges are more than a conventional business that only focuses on profit. They might also encounter challenges such as lack of funding support, the duality of mission, ability to scale up, and lack of proper business strategy,² among others. In addition, there are not many concrete incentives specifically targeted at social enterprises from the Governments apart from incentives for SMEs if applicable.

In the APEC region, social enterprises are not prominent. It is recorded that about 1,900 inclusive businesses are operating in APEC economies, 61% of which are considered inclusive business activities and 24% of which are social enterprises

¹ https://link.springer.com/chapter/10.1057/9781137509956_8

² <https://hotcubator.com.au/social-entrepreneurship/what-are-the-challenges-faced-by-social-enterprises/>

initiatives.³ The number of social enterprises might not be small but not large in investment size, estimated at just about 2%.⁴

Bear that in mind, the project aims to harness social enterprises by identifying challenges and barriers that social enterprises encounter as well as sharing experiences on how to address those various challenges and promote and develop social enterprises from the perspectives of both regulators and enterprises themselves.

The project aims to provide capacity building for APEC member economies through sharing experiences and practices in promoting social enterprises with views that government and local authorities could have a more in-depth understanding of social enterprises, hence, being able to better regulate, manage and supervise social enterprises; and social enterprises themselves learn more how to startup, survive and develop.

APEC 2020's theme "Optimising Human Potential Towards a Future of Shared Prosperity" emphasizes inclusive growth and the importance of shared prosperity. The project would contribute to addressing the inclusive growth and ensure shared prosperity in line with APEC's priorities in ways that it explores how to support social enterprises to grow and develop and in return, how social enterprises could best contribute to harnessing opportunities for all segments in the economy especially those are more vulnerable or disadvantaged in society through the business.

The APEC Small and Medium Enterprises Working Group's (SMEWG) Strategic Plan Period 2020-2024 outlines that among the priorities, the SMEWG would also focus on developing an inclusive business ecosystem that supports SME growth.

³ ADB, 2018. Inclusive business in the Asia Pacific Economic Cooperation. Retrieved from <https://www.adb.org/sites/default/files/publication/431106/inclusive-business-asia-pacific-economic-cooperation.pdf>

⁴ ADB, 2018. Inclusive business in the Asia Pacific Economic Cooperation. Retrieved from <https://www.adb.org/sites/default/files/publication/431106/inclusive-business-asia-pacific-economic-cooperation.pdf>

The project would focus on social enterprises as an important component of SMEs and explore how to develop an inclusive ecosystem for SMEs in general and social enterprises in particular.

III. Key Issues

1. Overview of inclusive business and social enterprises in APEC

In this session, Mr Markus Dietrich, Director Policy, Inclusive Business Action Network (iBAN); c/o Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) focuses on portraying an overview of inclusive business and social enterprises' development in the APEC region. Inclusive business is broadly understood as businesses that engage the base of the economic pyramid (BoP) intentionally, which refers to the poorest two-thirds of the human economic pyramid living in poverty. BoP, in this sense, refers to a market-based model of economic development that contributes to alleviating widespread poverty while pursuing financial viability, scaling the business model, and measuring and managing impacts. This market is estimated to value at \$2.28 trillion annually and represents 52% of the total market in APEC economies, and 46% of the global BoP market. The number of economies involved in promoting and developing inclusive business varies from emerging economies such as Chile; Malaysia; Mexico; Peru; the Philippines; Papua New Guinea; Thailand; Viet Nam to developed economies such as Australia; Canada; Japan; Korea; New Zealand; Russia; Singapore; the US, etc.

It is estimated that inclusive business will tend to grow dramatically in the coming years with Asia to be at more than 350%, Latin America to be at 194%, and with this pace of increasing interest, awareness of IB, increasing governments, and investors' support, the number to inclusive business would double in the next eight years, reaching at least 3,800. In the APEC region, the inclusive model is reported to have 293 companies registered in 2016, estimated to reach 821 in 2025; inclusive activities are prominent at 1,157 companies registered in 2016, estimated to reach 1,682 by 2025; social enterprises initiatives are 453 in 2016 and 1,355 by 2025,

which are of huge importance and significance to create job and income for the people.

The key differences between traditional commercial companies (large scale enterprises - LSEs, small and medium enterprises - SMEs) and inclusive businesses mainly lie in the drivers. While traditional businesses focus on the financial bottom line, inclusive business works on the missions and values of philanthropy, corporate social responsibility (CSR), and social enterprises where profit is not the main driver but social impacts.

According to the G20 Inclusive Business Framework, inclusive businesses could be well promoted with the involvement of various actors such as governments, international organizations, research institutions, non-profit organizations, development partners, media, financial institutions, multilateral development banks, intermediaries, and individuals through providing financial resources, capacity building, information and establishing rules.

In the APEC region, member economies have also promoted policies and environments to support inclusive business in general and social enterprises in particular. Korea, for example, has established Korean Social Enterprise Promotion Agency to provide support to their businesses. Their social enterprises' certification system has enabled 2,435 enterprises (in 2019) to access preferential support, including expert support in human resource management, tax affairs, accounting, loans, renting land and facilities, public procurement bidding, tax benefits, and subsidies for social security premiums, subsidies for personnel and operational expenses. In Canada, FinDev Canada was established in 2018 as a subsidiary of Export Development Canada (EDC), Canada's export credit agency with the mission to support the growth and sustainability of businesses in developing markets. FinDev Canada will help create jobs, promote women's economic empowerment, and contribute to a cleaner and greener environment by providing easier access to capital for entrepreneurs in developing markets, and delivering innovative financial solutions to businesses. So far, \$489 million has been invested with 32 clients, \$ 227 million of which has been allocated in Latin America. In the

US, USAID plays an important role in promoting inclusive business by conducting activities in transforming market systems, establishing alliances with the private sector, such as agricultural processing companies, or providing finance and technical assistance to companies and individuals. In Australia, the Australian Department of Foreign Affairs and Trade (DFAT) establishes the Business Partnership Platform (BPP) to accelerate Australia's collaboration with businesses to address development challenges in the region. BPP partnerships are primarily created to create new products and services for existing or new markets that better serve the needs of consumers and communities; improve the productivity, inclusivity, or sustainability of value chains; supporting the adoption of inclusive business practices at scale. BPP Round 3 partnerships are expected to benefit 1,052,045 people (568,320 women). In Southeast Asia, ASEAN has also developed and endorsed the "Guidelines for the Promotion of Inclusive Business in ASEAN" with 12 policy instruments as a reference document for its member economies to promote inclusive business.

2. Social enterprises from the perspective of regulations

In this session, Dr Marie Lisa Dacanay, President, Institute for Social Entrepreneurship in Asia (ISEA) shares the Philippines' experiences in promoting an enabling environment for social enterprises through the establishment and operation of the PRESENT Coalition as well as through the collaboration between the PRESENT Coalition and the Department of Trade and Industry (DTI).

The PRESENT Coalition, short for the Poverty Reduction Through Entrepreneurship Coalition, established in 2012, is an alliance of social enterprise practitioners, advocates, NGOs, and members of academia who have joined together to advance social entrepreneurship as an approach to poverty eradication and economic development. Its bases of unity and action are to push for the enactment and implementation of the PRESENT Bill; to undertake a widespread education campaign on social enterprises as vehicles for poverty reduction, and to develop standards and benchmarks for self-regulation and development of the sector. While the Philippines faces pervasive poverty (despite economic growth) and a widening gap between the rich & poor with GDP growth, the advocacy for the PRESENT Bill

will focus on the growth and development of social enterprises with the poor as primary stakeholders (SEPPS). The SEPPS is based on three pillars: (i) social mission-driven organizations – explicitly pursue poverty reduction/alleviation as a primary objective, (ii) wealth-creating organizations – engaged in the provision of goods and services; and (iii) distributive enterprise philosophy – generic positive economic & social value that is distributed to benefit the poor as primary stakeholders. Social enterprises in the Philippines could be established in the form of cooperatives, associations, foundations, non-stock corporations, stock corporations, single proprietorships, and partnerships. In the Philippines, social enterprises face challenges such as extreme weather disturbances, government policies, inaccessible or inappropriate government programs, corruption in government regulatory bodies, changing market environment/trade liberalization, the inadequacy of programs supporting social enterprise development, industry/market practices negatively affecting social enterprises. The Bill would validate the importance of platforms for working as a sector to address these challenges as well as serve as an enabling policy to promote the PRESENT Coalition as a platform targeted to SEPPS. The Bill would seek to offer qualifications to social enterprises and social enterprise resource institutions as well as official recognition to social enterprises whose primary stakeholders are the poor and/or marginalized. Under the Bill, the Social Enterprise Development Council would be established with 20 agencies, and 09 representatives from social enterprise sectors, including key agencies such as the DTI, Department of Agriculture (DA), Department of Social Welfares and Development (DSWD), National Anti-Poverty Commission (NAPC). If approved, the Bill would propose the PRESENT Program that focuses on strategic economic subsectors as units of planning to achieve scale and sustainability of impact given the potential that large numbers of the poor are or could become players in the social inclusive business. Those subsectors where SEPPS are playing key roles include coco coir, muscovado sugar, organic rice, coffee, cacao, banana, basic & essential oils, livestock, bamboo, educational toys, and school chairs. Social enterprises are expected to overcome subsector constraints in their development and growth, which would contribute significantly to poverty reduction on a grand scale. With their engagement, the Bill would contribute to promoting social enterprises through providing hybrid financing (Social Enterprise

Development Fund – grants; non-collateralized loans through special credits windows with a Guarantee Fund Pool); comprehensive insurance system; R&D; market development; promotion of roles of LGUs in social enterprise development; integration of social enterprise content in the educational system; Social Enterprise Recovery and Rehabilitation Program and Fund; special allocation/preferential treatment in government procurement; tax credits; cash incentives, etc.

Besides, the Bill would also propose enhancements on gender development, namely: enhancement of guiding principles of the PRESENT Program that recognize women and men as equal partners in development; establishment of the Social Enterprise Development Council that is composed of the Executive Director of the Philippine Commission on Women and target at least 50% of social enterprises representatives are women; generation and collection of relevant gender-disaggregated data; promotion of roles and support for social enterprises engaged in the development of an inclusive care economy; gender and development initiatives as eligible for grants under the Social Enterprise Development Fund; special credit line for women-led social enterprises or social enterprises that support and empower women.

In this session, Mr Hangsok Kim, CEO of MangLub Viet Nam, shares his experiences in establishing and operating his social enterprises in both economies (Korea and Viet Nam) and concludes that sound and firm regulations on social enterprises could help enterprises to stay on track and encourage them to expand. In Korea, DREAM SHARING is a social cooperative that works on the bases of a non-profit, pre-social enterprise and a charity organization. DREAM SHARING aims to open opportunities for sustainable independence for underprivileged neighbors by spreading a sustainable culture of social independence by solving social problems through fundamental alternatives. Their works cover building and supporting social enterprises that tackle communities' social issues; helping children with cancer to survive and return to daily life; and conducting climate risk management through Natural-based Solutions (NBS), technology, and funding. In Viet Nam, MangLub Viet Nam is the first social enterprise in Tra Vinh province that is committed to creating diverse social values through mangrove reforestation,

stakeholder linkages, and the promotion of sustainable education. Its mission is to re-green Southeast Asia in general and Viet Nam in particular via afforestation and education; stop or slow down climate disasters through nature-based, education and tech-innovative solutions. Mangrove is chosen because it is believed to be able to protect people, properties, and coastal areas; reduce the impacts of climate change and environmental pollution; provide a livelihood for people, and habitats for marine species; and absorb carbon given their importance as huge carbon sinks. With such, MangLub Viet Nam sets the specific goals of planting 30,000 hectares of mangroves, 10,000 hectares of Red-book listed trees, creating 3,000 eco-friendly jobs, educating 1 million people about climate change, exploring, and implementing ten innovative ways how to make a plastic-free ocean, and building up 8,000 ambassadors of carbon-free lifestyle by 2030.

The similarities of social enterprise policies between Korea and Viet Nam enabled them to penetrate and expand into Viet Nam following the establishment and operation of DREAM SHARING in Korea. Social enterprises should focus on their missions and inclusiveness wherever they are located to ensure that they are on the right track. Besides, solid guidelines and strong yardsticks would be helpful since social issues are not the same in different places; therefore, they would help social enterprises to pursue their missions and goals persistently. In summary, it is believed that fundamental and universal guidelines across the member economies would help and guide social entrepreneurs in addressing the issues outlined in the United Nations' Sustainable Development Goals (SDGs). During growth and development, a sandbox and strong yardsticks would be useful tools to help them stay on mission track and promote their ideas and passion.

3. Social enterprises from the perspective of business

In this session, Mr Ir. Kuhan Pathy, Chairperson, Catalyst 2030, cum the Founder of Pepper Labs shares his views on challenges and strategies in running and promoting a social enterprise in Malaysia. Pepper Labs is a social enterprise with a mission to drive social transformation through sustainable economic empowerment

and inclusive growth. Pepper Labs is composed of three subsidiaries, including (i) Masala Wheels – a social brand that provides capacity building and employment for marginalized communities in the form of culinary training and F&B management; (ii) Mobilefood.my - a commission-free digital social innovation platform that connects customers directly to communities and micro-entrepreneurs in Malaysia for their sustainable economic empowerment; and (iii) Pulse – an academy that provides hands-on training in capacity building and entrepreneurial skills in partnership with corporate, educational, and government institutions. Modules include social entrepreneurship, social innovation, digitalization and IR 4.0, and UN SDG.

With experiences in establishing and operating a successful social enterprise since 2015, the speaker shares their experiences in taking into account several issues to help better manage the business. These could be a balance and management approach between: (i) the issues of people and revenue (the cost of employing, training, upgrading human resources against the expected revenue); (ii) cost reduction vs value erosion (social values might fade in face of cost reduction to optimize the business); (iii) social advantages vs. money of the day (it is not always easy to balance between their social missions and business's survival and growth); (iv) focused awareness vs. generalization; and (v) quality vs. empathy (empathy might be a supportive factor to promote social enterprises but it also can undermine its motivations and long-term growth).

With his own experiences in promoting a social enterprise, the speaker shares the strategies to grow and develop and especially in sustainably pursuing inclusive business:

- Build a social brand first: both traditional and social enterprises would need to develop branding and communication as a sustainable way to grow and develop their business.
- Diversify revenue streams: while creating profits is important to maintain longevity for the business, minimizing risks is also of significance. One of the ways to minimize risks is to create various streams of income to ensure that enterprises can continue to grow despite the hardship in certain times or certain markets.

- Capture value chain in totality: integrate and optimize the value chain.
- Analyse cost & impact metrics equally: thorough analysis of cost and impact with views of driving the business in the long term.
- Be involved in the upstream/downstream ecosystem: the involvement would allow social businesses to explore opportunities and harness potential.

In summary, with the experiences in running a social business in Malaysia, the speaker stresses that only through sustainable profit, social enterprises would be able to deliver social profits in the long term through economic empowerment.

Ms. Tarlapraporn Punyarin, Strategic Partnership Manager, Social Enterprise Thailand Association shares the development of social business in Thailand. In practice, there are six types of social enterprises in Thailand including (i) community organizations or networks (cooperatives/community enterprises); (ii) non-profit organizations; (iii) established or owned by young social entrepreneurs; (iv) businesses established by young social entrepreneurs; (v) subsidiaries of corporates who spin-off their Corporate Social Responsibility (CSR) into social enterprises; and (vi) others. Thailand has made significant efforts to promote social enterprises in the past time. From 2010 to 2014, there have been efforts to promote social enterprises, including the development of the Master Plan for Social Enterprise Promotion BE 2553-2557 – the first official promotional policy of social enterprises; the establishment of the Thai Social Enterprise Promotion Board (chaired by the Prime Minister), and the Thai Social Enterprise Office (SEO) in 2011. Since May 2019, the Social Enterprises Promotion Act B.E.2562 has been enforced, which introduces three new entities as the main policy mechanisms for the promotion of social enterprises, namely: (i) Social Enterprise Promotion Committee – designing policies and plans relating to the promotion of social enterprises, as well as giving recommendations to the Cabinet to improve related regulations; (ii) Office of Social Enterprise Promotion (OSEP) - registrar of social enterprises and information center; and (iii) Social Enterprise Promotion Fund – providing loans and grants for the registered social enterprises. With the official recognition as social enterprises, they can receive support from the Government such as the right to receive grants or loans from the Social Enterprises Promotion Fund; preferential

treatment in government procurement; tax benefits (which is supported by the Royal Decree on the Taxation Code regarding tax exemption No. 621 BE 2559 (2016), granted to the SEs that do not share profit with shareholders, and the investors and donors of social enterprises). In addition, the Securities & Exchange Commission (SEC) allow registered social enterprises to raise fund from the public without having to change the legal entity from a limited company to a public limited company and without applying for the SEC's permission.

According to recent surveys, Thailand's social enterprises are young and operate at a different scale. It is recorded that most social enterprises in Thailand were established from 2008 to 2017, the same time when the Government started to launch efforts to support social business. According to the surveys, around 30% of the surveyed social enterprises operate nationwide, about another 30% at the local level (including at provincial, district, and sub-district levels). Social enterprises in Thailand operate in various industries. The top three industries are agriculture, fisheries, and livestock (15.8%); education (12.3%); and health care (11.6%). Among those social enterprises, women-led ones surpass other types of ownership.

Social enterprises often receive financial support from a range of sources: corporate grants (26.07%), family and friends (25.3%), and personal income (23.3%) are the most common sources. However, finance is also one of the challenges that social enterprises in Thailand find hard to overcome. 33.6% of the surveyed respondents find it difficult to access investors; 28.1% find that they do not meet the requirements for bank loans. Other challenges include lack of awareness of social enterprises and related support, lack of managerial skills, access to markets, regulations/red tape, etc. However, despite many challenges, social enterprises are resilient, especially in the Covid-19 given the fact that most the social enterprises did not have to lay off staff during the pandemic.

Another speaker, Mr Pham Viet, CEO of the KymViet shares his experiences in running his social enterprise to support disadvantaged and handicapped people. Mr Pham is a handicapped person himself and he understands how hard it is to earn a job and lead a useful life. Bear that in mind, he has established his own social

business since 2013 and has sustained his efforts to support handicapped people since then.

First, he believes that to run a social business sustainably, it is important to pursue social values and missions and be persistent in the course. With the focus on providing support to the handicapped, at the moment, his company can provide jobs and regular income to about 30 employees and is likely to expand in the coming time. He takes a gradual but focused approach to sustain and expand his business by first focusing on one type of handicapped – the deaf, which allow the company to make proper arrangements, including arranging the workplace and developing suitable training for the deaf.

Second, although branded as a social enterprise, the company makes it clear that they will have to rely on the quality of their products and services rather than merely on the "emotional" support of customers for the social business since it will not be a sustainable approach to develop the business in the long term.

Thirdly, they diversify their products and services to ensure sustainable incomes. They have KymViet Craft, KymViet Edu, and KymViet Café. KymViet Craft is designed suitable for handicapped workers to ensure safety and promote innovation. KymViet Edu is designed as a playground for children, which helps them experience the working environment and make handcrafted products on their own as well as serve as a place to train the disadvantaged and handicapped. KymViet Café contributes to creating more jobs and income for the business.

Fourthly, KymViet has three cafes, a training center, and an exhibition, which allows them to approach customers directly. However, since the Covid-19 pandemic, they face a number of challenges such as impacts of the lockdowns, disruption in the supply chain, and inaccessibility to loans. In that context, KymViet has turned to online channels and platforms to help them overcome the difficulties and will continue to harness the digital to improve their access to the market and competitiveness even after the pandemic.

4. Sharing experiences from social enterprises

Ms. Anya Lim, Managing Director, Co-Founder/Princess Ant, Anthill Fabric Gallery, the Philippines is a social business operating with the mission to provide a sustainable livelihood for the Philippines' artisan communities through guiding the transformation of artisan communities into local business enterprises and providing training programs, fair trade pricing, and market access. In the pursuit of sustainable values, Anthill Fabric Gallery focuses on contemporary and circular design, set up an enterprise development strategy, and targets access to a global and digital market. They develop Community Enterprise Development Program (CEDP), which is based on modular coursework and facilitates community and culture through dialogues and workshops among their direct partners. They highlight cultural appreciation (culture of gratitude and pride among the communities); product design and innovation (conduct knowledge and skill share and encourage co-creation among design collaborators and artisans); business skill transfer; master and apprentice program (they incentivize the Master Weavers and Master Crafters and augment the income by 20% with the condition that they train an apprentice among the younger generation who will carry on their craft); and financial literacy and savings program.

In their experiences to pursue inclusivity as a social enterprise, what matters is not just the numbers but the discovery and awareness of what you can do with what you have and celebrate it to the fullest. Efficient communication is also necessary for collaborating with various communities to make sure that everyone's voice is heard and honoured. Besides, investment in people will be a wise choice since they are one of the greatest resources. The investment could be in coaching culture, learning systems, and community building.

Mr Josh Farr, Founder, Campus Consultancy, Australia establishes his foundation focusing on providing university students with professional development training and support networks to collaborate cross-faculty and cross-university around Australia. Campus Consultancy collaborates with a number of universities (including but not limited to: Australian National University, Monash University, RMIT, La Trobe University, University of Melbourne, etc.). Among the training programs, they

provide training in the area of social enterprise incubator to some universities, which focuses on providing aspirations as well as experiences for students in establishing and running a social enterprise in Australia. The social enterprise model might present in the form of a charity organization, a company, and a social enterprise. A charity organization is keen on doing social good and not about profit or "selling" since they can mobilize donations from external resources. A "normal" company can contribute to social objectives through Corporate Social Responsibility (CSR) programs. On the other hand, a social enterprise will reinvest profits to make social change in the long term (different from a "normal" company). In Australia, a large number of social enterprises contribute significantly to addressing social causes such as Thank You, Op Shop, Zambrero, HomeTwo, Enactus Melbourne, etc. They might differ from each other in areas of business (restaurants, cafeteria, clothes, so on,) but shares one in common that they would harness economic means to achieve social objectives in a more outreach manner to support vulnerable groups (women, the disabled, the poor, ...) improving their living standards or address environmental and sustainability issues.

IV. Recommendations and Conclusions

Through the sharing of information and experiences among APEC member economies at the Workshop, speakers and participants have exchanged views on how to promote social enterprises/inclusive business. Recommendations are as follows:

1. *Recommendations for social enterprises*

- Creating a community: social enterprises have shortcomings in their capability, resources and especially in humble quantity. Creating and becoming a community would enable social enterprises to access and harness the ecosystem for growth and development.
- Creating awards: would be helpful for social enterprises to reach out to more potential customers.
- Taking advantage of media: social enterprises should take more active parts in sharing their stories through various channels (online platforms, local newspapers,

TV, podcast, messages, etc.) to help improve their coverage and reach out to more potential customers.

- Partnership: in certain cases, exploring and establishing partnerships would enable social enterprises to harness possible advantages brought about during the partnership, such as an increase in awareness, collaboration, and cooperation. Networking and partnership among social enterprises can also help them learn from each other and develop their business.

2. *Recommendations for APEC member economies*

- Recognition of social enterprises: the official recognition from governments both in the regulatory framework and in practice would promote social enterprises' roles and contribution to poverty reduction, inclusive recovery, and uplifting the lives of marginalized sectors. Accreditation and registration for social enterprises as well as institutionalizing inclusive business promotion would help tackle difficulties and facilitate social enterprises' growth and development.
- Strategy and action plan on inclusive business enabling environment: governments should play a vital role in promoting a favorable environment for social enterprises and inclusive business through specific strategies and action plans.
- Inclusive business awareness-raising: the awareness of the importance and contribution of inclusive business and social enterprises would help to promote their existence and growth.
- Inclusive business investment incentives: would contribute to a favorable ecosystem for inclusive business and social enterprises.
- Reducing impact investment risks: would help encourage the development of social enterprises.
- Promoting inclusive in public procurement: would enable social enterprises to access new opportunities.
- Targeting inclusive in the private sector and other development programs.
- Linking inclusive business to the social enterprise and CSR agenda
- Inclusive business coaching for companies: capacity building is an integral part of the growth and development of social enterprises, which already have

many shortcomings in skills, human resources, innovation and uptake of technologies, capital, etc.

- Monitoring and reporting on inclusive results: would help supervise and, therefore, contribute to providing necessary policies, investment incentives, and capacity building to social enterprises.
- Building of Social Enterprise Database - Tagging of social enterprises from among registered MSMEs and enlisting other social enterprises not yet registered with government agencies. It would help governments to have an overview of inclusive business and social enterprise development, which help to formulate development policies.
- Distinct programs/services and incentives to support the development and growth of social enterprises:

Support programs:

+ Focusing on strategic economic subsectors as units of planning/program development to achieve significant impact (not just supporting individual social enterprises).

+ Hybrid financing: a combination of grants and non-collateralized loans through special credit windows with a guarantee fund pool; special allocation for women-led social enterprises or social enterprises promoting women's economic empowerment.

+ Support for the development of fair and ethical markets through actual and virtual trade fairs and trade missions.

+ Support for the development of a social enterprise sector monitoring and evaluation system with clear indicators of social outcomes.

+ Social enterprises should be further supported to make better use of existing policies, programs, funding, and incentives available to them. In the context of the Covid 19 Pandemic, a business recovery program for SE could also be considered by APEC member economies' governments

Incentives:

- + Preferential treatment in government procurement or allocation of a percentage of government procurement for social enterprise products and services (10-15%).
- + Tax incentives or tax credits.
- + Cash incentives: 25% of minimum wage for social enterprises employing persons with disability.
- Higher education institutions, universities, and research institutions should be more active in spreading an understanding of social enterprises and nurturing the next generation of future social entrepreneurs.

3. *Recommendation for APEC*

- APEC could champion to promote individual economy to create a stronger enabling environment for inclusive business, taking the learnings from APEC economies into consideration, for example by developing accreditation systems for inclusive business.
- Business sector associations can play a special role as promoters of best inclusive business practices and should be encouraged to embrace inclusive as a theme to mainstream inclusive business models among their members.
- APEC could consider setting up Social Enterprises Innovation Program and Fund to promote inclusive business and social enterprises in the APEC region.
- APEC can engage with the growing number of local, regional, and global stakeholders that form an inclusive business support ecosystem—such as development agencies, multilateral development banks, financial institutions, non-profit organizations, and research institutions.
- APEC could promote development partners to cooperate and support APEC in providing funding for an inclusive support program to achieve collective impacts. This could include funding for the development of a strategic plan to promote inclusive business, for an APEC Inclusive Business Awards, seminars and conferences, inclusive business-related knowledge work, and strategic advice on inclusive business. Development partners could explore

the coordination of their official development assistance on inclusive business to achieve collective impact.

Here are some recommendations for further thoughts and discussion at the upcoming SMEWG Meetings.

ANNEX

APEC Workshop on Promoting Social Enterprises for Inclusive Growth

A CASE STUDY OF SOCIAL ENTERPRISES' DEVELOPMENT IN VIET NAM

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Abstract: The case study focuses on the development of social enterprises in Viet Nam as well as their opportunities and challenges. By looking at the case of KOTO, a 20-year social enterprise, established and operated in Viet Nam even before the Law on Enterprises legally recognizes social enterprises, the case would help further elaborate social enterprises' developments in practice in Viet Nam.

This case study is a part of the APEC Project - APEC Workshop on Promoting Social Enterprises for Inclusive Growth (SME 05 2020).

The views reflected in this case study are of the author only. It does not reflect or represent the views of any other individual(s) or organization(s).

I. Overview of social enterprises' development in Viet Nam

Viet Nam has witnessed a radical economic transformation over the past few decades with positive achievements in economic growth, resulting in improvement of living standards, poverty reduction, and social stability, so on. However, Viet Nam continues to grapple with social challenges, including but not limited to unequal development, rich-poor gap, and unequal or difficult access to services or benefits for groups of the disadvantaged or vulnerable.

Interest in social entrepreneurship has grown significantly in Viet Nam in the past time, not only among budding entrepreneurs, but also among non-governmental organizations, policymakers, fundraisers, and academics. In the line, Viet Nam has witnessed significant growth and development in inclusive business and social enterprises.

1. Development stages

1.1. Before "Doi moi" 1986

Before "Doi moi" in 1986, Viet Nam's economy features centralized planning economic system with the State being the only entity responsible for ensuring the provision of social services to citizens¹. During this period, various forms of social organizations operating independently from the government such as NGOs are not eligible for operating in Viet Nam. Only the state-owned enterprises and collective

¹ Yolanda Sarasona, Kristi Yuthasb, Linh Nguyen (2017), Social Entrepreneurial ventures in Viet Nam: An Ideographic Lens. Cited from https://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1193&context=busadmin_fac

organizations were recognized as key economic drivers in Viet Nam. In that context, cooperatives were established and recognized to meet the economic demands of the society based on the community spirits: cooperation, sharing, and mutual benefit.² In practice, cooperatives feature community ownership and independent economic units in operation.

Among the cooperatives established in this period, a substantial number were established to create jobs and to support vulnerable groups, especially people with disabilities to obtain a better quality of life. Most of these cooperatives operated in handicrafts, such as rattan and bamboo, embroidery, knit and garments, and so on, because they were considered appropriate and suitable with the cultural and educational background, skills, and living and working conditions³.

With the promulgation of policies encouraging cooperatives, the cooperative model could be regarded as the earliest social enterprise model in Viet Nam. By 1986, the number of cooperatives across the economy was up to nearly 76,000 in various areas, attracting more than 20 million labours and contributing to meeting the communities' needs.⁴

1.2. 1986 – 2010

The "Doi moi" 1986 was a milestone marking the recognition of new economic stakeholders such as the private and FDI. The recognition of new economic stakeholders enables the economy to release and harness all their strengths and therefore, allows the economy to develop more actively.

During this period, many open policies were adopted, creating a legal framework for the development of non-state economic and social organizations. Decree No. 71/1998/ND-CP on grassroots level democracy and other legal documents were promulgated in 1998, for the first time, officially encouraged wider and more in-depth participation of social organizations and citizens. Citizens' participation in building up and developing communities was also encouraged through the promotion

² Yolanda Sarasona, Kristi Yuthasb, Linh Nguyen (2017), Social Entrepreneurial ventures in Viet Nam: An Ideographic Lens. Cited from

https://pdxscholar.library.pdx.edu/cgi/viewcontent.cgi?article=1193&context=busadmin_fac

³ British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

⁴ Thai Binh Cooperative Alliance, 2019, <http://lienminhhtx.thaibinh.gov.vn/thong-tin-kinh-te-hop-tac/73-nam-%E2%80%93-mot-chang-duong-xay-dung-va-truong-thanh-4087.html#:~:text=%C4%90%E1%BA%BFn%20n%C4%83m%201986%2C%20n%C4%83m%20%C4%91%C6%B0%E1%BB%A3c,tri%E1%BB%87u%20x%C3%A3%20vi%C3%AA%20tham%20gia.>

of cooperation between different organisations, particularly through strengthening social and political organizations (mass organizations). Decree 35-HDBT (Decree of the Council of Ministers) (1992) launched a number of solutions to promote the establishment of science and technology organisations by individuals. Decree 177/1999/ND-CP and Decree 148/2007/ND-CP then developed a foundation for the establishment and operation of social funds, charity funds... The role of community organisations is particularly emphasized in the provision of basic services to the community such as water resource management, poverty reduction, primary health care, general education, and environmental protection.

The above policies enabled the growth of social-economic organisations and community development enterprises. Statistics showed that there were 500 international NGOs registered in Viet Nam by 2010⁵. Besides, there are thousands of community organizations such as cultural houses, business associations, and mass organizations (e.g., women unions, veteran associations, associations for specific groups of people or purposes such as those for disabled people or those in waste, water sources management...). These organisations have certain characteristics the same as those of social enterprises (prioritizing social goals, serving the needs of the disadvantaged community in society, etc.), and can be transformed into social enterprises in the future⁶.

In this period, reform in the public services was implemented by adopting a socialization approach, calling for investment and participation of all economic sectors, individuals, and collectives, which facilitated non-state enterprises and organizations' participation in providing public services, particularly in the field of poverty reduction, education, and health care.

However, in this nascent period, social enterprises were not clearly defined and did not have many chances to thrive since there remained a separation between economic and social activities and purposes, both in mindset and actual operation. While sharing social purposes, they could be regarded as the same as charitable organisations since they mainly mobilized resources from external donors. As a result, they not only faced challenges in development but also had a limited choice: operate

⁵ ADB, 2011. Bao cao tom tat ve xa hoi dan su Viet Nam. From <https://www.adb.org/sites/default/files/publication/29355/csb-vie-vn.pdf>

⁶ British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', 2012, <https://www.britishcouncil.vn/sites/default/files/dnxh-tai-viet-nam-khai-niem-boi-can-h-chinh-sach.pdf>

either as a charitable organisation or as a "normal" enterprise. Given the abundant external funding for community development activities and policies and efforts highlighting poverty reduction in Viet Nam at that time, most organisations chose to operate as NGOs. Only a small number of organisations have decided to harness the business models to solve social problems and support the community⁷. Some shining examples in this period were Hoa Sua School, KOTO Restaurant in Hanoi, Mai Handicraft Co., Ltd in Ho Chi Minh City, and so on. Their existence and growth have demonstrated an efficient model of combining business models with social missions, opening up the opportunities for social enterprises' growth and development.

1.3. 2010 – now

Reaching the threshold of a middle-income economy has opened up development opportunities for Viet Nam. However, this has also led to a decline in ODA funding or withdrawal of development organisations such as SIDA, Ford Foundation, and many other NGOs.⁸ As a result, thousands of Vietnamese NGOs face a shortage of operational funds due to limited mobilization of funds.

In this context, in Viet Nam, the Centre for Community Initiatives Promotion (CSIP) together with the British Council (BC) and Spark Centre, have actively introduced and promoted a new solution, an alternative approach - social enterprises. Social enterprises have advantages in operating based on market principles and demands to address market failures like a "normal" business while addressing social problems. In other words, social enterprises can solve both social and economic objectives in which achieving economic objectives is the means to achieve social objectives sustainably on a large scale.⁹

In Viet Nam, social enterprises have been officially recognized for the first time in the 2014 Law on Enterprises and reinforced in the 2020 Law on Enterprises. Under the law, the Article 10 defines those social enterprises are to meet the criteria: (i) an enterprise to register for establishment under the regulations of the Law on Enterprises; (ii) objectives to address social and environmental issues for the benefit

⁷ British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

⁸ Pham Thi Mai Ngan, Nguyen Thi Kim Oanh (2019). Viet Nam trước tác động của suy giảm vốn ODA. Cited from <https://tapchingham.gov.vn/viet-nam-truoc-tac-dong-cua-suy-giam-von-oda.htm>

⁹ British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

of the community; and (iii) at least 51% of annual profit after tax will be reinvested to implement registered objectives. The official recognition has helped to facilitate a favourable environment for social enterprises to harness all strengths and develop sustainably.

2. Structures

In Viet Nam, social enterprises used to emerge in the forms of:¹⁰

(i) NGOs: take advantage of their model and/or reform to use and manage resources to provide social services more effectively.

(ii) Traditional firms

(iii) Voluntary associations/clubs

(iv) Cooperatives

(v) Incubated projects supported by intermediary organisations

With the promulgation of the 2014 Law on Enterprises, according to data from the business registration system of the Ministry of Planning and Investment (MPI), by the end of April 2020, there were about 114 social enterprises, their branches, and representative offices.¹¹

However, some organizations remain with the same characteristics and activities as social enterprises but do not register as social enterprises. The rationale behind this situation is that the legal framework and policies for social enterprise development have not attracted investors greatly. Even some legal regulations have clearly shown inadequacies, causing anxiety for investors when deciding to register for establishment under the social enterprise model¹².

Currently, social enterprises in Viet Nam operate in many different industries and fields. According to the Research Report on Current Status of Social Enterprises in Viet Nam, the most popular field in which Vietnamese social enterprises operate is

¹⁰ British Council (2019). Social Enterprise in Viet Nam. Cited from <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam.pdf>

¹¹ Nguyen Thi Diem Anh, 2020. Status of social enterprises development in Viet Nam. Extracted from <https://tapchicongthuong.vn/bai-viet/thuc-trang-to-chuc-va-hoat-dong-cua-doanh-nghiep-xa-hoi-o-viet-nam-trong-thoi-gian-vua-qua-73182.htm>

¹² Phan Thi Thanh Thuy (2018). Legal and policies of social enterprises in Viet Nam- some suggestion from Chinese Taipei. Cited from https://www.researchgate.net/publication/328998734_Legal_and_Policy_issues_of_Social_Enterprise_in_Vietnam_Some_suggestions_from_Taiwan

agriculture - accounting for 35%; followed by health (9%), education (9%), environment (7%), child care 5%, employment and skills 4%; retail 4%, business support 3%, IT industry (including web, design, print,...) 2%; health care 2%, financial services 2%; social services 2%; transport 2%, culture and entertainment 1%, and other fields 35%¹³.

Most of the social enterprises in Viet Nam are small in scale, both in terms of human resources, finance, and revenue. According to MPI, by the end of 2019, social enterprises with less than 20 employees account for 70%¹⁴. According to the Research Report on Current Status of Social Enterprises in Viet Nam, small-scale social enterprises account for 40%, with a turnover of around 1 billion VND; 19% of social enterprises with revenue from 1 to 5 billion VND; 23% of social enterprises' revenue from 5 to 25 billion VND; just about 12% of social enterprises' revenue over 25 billion VND. The age of social enterprises' leaders is from 25 to 44, accounting for 58.1%¹⁵.

Most social enterprises in Viet Nam are profitable. According to research on the scale and revenue of social enterprises in Viet Nam in recent years, most of the social enterprises in Viet Nam are currently in the start-up stage, therefore, the scale and revenue are still limited.

3. Opportunities and challenges

3.1. Opportunities

In practice, although social enterprises have been legally recognised, there are no specific support programs or incentives targeted at social enterprises. However, most social enterprises fall under the umbrella of government policies relating to SMEs; therefore, social enterprises working in many different sectors may be subject to enjoy preferential policies according to the context in which they operate. These different sectors may include public services, environmental protection, investment in mountainous or remote areas, or vulnerable groups, for instance. Below is a brief

¹³ Nguyen Thi Diem Anh, 2020. Status of social enterprises development in Viet Nam. Extracted from <https://tapchicongthuong.vn/bai-viet/thuc-trang-to-chuc-va-hoat-dong-cua-doanh-nghiep-xa-hoi-o-viet-nam-trong-thoi-gian-vua-qua-73182.htm>

¹⁴ British Council, UK Social Enterprise, Central Institute for Economic Management (CIEM), Research Report on Current Status of Social Enterprises in Vietnam, 2019, <https://dichvuthongtin.dkkd.gov.vn/inf/Forms/Searches/EnterpriseSearchList.aspx?h=248a4>

¹⁵ Nguyen Thi Diem Anh, 2020. Status of social enterprises development in Viet Nam. Extracted from <https://tapchicongthuong.vn/bai-viet/thuc-trang-to-chuc-va-hoat-dong-cua-doanh-nghiep-xa-hoi-o-viet-nam-trong-thoi-gian-vua-qua-73182.htm>

overview of advantages that social enterprises might enjoy, subject to which legal frameworks they might harness.

Policies in accordance with the Enterprise Law and the Law on Supporting SMEs

These SMEs, which may include social enterprises:

- Can leverage support from credit institutions to increase loans for SMEs such as credit guarantees (Article 9).
- Can access tax and accounting support – SMEs have a corporate income tax rate lower than the normal tax rate.
- Can access support for the costs of production premises – in certain localities, SMEs may be allocated land in industrial clusters, such as processing areas for agricultural, forestry, fishery, and seafood products and receive rental price subsidies for up to five years.
- Can access technical support in the forms of research, training, consultancy, and technology transfer.
- Can access support for human resource development – SMEs are exempt from or subsidized for the cost of participating in training courses on business start-up and corporate governance, as well as vocational training for employees working at SMEs.
- Can access legal support.

Policies for enterprises providing public services

Social enterprises operating in environmental areas might be entitled to gain support under the Decree 08/ND-CP guiding the implementation of Law on Environmental Protection, which include specific support in terms of capital, land, and tax.

3.2. Challenges

Lack of awareness

So far, definitions, approaches, and roles of social enterprises have not been widely understood and accepted, which results in doubts about their nature and purposes. Communication propaganda appears to be inefficient when social enterprises could be misunderstood here and there. For example, the advertisement

campaign for the smart app to discover and take care of autistic kids A365 of the Health Care Initiatives Center and the Network of Autism Viet Nam is misunderstood as fraud, and unfortunately, this has not been the only case so far.¹⁶ Social enterprises can be misinterpreted with scepticism about their social objectives while operating in a form of enterprise to generate revenue and profits.

Besides, misunderstanding between social enterprises and charities, humanitarian or any other traditional social programs can lead to stagnancy and dependence on the community. Many social enterprises, after registration in the form of a company (shifting from a foundation or centre), immediately find their donations drop since donors might think that social enterprises are a commercial entity and therefore stop donations or contributions.¹⁷ Meanwhile, even social enterprises are not ready to adapt to or improve their operating model to meet up with social and economic objectives at the same time. Even among social enterprises' founders or shareholders, the approach is not always consistent and clearly understood. There are many social enterprises, in which their shareholders do not see the importance and requirements of reinvesting profit for social objectives and organizational development. At the start-up stage, due to lack of capital and difficult access to bank loans, social enterprises can mobilize loans from family, and friends and they can be regarded as social investors. However, most of them do not have a clear understanding of the social enterprises' model; therefore, they hardly find themselves associated with social missions in the long term in a consistent manner. In other words, in principle, they are more traditional investors than social ones; therefore, the social enterprises' approach is not pursued consistently and persistently throughout the course.¹⁸

Besides, the lack of trust and acceptance of the community presents certain barriers to social enterprises in working with other stakeholders. For example, they might face challenges or lack of enthusiasm in collaborating with local authorities, and other partners, which might result in cost increases, time-consuming, and deficient performance in creating positive and sustainable impacts¹⁹.

¹⁶ Việt Quang (2021), “Tìm lối đi cho doanh nghiệp xã hội trong tình hình mới”, *Báo Nhân dân điện tử*

¹⁷ British Council, CIEM, CSIP, ‘Social Enterprise in Vietnam: Concept, Context and Policies’, britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

¹⁸ British Council, CIEM, CSIP, ‘Social Enterprise in Vietnam: Concept, Context and Policies’, britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

¹⁹ British Council, CIEM, CSIP, ‘Social Enterprise in Vietnam: Concept, Context and Policies’, britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

In addition, the lack of a comprehensive understanding of social enterprises is one of the reasons that leads to a lack of legal framework and timely incentives for social enterprises, creating barriers to attracting and accessing investment finance and other supports, and so on.

Lack of support/incentives on capital and tax

Even though social enterprises have been legally recognized since 2014 as stated in the Law on Enterprises, many social enterprises still choose to register as a business household or enterprise or else. The rationale behind this is there remain barriers, complicated requirements for registration, and a percentage of reinvestment. Such requirements are appropriate, however, with those that are still of small scale, lack resources, and limited revenues, most of them find it challenging to comply with.²⁰

Due to the nature of social enterprises - combining social and business activities to generate revenue, social enterprises incur many business expenses but are not always eligible for reduction when calculating corporate income tax. In the case of Tohe Company which produces household products, using creative drawings of disabled and disadvantaged children is an example. A sizeable proportion of Tohe profit is used to organize creative activities for children such as painting classes, club activities for children at centres of social protection, and children in remote areas, but these expenses were not recorded as legible expenses of the business to be deducted from taxable revenue of the company.²¹

Besides, according to surveys, social enterprises in Viet Nam are still quite young, with limited investment. They do business in markets with high risks and low financial returns; therefore, they are not attractive to commercial investors. Their ability to access and mobilize commercial investment capital is therefore limited.²²

The investigations into the asset structure of social enterprises show that most of the capital sources of social enterprises are self-capital (20.3%), capital accumulated from production and business activities (45.4%), funding (5.3%), and

²⁰ Ngoc An, Ngoc Hien, 2019. Unleash social enterprises. Tuoi tre Online. <https://tuoitre.vn/coi-troi-cho-doanh-nghiep-xa-hoi-20191012101529819.htm>

²¹ British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

²² British Council, CIEM, CSIP, 'Social Enterprise in Vietnam: Concept, Context and Policies', britishcouncil.vn, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>

other loans such as banks, families, and friends account for 28.8%.²³ Because most of the social enterprises operate on a small scale with limited resources, it is also difficult for them to have access to loans or credit to grow and expand their business.

Challenges related to human resources: such as low-quality human resources, lack of stability, low labour productivity; lack of high-level human resources; insufficient support or incentives for human resources, and so on.

Lack of an ecosystem to promote the development of social enterprises: The network of social enterprises in Viet Nam is limited due to the limited number in operation, lack of awareness and understanding as well as lack of support and incentives to promote the ecosystem.

II. The case of KOTO

1. Introduction

KOTO standing for "Know One, Teach One" was established with the essential idea that learning should be passed on since knowledge is meant to be shared. This is the essential idea of KOTO's Vietnamese-Australian founder, Jimmy Pham when he first opened a sandwich shop with nine (09) disadvantaged youths, two (02) volunteers, and one (01) accountant in 1999.²⁴ One year later, KOTO restaurant was opened. In 2001, KOTO Training Center was established to provide holistic training programs in the hospitality industry to at-risk and disadvantaged youths in Viet Nam. The training programs focus on two parts: personal and professional skills. Apart from teaching the skills required in the restaurant business, there are others to be covered in the course such as healthy living, financial budgeting, sex education, communication and interpersonal skill, anger management, and personal hygiene. These programs aim to create self-sustaining young adults who can achieve their full potential by being responsible and employable after completion.²⁵

²³ Nguyen Thi Diem Anh, 2020. Status of social enterprises development in Viet Nam. Extracted from <https://tapchicongthuong.vn/bai-viet/thuc-trang-to-chuc-va-hoat-dong-cua-doanh-nghiep-xa-hoi-o-viet-nam-trong-thoi-gian-vua-qua-73182.htm>

²⁴ <https://www.koto.com.au/about-koto>

²⁵ Association in support of Vietnamese handicapped and Orphans (ASVHO). KOTO – Những điều kỳ diệu cho trẻ khó khăn ở Việt Nam. Cited from <http://asvho.vn/koto-va-nhung-dieu-ky-dieu-cho-tre-kho-khan-viet-nam-a1153.html#:~:text=H%E1%BB%8Dc%20vi%C3%AAn%20t%E1%BA%A1i%20KOTO%20s%E1%BA%BD,v%C3%A0%20nghi%E1%BB%87p%20v%E1%BB%A5%20kh%C3%A1ch%20s%E1%BA%A1n>.

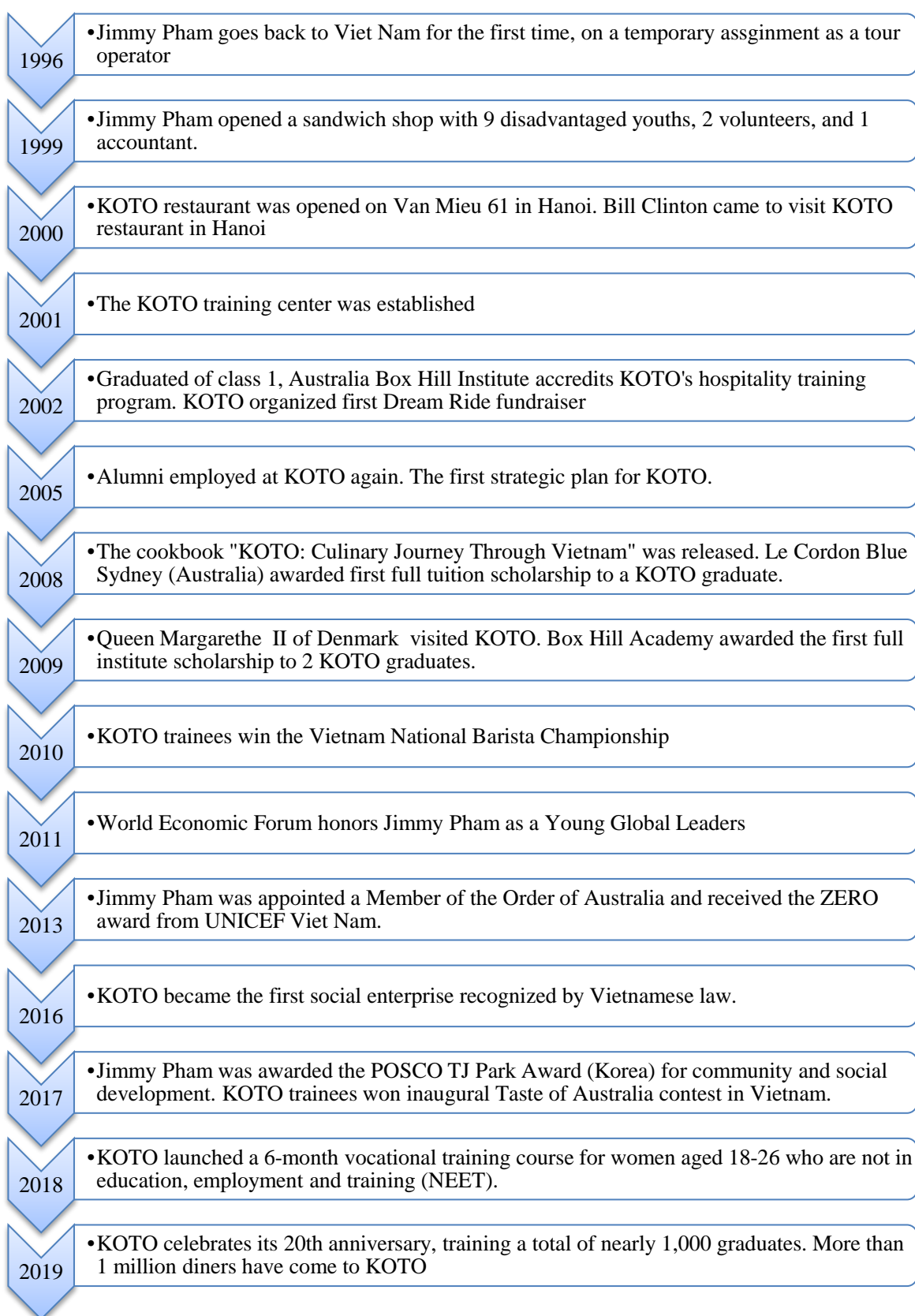
Since the Law on Enterprises had not legally recognized social enterprises until 2014, KOTO registered itself as a limited liability company at the Hanoi Department of Planning and Investment. Until 2016, KOTO could register itself as a social enterprise and be among the first social enterprises recognized in Viet Nam.²⁶

Since its inception, KOTO has provided training to over 1,200 graduates, providing high-quality human resources in the areas of hospitality (executives, chefs, hotel and resort managers, and hospitality business owners, etc.).²⁷ KOTO has successfully built a sustainable model to support and change the lives of thousands of poor children and youngsters in Viet Nam based on a business-like discipline model rather than purely on charity.

²⁶ CSIP, 2016. KOTO officially recognized as the 1st social enterprise in Viet Nam. Extracted from <https://csip.vn/chi-tiet/koto-chinh-thuc-duoc-cong-nhan-la-doanh-nghiep-xa-hoi-dau-tien-tai-viet-nam-150.html>

²⁷ <https://www.koto.com.au/about-koto>

Milestones of KOTO²⁸:



²⁸ <https://www.koto.com.au/about-koto>

2. KOTO – a successful model of social enterprises

Although established very early in Viet Nam (about 15 years before the legal recognition of social enterprises) in the context of lack of awareness and lessons from previous cases, KOTO has been persistent in their course, pursuing social missions while still sticking to business disciplines to gain financial autonomy and sustainability in the long term.

They have stated very clearly their social missions and vision:²⁹

Mission statement: Empowering at-risk youth to pursue a life of dignity by providing training, life skills, and opportunity.

Vision statement: Positive permanent change for at-risk and disadvantaged youth through the transformative power of social enterprise.

Strategic vision: Through the power of the social enterprise model, it helps street children and teenagers change their lives and confidently enter the community. Bringing the vision to greater international prominence and success, and allowing it to expand across multiple communities, KOTO will be present wherever there is a difficulty, disadvantage, abandonment, and abuse.

In the meantime, KOTO has employed business disciplines to promote their growth and development, rather than relying on charity, grants, or donations to fill the gaps. This is how a social enterprise like KOTO applies business solutions to solve social problems. The goal is to achieve sustainable development with innovative solutions that make KOTO financially independent.

KOTO has identified their business focuses on the areas such as tourism, restaurants (including coffee shops, bakeries, catering, and canteen services), culinary management, and providing vocational training services. They have two separate operations: KOTO Restaurant and KOTO Foundation. The Restaurants provide a practical environment for students, and job opportunities for graduates, and are an important source of income for KOTO. Its revenues meet about 50% of the operating costs, including management costs, staffs' salaries, and insurance. KOTO Foundation is responsible for managing training centers. KOTO Foundation covers the entire cost of training, accommodation, and medical care through the 24-month training programs.

²⁹ <https://www.koto.com.au/about-koto>

A part of the restaurants' profits is reinvested in the training program. The training center would focus on recruiting appropriate trainees and at the same time seeking sponsors, donors, and fundraising since investment and income are required to support their non-profit activities. Both the training centers and restaurants strongly connect and support each other. KOTO's business model is to implement social values (enormous impacts on society from changing the lives of the vulnerable) through promoting economic values (revenues from restaurant chains).³⁰ It is wise that while pursuing social causes, KOTO has been active in diversifying services to ensure their cost sufficiency, collaborating with more partners as well as adapting to the increasing requirements of the industry to ensure job opportunities for their students.

All KOTO's activities in Viet Nam are supervised by the Board of Directors (without salary) in Australia and are required to report to the Australian Taxation Department. The nine (09) members of the Board of Directors are assigned to sub-committees, including a community management fund, to ensure tax requirements and issuance. KOTO's legal position in Australia also enables KOTO to raise funds to support its operations in Viet Nam.³¹

KOTO has harnessed the social enterprises model efficiently in mobilizing and managing their sources of capital with aim of promoting sustainable incomes and building trust in the community. For example, KOTO has organized two fundraising events annually: (i) KOTO Dream Ride, held in Hanoi since 2002, and Gala KOTO One in Ho Chi Minh City since 2014; (ii) Dream Makers Program – individuals, families, and philanthropic organizations can support by sponsoring each intern \$150/month during their 24 months of training at KOTO. Annually, KOTO uses independent audit services such as KPMG, or International Auditing and Financial Consulting Company (IFC) to ensure transparency and trust.³²

In addition, KOTO has actively promoted branding and Public Relations (PR) to ensure that they reach out to more potential customers. They use social media (including but not limited to travel websites such as TripAdvisor, Lonely Planet, Time-out Magazine, or visits by famous figures, e.g., the Queen of Denmark, Laura Bush,

³⁰ British Council (2016). Viet Nam Social Enterprise Casebook. Cited from <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>

³¹ British Council (2016). Viet Nam Social Enterprise Casebook. Cited from <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>

³² British Council (2016). Viet Nam Social Enterprise Casebook. Cited from <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>

Bill Clinton, and John Key, etc.) to promote their branding since it is one of the most efficient ways to gain attention from the public.

3. Opportunities and challenges

3.1. Opportunities

KOTO has already had more than 20 years of establishment and growth. Being a pioneer and having such a long-time development, KOTO has experience operating and competing in the market compared to other nascent social enterprises. They can learn and employ a proper approach and balance in pursuing social missions while still ensuring financial sustainability and autonomy in the long term.

Throughout its growth and development, KOTO has gained certain support from the public. Following the 2014 Law on Enterprises that legally recognize social enterprises, KOTO has been supported by CSIP to prepare submission documents to register as a social enterprise in Viet Nam including identifying and raising barriers to social enterprises in the process of registration to help.

Besides, for a social enterprise like KOTO (more than the 20-year establishment, with sufficient experience and resources, etc.) registering as a social enterprise is not a big issue, which will allow them to run efficiently and enjoy support officially.

Unlike some other social enterprises that lack high-quality human resources or skills in running the business, KOTO could address and overcome those challenges since they are also working in the education sector for about 20 years, which helps them to have opportunities to thrive.

Besides, the unemployed rate in Viet Nam is high while the demand for personnel in the hospitality industry is rising sharply, creating opportunities for KOTO to develop. Demand for high-skilled staff is higher than supply enables KOTO to fill in the gaps, creating opportunities for KOTO to expand as well as more opportunities for KOTO's graduates.³³

3.2. Challenges

³³ British Council (2016). Viet Nam Social Enterprise Casebook. Cited from <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>

In 2020, like many other businesses around the world, KOTO was hit hard by the Covid-19 pandemic. Due to a sharp fall in the number of tourists and continuous lockdowns, KOTO Van Mieu Restaurant, had to shut down. Although KOTO Villa was re-opened with the target to local visitors instead and still pursuing their original mission to provide training to at-risk and disadvantaged youngsters, they would face a great deal of challenges due to the current slow recovery of the tourism industry, including unstable policies in response to the pandemic, supply chain management, so on.

4. Social impacts

KOTO's overall approach to training is different from other programs, which focuses on important extra-curricular activities, such as life skills training and good job placement right after graduation. This contributes to the high graduation rate, up to 87% of students per course (some are not suitable in the industry or expelled due to discipline reasons such as thief, violation ...) and 100% of graduates having jobs after graduation. According to the surveys, this 100% remains the same for students who have graduated one year, five years, and ten years. Other factors used by KOTO to measure social impact are career growth, salary growth rate, improved quality of life, student contribution to family and KOTO programs, the number of start-ups, number of graduates working in management and leadership positions, number of alumni returning to train current KOTO students and number of alumni participating in social and volunteering activities.³⁴

III. Recommendations

The Law on Enterprises 2014 has marked an important milestone for the development of social enterprises in Viet Nam. However, there remains room for improvement to facilitate social enterprises since social enterprises cannot keep up with practical development when they are nascent and are not yet able to meet the Law's requirements.

Here are some of the recommendations:

³⁴ British Council (2016). Viet Nam Social Enterprise Casebook. Cited from <https://www.britishcouncil.vn/sites/default/files/Vietnam-social-enterprise-casebook.pdf>

1. The Government should improve current regulations on social enterprises including those on financial support to keep up with social enterprises' developments in practice.

Given the lack of resources, including finance in social enterprises, it is necessary that the Government have incentives and support programs targeted at social enterprises such as investment incentives, tax, land support, and capacity building.

It might be worth considering establishing a Social Enterprise Development Fund. The Fund could be financed by the State budget and/or receive funding from other organizations and investors. Social enterprises can be eligible to receive support from the Fund through a process of selection, classification, monitoring, and evaluation. For example, the support can be in the form of grants or loans with low-interest rates for a certain period (2 – 5 years); support of 30% - 50% of salary for employees with disabilities; support of 30% - 50% of house rent, basic living expenses for teachers participating in vocational training projects for street or disabled children, so on.

2. Secondly, it is necessary to establish a specialized agency to support social enterprises. Through this agency, social enterprises will be oriented in choosing fields and locations to solve social and environmental problems. Besides, this agency also helps social enterprises to overcome difficulties in the process of organization and operation. For example, they can assist social enterprises in finding and accessing loan sources; promoting trade promotion activities; training management teams, and so on. With that, social entrepreneurs and new social enterprises can easily grasp the essential information to help them to develop and fulfill their missions.

3. Thirdly, it is necessary to establish an Association of Social Enterprises in Viet Nam. Social enterprises in Viet Nam are nascent and scattered, and they do not have a network to support each other. The establishment of the Association would help strengthen cooperation and collaboration, which enable a sound and sustainable development of social enterprises. Especially, the Association could help nascent social enterprises during the establishment, operation, and growth through sharing information, experiences, and networking.

4. Fourthly, it is important to promote propaganda on the social enterprise model on a regular and continuous basis to raise people's awareness. In addition, commending typical social enterprises promptly would help encourage and spread the model in a far-reaching and effective manner. The propaganda on social enterprises

should be strengthened further with views of spreading the social enterprise model in both scope and scale.

5. Fifthly, developing training programs on social enterprises at undergraduate and graduate levels. It could be helpful to raise awareness to promote access to the model by deploying the Social Enterprise Incubator model at universities, disseminating knowledge about social enterprises and student movements so that young people can dream of starting up a social enterprise.

Briefly, social enterprises in Viet Nam are still in the early stage of development and it would be helpful if the Government plays a more active role in promoting the model to raise awareness as well as provide more practical support to social enterprises for inclusive and sustainable development and growth.

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