

# Fostering the Growth of the **SOCIAL IMPACT BUSINESS SECTOR** in Viet Nam



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**SUSTAINABLE  
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# CONTENTS

Foreword .....	i
Acknowledgements .....	ii
List of Abbreviations .....	iii
Executive Summary .....	iv
<b>INTRODUCTION .....</b>	<b>1</b>
<b>1. OVERVIEW OF THE STUDY</b>	
1.1 Study Objectives .....	3
1.2 Context of the SDGs in Viet Nam.....	3
1.3 The Concept of Social Impact Business .....	6
1.4 Research Methodology.....	8
<b>2. THE ECOSYSTEM FOR SOCIAL IMPACT BUSINESS</b>	
2.1 Policy Framework.....	12
2.2 Major SIB Enablers.....	14
2.3 Evaluating SIB Ecosystem Components .....	16
<b>3. SOCIAL IMPACT BUSINESS SECTOR IN VIET NAM</b>	
3.1 Size and Scope .....	20
3.2 Human Resources.....	26
3.3 Market and Finance.....	29
3.4 Social Impact .....	34
3.5 Contributions of the SIB Sector to Economic, Social and Environmental Development .....	35
3.6 Opportunities and Challenges.....	37
<b>4. RECOMMENDATIONS FOR SYNERGY</b>	
4.1 Supporting Policy to Access Capital and Other Financial Resources.....	40
4.2 Supporting Policy to Develop Market Access and Scale up SIBs.....	41
4.3 Capacity Building .....	42
4.4 Increased Coordination .....	43
<b>5. BEST PRACTICES IN MANAGEMENT FOR SIBS</b>	
5.1 Social Impact Measurement .....	47
5.2 Marketing, Communications, Branding .....	48
5.3 Securing Funds and Financial Supports .....	49
5.4 Attracting and Retaining Right Talent.....	50
5.5 Enhancing Management Capabilities .....	51
5.6 Growing.....	52
<b>CONCLUSION .....</b>	<b>53</b>
References .....	56



# FOREWORD

The ambitions of the 2030 Agenda demand that we work together, across sectors, to transform the world we live in and achieve the United Nations Sustainable Development Goals (SDGs). This is precisely why such a central and crucial role is recognised for the private sector, to work with civil society and Government, and help drive change and accelerate results. Increasingly, businesses are realizing that investing in ways that protect the environment and advance social outcomes is not just an act of philanthropy or charity but also makes good business sense. Businesses which balance a social mission with profit have a direct and lasting impact on the communities in which they operate and can create the value necessary to grow their business, whilst scaling up their social impact.

We believe that embracing such sustainable business models is vital for Viet Nam. This involves developing a more sustainable and inclusive approach to economic growth, through innovation and technology, improving productivity whilst addressing key social and environmental challenges faced by the country.

It is therefore critical we support the growth of the Social Impact Business sector in Viet Nam and recognise such enterprises and entrepreneurs as key partners to the achievement of the SDGs. But first we need to understand more about this invaluable sector, including the challenges and needs of social entrepreneurs. This is why the National Economics University (NEU), the University of Northampton and the United Nations Development Programme in Viet Nam (UNDP), have partnered together for this study. The study intends to take a broader look at the entire sector, so we can tap into the full potential of the wide variety of business models capable of driving social impact.

We believe that sustainable business, impact business and social business are the business models of the 21st century. As development organisations, academic institutions, government agencies, NGOs, or commercial enterprises, we all have a critical role in facilitating an ecosystem that will allow these models to thrive. Universities in particular are critical in driving this new way of doing business, in promoting study and practice of social innovation and entrepreneurship among current and future policy-makers and entrepreneurs. NEU has taken the lead nationally in this regard, with the establishment of the Centre for Social Innovation and Entrepreneurship (CSIE), and we encourage others to follow this example.

We hope the study gives a voice to those who are at the heart of driving the social impact business sector. We hope their valuable perspectives and experiences are translated into tangible support to grow this sector which holds so much promise for the continued economic, social and environmental development of Viet Nam. With this, we hope to inspire more ambitious, dynamic and committed entrepreneurs to help this sector grow, and over time realise its full potential in accelerating the achievement of the SDGs.



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# LIST OF ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>CIT</b>	Corporate Income Tax
<b>CSDS</b>	Centre for Sustainable Development Studies
<b>CSIE</b>	Centre for Social Innovation and Entrepreneurship
<b>CSIP</b>	Centre for Social Initiatives Promotion
<b>CSR</b>	Corporate Social Responsibility
<b>FG</b>	Focus Group Discussion
<b>ICT</b>	Information and Communication Technologies
<b>LGBTI</b>	Lesbian, Gay, Bisexual, Transgender and Intersex
<b>MOLISA</b>	Ministry of Labor - Invalids and Social Affairs
<b>MOST</b>	Ministry of Science and Technology
<b>MPI</b>	Ministry of Planning and Investment
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NEU</b>	National Economics University
<b>NGO</b>	Non-Governmental Organization
<b>PwD</b>	People with Disabilities
<b>SDG</b>	Sustainable Development Goal
<b>SE</b>	Social Enterprise
<b>SIB</b>	Social Impact Business
<b>SIM</b>	Social Impact Measurement
<b>SME</b>	Small and Medium Enterprise
<b>SMEDF</b>	Small and Medium Enterprise Development Fund
<b>UNDP</b>	United Nations Development Programme
<b>VCCI</b>	Vietnam Chamber of Commerce and Industry

# EXECUTIVE SUMMARY

## OVERVIEW OF THE STUDY

“Fostering the Growth of the Social Impact Business Sector in Viet Nam” (the “study”) is the largest study on the social impact business (SIB) sector in Viet Nam undertaken to date. Findings are taken from 492 survey responses, interviews with 62 individuals representing various stakeholder groups, through one-on-one interviews or focus groups, and three multi-stakeholder consultative workshops.

The study provides an overview of the ecosystem and the current state of the SIB sector in Viet Nam, together with challenges and opportunities, to produce key recommendations to grow the sector. Practical guidance targeted at SIBs in growing their enterprise is also included to share the advices and insights taken from consultation with SIB sector leaders.

The main objective of the study is to catalyse the development of business activities toward addressing pressing social and environmental challenges, and ultimately toward the achievement of the UN Sustainable Development Goals (SDGs)<sup>1</sup>. The study was conducted in the context where there is a need to map the SIB sector in Viet Nam, which is recognised as an invaluable driver for positive social and environmental change, in order to design interventions to support the Government of Viet Nam in achieving the SDGs by 2030.

The study aims to apply a wider understanding of the SIB sector to map and understand the huge potential of the sector from across a varied spectrum of organisations and models, all connected by their mission to solve social or environmental issues. For the purposes of the study, SIBs are understood as *“organisations that have both trading activities and a commitment to positively impacting society/environment as the two central tenets of their strategic operations. This balancing of their social/environmental aims with a commercial model allows them to sustainably solve social and environmental challenges.”* This sector may include non-profit organisations having commercial activities, legally registered Social Enterprises (SEs), cooperatives, inclusive businesses, social impact startups, and commercial enterprises for sustainable development. SIB in this study is therefore provided as a working definition, one that seeks to respond to the concerns and barriers facing business leaders who have integrated social missions into their business models, and hence foster further growth of the wider SIB sector in Viet Nam.

## KEY FINDINGS (CHAPTERS 2-3)

This study highlights seven key findings based on the survey responses, in-depth interviews, consultation workshops and desk research:

1. Viet Nam has a vibrant and rapidly growing ecosystem for SIBs
2. Viet Nam has adopted several laws and policies supporting the SIB sector. These need to be complemented with activities to drive implementation
3. Jobs, wellbeing and environmental protection make up the top three areas of impact for SIBs
4. SIBs are leaders in promoting diversity and inclusion
5. Balancing profit with impact is a sustainable business model
6. Majority of SIBs seek to evenly balance social and economic objectives, but few use external social impact measurement tools

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1. On 25 September 2015, UN Member States adopted a set of 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new global sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years, until 2030. For more information on the Global Goals, or the SDGs, please visit: <https://www.un.org/sustainabledevelopment/sustainable-development-goals>

7. SIBs identify key challenges that prevent the growth of the sector but remain optimistic for the future

#### RECOMMENDATIONS FOR SYNERGY (CHAPTER 4)

Based on these findings, the study outlines 12 recommendations and interventions to promote synergy and overcome the challenges identified across the SIB sector in Viet Nam, and support businesses in contributing toward the achievement of the SDGs. The recommendations include:

##### Supporting policy to access capital and other financial resources

1. Develop stronger incentives using VAT and corporate income tax to grow SIB sector
2. Develop specific criteria to define social enterprises thus allowing more targeted financial incentives
3. Increase access to sources of capital and other innovative financing methods for the SIB sector

##### Supporting policy to develop market access and scale up SIBs

4. Support SIBs to engage with public procurement processes
5. Strengthen the connection between SIBs and the wider private sector
6. Raise public awareness of the value of the SIB sector

##### Capacity building

7. Train Government officials on promoting the SIB sector
8. Develop e-learning platforms for the SIB sector
9. Establish incubators and accelerators for SIBs

##### Increased coordination

10. Promote training on social innovation and entrepreneurship through education institutions
11. Establish a Government department focused on developing the SIB sector
12. Establish a representative network for the SIB sector

#### PRACTICAL GUIDANCE (CHAPTER 5)

Through engaging with some of the most experienced and successful SIBs and social entrepreneurs by conducting interviews, collecting survey responses and participating in consultations, guidance and good practice for both growing a business and scaling up social impact was developed. These strategies for success were included to ensure the study offers as much practical support to SIBs as it does to sector enablers and policy makers, all with the ultimate goal of supporting stakeholders across the ecosystem to grow the sector. The guidance is summarized below:

##### Social Impact Measurement

Strategy 1: Apply the theory of change to explore the effectiveness of social impact in bringing about lasting social change with the participation of key stakeholders.

Strategy 2: Integrate the SDGs as a starting point for SIBs to build up their own set of social impact criteria. The SDGs are the only globally agreed framework for measuring social impact which can be easily adapted by SIBs with limited capacity for social impact measurement.

Strategy 3: Engage both external and internal resources to conduct social impact assessments. Leading SIBs have utilized available and willing volunteer groups and other organisations to assist in measuring and externally communicating their social impact.

##### Marketing, communications and branding

Strategy 1: Storytelling is essential for SIBs to share their journey, highlight their social values and clearly explain how their model creates impact in the community.

Strategy 2: Build popular support or fanbase. There is a growing base of ethical consumers and socially conscious citizens. SIBs can tap into this movement and look to create brand ambassadors or champions for their business who connect with their area of impact.

Strategy 3: Networking and partnership are both critical to maximize the limited capacity of SIBs, in particular those in the early stages of business development. Existing networks can open up opportunities for funding, new markets, talent and sharing of experience and good practice.

### Securing funds and financial supports

Strategy 1: Increase focus on improving product and service quality. Quality is often taken as a given but failure to engage in regular efforts to examine and improve quality can hinder the growth of SIBs. Increasing quality helps build a solid consumer base and is essential criteria for potential investors.

Strategy 2: Explore a wide range of funding sources. Registering with networks, entering competitions, and taking advantage of specific supports for businesses with social impact will help unlock different funding sources which can help grow the business.

Strategy 3: Know how to pitch. Soft skills are critical in early stage business development, in particular when pitching to potential investors.

### Attracting and retaining talent

Strategy 1: Engage domestic and international volunteers who support the social mission.

Strategy 2: Treat talent as partners, not workers.

Strategy 3: Maintain positive corporate culture to retain quality talent.

### Enhancing Management Capabilities

Strategy 1: Develop the right business mindset. Profitability is essential for financial sustainability and scaling up your social impact.

Strategy 2: Tap into the thriving startup scene. New policies, competitions, incubators and funding sources are building to grow the startup ecosystem. SIBs should explore relevant opportunities.

Strategy 3: Build a trusted team.

### Growing your business

Strategy 1: Diversify business strategy. Depending on the specific sector, many SIBs and social entrepreneurs have grown their business and overcome early barriers to development by pivoting from and diversifying their original business model.

## CONCLUSION

The working definition adopted for identifying SIBs allows us to analyse a wider variety of business models which all have strong potential for social impact. Despite the differences between models, certain common challenges are identified, and possible solutions proposed. Where interventions can help support the growth of businesses across the wider SIB sector, from policy reform, support from other businesses, building public awareness and sharing from within the sector, these businesses can provide effective, sustainable and scalable solutions to accelerate the achievement of the SDGs in Viet Nam.

# INTRODUCTION

The goal of this study is to catalyse the development of business activities toward addressing pressing social and environmental challenges, and ultimately toward the achievement of the UN Sustainable Development Goals (SDGs). The study is divided into five chapters with the following structure:

## **Chapter 1: Overview of the Study – Context Setting**

The first chapter introduces the UN SDGs and Viet Nam's efforts to narrow the existing economic, social and environmental gaps; then sets the context for the SIB sector, which will be a key driving force in helping Viet Nam address its development challenges. Within this chapter, the study presents relevant concepts and perspectives to the terminology of "Social Impact Business" used in this study, research methodology, and the process of collecting and analysing data.

## **Chapter 2: The ecosystem for SIB sector – Sector Enablers**

Studying the SIB ecosystem is necessary to better understand SIBs and respond to the challenges they face in order for the sector to fulfil its potential in promoting sustainable development. The evaluation of the development level of the ecosystem for the SIB sector is conducted based on three components: demand for funds (SIB sector); supply of funds (financing agencies); and other supports (i.e. incubation and impact measurement). The ecosystem assessment includes a review of government policies for SEs, cooperatives, enterprises participating in public service provision, small and medium sized enterprises, startups, enterprises working to empower marginalised groups, financial institutions, research and higher education institutes, incubators and accelerators, and media channels. The analysis is based on in-depth interviews, desk research and consultative workshops.

## **Chapter 3: Social Impact Businesses – Sector Mapping**

The mapping was made primarily based on 492 questionnaires responses from SIBs. This chapter provides an overview of the SIB sector in terms of: size; maturity; geographical distribution; social priorities;

business management practices; market; finance; and social impact performance. The data from Viet Nam is compared to that of other countries. The study assesses the capability of SIBs to support the Government in addressing economic, social and environmental challenges toward the achievement of the SDGs.

## **Chapter 4: Recommendations for Synergy – Sector Enacting**

Based on the general context, the current state of the ecosystem, and specific demands from actors within the sector, several key recommendations are made to the Government, and other stakeholders, including: stronger financial incentives to encourage growth of the SIB sector, such as tax credits; establishing a specialised Government agency to regulate and support the SIB sector; the development of an action plan at national level; development of networks representing the SIB sector, and specific capacity building programmes towards supporting the needs of the sector. Indeed, Viet Nam can learn from international practices in policy-making from countries that strongly support the SIB sector. In addition, other countries can learn from the successes and failures that Viet Nam has had in driving the development of SIBs.

## **Chapter 5: Challenges faced by SIBs and Strategies to recommend – Management Best Practices**

Given the strong and positive engagement from leaders in the SIB sector in Viet Nam, the research team collected many practical recommendations for SIBs and social entrepreneurs to strengthen their business management. As a result, the study has synthesised this data and desk research to offer entrepreneurs and managers in the SIB sector guidance to deal with weaknesses in management pointed out as part of the study. These weaknesses could be minimised by lessons learnt from best practice models of several SIBs in Viet Nam, in terms of strengthening social impact measurement, financing, human resources management, and business development.

# 01

## OVERVIEW OF THE STUDY



Source: ETHOS

## 1.1 STUDY OBJECTIVES

The study on social impact business sector in Viet Nam was conducted with the main aim to catalyse the development of business activities toward the achievement of the SDGs, and to address pressing social and environmental challenges. The following steps were undertaken to achieve the above objectives:

- Defining an SIB (Chapter 1)
- Assessing components of the SIB ecosystem (Chapter 2)
- Conducting a mapping of the SIB sector (Chapter 3)
- Evaluating SIBs' roles, opportunities and challenges (Chapter 3)
- Developing policy recommendations and suggestions to stakeholders in the ecosystem (Chapter 4)
- Spreading best management practices in the sector (see case-study boxes throughout the study and Chapter 5)

## 1.2 CONTEXT OF THE SDGS IN VIET NAM

The study was conducted in the following contexts:

1. SE was recognised as an organisational legal form in the Vietnam Enterprise Law 2015
2. Since 2012, there has been no country report on the SIB sector in Viet Nam published<sup>2</sup>
3. The Vietnamese Government has committed to achieving the SDGs by 2030, with several actions already initiated (see Table 1 below)

Table 1 provides recent development priorities in Viet Nam, aligned with the 17 SDGs. The objective of this section is to consider in which field the SIB sector can support the Government to address development challenges and achieve the SDGs.

TABLE 1. SOCIAL AND ENVIRONMENTAL CHALLENGES AND EFFORTS OF THE VIETNAMESE GOVERNMENT

Priorities	SDG	Gaps	Recent efforts of the Government
<b>Poverty Reduction</b>	 	<p>8.23% of households in Viet Nam were classified as poor, and 5.41% are at the poverty threshold<sup>3</sup>. Recent disasters have pushed certain marginalised households closer to the poverty threshold.</p> <p>Poverty rate among ethnic minority groups remains high.</p>	<p>The National Target Program on Sustainable Poverty Reduction for the period 2016-2020<sup>4</sup>. The target is to reduce the average ratio of poor households by 1%-1.5%/year.</p> <p>Resolution 71/NQ-CP5 on Some Policies for Multidimensional Poor Households (2018).</p>
<b>Agriculture and Food</b>	 	<p>Ensuring food safety in the fruit/vegetable and meat industry is an important issue, with high levels of residues of plant protection products (i.e. pesticides) and antibiotics found in food.<sup>6</sup></p> <p>42.5%<sup>7</sup> of the labour force work in the agriculture sector.</p>	<p>Food Safety Law 2010;</p> <p>National Food Safety Strategy 2011-2020, Vision 2030;</p> <p>Resolution 120/NQ-CP on Sustainable and Climate Resilient Development of the Mekong River Delta (2017).</p> <p>Resolution 1819/QD-TTg promulgated the Agriculture Restructuring Plan for Agricultural Sustainable Development (2017)<sup>8</sup>.</p>

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<p><b>Environment and Climate Change</b></p>		<p>Climate Risk Index (CRI) 2015<sup>9</sup>: Viet Nam was the 8<sup>th</sup> most affected country by climate change (out of 187 countries).</p>	<p>National Strategy on Climate Change (2011); The World Bank lends Viet Nam USD 310 million to build climate resilience<sup>10</sup> (2016); Target Program to Respond to Climate Change and Green Growth for the period 2016-2020<sup>11</sup> (2017); Project FP013 under the Green Climate Fund, aimed at improving the resilience of vulnerable coastal communities to climate change related impacts in Viet Nam (2018)<sup>12</sup>.</p>
<p><b>Healthcare, Water, Sanitation</b></p>	  	<p>14% of the population do not have medical insurance<sup>13</sup>. Only 24% of ethnic minority households have access to clean water. Hospital overload affects service quality<sup>14</sup>.</p>	<p>Resolution 20-NQ/TW, 2017<sup>15</sup> on Enhancement of Citizens' Health Protection, Improvement and Care in New Situation; Resolution 71/NQ-CP on Some policies for Multidimensional Poor Households (2018).</p>
<p><b>Energy</b></p>		<p>Fossil-based energy is still the main source of electricity production. Viet Nam now imports 3% of its primary energy, and this is forecasted to rise to 58.5% by 2035<sup>16</sup>.</p>	<p>National Development Strategy on Energy (2007); Project "Saving Energy for Industrial Sector in Viet Nam" of Ministry of Industry and Trade<sup>17</sup> (2017).</p>
<p><b>Education</b></p>		<p>70% of ethnic minority children start school at the age of 6. Only 6.2% of the ethnic minorities are trained labourers<sup>18</sup>. Education quality and curricula does not meet the market's needs. Enrolment rate for the poor reaches approximately 90% at primary level and 70% at secondary level.</p>	<p>With support from the World Bank, MOET<sup>19</sup> is developing a strategy for higher education in Viet Nam for the period 2021-2030, called Vision 2035 to enhance higher education quality, meet the needs of human resources for the knowledge economy, pioneer innovation, and globalise the higher education system.</p>

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<b>Gender equality</b>		Women are under-represented in leadership positions. Women are disproportionately negatively affected by economic inequality, with ethnic minority women among the most marginalised. These create barriers to women's economic empowerment.	Women Entrepreneurship Supporting Programme for the period 2017-2025 (2017).
<b>Productivity, employability</b>		Unemployment rate among the working age is 2.2% <sup>20</sup> . 7.25% of youth (15-24 years old) and 4.5% <sup>21</sup> university graduates are unemployed. Lowest productivity in the region <sup>22</sup> .	Project "Supporting National Innovative Startup Ecosystem to 2025", or Project 844 (2016); Directive 16/CT-TTg on Enhancement of 4.0 Industrial Revolution Approachability (2017).
<b>Micro, Small and Medium Enterprise (MSME) Development</b>	  	74% is MSME, contributing 45% to Vietnamese GDP, whilst creating 65% of all employment. <sup>23</sup> However, MSMEs only contribute 23% to the value of exports. <sup>24</sup>	The SME Development Fund (SMEDF) established in 2016 provides a fixed interest rate of 7% per annum, focusing on startups, agricultural, forestry and seafood enterprises, supporting industry enterprises, waste enterprises. Loan terms cannot exceed seven years.
<b>Inequality</b>		Marginalised groups account for 20% of the population <sup>25</sup> . Ethnic minorities account for 14.6% of the population. They experience significant gaps in income, education, healthcare and access to infrastructure. People with disabilities (PwDs) account for 7.8% of the population (15.3% according to the WHO). 76.3% of PwDs can read and write, and 70% live in rural areas depending on support from their relatives and the social allowance <sup>26</sup> .	Specific policy to support socio-economic development for ethnic minorities and people living in rural areas of Viet Nam for the period 2017 – 2020 <sup>27</sup> ; Disability Law 2010 ensures care and welfare for PwDs and equality and comprehensive education opportunities for every citizen; National Plan on Inclusive Education by 2025; Decree 338/QĐ-BGDĐT <sup>28</sup> in 2018 on Planning Education for PwDs for the period 2018-2020.

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## 1.3 THE CONCEPT OF SOCIAL IMPACT BUSINESS

### 1.3.1 From the Vietnamese context

During the study design and through the interviews with individuals representing stakeholders from the SIB sector, three significant observations were made: (i) the concept of SE was strongly attached to the existing legal definition as provided for in the Vietnam Enterprise Law 2015; (ii) an important number of leading businesses did not want to be identified as an SE because of the public misperceptions of SEs as having a less developed business model compared with pure commercial enterprises; (iii) the term “social impact business” was preferred by certain businesses. Key elements of these findings are presented below, with quotes from interviews being used to provide context to the findings.

SE is strongly attached to the legal definition as found in the Vietnam Enterprise Law 2015: (i) SE must be legally registered. *“We are not yet an SE, because we have not registered as an SE”, “Only registered SE can be called an SE”*; (ii) SE must pursue primarily a social mission. *“We commit to reinvest 51% of the profit back to community activities”, “We re-invest 100% of the profit”*.

In addition, an important number of SIBs, particularly ones located in the North and Central regions of Viet Nam, did not want to be identified as a “SE”, because: (i) They prefer to be identified as Profit driven business. *“Many organisations call us SE, however, we do not accept this naming, because we pursue profit”*; (ii) Social mission as the ultimate objective is not yet seen as appropriate in the current business context in Viet Nam. *“Our company serves marginalised groups; however, we do not want to be tied to the condition of reinvesting most of the profits back to serve environment and society”. “Perhaps the SE model as used in the UK or EU is too developed and sophisticated for Viet Nam at this moment”*. (iii) Public perceptions of SEs are not wholly positive. *“In Saigon (Ho Chi Minh City), they (businesses) do not want to be identified as SEs, because enterprises are to do business, our money must come from selling products on the market, not from grants”; “We are a startup, not an SE; SEs are the ones who focus on PwDs”, “SEs are more developed in Ha Noi because there are more grant sources from the Government and international organisations in the North”*.

The term “Social Impact Business” is often preferred because: (i) It is seen as more “business oriented”. Business is viewed as having revenues from trading activities as the main sources of income and pursuing

profit-making to be financially sustainable. (ii) Achieving a balance in solving social issues and making profit is a more appropriate approach, with the misperception being that SE focuses more on the social issues. (iii) It is more attractive to investors. *“SEs are mostly small sized, and not proficient in management, finance and social impact measurement, that makes them less potential for us (impact investors) to invest in”*.

### 1.3.2 To the concept of SIB

The study uses the term “Social Impact Business” with the purpose of attracting the participation of businesses that have similar characteristics of SEs but did not identify themselves as SEs; thereby, a more comprehensive mapping of the social entrepreneurship sector in Viet Nam can be provided. The study aims to not only support organisations with strong existing practice in measuring social their impact, but also those enterprises which identify as having a social impact, and have a focus on creating impact, yet have less developed measurement. The study identifies both existing leaders and those with the potential to scale up their social impact as being critical to the growth of the sector and meeting the ambitious agenda set by the SDGs. The working definition adopted aims to facilitate the development of tailored and effective recommendations and supports to foster SDG aligned entrepreneurship, across a wide spectrum of potential businesses, which is one of the main objectives of this study.

**Social impact businesses are organisations that have both trading activities and a commitment to positively impacting society/environment as the two central tenets of their strategic operations. This balancing of their social/environmental aims with a commercial model allows them to sustainably solve social and environmental challenges.**

SIBs can be understood as SEs subject to a more flexible and open definition in terms of their inherent characteristics (see Table 2). An SIB therefore has the following characteristics:

- (Governance) Can be an organisation or a business;
- (Trading activities) Commerce is the main source of income;
- (Social mission) Having a clear social and/or environmental objective;
- (Value creation) Reaching a balance in creating value: making positive impact on society, whilst being financially sustainable.

TABLE 2. STRICT AND OPEN APPROACHES FOR SE DEFINITION

Approach	Governance	Social Mission	Trading activities	Profit allocation
<b>Strict</b>	They are constituted and managed in an accountable way -particularly with regard to the community they serve. They are distinct from the public sector, and cannot be a subsidiary of a public body (Scotland) <sup>29</sup>	A business with primarily social objectives (Malaysia <sup>30</sup> , China <sup>31</sup> , Canada <sup>32</sup> , the UK <sup>33</sup> , Scotland) Providing marginalised groups with social services or jobs (OECD, South Korea <sup>34</sup> )	Majority (at least 50%) of income come from trading activities (China, Singapore <sup>35</sup> )	Non-loss, non-profit business (Muhammed Yunus, Yunus Centre) <sup>36</sup> Surpluses are principally reinvested for that purpose (the UK) Any profits are reinvested into the business or used for the benefits of the people it exists to serve (Scotland) On dissolution, any assets are reinvested in another organisation with similar aims and objectives (Scotland)
<b>Open</b>	Organisation or initiative (SE Alliance USA) <sup>37</sup> Any private activity conducted in the public interest (OECD) <sup>38</sup> Not for profit or for profit (China)	The attainment of certain economic and social goals (OECD)	A business model led by entrepreneurial strategy (the UK, OECD, Scotland, Malaysia)	For the blended purpose of generating income and achieving social, cultural, and/or environmental aims (Canada)

The SIB sector includes four groups (see Table 3): SEs, social businesses, social impact startups, and inclusive businesses. All of these groups use a business model which makes a positive impact on the society and/or the environment. SIBs form a part of the social entrepreneurship sector. The SIB typology in Viet Nam in legal forms can be organised under not-for-profit organisations with trading activities, cooperatives, schools and companies. Comparisons in this study are made with the SE sector in other countries, so as to show the similarities and differences between global concepts and the Vietnamese one.

29. Community Enterprise in Scotland, 'Social enterprise in Scotland / Census 2017', *socialenterprisescotland.org.uk*, 2017, <https://www.socialenterprisescotland.org.uk/files/4de870c3a3.pdf>, (accessed 15 July, 2018).

30. MaGIC, 'State of Social Enterprise in Malaysia 2014/2015, 2015', *mymagic.my*, 2015, <https://se.mymagic.my/en/publications>, (accessed 15 July, 2018).

31. The Foundation for Youth Social Entrepreneurship, 'China social enterprise report', *bsr.org*, 2012, [https://www.bsr.org/reports/FYSE\\_China\\_Social\\_Enterprise\\_Report\\_2012.PDF](https://www.bsr.org/reports/FYSE_China_Social_Enterprise_Report_2012.PDF), (accessed 15 July, 2018).

32. The Canadian CED Network, 'Definition of Social Enterprise', *The Canadian CED Network*, <https://ccednet-rcdec.ca/en/page/definition-social-enterprise>, (accessed 15 July, 2018).

33. Social Enterprise UK, 'What Is It All about?', *Social Enterprise UK*, 2018, <https://www.socialenterprise.org.uk/what-is-it-all-about>, (accessed 15 July, 2018).

34. Korea Social Enterprise Promotion Agency, 'What Is a Social Enterprise?', *Korea Social Enterprise Promotion Agency*, [http://www.socialenterprise.or.kr/eng/info/What\\_is.do](http://www.socialenterprise.or.kr/eng/info/What_is.do), (accessed 15 July, 2018).

35. Singapore Centre for Social Enterprise, 'The state of social enterprise in Singapore', *raise.sg*, 2017, <https://www.raise.sg/images/resources/pdf-files/raise---State-of-Social-Enterprise-in-Singapore-2017-Report.pdf>, (accessed 15 July, 2018).

36. Yunus Centre, 'Social Business', *Yunus Centre*, 2007, <https://www.muhammadyunus.org/index.php/social-business/social-business>, (accessed 15 July, 2018).

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38. OECD/European Union, 'Policy Brief on Social Entrepreneurship Entrepreneurial Activities in Europe', *oecd.org*, 2013, [https://www.oecd.org/cfe/leed/Social-entrepreneurship-policy-brief-EN\\_FINAL.pdf](https://www.oecd.org/cfe/leed/Social-entrepreneurship-policy-brief-EN_FINAL.pdf), (accessed 15 July, 2018).

TABLE 3. THE SIB SECTOR INCLUDES

<b>SE</b>	“A business with primarily social objectives whose surpluses is principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (SEUK). This group tend to be in micro, small and medium sized companies, having a blended source of income from trading and grants.
<b>Social Business</b>	“Social business is a cause-driven business. In a social business, the investors/owners can gradually recoup the money invested but cannot take any dividend beyond that point. The company must cover all costs and make profit, at the same time achieve the social objective. The impact of the business on people or environment, rather the amount of profit made in a given period measures the success of social business.” <sup>39</sup>
<b>Inclusive Business</b>	“A business entity that generates high development impact by (i) improving access to goods and services for the bottom-of-the-pyramid population (i.e., low-income people); and/or (ii) providing income and/or employment opportunities to low-income people as producers, suppliers, distributors, employers, and/or employees” (ADB <sup>40</sup> ). This group tend to be commercial, medium or big size, attract capital from investment banks.
<b>Social Impact Startup</b>	Initiatives, startup businesses which have innovative solutions, technology based, solve social and/or environment issues or create social and/or environmental impact. This group may be part of the social innovation sector and attract impact investors.

### 1.4 RESEARCH METHODOLOGY

The study adopted a mixed-method approach that used qualitative methods (interview, focus group, and analysis of academic literature), consultation workshops and survey. This allowed the study to triangulate different data sources to ensure that the findings presented are robust, valid and as reflective as possible of the Vietnamese context in relation to SIBs.

#### 1.4.1 Data collection

**Desk research** reviewed previous studies on the SIB sector in Viet Nam<sup>41</sup> and globally<sup>42</sup>.

**Interviews** were conducted with different groups of stakeholders in the SIB sector (see Figure 1a), in the format of semi-structured one-to-one interviews, or semi-structured focus group discussions (FG). 62 individuals took part in the interviews and focus groups

(36 and 26, respectively) from across Viet Nam. 55% of the interviews were held in Ha Noi, 24% in Ho Chi Minh City, 11% in Da Nang, and 10% in other cities including Hai Phong and other Northern mountainous provinces.

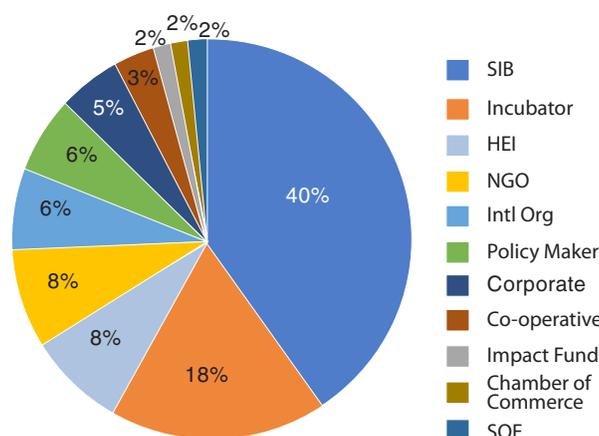


FIGURE 1a. PROFILE OF INTERVIEWEES

The interviews took place from January to June 2018 and were guided by the following discussion points: (i) definition, perception of an SIB; (ii) assessing components of the SIB ecosystem; (iii) strengths, weaknesses, opportunities and barriers for the SIB sector; and (iv) policy recommendations and suggestions to different stakeholders. The semi-structured nature of the interviews/FGs allowed participants to be free to discuss the issues which were important to them in relation to the SIB ecosystem in Viet Nam, and not restricted to their profile or role in the SIB sector. The average length of each interview

39. Yunus Centre, “Social Business”, *Yunus Centre*, 2007, <https://www.muhammadyunus.org/index.php/social-business/social-business>, (accessed 15 July, 2018).

40. Asian Development Bank, “Inclusive Business”, *Asian Development Bank*, 2018, <https://www.adb.org/themes/social-development/inclusive-business>, (accessed 15 July, 2018).

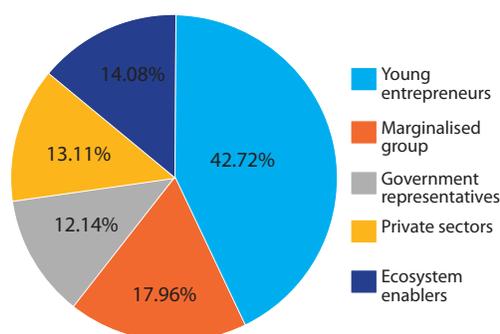
41. British Council, CIEM, CSIP, ‘Social Enterprise in Vietnam: Concept, Context and Policies’, *britishcouncil.vn*, 2012, <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam-concept-context-policies.pdf>; British Council, CIEM, NEU, ‘Vietnam Social Enterprise Casebook’, *britishcouncil.vn*, <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>; CSIP, ‘An overview of social enterprise sector in Vietnam’, *csip.vn*, 2017, <http://csip.vn/chi-tiet/buc-tranh-tong-quan-ve-dnxh-vn-214.html>

42. Country reports from SEUK, UK (2017), CEIS, Scotland (2017), raISE, Singapore (2017), MaGIC, Malaysia (2015)

was 44 minutes, with the shortest interview being 29 minutes and the longest interview lasting 84 minutes. For the FGs, the average length was 83 minutes, with the shortest FG lasting 60 minutes and the longest FG lasting 94 minutes. Every session was recorded, and then transcribed and analysed in topics and frequency of keywords.

A **consultative workshop**, as a member checking method used to validate the results of the study,<sup>43</sup> was organised in July 2018. 20 representatives from ministries, intermediaries, incubators, SIBs, academia, international and domestic investors participated in the workshop.

Two **diagnostic workshops**, the Youth Co:Lab Impact Startup Ecosystem Diagnostic Workshops, were organised in Ha Noi and Ho Chi Minh City by UNDP in June 2018. Over 200 stakeholders from across the startup ecosystem participated in an interactive session (see Figure 1b) using TechStars's five key vectors<sup>44</sup> for fostering a thriving startup ecosystem, adapted to focus on the impact startup ecosystem in Viet Nam. These provided an assessment of the SIB sector as it relates to the development of social impact startups and in promoting youth social entrepreneurship.



**FIGURE 1b. YOUTH CO:LAB PARTICIPANTS BREAKDOWN**

**Survey** was conducted from March to May 2018 with the aim to provide a mapping of the SIB sector in Viet Nam in 2018.

#### 1.4.2 Building the database of the SIB sector

One of the biggest challenges of this study was building the database of SIBs, due to the fact that the definition of an SIB is still an open one. The database was built from September 2017 to March 2018. In order

to build up a reliable database, the following methods were implemented:

- Contacting via emails and face-to-face meetings with supporting organisations to SEs and SMEs, incubators to request for list of enterprises or for support in sending the surveys within their networks;
- Collecting list of enterprises from the websites of investment funds, supporting organisations to business and inclusive business, startup supporting networks, and social entrepreneur networks;
- Compiling a list of 71 keywords on social and environmental themes, then requesting the Business Registration Management Agency under Ministry of Planning and Investment to locate the enterprises containing one of these keywords in their registered names from the national business databases. The relevant Agency also provided the list of registered SEs;
- Conducting a survey which was shared widely through existing SIB ecosystem actors and networks and promoted on social media.

The above strategies resulted in a database of 22,180 organisations and enterprises.

#### 1.4.3 Questionnaire development

The questionnaire was developed based on the SE survey of Social Enterprise UK<sup>45</sup> in 2015, with several adjustments to fit within the Vietnamese context, including the incorporation of the SDGs as a framework for measuring impact. The study was conducted bilingually i.e. available in English and Vietnamese. It was published in online form (via SurveyMonkey) and paper form.

Regarding the content, besides a brief introduction to the study, the questionnaire included five major parts: (i) Part 1: General Information (13 questions exploring demographic variables for the organisation); (ii) Part 2: Business Management (23 questions, focusing on human resources, marketing, finance-investment, the entrepreneur, and social impact measurement); (iii) Part 3: Support Needs (4 questions); (iv) Part 4: Recommendations (7 questions); and (v) Part 5: Information of Respondent (5 questions).<sup>46</sup>

43. Birt L et al., 'A Tool to Enhance Trustworthiness or Merely a Nod to Validation?', *Qualitative Health Research*, vol. 26, iss. 13, 2016, p. 1802 -1811, <http://journals.sagepub.com/doi/abs/10.1177/1049732316654870>, (accessed 15 July, 2018).

44. Techstars, '5 Ingredients for a Thriving Startup Ecosystem', *Techstars*, 2018, <https://www.techstars.com/content/community/white-paper-announcing-5-ingredients-fostering-thriving-startup-ecosystem/>, (accessed 15 July, 2018).

45. Social Enterprise UK, 'Leading the World in Social Enterprise', *socialenterprise.org.uk*, 2015, <https://www.socialenterprise.org.uk/Handlers/Download.ashx?IDMF=828443a9-2f80-4c2a-ab2b-81befed6ed05>, (accessed 15 July, 2018).

46. The full questionnaire can be found at <https://www.surveymonkey.com/r/X55KB3G>

#### 1.4.4. Distributing and collecting questionnaires

A website in English and Vietnamese was created to support the study. A campaign study questionnaire was launched on 1 April and ran until 30 April 2018. 7,113 emails were sent out. The questionnaire was shared on social network fan-page of SIB supporting organisations.

Up to the deadline on 15 May 2018, 590 questionnaires were collected and inputted into the Survey Monkey database. This represents a response rate of 2.7% of the 22,180 eligible organisations identified in the database.

#### 1.4.5 Data processing

After filtering the 590 answered questionnaires, 492 were retained and analysed for the purposes of this study (final response rate of 2.2%).

These eliminations were due to the following reasons:

1. Duplicate questionnaires (i.e. completed by the same organisations more than once, the questionnaires completed later with more comprehensive responses were taken).
2. No contact details to confirm the identity, or the respondents were not representative of the enterprises.
3. The enterprises had less than 30% of revenue from commercial activities, which means that more than 70% of the financial resources came from grants or non-commercial sources.

Data from the study questionnaires were analysed using Statistical Package for the Social Sciences (SPSS). Data analysis methods included the use of descriptive statistics to assess the characteristics of the SIBs in Viet Nam.

As mentioned above, interviews and FG sessions were recorded and then transcribed. The answers of two open questions in the questionnaire (Why have you not formally registered as an SE; and Recommendations for supporting the SIB sector), alongside the transcribed interview data were analysed through the “topic grouping method”, which involved counting the frequency of repeating keywords using the Visual Basic for Applications (VBA) on Windows Excel.

#### 1.4.6 Methodological limitations

Even though much effort was made to achieve the best database and sample-size, the research team acknowledges that there are several limitations to the study. First, the diversity in organisational forms, industry sectors, and legal statuses within the SIB sector made gaining a representative sample for all groups difficult. Indeed, the research team acknowledge that the cooperative group was not fully represented in the research sample here. Moreover, sending questionnaires via email limits the numbers and types of businesses reached within the sector, with many email addresses non-operational or not opened by the relevant person in the organisation. Second, despite the sample-size being relatively large and encompassing over 490 organisations, this represents perhaps only a fraction of the sector in Viet Nam.

# 02

## THE ECOSYSTEM FOR SOCIAL IMPACT BUSINESS



Source: UNDP

Sector enablers are identified as facilitating mechanisms and institutions that support the development of SIBs. Components of sector enablers include policy makers, existing regulatory framework governing the sector and related policies, impact investors, universities, commercial enterprises, research organisations, intermediary supporting organisations, and the media.

## 2.1 POLICY FRAMEWORK

### 2.1.1 Policy for SEs

Viet Nam is one of the few countries with legal recognition for SEs, as noted in Article 10 of the Vietnam Enterprise Law 2015. In accordance with this provision, SEs should meet three conditions:

1. Registering as an enterprise under the Vietnam Enterprise Law 2015;
2. Having clear social and environmental objectives;
3. Committing to reinvesting at least 51% of profits for registered social and environmental objectives.

Decree 96/2015/NĐ-CP<sup>47</sup> provides policies to encourage the development of this sector as follows:

- The Government encourages and assists organisations and individuals to set up SEs with the purpose of solving social and environmental problems for the benefit of the community;
- SEs are entitled to preferential and investment support in accordance with the Law;
- SEs can receive foreign aid to achieve the objectives of solving social and environmental issues in accordance with the Law on the reception of foreign non-governmental aid.

However, there has been limited efforts to develop specific policies or design activities to foster the growth of the SE sector to date.

### 2.1.2 Supporting policies for enterprises participating in the provision of public services

In addition to the Vietnam Enterprise Law 2015 and Decree 96, enterprises operating in the fields of education, training and vocational training, medicine, culture, sports, and environment can benefit from some measures under the Decree 69/2008<sup>48</sup>, such as:

47. The Government, 'Nghị định: Quy Định Chi Tiết Một Số Điều Của Luật Doanh Nghiệp', [moj.gov.vn](http://www.moj.gov.vn), 2015, [http://www.moj.gov.vn/vbqp/lists/vn\\_bn\\_php\\_lut/view\\_detail.aspx?itemid=30647](http://www.moj.gov.vn/vbqp/lists/vn_bn_php_lut/view_detail.aspx?itemid=30647), (accessed 15 July, 2018)

48. The Government, 'Nghị định: Về Chính Sách Khuyến Khích Xã Hội Hóa Đối Với Các Hoạt Động Trong Lĩnh Vực Giáo Dục, Dạy Nghề, y Tế, Văn Hóa, Thể Thao, Môi Trường', [vanban.chinhphu.vn](http://vanban.chinhphu.vn), 2008, [http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class\\_id=1&page=1&mode=detail&document\\_id=73157](http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&page=1&mode=detail&document_id=73157), (accessed 15 July, 2018).

- Infrastructure and land preferences: Long-term leases with preferential prices; To be allocated or to lease the land (in which clearing work has been completed) in the form of land allocation without collection of land fees; or leasing for free.
- Tax incentives: corporate income tax rate at 10% during operation; To be exempt from corporate income tax (CIT) for four years after the taxable income is generated, plus a 50% reduction in subsequently five years; Import of machinery and equipment for scientific research, aid goods, etc. are not subject to VAT.
- Organisations participating in provision of public services can participate in providing public service or be requested to do so by the Government; to participate in bidding for contracts and projects that use using domestic and foreign capital sources, as long as they are compatible with their respective functions and tasks as provided for by the law.

### 2.1.3 Supporting policies for SMEs, startups

- On 6 June 2017, the Prime Minister issued Directive 26/CT-TTg, affirming the spirit of "The Government is the companion of enterprises".
- In 2017, the Law on supporting Small and Medium Enterprises (SMEs) was passed by the National Assembly and came into effect on 1 January 2018.
- In March 2018, the Government issued Decree No. 39/2018/ND-CP guiding the Law on Supporting SMEs. SMEs are entitled to supportive policies from the Government, such as information support, consultancy, human resource development, conversion of household businesses, support to startups, joining inter-sector clusters, and promoting value chains.
- In 2016, the SME Development Fund (SMEDF) was established with an initial fund of VND 2,000 billion (USD 85 million), focusing on SMEs in manufacturing sectors, and science and technology startups. Enterprises are entitled to preferential loans at the interest rate of 5.5% per annum for short-term loans and 7% per annum for medium and long-term loans. In 2017, SMEDF implemented the program "Supporting SMEs in Innovation" with a total capital limit of VND 100 billion (USD 4 million). The grace period to pay back such loans is up to 24 months. The maximum loan allowed is VND 10 billion (USD 400,000). The programme operates across three

sectors: (i) agriculture, forestry and fisheries; (ii) processing industry; and (iii) water supply and waste management.

#### 2.1.4 Supporting policies for cooperatives

Supporting policies for cooperatives are specified in Decree 193/2013/ND-CP as follows: (i) subsidise formal training, technical training (subsidise 100% expenses for human resources training in cooperatives); (ii) promote trade and market expansion; (iii) apply new sciences, techniques and technologies; (iv) access to capital and funds for development of cooperatives; (v) prioritise participation in targeted programs, and socio-economic development programs. Cooperatives engaging in production and/or business activities in the encouraged fields shall be exempt from output VAT but still entitled to input VAT credit, as well as CIT exemption or reduction for several years after its establishment.

#### 2.1.5 Supporting policies for enterprises investing in marginalised areas and groups

Enterprises which invest in marginalised areas or for the empowerment of marginalised groups are entitled to CIT incentives.

- Enterprises having investment projects relating to socialization in areas that are in difficult or extremely difficult socio-economic conditions shall be entitled to tax exemption for four years, and a reduction of 50% of payable tax in the next five years.
- Operations and businesses in which persons with disabilities (PwDs) account for at least 30% of the workforce, are entitled to a number of preferential policies: receive support to improve workplace and the surrounding environment to be suitable for PwDs; be exempted from CIT; borrow capital at preferential interest rates under projects for development of production and business; granted priority and exemption or reduction to lease lands, sites and water surface for production and business based on the rate of labourers with disabilities, their disability level, and size of business.
- Enterprises having investment projects in the fields of clean energy, environmental protection and waste treatment shall be entitled to a CIT rate of 10% for a period of 15 years, a four-year tax exemption, and a reduction of 50% of payable tax for nine subsequent years.

## 2.2 MAJOR SIB ENABLERS

TABLE 4. MAJOR ENABLERS IN THE ECOSYSTEM

Name	Raising awareness	Competitions	Education	Incubation/Acceleration	Research	Finance	Co-working space	Description
<b>The Government</b>								
<b>Decree 69/2008</b>			x	x		x		Supporting policies for socialization in education and training, vocational training, medical, culture, sports, and environment
<b>Decree 26/2015</b>	x					x		Implementation Guidelines of the Vietnam Enterprise Law 2015, specifically SEs
<b>Project 844 - MOST</b>	x	x	x	x	x	x		Development of innovation and entrepreneurship ecosystem
<b>Project 1665 - MOET</b>	x	x	x					Support for student-led startups
<b>Financial Institutions, Investors and Development Organisations</b>								
<b>SMEDF</b>						x		Focus on innovative SMEs
<b>Abilis Fund</b>						x		Provide grants to improve capacity, and create jobs for PwDs
<b>Thrive Fund</b>				x		x		Non-interest loan program for SMEs, settled by repayment through products or services
<b>Oxfam</b>			x	x		x		Implement a supporting program for inclusive businesses
<b>Lotus Impact</b>	x			x		x		Impact investment fund dedicated to Vietnamese market
<b>Patamar</b>	x			x		x		Venture capital
<b>Dedicated intermediary, incubator</b>								
<b>British Council</b>	x	x	x	x	x			Development programs for creative business and SEs
<b>CSIP</b>	x	x	x	x	x	x		Intermediary in incubating and supporting SEs
<b>SPARK</b>	x		x	x	x	x		Supporting organisation in taking off / accelerating SEs
<b>Evergreen Labs</b>			x	x		x		A centre for incubation and investment in SIB in the Central region
<b>IBA Viet Nam</b>	x		x	x		x		Supporting programs for inclusive businesses
<b>UNDP SDG Challenge and Youth Co:Lab</b>	x	x	x	x	x	x	x	Innovation program for impact startups and promoting social impact, or SDG Entrepreneurship among youth
<b>HATCH! Ventures</b>	x	x	x	x		x	x	Co-working space and SIB incubation and acceleration
<b>WISE</b>	x	x	x	x	x	x		Women's initiatives for startup and entrepreneurship

Name	Raising awareness	Competitions	Education	Incubation/Acceleration	Research	Finance	Co-working space	Description
<b>SIHUB</b>		x		x		x	x	Incubator of HCMC enterprises
<b>DNES</b>	x	x	x	x	x	x	x	Incubator of Da Nang enterprises
<b>VCCI</b>	x	x	x		x			Business Forum for sustainable development
<b>Universities, Research organisations</b>								
<b>CIEM</b>	x		x		x			Think tank, embedded SE concept into the Vietnam Enterprise Law 2015
<b>NEU CSIE</b>	x	x	x	x	x			The first university-based research, education and incubation centre in Viet Nam
<b>FISS</b>		x	x	x				Centre of innovation and startup of Foreign Trade University
<b>Initiatives from Commercial enterprise sector</b>								
<b>Eko Center Coca Cola</b>	x		x	x		x		Development project for small business and community centre owned by women
<b>Minh Phu Fish</b>				x		x		The first large seafood enterprise to set up a clean shrimp farming, co-owned by farmers
<b>VinGroup</b>				x		x		The two largest private health and education businesses in Viet Nam registered as SEs
<b>Media</b>								
<b>Green Swallow Award</b>	x	x						CSIP and VCCI's 2017 Award for Business Initiatives for the Community
<b>Sustainable Business Rating</b>	x	x						Ranking of the top 100 sustainable enterprises by VCCI, following the Social Responsibility Award since 2005
<b>Forbes Viet Nam</b>	x							Honour the most influential people of the year. Many of whom are social impact entrepreneurs
<b>VTV1</b>	x							Weekly Corporate Social Responsibility (CSR) Program for the whole year of 2018

## 2.3 EVALUATING SIB ECOSYSTEM COMPONENTS

According to desk research, in-depth interviews, and Youth Co:Lab Impact Startup Ecosystem Diagnostic events, the following observations on the SIB ecosystem can be made:

### 2.3.1 Legal framework and policies

1. Although there is no specific policy on supporting SEs, the legal recognition provides a common concept and attracts attention from society, government and private sector in this model;
2. Few preferential policies on facilities and taxes exist specifically for SIBs engaged in the delivery of social services such as education, training, sports and culture, health or agriculture and environmental technology. Cooperatives and businesses that employ marginalised persons, such as PwDs or invest in areas with difficult socio-economic conditions, enjoy preferential treatment;
3. 2016 was defined as the Year of Startup Nation by the Government, followed by supporting policies and mechanisms to grow startup ecosystem, which were developed by various Government departments. Supporting programs were launched such as Program 844 of the Ministry of Science and Technology, Program 1665 of the Ministry of Education and Training, and Program 939 of the Viet Nam Women's Union. All aim at contributing to having one million businesses operating effectively in Viet Nam by 2020. The startup ecosystem provides an entry point to build social and environmental concerns into existing innovation and entrepreneurship programmes focused on building the startup ecosystem in Viet Nam;
4. The Government began prioritising sustainable development and promoting business for sustainable development, including to achieve the Socio-Economic Development Plan of Viet Nam, and the UN SDGs. In 2012, Viet Nam announced its Sustainable Development Strategy. In 2017, the Government issued the National Action Plan to implement the 2030 Agenda for Sustainable Development. For the first time, in July 2018, Viet Nam held the National Conference on Sustainable Development demonstrating the commitment of the Government toward a multi-stakeholder and multi-sectoral approach to achieving sustainable development.

### Assessment of the Impact Startup Ecosystem and social entrepreneurship among youth by Youth Co:Lab workshop participants

The ecosystem was broken down into five vectors: regulatory environment, capital, culture, talent and density. Participants in Ho Chi Minh City graded the ecosystem slightly higher than that of Ha Noi, scoring it 23 out of 46, with Ha Noi rating 22.25. The Diagnostic Workshops also highlighted that the density of impact startups and talent available in Viet Nam rank highest among the vectors. Interestingly, the assessment of four vectors from two cities show opposite trends. Capital flow and legal framework in Ha Noi were stated to be more supportive than those graded in Ho Chi Minh City; whereas culture and density in the latter were believed to perform much better compared to the results from the capital. The biggest challenge identified by participants was the lack of inclusive opportunities for young people to access mentorship, training, information and resources necessary to take the key first step in developing an impact startup.

### 2.3.2 Investment and financial support activities

5. Impact investment activities have to date not been widespread or innovative. There is only one investment fund, Lotus Impact belonging to VinaCapital, which is solely dedicated to the Vietnamese market, and to date it has only invested USD 620,000 in local SIB KOTO. Besides Lotus Impact, Patamar is a venture capital fund focusing on South East Asian markets for SIBs, and has invested in Topica, iCare Benefits (Mobivi) and recently invested in JupViec;
6. Certain funds dedicated to SMEs and startups like SMEDF, the Viet Nam Bank for Agriculture and Rural Development, still provide low cost credits for areas which are in line with the respective objectives and priorities of the funds;
7. Certain charities dedicated to marginalised groups such as Abilis are providing grants of USD 10,000-20,000 to organisations supporting PwDs. Thriive are

giving loans to SMEs to purchase machinery at zero interest rates and these are settled by the products or services delivered by the investee enterprises;

8. Crowdfunding platforms have been developed such as [ig9.vn](#), [comicola.com](#), [firststep.vn](#), [fundingVN.com](#), [Fundstart.vn](#), but transactions are very modest. The crowd funding modality may be at risk of being shut down due to: (i) scepticism in the community; (ii) lack of legal corridor to ensure benefits for capital contributors; (iii) lack of attractive startup ideas; and (iv) forms of fundraising which are mainly charity are not diversified. There has been no form of equity contribution or lending.
9. Universities in Viet Nam are setting strong an example for the sector by providing students with funding to run competitions, training for student startups and provide seed funding to pilot and scale up. Participants from Youth Co:Lab workshops suggested connecting investors to students at an early stage, so they can share on what it is investors are looking for when supporting early stage startups and young entrepreneurs.

### 2.3.3 Supporting activities, incubation, co-working spaces

10. Viet Nam has in place certain intermediaries specialising in supporting SIBs such as incubation and acceleration programmes, social innovation competitions, with such organisations having 5-10 years of experience in this field. These include CSIP, Spark, HATCH! Ventures, Evergreen Labs, and Seed Planters;
11. There is a strong café culture in Viet Nam, with free Wi-Fi available, which provides free space for young startup entrepreneurs. Newly established incubators such as DNES, SiHUB, sYs, BKHUP, UP, The Vuon, which have been supported through various Government initiatives, including the Startup Nation Program, have contributed to the growing number of incubators in Viet Nam. Co-working spaces are also common in major cities, but more could be done to provide free or affordable space for peri urban or rural based youth;
12. International organisations such as the British Council have been active since 2009 for advocacy, SE development, and social innovation in the

university sector. UNDP has been involved in innovation since 2015, aiming to tap into the thriving startup ecosystem in Viet Nam to find new market-based solutions to achieve the SDGs. UNDP initiatives includes the awarding of equity free seed funding for impact startups contributing to the achievement of the SDGs, and a yearlong business incubation and impact acceleration programme for impact startups.<sup>49</sup>

### 2.3.4 Research and training activities

13. The Central Institute for Economic Management (CIEM), CSIP, Spark<sup>50</sup>, British Council<sup>51</sup>, National Economics University<sup>52</sup> have each provided various research reports on the SIB sector since 2010;
14. Social entrepreneurship and social innovation have been integrated into university training and education through “train the trainer” capacity building programs, training to support startup mentors, training for youth on social innovation and design thinking, including through the Viet Nam Youth Challenge for Social Innovation, delivered by the British Council and CSIE<sup>53</sup> of the National Economics University, and Youth Co:Lab Viet Nam, led by UNDP, Citi Foundation and the Ministry of Science and Technology. As a result of these efforts, social entrepreneurship and social innovation are being integrated into seven universities in Viet Nam. The British Council in Viet Nam and CSIE have started to integrate this content into their startup training materials and ultimately aim to be used to train 200 startup supporters from 200 universities across the country within the scope of project 1665 of the Ministry of Education and Training in the coming years.

49. UNDP Viet Nam, ‘Accelerating Startup Innovations to Achieve the SDGs in Viet Nam’, *vn.undp.org*, 2017, [http://www.vn.undp.org/content/vietnam/en/home/operations/projects/democratic\\_governance/accelerating-startup-innovations-to-achieve-the-sdgs-in-viet-nam.html](http://www.vn.undp.org/content/vietnam/en/home/operations/projects/democratic_governance/accelerating-startup-innovations-to-achieve-the-sdgs-in-viet-nam.html), (accessed 15 July, 2018).

50. SPARK research papers can be found at <https://spark.org.vn/en/resources/our-research/>

51. 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>, (accessed 14 July 2018).

52. British Council, CIEM, NEU, ‘Viet Nam Social Enterprise Casebook’, *britishcouncil.vn*, 2016, <https://www.britishcouncil.vn/sites/default/files/vietnam-social-enterprise-casebook.pdf>, (accessed 15 July, 2018).

53. [www.csie.neu.edu.vn](http://www.csie.neu.edu.vn)

### 2.3.5 The role of the commercial enterprise sector

15. CSR funds of large international and domestic corporations such as Unilever, Coca Cola, Hoa Phat Group and VinGroup, have developed initiatives to support organisations in the SIB sector. For example, Coca Cola's Eko Center project, in operation since 2017, has built community centres in many cities and provinces across the country, using a community-based business model operated by women from the local communities where the initiative is being implemented. Minh Phu Seafood Joint Stock Company is a leading shrimp exporter in Viet Nam that has set up an SIB on shrimp-forest chain, by having 100 local households join the production supply chain and co-own the SIB. This is the first large agribusiness that can be classed as an SIB.

# 03

## SOCIAL IMPACT BUSINESS SECTOR IN VIET NAM



Source: Tô he

The results presented in this section of the study are obtained primarily by analysing the 492 questionnaire responses from the survey. In-depth interviews were used to provide meaningful insights into the SIB sector and to triangulate with the findings of the survey. Comparative figures between Viet Nam and other countries in the world are based on desk research.

### 3.1 SIZE AND SCOPE

#### 3.1.1 The SIB sector accounts for 4% of the business sector

There are nearly 550,000 active enterprises in Viet Nam<sup>54</sup>. The study estimates that approximately 22,000 are SIBs, accounting for 4% of the total number of active enterprises in Viet Nam. This is in-line with data gathered by the Global Entrepreneurship Monitor (GEM) in 2015 that found a prevalence rate of SIBs within South East Asia at under 4% (Nb. This study provides specific data on Viet Nam in relation to different aspects of the SIB journey and shows that approximately 1.7% of operational and startup businesses in Viet Nam are SIBs)<sup>55</sup>. This figure is consistent with the estimation of ADB<sup>56</sup> that on average, the SIB sector makes up for less than 3% of the business sector per country globally<sup>57</sup>. Overall, the study estimates approximately 50,000 different organisations and initiatives in the SIB sector (see Table 5), which are being transformed or have potential to be transformed into the SIB model. There is therefore huge potential in Viet Nam to further grow this business model.

**TABLE 5. DEVELOPING SOURCES OF SIBS**

Type of organisation	Amount	Evaluate potential development
<b>Non-Government Organisation (international and local)</b>	1,000	Some INGOs operating in the region or in Viet Nam are likely to transform into SEs or to establish SIBs to ensure scalability and sustainability of operations; Majority of local NGOs in the country have potential to transform their model into an SE.
<b>Co-operative</b>	19,000	Having characteristics of an SIB, but do not have intention to change to other models because of its own preferences for keeping the cooperative model.
<b>Registered SEs</b>	80	Companies which registered under the Vietnam Enterprise Law, having clear social/environment goals, committing to reinvest at least 51% profit back to the business.
<b>Recognised SEs</b>	1,000	Enterprises/Organisations have not formally registered as an SE, but are recognised by supporting organisations or self-identified as an SE.
<b>Sustainable development enterprise</b>	1,000	Large enterprises participate and receive VCCI Sustainable Development award, which can be inclusive business, or social value business.
<b>SME with social, environment factors</b>	20,000	A for-profit model with a clear mission to solve social and/or environmental problems.
<b>Associations</b>	6,900	Support and protect the interests of members, raise awareness, and promote social development. Some associations have converted to registered as SEs.
<b>Social impact Startup ideas</b>	1,000	Emerging from incubators or startup contests. These register as a business after the early startup stage.
<b>Total</b>	<b>49,980</b>	

54. Tran Le, 'Tổng Cục Thống Kê: Quy Mô Doanh Nghiệp Vừa Và Nhỏ Đang Ngày Càng Nhỏ', *VietnamFinance*, 2018, <http://vietnamfinance.vn/tong-cuc-thong-ke-quy-mo-doanh-nghiep-vua-va-nho-dang-ngay-cang-nho-20180119145350988.html>, (accessed 15 July, 2018).

55. Bosma, N., Schott, T., Terjesen, S., & Kew, P., 'GEM 2015 report on social entrepreneurship', *gemconsortium.org*, 2016, <https://www.gemconsortium.org/report/49542>, (accessed 15 July, 2018).

56. Dalberg Global Development Advisors, 'Are Social Enterprises the Inclusive Businesses of Tomorrow?', *adb.org*, 2017, <https://www.adb.org/sites/default/files/project-documents/46240/46240-001-tacr-en.pdf>, (accessed 15 July, 2018).

57. However, that report also acknowledges the problematic nature of this data due to different sampling frame/definitions of SEs etc. and states that the number of leading SEs i.e. those that deliver impact and scale and are sustainable is significantly lower (0.1-0.5%)

### 3.1.2 The number increased sharply in 2016 and a significant proportion of the sector is in the early business development phase

Up to 40% of SIBs have established since 2015 (see Figure 2). The number of SIBs has dramatically increased in 2016 (+14%), with two possible drivers: (i) In 2015, the new Vietnam Enterprise Law came into force. Decree 96/2015 provided detailed instruction on the implementation of this Law, in which the main contents relate to SEs; (ii) 2016 was the record year for new business registration in the private sector (in 2016 there were 110,000 newly registered enterprises, an increase of 16.2% compared to 2015). However, in 2017, the number of SIBs declined partly because of unmet expectations of specific supporting policies for the sector.

If only considering the registered SEs, 2016 represented a boom year, whilst 2017 saw a decrease followed by an up-turn in 2018 as recorded so far. Indeed, 20 (25%) of the current 80 registered SEs registered between 1 January and 1 July 2018.

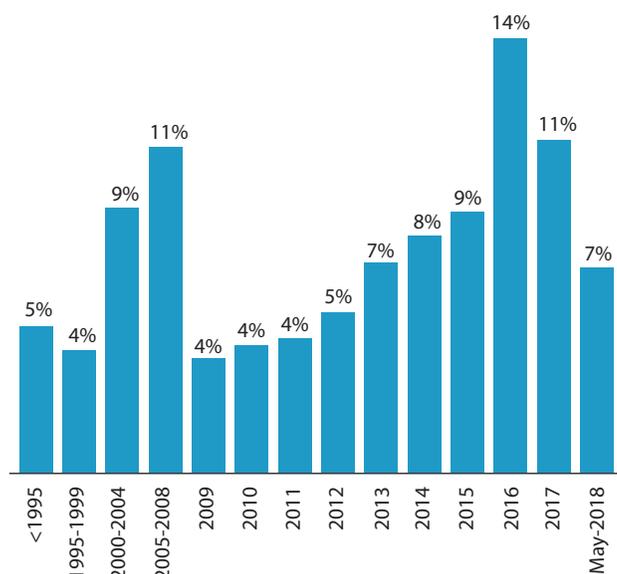


FIGURE 2. SIB REGISTERED BY YEAR

Whilst the average age of an SIB in Scotland<sup>58</sup> is 20 years, SIBs in Viet Nam are on average seven and half years old. The maturity of the SIB sector in Viet Nam is relatively the same with neighbouring economies, namely Malaysia and China (see Table 6).

TABLE 6. AVERAGE YEARS-IN EXISTENCE OF SIBS ESTABLISHMENT BY COUNTRY

Viet Nam (2018)	Malaysia (2017) <sup>59</sup>	China (2012)	The UK (2017) <sup>60</sup>
40% equal three years	64% less than six years 48% less than three years	54% less than two years	39% less than five years 25% less than three years

Source: MaGIC, 2015; SEUK, 2017

### 3.1.3 The main legal form is enterprise

In Viet Nam, 84% of SIBs are registered under the Vietnam Enterprise Law 2015, of which 72% are registered as for-profit enterprises with 12% registered as SEs (see Figure 3). 99% SIBs in Singapore (raiSE, 2017) registered as businesses, and only 1% being Foundations/Charities. In Malaysia (MaGIC, 2015), 88% of SIBs have their own legal form and of these, 35% are registered as organisations, associations, whilst the remaining 56% are registered as enterprises.

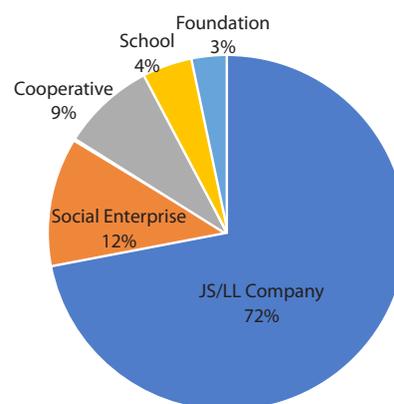


FIGURE 3. LEGAL FORMS OF SIBs

58. Community Enterprise in Scotland, 'Social enterprise in Scotland / Census 2017', *socialenterprisescotland.org.uk*, 2017, <https://www.socialenterprisescotland.org.uk/files/4de870c3a3.pdf>, (accessed 15 July, 2018).

59. MaGIC, 'State of Social Enterprise in Malaysia 2014/2015', *mymagic.my*, 2015, <https://mymagic.my/publications/>, (accessed 15 July, 2018).

60. Social Enterprise UK, 'The Future of Business - State of Social Enterprise Survey 2017', *socialenterprise.org.uk*, 2017, <https://www.socialenterprise.org.uk/the-future-of-business-state-of-social-enterprise-survey-2017>, (accessed 15 July, 2018).

Cooperatives are a widely recognised form of SIBs, especially in continental Europe. Cooperatives are an integral part of the SIB sector because of their democratic governance mechanisms, through the collectivisation of certain groups, mainly farmers, to secure financial self-sufficiency. In Italy<sup>61</sup>, for example, social cooperatives are the dominant legal form of the SIB sector inspired by socialist and Catholic principles that have historically shaped the country<sup>62</sup>.

However, the concept of SIB is believed to be unfamiliar with cooperative groups in Viet Nam, because: (i) the name SE is associated with the concept outlined in the Vietnam Enterprise Law 2015, whilst the cooperative is governed by the Law on Cooperatives; and (ii) there is limited awareness raising about SIB model amongst cooperative associations. Consequently, even though they were contacted to participate in this study, the majority see their business model unfit to the SIB sector, and hence, the study. This again highlights, as the Italian context briefly outlined above, the importance of historical, cultural, social and legal contexts in shaping SIB ecosystems.

### 3.1.4 Reasons for and against SE registration

Based on 112 responses (extracted from the survey) relating to the reason to register or intention to register as SE, by calculating the frequency of occurrences of the keywords, the study identifies three main motivating factors why organisations register as an SE (in descending order of importance):

1. The form is **suitable for the desire** of the founder to contribute, create value for the society, the community, and the environment;
2. **Legal recognition**: The law facilitates the formal recognition of an organisation as an SE and so is viewed as being “officially recognised”. Indeed, it appears that some enterprises have registered formally as SEs because it is much easier than registering as a non-profit organisations. As two interviewees stated: “[It was] *the quickest way to get a license*” whilst another said *“We wanted to set up an NGO, then this transformed into an SE that is more convenient and suitable for the economic criteria for shareholders.”*;

61. European Commission, ‘A map of social enterprises and their eco-systems in Europe’, ec.europa.eu, 2015, <http://ec.europa.eu/social/BlobServlet?docId=12987&langId=en>, (accessed 15 July, 2018).

62. Biggeri, M., Testi, E., Bellucci, M., Franchi, S. & Manetti, G., ‘Social Enterprise, Social Innovation and Social Entrepreneurship in Italy: A National Report’, *fp7-efeseiis.eu*, 2015, <http://www.fp7-efeseiis.eu/national-report-italy/> (accessed 15 July, 2018).

#### An SIB creates jobs and addresses environmental challenges

Green Generation Stove is the product of Green Generation SIB. This company developed an innovative stove for use in the countryside, using raw materials from corn instead of charcoal. This saves people 60% of fuel wood consumption compared to traditional stoves, whilst producing less dust, less toxic emissions and requiring less cooking attention. The price is only VND 150,000 / stove (USD 7.50), which aligns with the income levels of small families in rural areas. Every year, the company distributes 15,000 stoves nationwide. Green Generation Stove hires employees who belong to disadvantaged groups, and local women are the main distribution channels in the community for the company.

3. Registration is **an opportunity for SIBs** to benefit from policies, capital, grants, and incentives.

The pursuit of the SIB model is primarily rooted in the founder’s motives. Legal definition is important in legitimising the social contribution and standing of the enterprises.

Conversely, 286 respondents answered the question related to why they had not registered as an SE. The reasons focused again on three main motivating factors, in descending order of preference:

1. **Low level of awareness of the Law**: Enterprises may not know that the Vietnam Enterprise Law 2015 regulates SEs, and do not really understand this concept and model.
2. **Corporate model**: They are schools, non-governmental organisations, charities, cooperatives, and enterprises fully pursuing profit. Businesses are not (or not yet) registered because of their current establishment (i.e. they registered before 2015), their scale is too small, or they are nascent social entrepreneurs still going through early stage business development. In terms of capacity, these SIBs do not have enough human resources to transform the model, and/or want to focus on developing their operations with their current models (i.e. refining the product/service is difficult enough, without then engaging in legal and governance structural changes).
3. **More obligations than benefits**: A minority of respondents (24 individuals) stated that there were not enough benefits and incentives available, whilst the SE legal form comes with more obligations, including the commitment to reinvest 51% of the profit, and the development of solutions to social problems as a primary focus.

### 3.1.5 Focusing mainly in large cities with a large number of international businesses

The headquarters of SIBs are focused in Ha Noi, Ho Chi Minh City and Da Nang. The largest number of SIBs is in the Red River Delta (see Figure 4). The Northern area accounts for 57.7% of SIBs, Southern Viet Nam accounts for 30% and the Central area of Viet Nam accounts for 12.3%.

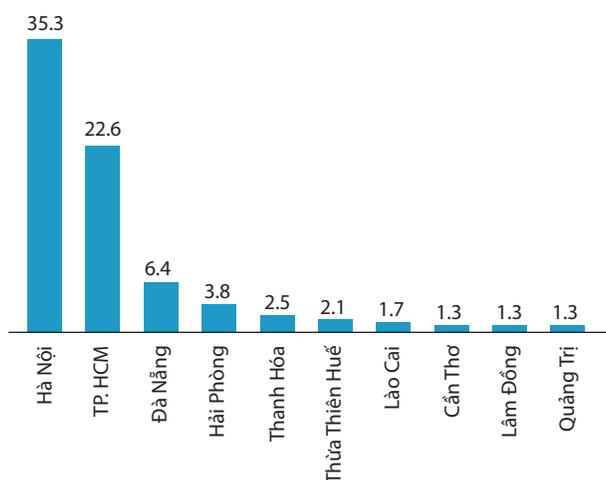


FIGURE 4. MAIN PROVINCES AND CITIES WHERE SIBS ARE HEADQUARTERED

This is similar to the experience of Malaysia, which is a rising country for social innovation and entrepreneurship. Indeed, 43% of Malaysia’s SIBs are in the capital Kuala Lumpur and 33% are in Selangor (MaGIC, 2015). For comparison, 66% of Scottish SIBs are in urban areas (CEIS, 2017). The figure for Viet Nam is 35% in Ha Noi and 23% in Ho Chi Minh City. The total amount across the four large urban provinces in Viet Nam is 66%.

More SIBs are based in Ha Noi than other provinces because most intermediaries, supporting organisations, and international NGOs are located in the capital. Awareness raising, as well as resources for capacity building, finance, networking, training and incubation are all more available in Ha Noi than in others, even in Ho Chi Minh City. This partly explains why the perception of SEs in Ha Noi is different from that in Ho Chi Minh City, as identified earlier in the concept of SIBs in Section 1 of this study and also in the findings from Youth Co:Lab workshops.

19% of Vietnamese SIBs engage in international business (see Figure 5), which is higher than that in other countries. This number in Singapore is 11% (raiSE, 2017), whilst that in the UK is only around 5% (SEUK, 2017). The SIBs which operate international business are mainly in agriculture and handicrafts. Viet Nam

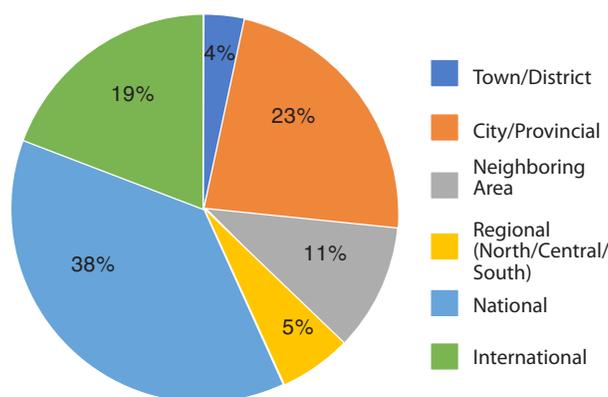


FIGURE 5. GEOGRAPHICAL SCOPE OF ACTIVITIES

exported in 2016 USD 7 billion value of fish, USD 3.5 billion in coffee, USD 2.1 billion in rice and USD 2.4 billion in fruit, flowers and vegetable<sup>63</sup>. Agriculture is among the key sectors for internationalisation in trading. The handicraft sector lends itself to international markets because it serves the demand of consumers from developed economies. Furthermore, several SIBs in handicraft business were set up by international NGOs, which makes them international in scope because of their parent organisation.

### 3.1.6 Creating jobs and improving the quality of life of people is the leading social objective of the SIB sector.

Figure 6 provides a general picture of the social objectives of the SIB sector in Viet Nam. The data shows that 50% of businesses aim to improve health and well-being for people; followed by creating jobs for marginalised groups (46.7%); environmental protection (32%); promoting education and training by upgrading trainees’ qualifications (30%); and supporting agricultural development (24%). These constitute the top five priorities of Vietnamese SIBs. Providing affordable social housing is, unlike in Western economies, a negligible activity in Viet Nam at only 1%. (see more differences in social priorities by SIBs in Table 7).

63. Vietnam News, 'Agriculture Leads All Exports', vietnamnews.vn, 2017, <https://vietnamnews.vn/politics-laws/416671/agriculture-leads-all-exports.html#WP80XHvOPABGyUsR.97>, (accessed 15 July, 2018).

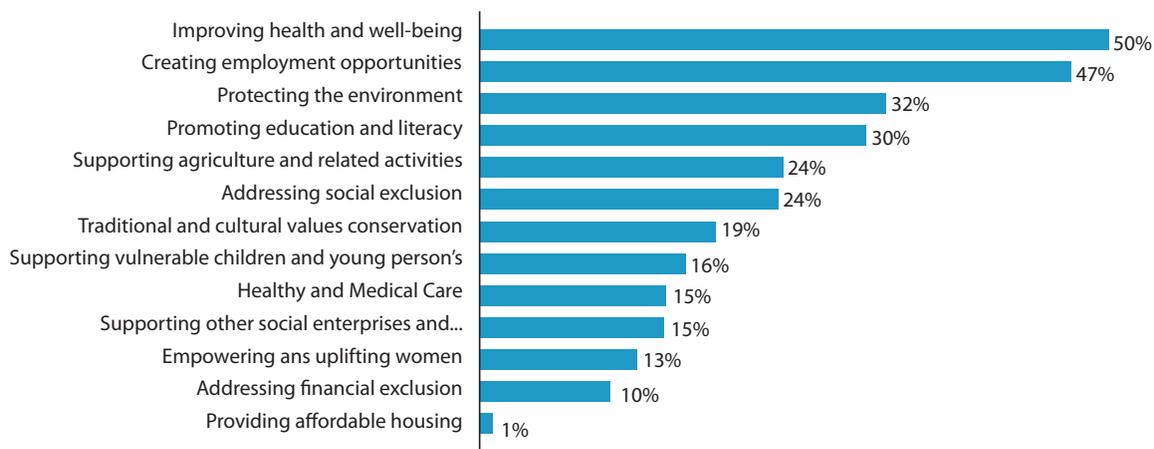


FIGURE 6. SOCIAL PRIORITIES SOLVED BY THE SIB SECTOR

TABLE 7. FIVE PRIORITY SOCIAL AND ENVIRONMENTAL OBJECTIVES OF SIBS BY COUNTRY

Viet Nam	Scotland	Malaysia	Singapore
Improving health and well-being	Creating chances to volunteer	Developing the community	Creating jobs
Creating jobs	Creating opportunities to involve in local community	Environment, sustainable, energy	Education
Protecting the environment	Improving health and well-being	Accessing economy and no poverty	Skill development
Promoting education and literacy	Promoting education and literacy	Youth developing	Mental health and well-being
Supporting agriculture and related activities	Addressing social exclusion.	Empowering persons with disabilities	Capacity building for the SIB sector

Source: CEIS, 2017; MaGIC, 2015; raiSE, 2017

Figure 7 maps out Vietnamese SIBs’ objectives in relation to the UN SDGs. The top five SDGs pursued by SIBs include (i) SDG 8: Decent Work and Economic Growth; (ii) SDG 3: Good Health and Well Being; (iii) SDG 1: No Poverty; (iv) SDG 10: Reduced Inequalities; and (v) SDG 12: Responsible Consumption and Production. Environmental objectives, as well as political and institutional agendas are much lower. Only 1.1% of businesses are focusing on SDG 14: Life below water. The findings reflect the priority of the SDGs of the Vietnamese SIBs, which is more on addressing social

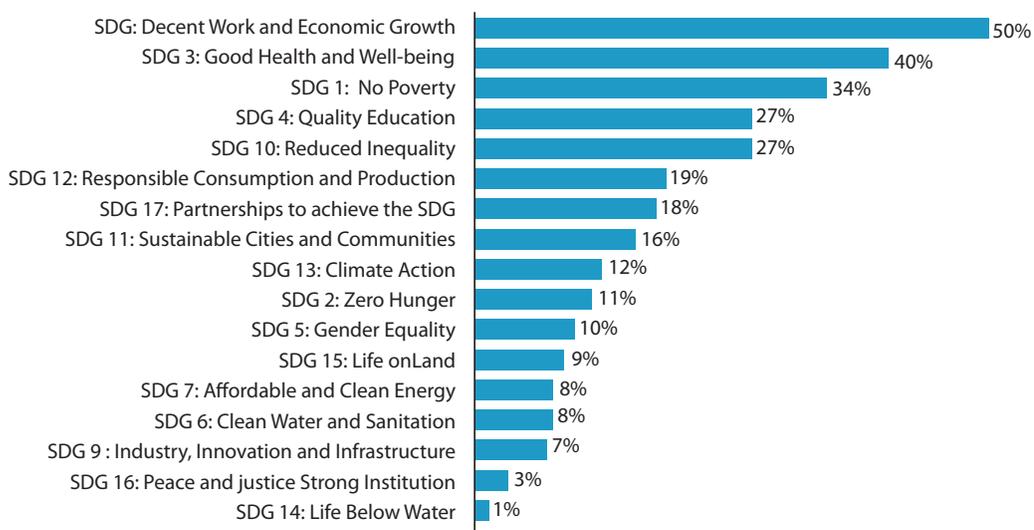


FIGURE 7. THE SDGS PURSUED BY THE SIB SECTOR

rather than environmental challenges. These survey findings are consistent with the top two concerns of young people found in the SDG Youth Survey 2018, which was led by UNDP Viet Nam, CSDS and MPI (See more in the box below).<sup>64</sup>

The **SDG Youth Survey 2018** presented an opportunity to match the priority development concerns of young people in Viet Nam with opportunities to volunteer, work, or found an impact startup in the SIB sector.

In January 2018, the first-ever Youth Survey on awareness and perceptions of the SDGs was carried out by UNDP Viet Nam, together with the Ministry of Planning and Investment and the Centre for Sustainable Development Studies (CSDS). More than 7,000 young people, aged from 16–30, from 63 provinces and cities in Viet Nam were surveyed, with women making up 75% of the total respondents, and 65% of respondents from urban areas.

Each respondent was asked to choose three priority Sustainable Development Goals which they will act upon. The most popular Goal chosen by youth respondents was Goal 4 on “ensuring inclusive and quality education for all” (51%). 33.5% of respondents preferred “ensuring good health and promoting wellbeing for all (Goal 3)”, followed by Goal 5 on “ensuring gender equality” (31.9%).

Notably, almost three in four of the respondents said that they had never heard of the SDGs before. The survey reveals that young people are interested in participating in the achievement of the SDGs, but often do not know what practical opportunities and supports are available to facilitate their participation. Youth are recognised as key partners for the achievement of the Goals and the survey aims to inform policy interventions and practices at strengthening youth participation in achieving the SDGs by 2030.

When findings on SDG priorities are broken down by legal form of an SIB, the following observations are made (priorities are numbered in descending order):

- Enterprises focus on addressing: (i) Decent Work and Economic Growth; (ii) Good Health and Well Being; and (iii) No Poverty
- Cooperatives focus on addressing: (i) Decent Work and Economic Growth; (ii) No Poverty; and (iii) Good Health and Well Being
- NGOs focus on addressing: (i) Quality Education; (ii) Reducing Inequality; and (iii) Decent Work and Economic Growth

### 3.1.7 The SIB sector focuses on training, human resources development and job creation for marginalised groups

The two major industries of the Vietnamese SIB sector are Agriculture, Fisheries and Dairy (31.7%) and Education and Skill Training (29.7%).

Sectors that create employment for non-urban areas include agriculture-fishery; non-farm livelihood; forestry, and handicrafts crafts, accounting for 36.4% (see Figure 8). The number of enterprises working in environmental areas such as energy and clean technology, water and sanitation accounts for only 8.6% of the sector.

The service industry in the SIB sector in Viet Nam accounts for 55% (education, health, counselling, finance, justice, information technology, tourism, culture and arts), which is lower compared with 70% as found in the Vietnamese private sector<sup>65</sup>. This is not the case of the SIB sector of other countries (see Table 8):

**TABLE 8. TOP BUSINESS SECTORS BY COUNTRY**

Viet Nam	The UK	Malaysia	Singapore
Agriculture, fisheries, dairy	Retail	Retail	Education
Education/skills development training	Business support/ consultancy	Training service	Training
Non-farm livelihood	Education	Consultancy service	Health and well-being
Business support/consultancy	Creativity	Food and drink	Research and consultancy
Handicraft, traditional works	Decent jobs, skills	Health and healthcare	Culture and art

Source: SEUK, 2017; MaGIC, 2015; raiSE, 2017

64. UNDP Viet Nam, ‘Education, Health and Gender Equality Top SDG Priorities: Youth Survey’, *vn.undp.org*, 2018, <http://www.vn.undp.org/content/vietnam/en/home/presscenter/pressreleases/2018/02/02/education-health-and-gender-equality-top-sdg-priorities-youth-survey.html>, (accessed 15 July, 2018).

65. Công Trí, ‘Cà nước có hơn 505 nghìn doanh nghiệp đang hoạt động’, *thoibaokinhdanh.vn*, 2018, <http://tapchitaichinh.vn/tai-chinh-kinh-doanh/tai-chinh-doanh-nghiep/ca-nuoc-co-hon-505-nghin-doanh-nghiep-dang-hoat-dong-135226.html>, (accessed 15 July, 2018)

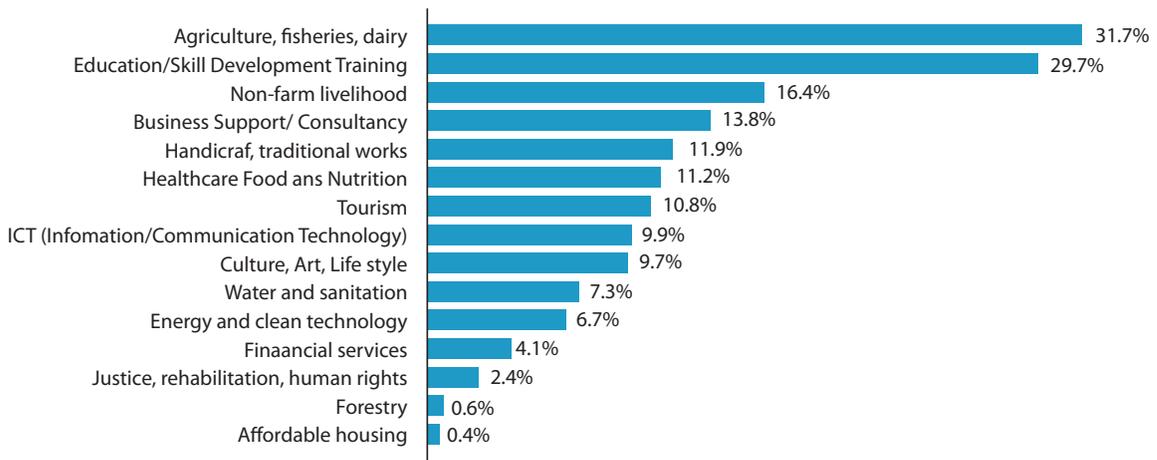


FIGURE 8. SIB BUSINESS SECTORS

The above figures are consistent with ADB’s (2017) recent observation that firms from developing countries primarily focus on agriculture, particularly in South East Asia and South Asia. The retail and tourism sectors have high concentrations of enterprises in South East Asia. Education is a priority in South Asia, Southeast Asia and Latin America. SIBs in the water and sanitation industry are nascent across all markets that were analysed. Because of the high level of investment in the social housing sector, including low-cost housing, the number of SIBs in this sector is very small. Inclusive business can invest in this capital-intensive social housing sector. The health care sector is a high potential sector in Viet Nam because of the overload of the national health system. However, in Viet Nam, only 11% of SIBs deal with this social problem, demonstrating that it is a high potential, low density area of the SIB ecosystem. Possible opportunities include SIBs partnering with the state to deliver expanded public healthcare services, in much the same way as has been observed elsewhere (notably the UK, Australia and to a lesser degree continental Europe).

From a legal form perspective, non-profit/charity organisations focus on education, non-farm livelihoods and financial services; cooperatives are mainly engaged in agriculture, handicrafts and non-farm livelihoods; whilst for-profit enterprises focus on agriculture, education, health care and non-farm livelihoods. It can be observed that SIBs are involved in three business sectors that use a lot of labourers from potentially marginalised groups, such as farmers and women, in agriculture, handicraft production, and non-farm livelihoods.

### 3.2 HUMAN RESOURCES

#### 3.2.1 SIBs are micro and small size in terms of personnel

The number of micro-enterprises by size (less than 10 employees) accounts for 30% of the SIB sector in Viet Nam (see Table 9 for SME criteria in Viet Nam). Approximately 70% of SIBs are small and micro-sized, with the average number of employees being approximately 20 paid employees per SIB (see Figure 9).

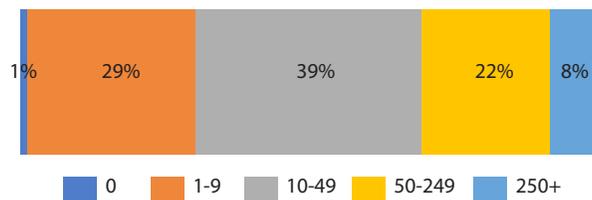


FIGURE 9. SIZE OF WORKFORCE

Figure 10 show the percentage of volunteers that an SIB employed, 27% of SIB respondents engage volunteers, and 73% employ only salaried staff (0% volunteers). Civil society organisations and SIBs employing PwDs engage more volunteers than the average figure. This group usually receives support from international volunteer organisations. Up to 42% of NGOs in the SIB sector have more than 51% of their staff time provided by volunteers, whilst this number for the remaining SIBs is 19%. Volunteers support SIBs primarily in tourism, education/skill training, culture and creative sectors.

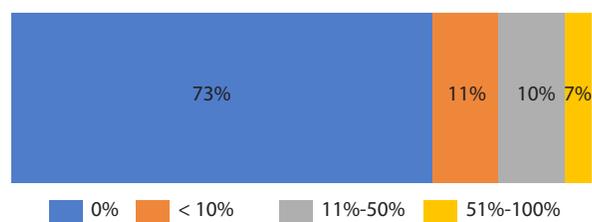


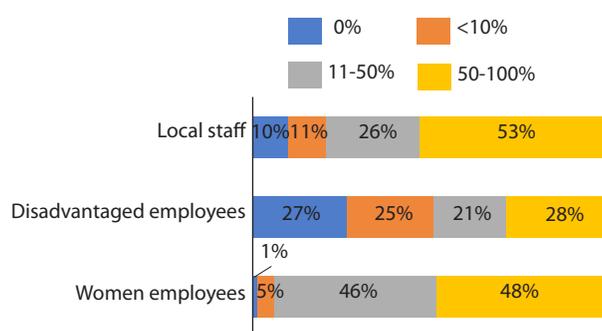
FIGURE 10. PERCENTAGE OF VOLUNTEERS BY SIBS

**TABLE 9. CRITERIA FOR SMALL AND MEDIUM ENTERPRISES IN VIET NAM<sup>66</sup>**

		Labour Force	Revenue/Capital (VND/USD)
<b>Micro enterprise</b>	Agriculture, fisheries, forestry, industry, construction	10	VND 3 billion (USD 150,000)
	Commerce, service	10	VND 10 billion (USD 50,000)/ VND 3 billion (USD 150,000)
<b>Small enterprise</b>	Agriculture, fisheries, forestry, industry, construction	100	VND 50 billion (USD 250,000)/ VND 20 billion (USD 100,000)
	Commerce, service	50	VND 100 billion (USD 500,000)/ VND 50 billion (USD 250,000)
<b>Medium enterprise</b>	Agriculture, fisheries, forestry, industry, construction	200	VND 200 billion (USD 1,000,000)/ VND 100 billion (USD 500,000)
	Commerce, service	100	VND 300 billion (USD 1,500,000)/ VND 100 billion (USD 500,000)

### 3.2.2 SIBs are highly inclusive

99.1% of SIBs employ women (see Figure 11). Nationally, 72% of women in Viet Nam participate in the workforce, with the global figure standing at 49%<sup>67</sup>. The survey data shows that women make up at least 10% of the workforce in cooperatives, with 74% of cooperatives having up to 50% of their workforce being females. Specific sectors where the number of female workers as a proportion of the entire workforce is over 51% includes culture-art-lifestyle; handicrafts; education/skills; development training; tourism; non-farm livelihoods; and business support/consultancy. 85% of SIBs in the information communications technology (ICT) sector have more than 10% female representation in their workforce, with 44% of ICT SIBs having more than 51% of their workforce as females.


**FIGURE 11. DIVERSITY IN HUMAN RESOURCE**

In addition, 74% of SIBs employ workers from disadvantaged groups, among which 28% having more than 51% of their workforce from such groups, including PwDs, ethnic minorities, and persons from marginalised, or lower socio economic backgrounds. Again, cooperatives employ the largest proportion of marginalised individuals at 95.7%. This is partly due to the cooperative nature, where the employers are farmers and persons with low-incomes, who often live in rural and remote areas. Sectors where the employment of marginalised individuals is most common include handicrafts; non-farm livelihoods; agriculture-fisheries and tourism. Tourism in the SIB sector mainly occurs in ethnic minority areas, through community based/responsible tourism.

Conversely, the same cannot be said for NGOs and/or volunteer-led organisations, as 43% of NGOs do not employ any marginalised workers at all.

There is a tendency within SIBs to employ local people, with 90% of SIBs employing labour from the local area. Furthermore, of these organisations, 53% utilise local labour in at least 51% of their workforces, reflecting the social responsibility of enterprises within the communities in which they operate. In comparison, the figure for the UK is 79% (SEUK, 2017).

66. Decree 39/2018/NĐ-CP

67. Ngan Anh, "Việc Làm Cho Nữ Giới: Chưa Hết Những Rào Cản", *nhandan.com.vn*, 2018, <http://www.nhandan.com.vn/xahoi/tin-tuc/item/35357402-viec-lam-cho-nu-gioi-chua-het-nhung-rao-can.html>, (accessed 15 July, 2018).

### 3.2.3 SIBs are more diverse in leadership

This diversity is reflected in the fact that a significant number of women and people from marginalised groups participate in the establishment and operation of SIBs. Indeed, 41% of the leaders of SIBs are females, and 1% are from the LGBTI community (see Figure 12). The proportion of female social entrepreneurs is much higher than the 25%<sup>68</sup> found in the commercial sector in Viet Nam and 10%<sup>69</sup> on average across the world. The global average for 2016<sup>70</sup> shows that 45% of social entrepreneurs are female and 55% are male. Furthermore, 48% of senior management within SIBs are women. SIBs in Viet Nam are, therefore, very strong in relation to gender equality and female leadership. Table 10 provides a global comparison of female social entrepreneurship.

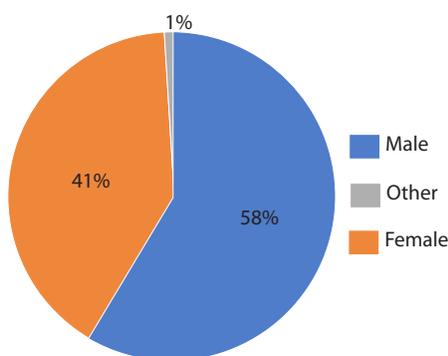


FIGURE 12. GENDER OF SIB LEADERS

TABLE 10. COMPARISON OF PROPORTION OF FEMALE SOCIAL ENTREPRENEURS AMONG DIFFERENT COUNTRIES

Viet Nam	The UK	Malaysia	Singapore	China	World Average
41%	41%	43%	44%	42%	45%

Source: SEUK, 2017; MaGIC, 2015; raiSE, 2017, GEM, 2017

For SIBs operating at the national level, the proportion of female social entrepreneurs is quite low, accounting for only 37%. However, when SIBs reach the international business threshold, the proportion of

68. Vietnam News Agency, 'Việt Nam Có Tỷ Lệ Nữ Lãnh Đạo Doanh Nghiệp Vượt Xa Mức Chung Của Châu Á', *thoibaotaichinhvietnam.vn*, 2017, <http://thoibaotaichinhvietnam.vn/pages/kinh-doanh/2017-12-18/viet-nam-co-ty-le-nu-lanh-dao-doanh-nghiep-vuot-xa-muc-chung-cua-chau-a-51669.aspx>, (accessed 15 July, 2018).

69. Global Entrepreneurship Monitor (GEM), 'Women's Entrepreneurship Report 2016/2017 Report', *babson.edu*, 2017, <https://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%202016-2017%20Womens%20Report.pdf>, (accessed 15 July, 2018).

70. Friedman L, 'The Findings of This Massive Global Social Entrepreneurship Study Will Surprise You', *Entrepreneur*, 2016, <https://www.entrepreneur.com/article/276875>, (accessed 15 July, 2018).

female social entrepreneurs is at a higher level of 44% than the market average of 41%, partly because many SIBs in the handicraft, agriculture-fishery and non-farm livelihoods sectors who have experience in working in export-oriented industries. Therefore, this facilitates a greater propensity for females to reach management/ leadership positions within these sectors and, hence, in internationally focused SIBs in general.

SIBs from certain sectors, as classified by social objective, are more likely to have female leadership, specifically: women's empowerment and development (70%); support for children and youth (64%); health care (51.5%) and promotion of training and education (50.4%).

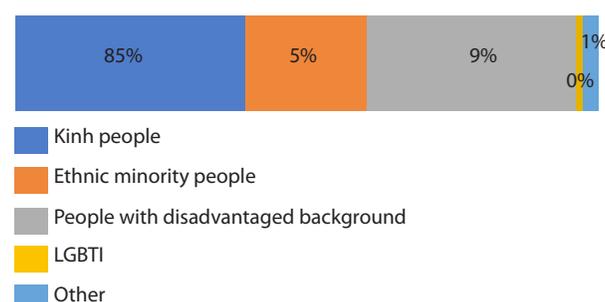


FIGURE 13. BACKGROUND OF SOCIAL IMPACT ENTREPRENEURS

There appears to be a greater propensity within the SIB model to empower people from marginalised backgrounds (i.e. ethnic minorities, persons from lower socio-economic backgrounds, and person with disabilities) and to provide them with the opportunity to be business owners. Indeed, within the SIB respondents to this survey, 15% of business owners and 25% senior managers are people from marginalised groups (see Figure 13). It is, therefore, clear to see that one of the advantages of the SIB model, compared to other organisational and business models in Viet Nam, is that SIBs are committed to reducing social inequality and empowering individuals who traditionally lack economic and social capital.

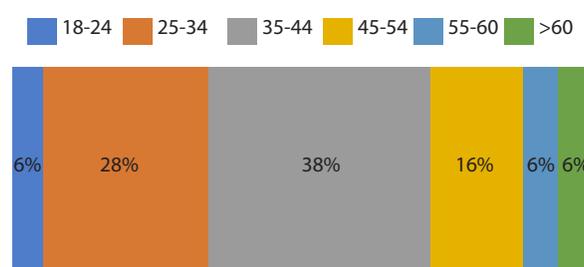


FIGURE 14. THE AGE RANGES OF SIB LEADERS

Age is an important factor within the SIB sector (see Figure 14), with the number of young SIB entrepreneurs (aged under 35 years) accounting for 34% of the sample. Furthermore, 72% are aged under 44 years, and the overall sample average is 40 years, demonstrating that the majority of SIB leaders are from younger generations, and shows how closely Viet Nam is aligned with the global average as demonstrated in a recent MIT study<sup>71</sup>. This age is higher than that of neighbouring nations such as Malaysia (35-year-old), Singapore (38-year-old), China (61% between the ages of 31-44), but it is less than the age of the UK social entrepreneurs (58% ages of 44-65). This finding is consistent with global study where the highest participation in entrepreneurship among women and men can be seen in 25-34 and 35-44-year-olds<sup>72</sup>.

### 3.3 MARKET AND FINANCE

#### 3.3.1 Focus on Urban Markets

Urban areas remain a strong marketplace for SIBs as there are more customers with a better purchasing power for products/services. This is highlighted by the fact that only 5% of SIBs serve solely rural markets. Whilst 79% of respondents operate in rural areas, 94% of SIBs are dual market operating in both rural and urban areas (see Figure 15). To compare with Malaysia (MaGIC, 2015), 48% of SIBs operate in rural areas, and urban market accounts for 52% (22% in rural market, and 25% in both markets).

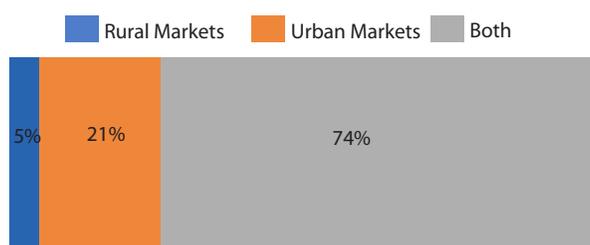


FIGURE 15. RURAL OR URBAN MARKETS

The sectors which primarily focuses on urban markets include culture and art (with 4% focusing on rural, 29% urban, and 67% both); ICT (2% rural, 25% urban and 73% both), and healthcare and nutrition (2% rural, 31% urban, and 67% both). In the financial services sector,

22% of the SIBs mainly focus on the rural market, whilst this figure is 14% for energy and technology.

#### 3.3.2 The main source of revenue comes from commercial activities with customers and private sector

SIBs in Viet Nam have a larger revenue proportion from commercial activities than those in other countries worldwide, with 92% of SIBs having over 50% of their revenues coming from trading activities (see Figure 16).

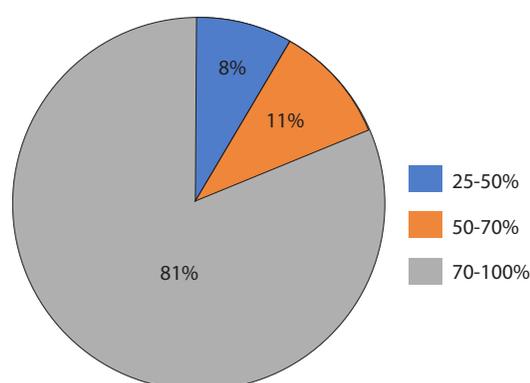


FIGURE 16. REVENUES FROM TRADING ACTIVITIES

Non-profit organisations are the category of SIBs least likely to rely on trading activities, whilst cooperatives receive little grant funding and depend entirely on trading. A small number of SIBs receive grants mainly from international organisations such as Thrive Foundation and the Abilis Foundation.

The Table 11 shows the Vietnamese SIB sector is the most entrepreneurial compared to other countries.

TABLE 11. REVENUES FROM TRADING BY COUNTRY

Viet Nam	United Kingdom	Malaysia
81% having more than 75% of revenue from trading	74% having more than 75% of revenue sources from trading	61% of revenue sources from trading
92% having more than 50% of revenue from trading		

Source: SEUK, 2017; MaGIC, 2015

Trading with the customers, or the general public, and the private sector are the top two sources of revenues (see Figure 17). Trading within the SIB sector seems not yet a common practice. Only 11% of SIBs have received donations. Similarly, trading with the general

71. Loukia Papadopoulos, 'MIT Study Says the Average Age of Successful Entrepreneurs Is 42', *Interesting Engineering*, 2018, <https://interestingengineering.com/mit-study-says-the-average-age-of-successful-entrepreneurs-is-42>, (accessed 15 July, 2018).

72. Global Entrepreneurship Monitor (GEM), 'Women's Entrepreneurship Report 2016/2017 Report', *babson.edu*, 2017, <https://www.babson.edu/Academics/centers/blank-center/global-research/gem/Documents/GEM%202016-2017%20Womens%20Report.pdf>, (accessed 15 July, 2018).

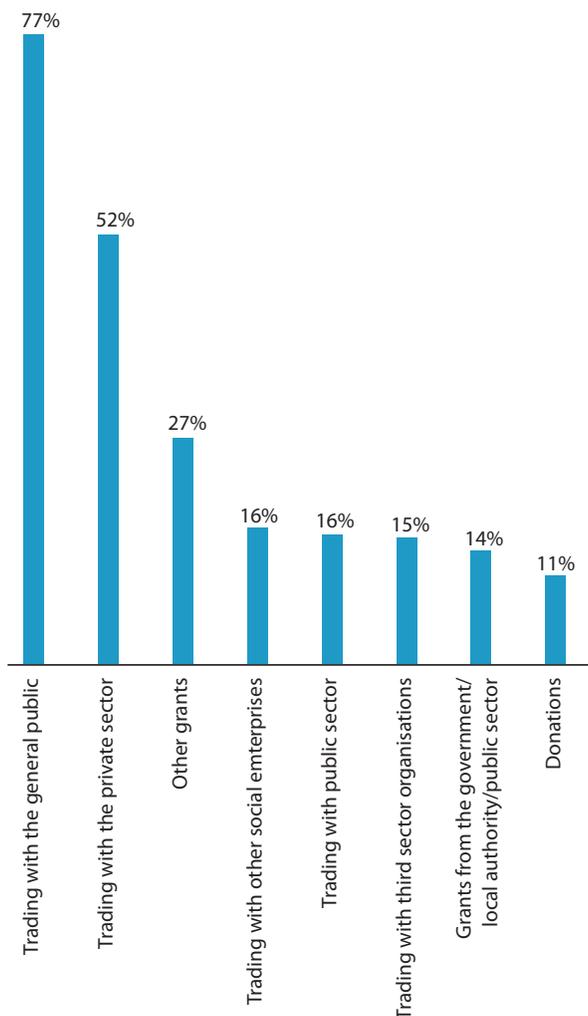


FIGURE 17. SOURCES OF REVENUE

public is the main source of revenue for SIB sector worldwide (see Table 12). Nonetheless, in countries promulgating a Social Value Act, such as the United Kingdom<sup>73</sup>, legislation requires the prioritisation of social value in government public procurement processes, an initiative that can favour SIBs in delivering public services. Recent data from the UK shows that approximately 50% of SIBs in the economy trade with the public sector<sup>74</sup>.

73. UK Cabinet Office, "Social Value Act: Information and Resources", *gov.uk*, <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>, (accessed 15 July, 2018).

74. Hazenberg, R., 'Big Potential Breakthrough Evaluation, Big Lottery Funded Project Report', *bigpotential.org.uk*, 2017, <http://www.bigpotential.org.uk/news/big-potential-breakthrough-and-advanced-evaluations-published>, (accessed 15 July, 2018).

TABLE 12. SOURCES OF REVENUES BY COUNTRY

Viet Nam	The UK	Malaysia
77% from the public 16% from public sector	60% from the public 20% sources of revenue from public sector 50% from public sector	43% from the public 27% of enterprises 14% from public sector

Source: SEUK, 2017; MaGIC, 2015

### 3.3.3 SIBs are micro-scaled in revenue

72% of SIBs have micro-scale revenue (less than VND 3 billion – equivalent to USD 130,000 per year) (see Figure 18). The remaining 28% are small in revenue (less than VND 10 billion equivalent to about USD 400,000/year).

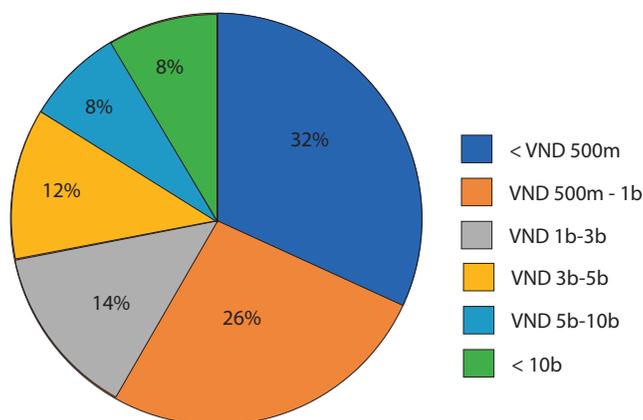


FIGURE 18. REVENUE IN 2017

If considering both the size of the workforce and annual income, 70% of the SIB sector can be classified as micro-sized (20 employees; less than VND 3 billion – equivalent to USD 150,000/year). This could be described as a typical SIB in Viet Nam, where employment is the main objective, a high proportion of the SIB workforce comes from marginalised backgrounds and can earn a living wage (read more in the Box Kym Việt).

One of the reasons for this small-scale size/revenue is that 40% of SIBs in Viet Nam are early-stage enterprises, with three years or less in operation 79% of SIBs in the form of NGOs generate less than VND 3 billion (USD 150,000) in revenue.

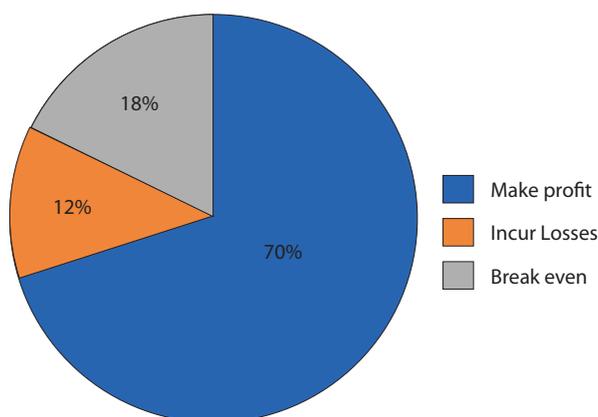
**Kym Việt - A typical SIB**

Kym Viet was founded by a group of PwDs and hires hearing impaired and mobility impaired people to make stuffed animals. Established in late 2013 as a joint stock company, it has started to be profitable from 2017 (after four years of operation). In 2017, the company has 15 employees, with turnover of VND 2.5 billion (USD 120,000). Kym Viet paid salaries, lunch and travel allowances, totalling VND 5 million (USD 250)/month/employee, including social insurance. A symbolic dividend is paid to shareholders, the rest is retained as a reserve fund, to organise community activities for employees, to hold charitable activities to support the community of PwDs.

**3.3.4 SIBs are profitable and optimistic about development prospects**

Despite its small-scale revenue, 70% of SIBs make profits, 18% break even and only 12% suffer losses (see Figure 19). The SIBs that break even and lose money are generally those that were recently established (i.e. less than two years old), as they are still testing their business model and establishing themselves in the marketplace. Indeed, 50% of SIBs established in 2016 made no profit or suffered losses, whilst this figure for SIBs established in 2017 is 66%.

When comparing financial performance within the SIB sector, 72% of for-profit SIBs are profitable, whilst this figure is only 49% for SEs. However, different organisational forms under the SIB umbrella can skew this dataset, as it is explored that cooperatives and schools are, respectively, 94% and 92% profitable. Gender does not seem to be an issue in affecting SIBs' profitability, as those with male leaders only make 0.3% higher profits than those led by females.



**FIGURE 19. PROFIT AND LOSS SITUATION**

Age, however, does seem to be a factor, with 61% of businesses operated by young entrepreneurs under the age of 24 suffering losses, and 31% breaking even. For SIBs run by entrepreneurs aged 35 years old and above, 55% were profitable and none made losses.

**TABLE 13. PERCENTAGE OF SIBS WITH PROFIT BY COUNTRY**

Viet Nam	United Kingdom	Malaysia
70% make profit	51% make profit	55% incur losses
18% break-even	20% break-even	
12% incur losses	29% incur losses	

Source: SEUK, 2017; MaGIC, 2015

The proportion of profitable SIBs in Viet Nam is relatively high compared to those of the SIB sector in other countries such as the United Kingdom and Malaysia (i.e. Malaysia, 55% made loss whereas the UK, 51% made profit) (see Table 13). This figure is better than that of the business sector in Viet Nam, with 48% making losses<sup>75</sup>.

Meanwhile, 95% of SIBs reinvest their profits into business development, 52% reward their stakeholders and beneficiaries, and only 23% pay dividends (see Figure 20). 92% of SIBs in the UK re-invested its profits back to the enterprise.<sup>76</sup>

This result reaffirms SIBs as a model to create value, including social, environmental and economic value. This can be explained by the business ethics of this model, creating the medium and long-term sustainability of the business in terms of both brand/reputation and finance.

SIBs are optimistic about the prospects for growth, with only 1% believing that revenues are likely to reduce, 7% believing that their revenues will be stable and 92% expecting to increase their income in 2018 (of which 34% expect a significant rise) (see Figure 21).

75. Cam Tu, 'Rào Cản Nào Khiến 48% Doanh Nghiệp Tại Việt Nam Kinh Doanh Thua Lỗ?', *Voice of Viet Nam*, 2018, <https://vov.vn/kinh-te/rao-can-nao-khien-48-doanh-nghiep-tai-viet-nam-kinh-doanh-thua-lo-743276.vov>, (accessed 15 July, 2018).

76. Social Enterprise UK, 'The future of business: State of Social Enterprise Survey 2017', *sewfonline.com*, 2017, <http://sewfonline.com/wp-content/uploads/2017/09/2017-State-of-Social-Enterprise.pdf>, (accessed 15 July, 2018).

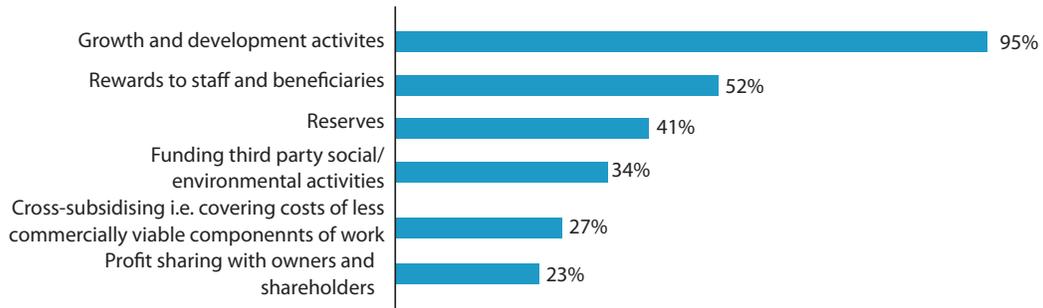


FIGURE 20. ALLOCATION OF PROFITS

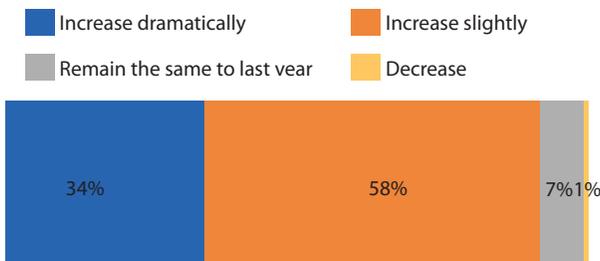


FIGURE 21. SALES GROWTH PROSPECTS

**3.3.5 The main source of funding comes from individuals and shareholders' equity**

Conventionally in Viet Nam, capital investment in early stage businesses mainly comes from individuals and families, so there are up to 40% of SIBs calling for capital from shareholders and 34% from personal finance, which means that 74% of SIBs use capital

within their organisations (see Figure 22). This figure is different from that of the UK where 82% of revenues came from grants and donations (see Table 14), as the number of organisations in the form of charities is quite high in the SIB sector of the UK (166,00 charities in the UK representing 47.1% of the SIB sector)<sup>77</sup>.

TABLE 14. SOURCES OF FUNDING BY COUNTRY

Viet Nam	The UK	Singapore
40% shareholders' equity	82% grants and donations	60% not use external sources of capital
34% individual financing	24% loans	

Sources: SEUK, 2017; raiSE, 2017

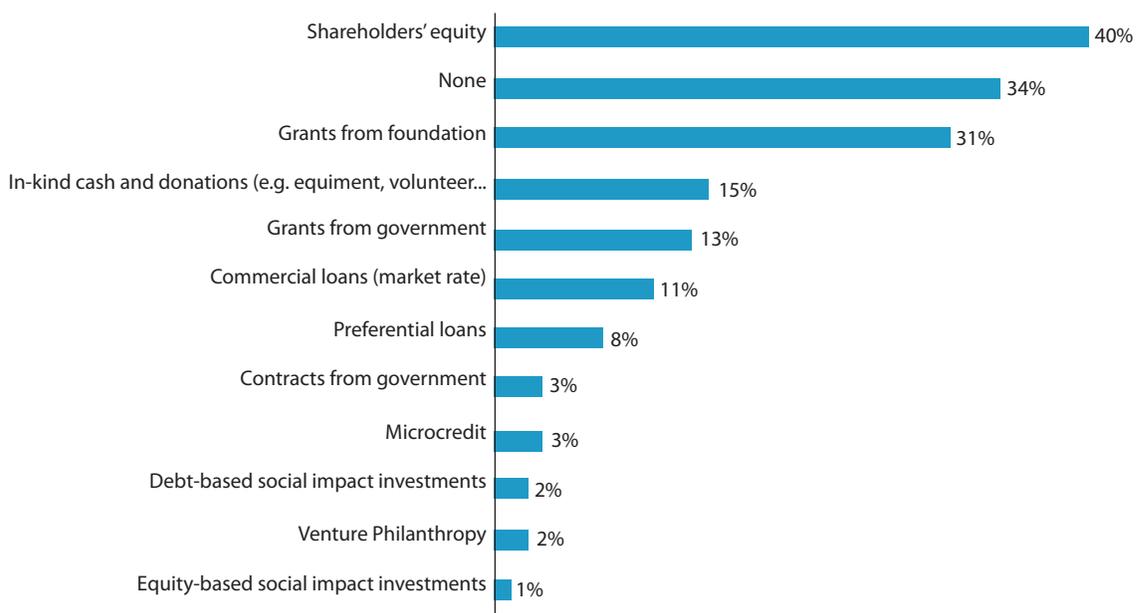


FIGURE 22. SOURCES OF CAPITAL AND FUNDING

77. NCVO, 'Civil Society Almanac 2018', data.ncvo.org.uk ,2018, <https://data.ncvo.org.uk/a/almanac18/what-is-civil-society-4/>, (accessed 15 July, 2018).

In addition to grants and donations, financial tools designed specifically for the SIB sector, such as micro-credit, debt-based or equity-based social impact investments and venture philanthropy, are inadequate compared to the capital demands of businesses. Only a few impact investment funds, such as Lotus Impact, Patamar Capital, as well as incubation and investment organisations, such as Evergreen Labs, are active in Viet Nam. This limits the ability of SIBs to access capital, and is especially difficult for SIBs when personal finance is not available.

Furthermore, Vietnamese early stage SIBs can participate in incubation programs, and

entrepreneurship/social innovation competitions, to receive rewards, such as startup grant capital from sources such as: the UNDP SDG Challenge, Vietnamese Youth for Social Innovation Challenge by the British Council and National Economics University (VYSI Challenge), CSIP's SOIN, and the DBS-NUS Social Venture Competition.

Some SIBs, including Toa Tau or Cam Vinh Ky Yen, have been successful in crowdfunding for their projects. Crowdfunding could be posts on social network (e.g. Facebook) or via professional funding platforms (e.g. Kickstarter.com).

<b>Lotus Impact invests in KOTO<sup>78</sup></b>	<b>Patamar focuses on SIBs</b>	<b>Toa Tau and Crowd Funding</b>
<p>Lotus Impact is an impact investment fund operating in Southeast Asia. Lotus Impact, in combination with KOTO, created KOTO Catering, with VND 13 billion (USD 620,000) capital from Lotus Impact and the condition of equal ownership in 2015. The revenue of KOTO Catering is about VND 1 billion (USD 50,000) per month. KOTO Catering starts to reach break-even point and make profit. Lotus Impact applies IRIS performance indicator, an initiative of Global Impact Investing Network (GIIN) that helps to measure size and effectiveness of impact investment. In addition to the expectation of sustainable change for marginalised people, investors generally anticipate getting annual financial return of 15% if they invest capital or hold shares, 5-7% if giving loans.</p>	<p>Patamar Capital (formerly Unitus Impact) firstly invested in iCare Benefits model of Mobivi Company in 2013. In early 2016, Patamar Capital invested in Topica EdTech Group which provides services and degrees for employees via online courses now scaling to regional countries such as Singapore, Thailand and Philippines.</p> <p>In June 2018, Patamar Capital has just completed their investment in JupViec, a platform connecting housemaids and customers via mobile applications. Patamar Capital assesses JupViec.vn as a social-value-created model. Particularly, it tackles employment issues, increases income, supports women and matches with Patamar's targets.</p>	<p>Gieo is a community project of Toa Tau, the SIB that supports children with ontogenesis imperfect (a form of brittle bone disease), ethnic minorities, workers, PwDs, etc., which uses art to improve beneficiaries' social/emotional connections and healing.</p> <p>Previously, in 2016, Toa Tau launched a crowd-funding campaign for their first published project, a poetry-painting publication named "Ra vuon nhát nang" with a target of VND 100 million (USD 5,000). The campaign lasted two months. Funding activities are conducted by an fundraising event and on the project's fanpage. Project's funding has mainly been received in the form of grants and donations, or pre-ordered products.</p>

78. Khong Loan, 'Impact Investment in Vietnam', *Forbes Vietnam* #51, 2017, <http://newmedia.vn/2017/08/dau-tu-tao-tac-dong-o-viet-nam/#.W54Xts77TIU>, (accessed 15 July, 2018).

### 3.4 SOCIAL IMPACT

#### 3.4.1 SIBs have a balance between impact and profit

When it comes to balancing the economic and social mission of the SIBs, or managing the “double bottom line”, 23% of SIBs argued that they prioritised their social mission; 59% stated that they balance between the social and economic missions; whilst 18% prioritised profit (see Figure 23a).

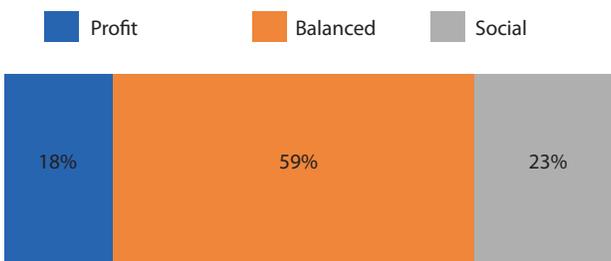


FIGURE 23a. SOCIAL MISSION OR PROFIT-MAKING GOAL

When exploring the degree of balance by legal forms, the following trends were observed (priorities have been ranked in descending order):

- Non-profit organisations: social mission (55.6%); balance (29.6%); profit (14.8%)
- SEs: balance (43.9%) and social mission (43.9%); profit (12.2%)
- Cooperatives: balance (83.3%); social mission (10%); profit (6.7%)
- For-profit business: balance (61.5%); profit (21%); social mission (17.5%)

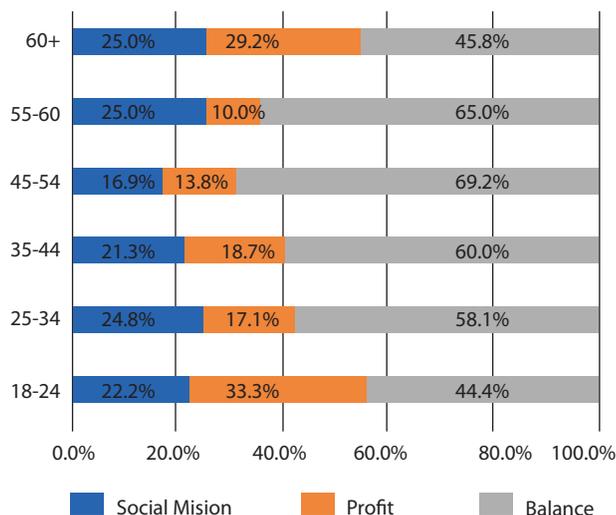


FIGURE 23b. PROFIT OR SOCIAL MISSION BY ENTREPRENEUR AGE

In relation to age of SIB entrepreneurs as a factor shaping mission priority, only 33% of young entrepreneurs under 24 years of age choose to balance the social missions

and profit-making. For more senior SIB entrepreneurs, in particular for those over 34, there is a tendency to seek a balance between profit and the social mission, which implies a greater tendency towards social impact as a priority (Figure 23b).

#### 3.4.2 Social impact measurement remains uncommon, but the beneficiaries and the protection of environment are included in decision-making criteria

Most SIBs (86%) responded that they measured their social impact without using any available measurement tools (see Figure 23c). In practice, most SIBs do not have a specific social impact measurement (SIM) framework. Using the SDG framework<sup>79</sup> as a means of guiding social impact is clearly emerging within the SIB ecosystem, as 8.8% of SIBs already use this option. GRI<sup>80</sup> and SROI<sup>81</sup> are applied mainly in large enterprises, perhaps because they are complex and more resource intensive measurement systems that makes them more suitable to larger established SIBs.

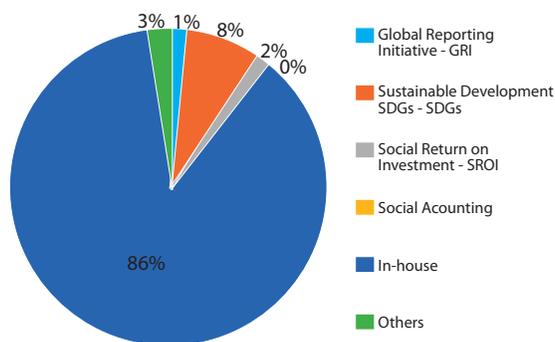


FIGURE 23c. TOOLS TO MEASURE SOCIAL IMPACTS

#### OpenM delivers consultancy and training services to drive social impact

OpenM was established in 2016 as a joint stock company, registered as a social enterprise in 2017, specialising in personal development training for entrepreneurs and corporate sustainability consultancy. This SIB is founded by Cao Huong with 13 years experience working in various non-governmental organisations. While most other SIBs/ SEs choose to reinvest profits into their own businesses to scale up, OpenM has shifted 72% of its training and consulting profits to the implementation of social projects. For example, OpenM delivered a project on preventing child sexual abuse from 2016 to 2018, which included 17 training programmes for over 1,600 students, parents, elementary school teachers, orphans, deaf and youth with learning difficulties. The programme also included free vocational training for 20 young people (aged 18-23) from December 2016 to April 2019 with the cost up to VND 400 million (equivalent to USD 20,000).

79. Unknown, “Global Indicator Framework for the Sustainable Development Goals and Targets of the 2030 Agenda for Sustainable Development”, *unstats.un.org*, 2018, [https://unstats.un.org/sdgs/indicators/Global Indicator Framework after refinement\\_Eng.pdf](https://unstats.un.org/sdgs/indicators/Global%20Indicator%20Framework%20after%20refinement_Eng.pdf), (accessed 15 July, 2018).

80. More guidance on GRI standards can be found at <https://www.globalreporting.org/standards/>

81. Social Value UK, ‘Guidance and Standards’, *Social Value UK*, <http://www.socialvalueuk.org/resources/sroi-guide/>, (accessed 15 July, 2018).

It can be seen that the SDG framework could be utilised as a simpler, less resource intense, and universally accepted tool for measuring social impact for enterprises in Viet Nam. Given the need of many SIBs to measure their impact, and the current sector tendency to do this in-house, through “makeshift” methodologies, the SDGs could provide an excellent means to support SIBs to develop their in-house frameworks along common lines. This would not only allow for some comparisons to be made between SIBs and across sectors but would ensure that the Vietnamese SIB sector was able to demonstrate its impact according to an agreed international standard. Over time, as the capacity of SIBs develops, more resource intense and sector specific measurement tools can be adopted to more effectively and accurately measure social impact.

In addition to 8.8% having already used the SDGs, 82% of SIBs expressed their interest in applying the SDGs to their social impact measurement in the future. Table 16 provides a comparative view on SIM practice by country.

In relation to the role of stakeholders, the SIB respondents were most active in responding to environmental concerns of stakeholders over social impact. (SIBs

graded 4.12 out of 5 where 5 means very active for the statement, “We actively minimise the environmental impact of our business”. In terms of participation in decision making processes, SIBs graded 4.23 out of 5 for the statement, “Our beneficiaries involve actively in our decision-making”, and 4.32 for the statement, “Our staffs involve actively in our decision-making”).

TABLE 15. PRACTICE OF SIM BY COUNTRY

Viet Nam	United Kingdom	Malaysia
86% use in-house SIM frameworks 84% involve beneficiaries and staff in their decision-making processes 75% seek to reduce negative impact on the environment	9% do not measure social impact 70% involve beneficiaries and staff in their decision-making processes 85% seek to reduce negative impact on the environment	42% do not measure impact (lack of time/not large enough to measure impact)

Source: MaGIC, 2015; SEUK, 2017

### 3.5 CONTRIBUTIONS OF THE SIB SECTOR TO ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT

The SIB sector, because of its focus in promoting a sustainable business model, provides an effective way for governments to deal with economic, social and environmental challenges. In this section, the study assesses the state of the SIB sector in solving specific challenges in Viet Nam, and their potential to do so in the future. The assessment is made based on the findings of field work including survey and in particular stakeholders’ interviews.

Social Issues	SDG	Current status	Potential	Comment
Poverty reduction	 			<ul style="list-style-type: none"> <li>SIBs provide business solutions for low-income people and are local business models</li> <li>Communities are supported using microfinance tools which offer access to affordable finance for poorer households</li> <li>SIB interventions run alongside other socio-economic development programs (i.e. government or INGO aid)</li> </ul>
Agriculture, food	 			<ul style="list-style-type: none"> <li>SIBs strongly focus on organic food and sustainable agriculture in terms of both technology and agronomic practices, including: agritech startup; safe production distribution chain; solutions of direct distribution from farmer/producer to end-user (freshness and safety)</li> </ul>
Environment, climate change				<ul style="list-style-type: none"> <li>Almost no SIBs are involved in this activity, because of the perceived macro-level nature of the problem, as well as levels of capital.</li> <li>Potentially fertile ground for SIB startups here, especially those that utilise technology to create social impact, including climate change adaptation and disaster risk reduction.</li> </ul>

Social Issues	SDG	Current status	Potential	Comment
Health, water, sanitation	  			<ul style="list-style-type: none"> <li>Given the nature of the public system in Viet Nam, many private hospitals and clinics are providing key healthcare services.</li> <li>There is potential to improve medical care using technology to: reduce hospital overload; improve service quality; improve hospital services (water supply; sanitation; waste disposal)</li> </ul>
Energy				<ul style="list-style-type: none"> <li>Some SIBs are impacting on this sector, including: developing technology solutions to reuse waste instead of coal, such as solar power and other renewable energy sources. Renewable energy sources currently only serve 1% of the population that currently do not have access to the national grid system.</li> <li>There is a need for larger enterprises aiming at sustainable development involved in this field, especially renewable energy.</li> </ul>
Education				<ul style="list-style-type: none"> <li>The non-public education sector is actively involved in solving overload in state schools and improving the quality of education and training.</li> <li>Some choose distance learning options so that geographically/ socially isolated communities can access education.</li> <li>Online learning has the potential to have a greater impact if expanded in scale and education quality, similar to specialised educational institutions</li> <li>Training on social entrepreneurship and innovation is building key skill sets among young people to connect them to markets needs and adapt in ever-changing job market.</li> </ul>
Gender equality				<ul style="list-style-type: none"> <li>SIBs facilitate leadership development and increased income for women, in particular in rural areas and in ethnic minority areas.</li> <li>Contribute to awareness raising of women’s empowerment and gender discrimination.</li> </ul>
Labour productivity, job				<ul style="list-style-type: none"> <li>Help drive new job creation compared to other models, because of labour-intensive nature of many SIB models.</li> <li>Facilitate work integration for marginalised groups, including improving the productivity of such groups.</li> <li>Social impact startups have the potential to drive development of key social impact sectors including the sharing and cocreation economies in the future.</li> </ul>
SME Development	  			<ul style="list-style-type: none"> <li>The number of SIBs as a proportion of the SME sector is growing. Therefore, with clearer policy frameworks aimed at supporting SIBs, this growth rate can be accelerated. This will help the Vietnamese government to solve/reduce many social/environmental problems</li> </ul>
Reducing inequality				<p>SIBs help to reduce inequality by:</p> <ul style="list-style-type: none"> <li>Providing employment opportunities for marginalised groups, including persons with disabilities</li> <li>Focusing the social impact of SIBs on reducing inequality, combatting discrimination and empowering marginalised groups</li> </ul>

### 3.6 OPPORTUNITIES AND CHALLENGES

#### 3.6.1 Weakness in measuring social impact, marketing, and branding

SIBs generally evaluate their management performance at a moderate level (at an average of 3.4/5)<sup>82</sup> (see Figure 24). This includes management capabilities such as the use of existing technology (3.6), human resource management (3.5), deployment of strategic planning (3.5) and product development (3.5). The weakest rated measure is social impact (2.2 points). Indeed, the fact that few SIBs use independent or external tools for measuring social impact contributes to this perceived weakness. Branding and communications (3.0 points), legal issues and taxation (3.2 points), and financial management (3.4 points) are ranked moderately (see Figure 24). These are also issues for Vietnamese MSMEs such as access to loans, technology, productivity and quality of the workforce<sup>83</sup>. Table 16 illustrates the major challenges of the SIB sector with international examples, where main issues revolving around markets, marketing and sales, attracting talent and capital.

#### 3.6.2 Barriers are capital and human resources

Shortage of capital and human resource capacity, as well as recruiting staff, remain the biggest challenges for the SIB sector in Viet Nam (see Figure 25). Conversely, in neighbouring countries like Malaysia and Singapore,

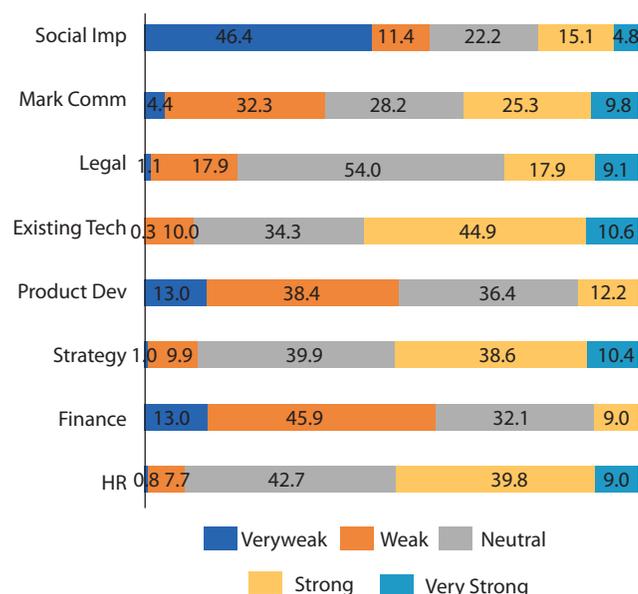


FIGURE 24. SELF-ASSESSMENT OF MANAGEMENT CAPACITIES

customer and community support are viewed as more pressing (see Table 16). It must be noted that burdensome administrative procedures, or “red tape”, are a big barrier for businesses in general in Viet Nam<sup>84</sup>, not just in the SIB sector.

TABLE 16. THE WEAKNESS OF MANAGEMENT SECTORS OF THE SIB SECTOR BY COUNTRY

Viet Nam	The UK	Malaysia	Singapore
Social impact measurement	Marketing, branding, communication	Acquire high quality human resources	Improve business model for financial sustainability
Marketing, communication, branding	Making effective use of existing technology	Funding and financing	Search for funding
Finance	Solving legal issues, taxes	Strengthening social impact	Get more customers
Product development		Improve business development to ensure financial sustainability	Network development, partners
		Get support for businesses	Recruiting, keeping talents

Source: SEUK, 2017; MaGIC, 2015; raiSE, 2017

82. 5 = very good, 4 = good, 3 = normal, 2 = poor, and 1 = very poor.

83. To NH, “Doanh Nghiệp Nhỏ Và Vừa ở Việt Nam Hiện Nay Và Nhu Cầu Hỗ Trợ Pháp Lý”, *tcdcl.moj.gov.vn*, 2018, <http://tcdcl.moj.gov.vn/qt/tintuc/Pages/phap-luat-kinh-te.aspx?ItemID=35>, (accessed 15 July, 2018).

84. Minh Chien, “Thủ Tục Hành Chính Ngốn Tiền Doanh Nghiệp”, *nld.com.vn*, 2018, <https://nld.com.vn/thoi-su/thu-tuc-hanh-chinh-ngon-tien-doanh-nghiep-20180817212636181.html>, (accessed 15 July, 2018).



FIGURE 25. BARRIERS TO THE SIB SECTOR

TABLE 17. TOP FIVE BARRIERS TO THE SIB SECTOR BY COUNTRY

Viet Nam	The UK	Malaysia	Singapore
Loans, investment	Get funding	The community does not understand	Customers and market development
Managerial skill	Maintain cash flow	Capital and financial support	Access to financial support
Funding	Low demand, economic environment	Lack of business acumen to run a business efficiently and sustainably	Lack of community understanding
Recruit staff	Investment, loans	Difficulty accessing to high quality human resources	Develop intrinsic capacity
Administrative procedures	Public procurement	Lack of startup support from government and intermediary organisations	Recruiting, keeping talent

Source: SEUK, 2017; MaGIC, 2015; raiSE, 2017

### 3.6.3 Community support and brand recognition offer unique opportunities

This result is consistent with the opportunities that are available when starting-up an SIB. Indeed, a business that chooses to create a social impact can garner the support and recognition of the community, which can lead to growth in customers (90% of respondents affirm this). In addition, the opportunity to network with key stakeholders, as well as good branding emerge (61% for both). Interestingly, 54% of SIBs think that attracting capital and funding is an opportunity for the sector. However, only 40% of the SIBs surveyed think that there are opportunities in attracting personnel, whilst government policies are also not seen as providing significant opportunities. (see Table 18). This survey finding is also consistent with Youth Co:Lab workshops conclusion that there is a strong sense of community and support to social projects, including SIBs. The mindset of supporting products or services with social good, is not a new thing to people in Viet Nam.

TABLE 18. OPPORTUNITIES FOR SIBS

Viet Nam	Singapore
Community awareness support (90%)	Increasing numbers of SIBs rely on technology and accelerator programs
Good brand (61%)	SIBs can achieve scale and sustainability when developing outside the domestic market
Network (61%)	Can raise competition in the marketplace, so as to increase quality and value
Capital attraction, sponsorship (54%)	Recognizing the role of poverty eradication in society
Human resource attraction (40%)	
Policy incentive (35%)	

Source: raiSE, 2017

# 04

## RECOMMENDATIONS FOR SYNERGY



Source: UNDP

Chapter 4 focuses on policy recommendations and suggestions for developing the different components of the ecosystem. An exploration of the best management practices will be separately presented in Chapter 5 of this study.

## 4.1 SUPPORTING POLICY TO ACCESS CAPITAL AND OTHER FINANCIAL RESOURCES

**4.1.1 Develop stronger incentives using VAT and corporate income tax to grow SIB sector.** Most SIBs are still either small sized organisations or in the early stages of business development, therefore the ability to generate profits and hence to pay CIT is still limited. Reducing output VAT for SIBs could be an effective method for attracting consumers to purchase products and services from the SIB sector. Many SIBs are eligible for CIT incentives, are exempt or participate in government funding schemes but were not aware of available policies and did not know the procedure to apply for such incentives. Transparency and procedure simplification are critical for SIBs to access to these resources.

### Investment tax exemption in Great Britain

The British Government has applied investment tax exemption policies to individuals who invest through lending or as shareholders in charity funds and social enterprises. Individuals will be exempted 30% tax on the amount of investment stated on their income tax receipt in the year that the transaction occurs. If the invested amount is returned or sold after three years, the investor will be exempted the income tax on this amount. However, each individual can only invest a maximum of GBP 1 million per year for social purposes (this is the UK's Social Investment Tax Relief scheme.)

**4.1.2 Develop specific criteria to define social enterprises thus allowing more targeted financial incentives.** There is a line of thought in Viet Nam stating that it is unnecessary to have a special incentive policy for SEs (a crucial part of the SIB sector), because currently the definition of SEs provided in the Vietnam Enterprise Law 2015 is flexible. Therefore, it is quite easy for a commercial for-profit business to register as an SE and then receive any incentives on offer. Moreover, they can transform back to be a commercial business should they fail to sustain their purpose, due to the lack of asset locks insisted upon in the Vietnam Enterprise Law 2015. This therefore creates a potential loophole for opportunism, should policy create financial (or other) incentives for SEs or even SIBs more widely. In the United Kingdom, the Community Interest Company legislation requires an SE to reinvest 65% of their profits into business activities and puts in place an asset lock which restricts shares or assets being transferred outside of the CIC or for a profit<sup>85</sup>. In the case of a

85. Office of the Regulator of Community Interest Companies, "New Dividend

closedown, the business will have to transfer the rest of its possession to enterprises and organisations of the same purpose or the assets will lay dormant. This does act to ensure that the types of opportunism outlined above as being potentially possible in the Vietnamese context, cannot occur in the UK<sup>86</sup>. Stricter conditions, such as those outlined above, do help to ensure that SEs maintain the social purpose at their core, and so can enable funding and policy frameworks to treat the market more equitably.

### Preferential and punishment policies for social enterprises in Thailand according to the Law signed in 2018

In the latter half of 2018, the Law on promoting social enterprises in Thailand will be signed. After researching various international legal frameworks, Thailand has produced specific criteria for social enterprises, comprising of three main parts: (i) registering under the Law of Thailand, with commercial products and services; (ii) has aims to promote local employment or to solve social, environmental, communal problems; (iii) reinvest at least 70% of profit into the business or minorities, farmers, the disabled that are eligible for benefit. Enterprises are not allowed to self-claim as social enterprise without having registered with the Ministry of Industry and are fined THB 2,000/day if found guilty. Enterprises that reinvest 70% of their profit will be completely exempted from enterprise income tax. Enterprises that invest in social enterprises as a shareholder, will be completely exempted from enterprise income tax for the total amount of the investment. The amount that an enterprise donates to social enterprises will be excluded from the enterprise's expenses.

### 4.1.3 Increase access to sources of capital and other innovative financing methods for the SIB sector.

Venture capital companies focused on scaling SMEs may extend their focus to SIBs. One of the long-term solutions from the Government could be the issuing of social bonds or prioritising the development/listings of SIBs in the stock exchange. International development banks at the moment have priorities for investment or loans for inclusive businesses, and this could be good practice for national development banks. Furthermore, the SDGs should be promoted as a key tool in measuring social

and Performance Related Interest Caps Now in Place", *gov.uk*, 2014, <https://www.gov.uk/government/news/new-dividend-and-performance-related-interest-caps-now-in-place>, (accessed 15 July, 2018).

86. It should be noted however, that this only applies to CICs in the UK, and not to other legal forms. Indeed, many SEs in the UK do not adopt the CIC form and so do not have asset locks (unless they are trading arms of charities).

impact to attract impact investment for SIBs, following the 2017 survey of the Global Impact Investing Network (GIN) which found that one in three of its members were already using the SDGs to assess social impact of potential investments, with another one in three planning on adopting the SDG framework in 2018.<sup>87</sup>

#### The criteria for an SE certificate in South Korea

SE in South Korea can exist in various legal forms such as co-op, enterprise, non-governmental organisation, as long as they satisfy the strict requirements that the Ministry of Labour and Employment has established, given that the purpose of developing SE is to increase employment among youth: (i) has at least one paid employee, has commercial products and services; (ii) agree to pursue the social purpose like creating employment for the weaker minorities or contribute to alleviate living standards of the society; (iii) has a democratic organisation structure, include stakeholders, beneficiaries, and employees in the decision-making process; (iv) the profit has to pay for at least 30% of labour expenses; (v) at least two thirds of profit is reinvested in the business.

Participants from Youth Co:Lab Diagnostic Workshops suggested that legal and administrative support should be more accessible for young entrepreneurs, providing them with clear guidance, unpacking the key steps in developing a startup. These include training on raising funding, regulations on crowdfunding and information on taxes. Current guidance needs to be written in more simple language to encourage young entrepreneurs.

## 4.2 SUPPORTING POLICY TO DEVELOP MARKET ACCESS AND SCALE UP SIBS

**4.2.1 Support SIBs to engage with public procurement processes.** As the state is often one of the biggest consumer of goods and services, it is crucial we increase public procurement opportunities for SIBs within the following specific frameworks: (i) Establishing a provision on social goods purchasing in public procurement regulation; for example, buying from SIBs where at least 30% of employees are PwDs; (ii) Dividing public procurement packages into smaller pieces so that SIBs in MSME sizes can participate in bidding, or encouraging SIBs to enter into consortia when bidding; and (iii) Reducing administrative procedures, or opening a centre or a one-stop-agency

for SIBs, helping them to access relevant information for public tenders.

**4.2.2 Strengthen the connection between SIBs and the wider private sector.** There is great potential for growth in assisting SIBs to engage with the wider private sector by encouraging big corporations to “buy social” from SIBs, as part of their CSR activities, and to become involved in incubation programs to build business and management capacity for SIBs and to open up business to business market opportunities. For example, in South Korea, the private sector of medium-to-large businesses invest greatly in SIBs (i.e. Hyundai, POSCO, SK, LG Electronics) to fulfil their CSR aims.

**4.2.3 Raise public awareness of the value of the SIB sector.** It is critical to maximize the competitive advantage of SIBs as businesses which create value in society and have impact. Public and consumer awareness can be increased through campaigns with supporting and international organisations; giving achievement

#### Policy on development of social entrepreneurship in South Korea and key results

South Korea positions as the Asia’s hub for social startups and innovation. The SE sector was established by the South Korean Government. In 2007, South Korea introduced a Law on developing SE, and established the Korean SE Promotion Agency (KoSEA). KoSEA provides certification to SEs, financial support such as with salaries, social insurance, payments to experts, lending, investment, tax exemption, as well as seeking to increase capacity through consulting, training, and mentoring. There have been two five-year plans (2007-2012 and 2013-2018). During 2007-2012 there was a focus on policies that directly support SEs, like assisting in employee salary and tax exemption. The second five-year plan for 2013-2017 is focused on developing the support systems for SEs. The Law on Developing SE has been widely introduced in cities and departments. Each department has been promoting its own post-SE policy for example “business for community” by the Ministry of Public Security, “agricultural enterprise for community” by the Ministry of Agriculture. The government also encourages big corporations to partner with SE, fund, or build capacity for SE. It is because of this vigorous policy ecosystem in South Korea, that the SE sector now accounts for 3% of GSP (Gross State Product), at the same time transforming the economy from dependency on chaebols to a more active, creative and humane economy. Furthermore, SEs in South Korea do not stop at the national level, but rather develop further into international business activities, or internationalise through a duplicated model (i.e. social franchising).

87. The Global Impact Investing Network, “Annual Impact Investor Survey 2017”, [thegiin.org](https://thegiin.org), 2017, <https://thegiin.org/research/publication/annualsurvey2017>, (accessed 15 July, 2018).

awards; creating trust in the sector, in the community and the private sector; and assisting intermediaries to participate in labelling SIBs or corporates that uses products with social impact (i.e. a quality mark for SIBs).

### 4.3 CAPACITY BUILDING

**4.3.1 Train Government officials on promoting the SIB sector,** on the characteristics of the SIB sector, on application appraisal and approval and social and environmental opportunities in promoting this form of enterprise. This should prompt officials to improve the registration procedure by giving more priority to encouraging this type of enterprise, so as to foster the growth of SIBs.

**4.3.2 Develop e-learning platforms for the SIB sector.** The Government should support the opening of online learning platforms so that SIBs can have access to independent training. At the same time, the Government should develop criteria or instructions on how to measure social impact for the SIB sector. MaGIC of Malaysia has provided the guidelines and criteria to measure social impact for social purpose organisations (SPO). International organisations like UNDP and the British Council can help organise contact points or an association/specialised network in training and increasing capacity or develop the criteria to measure social impact based on the SDGs (see 4.1.3. above), who can develop content and criteria for online training modules.

**4.3.3 Establish incubators and accelerators for SIBs.** The Government should support increased incubation and acceleration activities for SIBs. The Social Incubator Fund in the UK received investment of GBP 10 million

#### The Thailand Social Innovation Platform

Thailand Social Innovation Platform is an initiative of the UNDP in Thailand, to convene all partners in the private and public sector to develop activities in social innovation, create a centre for social innovations all over the country to achieve the country's SDGs. Individuals or groups can submit ideas, or enterprises can submit portfolios, to the platform in order to be connected to available support resources. Projects can be at any level of development but have to focus on solving a social problem in Thailand. The idea has to be a social innovation that satisfies at least one SDG. UNDP has partnered with the Thailand Innovation Office to together develop social innovation and sustainable development in the country.

from Big Society Capital in 2013<sup>88</sup> and Seoul Creative Lab in South Korea in 2013 provides another typical example. A part of the innovation startups fund could be used to duplicate such SIB incubators (i.e. through NEU Center for Social Innovation and Entrepreneurship).

#### 4.3.4 Promote training on social innovation and entrepreneurship through education institutions.

The contents of such training must include startup development, design and human centred thinking, key 21<sup>st</sup> Century Skills training, business for sustainable development and the society, measuring social impact, participation from beneficiaries, CSR, and real-life frontline experiences, such as visits, trainee placements, internships, participation in consulting projects, and engagement in inspirational talks with SIB entrepreneurs.

According to the survey results, the SIB sector would like educational organisations to target training programs for three main audiences: enterprise, college students and school students. The frequency of SIB respondents mentioned about college students is equal to that of school students, indicating the necessity to educate on entrepreneurship with ethics, social and environmental standards, and social entrepreneurship itself, at an early age. As one participant in the study stated: *"Integrate knowledge on social entrepreneurship into the primary and secondary schools' curriculum. For example, Alpha Global School has added a topic on SIB into the curriculum"*. Apart from the educational responsibility, universities should provide human resources for enterprises. This is a win-win approach, in which enterprises get committed and enthusiastic human resources with low costs, whilst the universities demonstrate commitment to fulfilling its social responsibility in training and developing students. Students receive invaluable insight into the operating of an SIB, and the opportunity to have a socially responsible volunteer experience that increases their chances of employment.

Participants from Youth Co:Lab diagnostic workshop confirmed the survey results by suggesting that trainings should be adapted for PwDs such as tailored talent development programmes. More should be done to connect young entrepreneurship students with communities and beneficiaries in order to develop effective and sustainable social

88. Cabinet Office, "£10 Million Social Incubator Fund Launches", *gov.uk*, 2012, <https://www.gov.uk/government/news/10-million-social-incubator-fund-launches>, (accessed 15 July, 2018).

impact startup solutions. Participants suggested training and increased awareness on innovation, entrepreneurship, and promoting more risk taking among young people. Stronger links should be made between universities and the startup ecosystem. Universities should provide space and support for young entrepreneurs. Furthermore, universities should partner with ecosystem builders to develop online portals and platforms to guide and support young social entrepreneurs in developing an impact startup.

Conducting research and raising awareness of the Government, the community, and the youth is another important responsibility of the universities. Topics on social entrepreneurship, SIB management, environmentally sustainable development, successful models, measuring social impact, and policies for SIBs, should be prioritised in education, training, and research.

#### 4.4 INCREASED COORDINATION

**4.4.1 Establish an official department on developing the SIB sector.** A recurring theme emerging from the study interviews, as well as the survey responses, was the support for the establishment of a Government department specifically focusing on SIBs/social innovations, which would demonstrate the commitment of the Government to doing business for sustainable development and recognise the potential of the sector to create various economic, social and environmental values.

This department could be a part of the Enterprise Development Department, Ministry of Planning and Investment, or the 844 Project Office in charge of innovation and startup, under the Ministry of Science and Technology. KoSEA (SEs Promotion Agency of South Korea) is a body under the Ministry of Labour and Society. Thailand has its own SEs Development Office under the Prime Minister’s Office. The social entrepreneurship supporting department under Malaysia Global Innovation and Creativity Centre is one of the closest models to the 844 Project Office under Ministry of Science and Technology and one which could be explored further in the Viet Nam context.

**4.4.2 Establishing a representative network for the SIB sector.** This should be led from the bottom-up by SIBs and those organisations specifically supporting them, so that improved, and crucially relevant linkages can be built within the ecosystem. The SIB sector advocates for the establishment of an association or network that can represent the whole sector and connect all members to

#### Malaysia’s MaGIC Social Entrepreneurship Office

In 2015, the Prime Minister of Malaysia established the Office to Support Social Entrepreneurship within the Malaysian Global Innovation and Creativity Centre (MaGIC). The MaGIC Social Entrepreneurship Office is responsible for all programmes, projects, and activities that raise community awareness of the entrepreneurship spirit; and create development opportunities for social enterprises that have a major impact on the society and the environment; as well as increase connections between the SIB sector and the public and private business sectors.

MaGIC provides workshops and incubation programmes for impact businesses. Entrepreneurs who participate in the programmes receive an initial revenue of RM 30,000 to test their prototypes, RM 1,500 as salary, free accommodation during the programme, and RM 1,000 for transportation. Up until now, this incubation programme has reached a regional level with representatives from the Philippines joining the programme.

As a governmental organisation, specifically under the Ministry of Finance in Malaysia, MaGIC submits annual reports on activities of each year and propose plans for the year after, along with a draft of budget to receive endowment from the Government of Malaysia. At the moment, only about 1% of MaGIC’s activity expenses are covered by the income from renting out its co-working space. Additionally, in order to develop the most feasible aims and development vision, MaGIC receives support from the Director Board that includes representatives from governmental offices, universities, enterprises, and big corporations in Malaysia like Google or Microsoft.

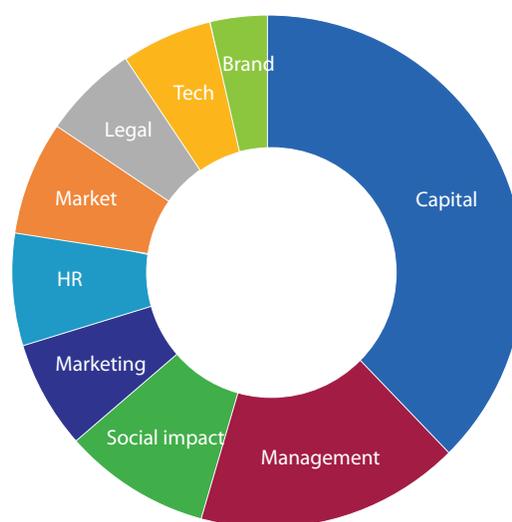


FIGURE 27. EXPECTATIONS FOR SUPPORT FROM INTERMEDIARIES

share opportunities for the mutual development of the sector. The two international and regional models that Viet Nam can reference are the **raiSE** model in Singapore and **SEUK** in the United Kingdom (see Box below). Whilst **raiSE** is a partnership between the public and private sector, **SEUK** is an initiative solely from the SIB sector with considerable influence on the Government and internationally. These representation networks can play a major role in increasing public awareness of the sector through communication campaigns; incubating and capacity building for SIBs; certifying SIBs as an

independent accreditor; and providing social impact audit services for enterprises (both SIBs and commercial enterprises). SIB sector intermediaries are expected to provide supports in terms of funding, management skills and measuring social impacts as shown in Figure 27.

Participants from Youth Co:Lab workshops advocated for greater efforts to be taken by ecosystem builders to promote diversity and inclusion in the startup community, for example tailored online training for PwDs, LGBTIQ youth and young ethnic minorities.

**raiSE Singapore**

raiSE is an initiative of the Ministry of Social and Family Development of Singapore, Social Enterprise Association (SEA), National Council of Social Service and Tote Board.

raiSE provides and indexes SEs in Singapore, providing funding, incubation programmes, events to raise awareness, awards and competitions.

**Funding**

VentureForGood provides funding up to SGD 300,000 to SIBs and social startups

VentureForGood Youth gives funding to startup projects up to SGD 20,000 so that young people can develop and start their own projects.

raiSE Impact Finance provides funding for SIBs based in Singapore to increase their scope and impact.

**Raising public awareness**

FestivalForGood is an annual festival that lasts for one month with various activities, including shopping, a fair, inspirational speeches, and the testing of prototypes from SEs.

**Incubation Program**

LeapForGood is an annual program that identifies the most urgent social problems and gives out related challenges.

SE Young Talent Programme is an internship program to provide youth with first-hand experience of working in an SIB, or being mentored by social entrepreneurs, and have access to international events.

**Prizes, recognitions**

The President’s Challenge SE Award, started in 2012 with three main prizes SE of the Year, Social Startup of the Year, Youth’s SE of the Year.

**Social Enterprise UK (SEUK)**

SEUK is a representative for the SIB sector in the UK and carries out the following main responsibilities:

**Organises campaigns** to promote the region and member organisations. Specific on-going campaigns under SEUK includes:

- “Buy Social” is an index of SIBs and advocates commercial consumption between SEs and the public sector, private sector, and citizens.
- Social Summer is a digital map that provides the address of SIBs available for visits and use of services during the summer.
- Social Saturday is the only Saturday in the year in which SEUK runs a campaign on buying services from SIBs.

**Collaborates with commercial partners**

to connect with enterprises and member organisations through the Buy Social Corporate Challenge. This initiative has gathered purchasing commitments totalling GBP 1 billion related to buying from SIBs.

**Acts as a focal point and strategic partner** of the Government in advocating laws and policies regarding the SIB sector, organises an annual Social Value Summit, provides speakers for top events and organises workshops on social startups.

**Builds a network among SIBs**, improve the status of individuals and organisations in the SIB sector through events, tours, speech sessions, inspire people by spreading the social entrepreneurship spirit to diplomats, social entrepreneurs, and big corporations who are interested in the model.

**Welcomes international guests** is an important role of SEUK in affirming its international prestige as the top organisation for advocating the SIB sector.

TABLE 19. SUMMARY OF RECOMMENDATIONS FOR SYNERGY

	Financial resources	Market expansion	Capacity	Information, Network
<b>Government</b>	<ol style="list-style-type: none"> <li><b>1. Taxes</b></li> <li><b>2. Fund</b></li> </ol> <ul style="list-style-type: none"> <li>Relaxing investment conditions for provision of public services to SIBs</li> <li>Preferential loans from funds (SMEDF)</li> <li>Tax incentives (VAT, income tax)</li> <li>Access to grants from the Government and international sources</li> <li>Social impact bonds</li> <li>Impact stock exchanges</li> </ul>	<ol style="list-style-type: none"> <li><b>1. Public procurement</b></li> <li><b>2. Commercial business procurement</b></li> <li><b>3. Public purchase</b></li> </ol> <ul style="list-style-type: none"> <li>Access to public procurement</li> <li>Motivate commercial sector to embed SIBs into supply chain</li> <li>Foster public consumption from SIBs</li> <li>Recognition and award for SIBs and commercial business partnering with SIBs</li> </ul>	<ol style="list-style-type: none"> <li><b>1. Government officers</b></li> <li><b>2. SIBs management capacity</b></li> <li><b>3. Future generations for entrepreneurs</b></li> </ol> <ul style="list-style-type: none"> <li>Training programme for Government officers</li> <li>Capacity building programme for the SIB sector</li> <li>Embed the SDGs, social entrepreneurship in educational curricula</li> </ul>	<ol style="list-style-type: none"> <li><b>1. Linking fragmented components of the ecosystem</b></li> <li><b>2. Access to information</b></li> <li><b>3. Awareness raising</b></li> </ol> <p>National office as one stop shop can be</p> <ul style="list-style-type: none"> <li>A separate entity</li> <li>Under MOST</li> <li>Under MPI</li> <li>Under MOLISA</li> </ul>
<b>Ecosystem</b>	<ol style="list-style-type: none"> <li><b>1 Support</b></li> <li><b>1 Consumption</b></li> <li><b>2 Business Partner</b></li> <li><b>3 Education, Research</b></li> </ol> <p>Low cost credits from</p> <ul style="list-style-type: none"> <li>Intermediaries</li> <li>Financial institutions</li> <li>International organisations</li> <li>Commercial business sector</li> </ul> <p>Grants from</p> <ul style="list-style-type: none"> <li>Commercial business sector</li> <li>International organisations</li> <li>Public</li> </ul> <p>Investment from</p> <ul style="list-style-type: none"> <li>Commercial business sector</li> <li>Impact investors</li> <li>Philanthropic investment</li> </ul>	<p>Having preference to impact procurement by</p> <ul style="list-style-type: none"> <li>International organisations</li> <li>Commercial business sector</li> <li>Within the SIB sector</li> <li>Public</li> </ul> <p>Support in market development from</p> <ul style="list-style-type: none"> <li>intermediaries</li> <li>Commercial business sector</li> <li>Public, international organisations</li> </ul>	<p>Incubation</p> <ul style="list-style-type: none"> <li>startups</li> <li>social impact entrepreneurs</li> </ul> <p>Training</p> <ul style="list-style-type: none"> <li>Government officers</li> <li>SIBs</li> <li>Impact entrepreneurs</li> <li>Future generations for SIBs</li> </ul>	<p>Network representing the SIB sector</p> <ul style="list-style-type: none"> <li>having representatives from stakeholders</li> <li>Online platform to provide information to the SIB sector</li> <li>Run campaign to raise awareness</li> <li>Provide certificates for SIBs</li> </ul> <p>SIBs and the ecosystem</p> <ul style="list-style-type: none"> <li>SIBs – incubators (intermediaries, international orgs)</li> <li>SIBs – consumers</li> <li>SIBs – commercial sector</li> <li>SIBs– universities</li> </ul>
<b>SIB sector</b>	<ol style="list-style-type: none"> <li><b>1. Social impact measurement</b></li> <li><b>2. Marketing, communications, branding</b></li> <li><b>3. Funding</b></li> <li><b>4. Management Capacity</b></li> <li><b>5. Growth</b></li> </ol> <p>Funding</p> <ul style="list-style-type: none"> <li>Focus on validated business model and product quality</li> <li>Networks and partnering</li> <li>Pitching</li> </ul>	<p>Communication</p> <ul style="list-style-type: none"> <li>Storytelling</li> <li>Fan page for fan club</li> <li>Networking</li> </ul> <p>Growth and extension</p> <ul style="list-style-type: none"> <li>SIB as branch of commercial corporates</li> <li>Social franchising</li> <li>Expansion to international market</li> </ul>	<p>Management capabilities</p> <ul style="list-style-type: none"> <li>Business mind</li> <li>Benefit the networks</li> <li>Work in team</li> </ul> <p>Attract talent</p> <ul style="list-style-type: none"> <li>Hybrid sources of personnel</li> <li>Employees as partners</li> <li>Organisational culture</li> </ul>	<p>Social impact measurement</p> <ul style="list-style-type: none"> <li>Use simple methods</li> <li>SDGs could be references</li> <li>Use internal and external sources</li> </ul>

# 05

## BEST PRACTICES IN MANAGEMENT FOR SIBS



Source: UNDP

## 5.1 SOCIAL IMPACT MEASUREMENT

The SIB respondents stated that SIM and social impact reporting were time consuming, and an unfamiliar business practice that most of the SIBs had never fully implemented. Those tasks were not top priorities for SIBs, when compared with achieving sales, product development, and fundraising.

The interviewed stakeholders and SIBs who carry out SIM cited the following benefits from engaging in the process: (i) reporting to donors or sponsors; (ii) providing a framework for impact investors to assess possible investments; (iii) promoting the SIB brand and impact through media channels; (iv) briefing potential supporting organisations/partners on SIBs and their impact; (v) reporting on impact requirements to the relevant Government agencies as a registered SE; (vi) providing an internal management method for organisational development, and (vii) connecting social and environmental impacts with macro, or global efforts, to promote sustainable development, share best practice and develop international partnerships.

### 5.1.1 Strategy 1: Applying the theory of change

One of the basic principles of measuring social impact is to effectively map the activities, objectives, expected outcomes and ultimately what positive change SIBs want to bring about. The “theory of change” provides a very useful methodology for SIBs seeking to understand and better effect the social change they wish to achieve. Key elements of the theory are in making the distinction between desired and actual outcomes, in that SIBs critically appraise and monitor the activities undertaken and actual results observed. Also, when planning and evaluating social impact efforts, the participation of stakeholders and beneficiaries is essential to the success of the chosen approach, so they can model their desired outcomes before they decide on forms of intervention to achieve those outcomes<sup>89</sup>. The model promotes analysis in the following sequence:

**Inputs -> activities -> outputs -> short-term results  
-> mid-term and long-term impacts**

89. Clifford, J., Hehenberger, L., & Fantini, M., ‘Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI’, *ec.europa.eu*, 2014, [http://ec.europa.eu/internal\\_market/social\\_business/docs/expert-group/social\\_impact/140605-sub-group-report\\_en.pdf](http://ec.europa.eu/internal_market/social_business/docs/expert-group/social_impact/140605-sub-group-report_en.pdf), (accessed 15 July, 2018).

- For example, before the project is implemented, or the business commences operation, SIBs should define the condition of related stakeholders and beneficiaries prior to the intervention (i.e. a baseline, such as the wellbeing of unemployed people with disabilities); which actions the organisation can implement to help solve the problems (vocational training, job creation); expected outputs (people with disabilities having the skills to work); short-term results (people with disabilities employed), and ultimately; expected social impacts (e.g. socialisation of people with disabilities, community engages with people with disabilities, let them activate their full-rights and responsibilities, improving standard of livings, happier families, and increased economic productivity).
- SIBs should commit themselves to understanding fully the problem they seek to address. Too often SIB entrepreneurs and founders move ahead quickly with their solution, satisfied that it solves for the underlying assumptions of what the problem is. Key to matching their solution to the root cause of the problem, is developing a deeper understanding of the challenge faced. An essential step in challenging the underlying assumptions of the problem and possible solution is comprehensive and meaningful engagement with the beneficiaries, or the targeted stakeholders which SIBs are trying to support. This should go beyond consultation and give effect to full participation of these stakeholders and beneficiaries to help ensure the approach pursued will bring about the desired social impact.
- Having the logical framework helps SIBs control their focus on the initial mission and goals and understand where and when they are having impact, and often more importantly, when they are not.

### 5.1.2 Strategy 2: The SDGs can be a useful reference for SIBs to build up their own set of social impact criteria

- There are 17 SDGs, together with 169 targets and 232 detailed indicators developed at the UN in 2015, which can help SIBs to: (1) clearly define the current significant social challenges the world is trying to overcome, which are connected to national development and sustainability strategies, then build up their own internal strategy to take part in the process of solving these Global Goals; (2) after using the framework of the SDGs to focus their impact, detailed criteria within each SDG can

help enterprises evaluate themselves to see how they are contributing toward the achievement of a specific target, and what indicators should be used to measure such progress. Using the SDGs can be considered as a good reference point for enterprises to develop their own set of criteria, as they represent the only globally agreed framework for measuring sustainable development but can be adapted and further specifics added to match the local context.

- Example with SDG 10 – reducing inequality. Target 10.2, “By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status”. Indicator 10.2.1, “Proportion of people living below 50 per cent of median income, by age, sex and persons with disabilities”. SIBs involved in the empowerment of persons with disabilities by providing employment opportunities could survey employees on increases in income due to new employment. Increases above 50 per cent of the national median income should be calculated and measured against increased proportion of persons with disabilities now living above the median income based on nationally collected data. This way SIBs can connect their impact to both national and international sustainable development targets to attract Government support, impact investment (see 4.1.3 above). SIBs could also begin to engage in knowledge exchanges and sharing of best practice with other SIBs similarly engaged in the economic empowerment of persons with disabilities in different countries around the world.
- The SDG Toolkit<sup>90</sup> was created by development and business education firm Benefits from Republic of Korea. The Toolkit takes users through an iterative process of setting up an “SDG Business”, or “SDG Entrepreneurship”. The process identifies key challenges in local communities, frames such challenges in the SDGs, then identifies possible business models, strategies, and guidance on impact measurement to help entrepreneurs use the framework of the SDGs to develop a sustainable and scalable SIB.

### 5.1.3 Strategy 3: Engaging both external and internal resources to conduct social impact report

- Larger enterprises are using public relations or external communications departments to prepare

their social impact reports, utilising complex tools such as GRI. SIBs are often using external partners including consultant agencies, international volunteer groups, and supporting organisations to draft such reports or conduct such assessments. Such enterprises provide the initial information, connect with local authorities to collect relevant supporting data, interview or gather further evidences for the study from stakeholders, before then passing it on to the external agency for the analysis and writing up of the report. Two examples include:

- Hamona<sup>91</sup> is an impact startup which is applying new technology for processing organic coconut. In order to raise funds, the company hired an international consulting agency specialising in SIM to prepare the report, with complex criteria, combining research and interviews with relevant stakeholders.
- Sapa O’Chau<sup>92</sup> is an SIB that produced its first social impact report in 2015 with the help of an international volunteer group working as interns at the company.

## 5.2 MARKETING, COMMUNICATIONS, BRANDING

### 5.2.1 Strategy 1: Story telling

- For SIBs, knowing how to effectively tell their own story plays a crucial role towards delivering success in marketing and branding. The story not only engages the public, but can connect emotionally with them, in appealing to their own personal values by highlighting their social impact. A good story can easily connect hearts and minds, as well as encourage people to be a part of a “movement”, and ultimately build a dedicated consumer base and spread the message of the business and their impact.
- SIBs could communicate their own story and social mission through visual channels such as short videos and personal stories, or stories of impact, which have proven very effective on social media, such as Facebook, for which there is high penetration in Viet Nam.

### 5.2.2 Strategy 2: Fanpage for fan-club

- SIBs usually have a meaningful story to tell thanks to their clear social mission within the core value of

90. More information about SDG Toolkit can be found at <http://sdgtoolkit.org/>

91. <http://www.hamona.vn/>

92. <http://sapaochau.org/>

“doing good business”. This mission and core value are consistently presented in their announcements, leadership style, products, and value creation processes for customers and related beneficiaries. Social networks and rating websites can provide low-cost, but effective channels to attract customers, supporters, partners and even potential investors.

- The Facebook fanpage of Tò he (Tòhe style)<sup>93</sup> reaches 61,000 followers, because it has good stories and meaningful ways to tell them. The fanpage becomes a marketing channel with almost zero cost that spreads the spirit of the businesses core values and helps with selling the products and services of the company. Similarly, KOTO<sup>94</sup> or Sapa O’Chau have built their fan and customer base through strong reviews and comments on Trip Advisor.

### 5.2.3 Strategy 3: Networking and Partnership

- SIB is a new sector, which not yet a major business sector in the economy, being made up of predominantly micro to small size enterprises. Therefore, connections need to develop within the sector as well as with other business sectors. There are currently existing networks such as Blue Swallow SEs, Viet Nam Business Council for Sustainable Development, Viet Nam SEs Network, Viet Nam SE Scholar Network, and Startup Supporting Networks. These networks play an important role to help SIBs extend their network, build relationships and explore partnerships.
- There is a great trend in Viet Nam among impact startups and supporting organisations in which they tend to gather as a solid network to improve awareness, to connect actors in the supply chain, and act as a seller for a single group of products such as organic farming or clean food. Cam Vinh Kỳ Yến<sup>95</sup> is a good example. This is a famous agriculture farm cultivating organic oranges that raises awareness among farmers/consumers for a new agricultural method. It co-manufactures/co-distributes other clean and organic farming products and delivers a tourism service-added on the farms themselves.

93. <https://www.facebook.com/tohestyle/>

94. <http://www.koto.com.au/>

95. <http://camvinh.net/>

## 5.3 SECURING FUNDS AND FINANCIAL SUPPORTS

### 5.3.1 Strategy 1: Focus on product and service quality

- One of the biggest demands from SIBs is in securing further funding to grow their business. For many investors, a company’s product and services need to be adequate, competitive and market ready, before they will invest. If the product and service can help to solve social challenges as committed, funds may be interested in investing, especially if these are aligned with the SDGs and measured effectively.

### 5.3.2 Strategy 2: Explore a wide range of funding sources

- There are three major financial tools that SIBs can use to seek funds: grants, investment, and low-interest loans. Enterprises need to have information regarding these sources in order to approach them. Therefore, SIBs need to register themselves as members of the relevant networks, taking part in workshops, events and conferences, follow fan-pages, and subscribe to support organisations’ newsletter to update them of available funding opportunities. Funds can be acquired from startups, social innovation, or social entrepreneurship competitions as prizes; from international donors, embassies, intermediaries as grants; from angel investors (through media events, angel investor networks such as iAngel<sup>96</sup>); from impact funds or philanthropy venture networks (i.e. AVPN<sup>97</sup>) as initial investment; or from financial support programmes such as Thrive<sup>98</sup> as low-interest loan.
- Some examples of these types of funding are:
  - Imagtor, mGreen<sup>99</sup>, 1516 Green design<sup>100</sup>, Save Your Ocean<sup>101</sup>, SCDeaf<sup>102</sup> received supports including fund and capacity building worth on average USD 26,500 for each team from UNDP Viet Nam after winning the competition SDG Challenge 2017.

96. <http://iangel.vn/>

97. <https://avpn.asia/>

98. <https://thrive.org/>

99. <http://mgreen.vn/>

100. <https://1516energy.com/en/>

101. <http://impact.triip.me/>

102. <https://www.facebook.com/scDeaf.vn/>

- Kym Việt<sup>103</sup>, CED<sup>104</sup> acquired small grants from USD 10,000 to USD 20,000 from Abilis<sup>105</sup> to deliver vocational training and creating job for people with disabilities.
- Patamar Capital<sup>106</sup> (a social venture capital firm) has invested in several impact startups in Viet Nam including Mobivi<sup>107</sup>, JupViec<sup>108</sup> or Topica EdTech<sup>109</sup>.
- Thriive foundation annually provides loans with a total value of USD 10,000 for small SIBs. These loans are provided with a 0% interest rate and required to pay back with enterprises' products or services.

### 5.3.3 Strategy 3: Know how to pitch

- When aiming to secure loans, investments, and grants, founders need to master their presentation and storytelling skills. This must be consistent from the initial step of application, joining in a competition, then pitching in front of potential investors. The recommended logic for telling the SIB story is to: (1) highlight the significant social or environmental challenges that the enterprise wants to solve; (2) indicate the market opportunity (supply and demand gap, market failure), then the product or service as an effective solution; (3) how the product or service, or business operation, creates social or environmental impact, and how that impact can, or is being measured (4) specify future intentions, and evidences of initial success from partners, customers, beneficiaries; (5) have a strong startup team and advisory board, including connections with respected NGOs who work in the field of social impact.
- Ms. Nguyễn Thị Vân, co-founder of Imagtor, who was interviewed for this study, helped the enterprise to receive up to five national and regional prestigious awards in 2017, and initial investment from international embassies and organisations partly thanks to her great presentation skills. Ms. Vân had practiced with coaching supports to gain her confidence before taking part in social startup and social innovation competitions.

103. <http://kymviet.net/>

104. <http://www.ced.org.vn/>

105. <http://www.abilis.fi/en/>

106. <http://patamar.com/>

107. <https://www.mobivi.vn/>

108. <http://Jupviec.com/>

109. <https://topica.asia/>

## 5.4 ATTRACTING AND RETAINING RIGHT TALENT

### 5.4.1 Strategy 1: Engage domestic and international volunteers

- Because SIBs often practice a hybrid operating model, across business and social impact, human resources management of these enterprises can adopt a similarly hybrid approach. SIBs should explore opportunities in having both full-time staff working alongside and domestic and international volunteers.
- International volunteers have been playing a crucial role in KOTO's management team for many years. KOTO welcomes a large number of lecturers, post and undergraduate students from Australia to travel to Viet Nam and implement projects and consultations to build the capacity of the business. Cam Vinh Kỳ Yến engages experts and volunteers supported by international partners to help develop products and value chains for the business. Mekong +<sup>110</sup> uses famous designers to voluntarily advance their new products. Blind Link<sup>111</sup> developed their leading product, an office spa, due to the great support of international volunteers. Kym Việt engaged business students from National Economics University to help develop their marketing campaigns and prepare their financial reports.

### 5.4.2 Strategy 2: Treat talents as partners, not workers

- In SIBs, the workforce includes employees, business owners and even beneficiaries. In order to retain talent in SIBs, besides having attractive salary and benefits comparable to the market, establishing non-financial incentives are critical. This can include engaging multiple stakeholders in decision making processes, empowering employees to implement important projects and "intrapreneurship", and ensuring the respect for human rights, freedom of expression and privacy across the business. In this regard, SIBs, as leaders in sustainable business practices, should look to embrace the UN Guiding Principles on Business and Human Rights, including n developing corporate human rights policy, conducting human rights due diligence and human

110. <https://mekongquilts.com/>

111. <https://www.facebook.com/OmamoriSpa/>

rights impact assessments where appropriate.<sup>112</sup> In many new startups, treating staff as teammates, or partners, is a great way to indicate the value of teamwork and empowerment of the individual at the centre of the organisation's ethos, and deconstruct traditional hierarchical roles with the business.

### 5.4.3 Strategy 3: Maintain positive corporate culture

- Tò he is a typical SIB demonstrating success in building corporate culture based on strong morals. This culture is clearly embedded in the mind-sets of the founders and the management team. In Tò he, the culture includes calling each other “officials”, “ambassadors”, having a nickname for projects, installing friendly office decoration, considerate customer service, meditation time, camping retreats, participating in community projects, or simply having meals together. This all points to creating a sense of community within the organisation, so as to create a competitive advantage in recruitment through emphasising the social value models of the SIBs.

## 5.5 ENHANCING MANAGEMENT CAPABILITIES

### 5.5.1 Strategy 1: Develop the right business mindset

- One of the significant comments from impact investors is that social impact entrepreneurs have “a warm heart” but not “a cold head” – i.e. they care for their social mission, but do not possess a clear business mindset. This “clear business mindset” could be said to include two important elements: (1) having a specific market for the company's product or service, which means having someone to pay for these; (2) efficiency, which means utilizing the existing resources, or achieving the best results with the lowest cost.
- Kym Việt was founded by a group of PwDs in 2013, and which now hires 15 deaf people as employees. After three years in operation, Kym Việt faced huge financial losses and was close to bankruptcy. In 2016, they successfully overcame the difficulties after a significant change in business mind-set: *“Even though we are PwDs, we cannot let our products become defective. If we keep selling products because of customers' empathy, we cannot sell to them twice,*

*then we have no more orders”.* The company focused on the market needs of customers, changed their product design and packaging, reduced production costs by increasing productivity, automating parts of the manufacturing process, and applied commission for distributors. After one year of innovating, the company revenue increased by eight times. In 2018, the company has now been profitable for two consecutive years, and now pays dividend to shareholders, and provides social insurance for its employees with disabilities.

### 5.5.2 Strategy 2: Tap into the thriving startup scene

In this favourable time for startups because of the national agenda for startup nation, an SIB can avail of different options for growing their business and enhancing their social impact:

- SIBs can seek consultancy from professional mentoring and coaching network including Viet Nam Mentoring Initiate (VMI)<sup>113</sup>, and SME Mentoring<sup>114</sup>.
- SIBs can compete in impact startups and social innovation competitions such as VYSI Challenge, SOIN Challenge, even at regional level for examples: DBS-NUS Social Venture Challenge Asia, ASEAN Impact Challenge.
- SIBs can benefit from incubation activities, redesigning and sharpening their market research, product development and business model.
- Impact startups can seek support from local incubators or university incubators such as SIHUB<sup>115</sup> in Ho Chi Minh City, DNES<sup>116</sup> in Da Nang, sYs<sup>117</sup>, TFI<sup>118</sup>, WeCreate<sup>119</sup> in Ha Noi; work at co-working spaces such as TOONG<sup>120</sup>, The Vuon<sup>121</sup>, UP<sup>122</sup> and others to get updates from free events and training (of pitching, business model setting, product prototyping, engaging investors) organised by them.

113. <http://mentors.vn/>

114. <https://www.mentoring1on1.com/>

115. <http://web.sihub.vn/>

116. <http://www.dnes.vn/>

117. <http://thanhniengkhoinghiệp.vn/>

118. <http://ivy.topica.asia/tfi/>

119. <http://wecreate.life/>

120. <http://toong.com.vn/>

121. <http://thevuon.vn/>

122. <http://up-co.vn/en/>

112. UNDP Viet Nam, “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework”, UNDP Viet Nam, [http://www.vn.undp.org/content/vietnam/en/home/library/democratic\\_governance/guiding-principles-on-business-and-human-rights--implementing-th.html](http://www.vn.undp.org/content/vietnam/en/home/library/democratic_governance/guiding-principles-on-business-and-human-rights--implementing-th.html), (accessed 15 July, 2018).

- BookingCare<sup>123</sup>, HomeCares<sup>124</sup> are typical examples for impact startups incubated and fund-raising-supported by TFI and DNES.

### 5.5.3 Strategy 3: Build a trusted team

- One of the biggest challenges for SIBs is being “a lone ranger”, i.e. having no companion sharing the same vision, ambition or values. It is very difficult within a startup to have the time, capacity, knowledge and energy to drive sustainability, especially in impact startups. Therefore, the SIB founder needs to seek these resources from their work colleagues, or “teammates”. Good teamwork is critical for idea creation, implementation, and evaluation. This approach is particularly effective when combined with “coproduction” by beneficiaries.
- Imagtor, Vé xe rê<sup>125</sup>, Vietherb<sup>126</sup>, Think Playground<sup>127</sup>, and 1516 Green design credit their success to a united group of founders having complementary skills.

## 5.6 GROWING

### 5.6.1 Strategy 1: Diversify business strategy

Besides the options to grow through developing new products and expanding the market, commercial enterprises can choose to diversify their strategy to partner with SIBs, thus supporting the growth of the SIBs. Similarly, SIBs can further grow through the social franchising model, with some examples below.

- POSCO is a leading steel company in the world having its head office in South Korea. Besides commercial activities, it has created lots of SIBs including POSWITH, POS ECO HOUSING, POSCO SONGDO SE and POSCO SMILE Micro-Financing, specialised in environment friendly housing and micro financing<sup>128</sup>.
- Chuỗi Tôm rừng<sup>129</sup> – an SIB created by Minh Phú Shrimp Corporation<sup>130</sup> connected different shrimp farmer households to combine their resources including capital, land and facilities. It could be a great way to extend supplying capacity of the local shrimp farming community, ensuring loyalty with household partners, as well as promoting a united brand for the business. It represents blue ocean strategy and value sharing at its core.
- CBT Travel<sup>131</sup> which specialises in community-based tourism company was successful in franchising social business model to a dozen rural communes in Cuu Long River Delta and Northern mountainous areas, creating jobs, improving local income, and promoting responsible tourism.

123. <http://Bookingcare.vn>

124. <http://homecares.vn/>

125. <http://Vexere.vn>

126. <http://vietherb.vn/>

127. <https://www.sancoi.org/>

128. [https://ink.library.smu.edu.sg/cases\\_coll\\_all/6/](https://ink.library.smu.edu.sg/cases_coll_all/6/)

129. Phan DT, 'Công Ty Minh Phú Thành Lập Doanh Nghiệp Xã Hội Chuỗi Tôm Rừng', *baocamau.com.vn*, 2017, <http://baocamau.com.vn/tin-tuc/cong-ty-minh-phu-thanh-lap-doanh-nghiep-xa-hoi-chuoi-tom-rung-45765.html>, (accessed 15 July, 2018).

130. <http://minhphu.com/en/home/>

131. <http://www.cbtvietnam.com/>

# CONCLUSION

**For the purposes of this study**, the concept of an SIB has been formulated as a working definition, with the intention of capturing a wide-variety of organisations in order to fully explore the existing activities and future potential of the sector. This approach allows the study to highlight recommendations in fostering the growth of both businesses with an existing strong social impact, and those who identify a social mission, but need support in monitoring and scaling their impact.

## Key Findings

The study has identified many important findings as outlined above, but seven key findings are highlighted below which give aim to both demonstrate the contribution and impact of the sector, while also pointing to bottlenecks which hinder the sectors continued growth:

- 1. Viet Nam has a vibrant and rapidly growing ecosystem for SIBs.** In recent years, a number of targeted supports for the SIB sector have developed, including a legal framework for SEs, specialised intermediaries, general incubators, emerging numbers of startup support policies, support from the public/community, and relevant training and research. However, certain key specific support mechanisms for SIBs are currently lacking, which hinder the growth of the sector, including: stronger financial incentives, effective supporting Government policies for SIBs; greater focus on innovation and entrepreneurship training at different levels; and stronger engagement from the private sector.
- 2. Viet Nam has adopted several laws and policies supporting the SIB sector. These need to be complemented with activities to drive implementation.** The Government of Viet Nam has developed a number of progressive laws and policies which incentivise businesses to deliver social impact and empower marginalized groups. However, there remains gaps between policy and practice. Currently, 84% of SIBs are registered
- 3. Jobs, wellbeing and environmental protection make up the top three areas of impact for SIBs.** The three leading social challenges SIBs in Viet Nam are trying to address include wellbeing and healthcare (50%), job creation (47%), and environmental protection (37%). Of the top five business sectors in which SIBs operate, three sectors involve job-creation specifically for marginalised groups, through: agriculture, handicrafts and non-farm livelihood. The top five SDGs pursued by SIBs include (i) SDG 8: Decent Work and Economic Growth; (ii) SDG 3: Good Health and Well Being; (iii) SDG 1: No Poverty; (iv) SDG 10: Reduced Inequalities; and (v) SDG 12: Responsible Consumption and Production. SDGs related to the environment rank much lower, despite environmental protection being an area where SIBs are very active. This suggests SIBs there remain huge opportunities for SIBs to scale up their business by joining efforts to address persistent development challenges. Key industries with a high potential for attracting large investments, such as social housing, energy and ocean conservation, are under-explored by actors in the sector.
- 4. SIBs are leaders in promoting diversity and inclusion.** Balancing profit with social

under the Enterprise Law 2015, of which 72% are registered as for-profit enterprises with only 12% registered as SEs. Key to encouraging more entrepreneurs and businesses to registering as SEs, and availing of policy incentives while driving social impact, will be greater focus on awareness raising efforts, trainings, streamlining administrative processes and developing effective support services. SIBs have limited capacity for administrative processes, with 70% of the SIB sector small or micro enterprises. Further feedback from SIBs shows reluctance to be identified as an SE, which is a crucial model for the SIB sector. There is a lack of promotion of SEs by Government, including in contracting for services with SEs as part of public procurement practices.

impact is a more effective business model in terms of promoting diversity, inclusion and empowerment of marginalised groups in the workforce, in particular when compared with the wider private sector. 99% of SIBs employed female staffs, while 74% of SIBs had PwDs in their workforce. This is also reflected in terms of the diversity of the management team, 41% of all social impact entrepreneurs are female, 15% of SIB entrepreneurs coming from marginalised groups, and 25% of SIB senior managers coming from marginalised groups.

- 5. Balancing profit with impact is a sustainable business model.** The sector is profitable, with 70% of enterprises surveyed making profit, and 18% currently breaking even. An SIB is a double-value creation model in economic and social value. SIBs' revenue is mainly from trading activities, with 81% having more than 75% revenue from trading activities, in particular, from trading with consumers (77%). On the contrary, trading with the public sector is relatively small at only 3% of activity, especially when compared with national procurement that constitutes 28% of GDP<sup>132</sup> (USD 20 billion a year<sup>133</sup>). There is huge potential for growth of the SIB sector by facilitating greater engagement with public procurement contracts. Initial sources of finance are mainly from "bootstrapping", the personal savings of founders (34%), and shareholders' equity (40%).
- 6. Majority of SIBs seek to evenly balance social and economic objectives, but few use external social impact measurement tools.** 59% of SIBs choose to evenly balance between social and economic objectives, whilst 34% of them focus primarily on their social mission. Enterprises surveyed were unfamiliar with external social impact measurement (SIM) tools and frameworks, as 85% used their own measurement techniques. SIM was also ranked as the weakest management skill, with 58% rating their SIM skills as very weak, followed by marketing, communications and branding (37%). 82% of SIBs are interested in utilising the SDGs as a framework for measuring social impact for their enterprises, with 8% already using the SDGs.

- 7. SIBs identify key challenges that prevent the growth of the sector but remain optimistic for the future.** These challenges include: the availability of capital; access to loans; securing investment and grants; attracting and retaining talent; and managing the business with "heart and head" (i.e. balancing social mission and profit). Administrative burdens and "red tape" further hamper the sector, with business registration requirements and managing tax returns being among the biggest challenges for SIBs, which often have limited administrative capacity. However, SIBs are optimistic about the prospects for growth, with only 1% believing that revenues are likely to reduce, 7% believing that their revenues will be stable and 92% expecting to increase their income in 2018. SIBs also recognise the unique opportunity and competitive advantage presented by pursuing a social mission, with impact startups in particular uniquely placed to drive new economic models for social good, including the sharing economy, circular economy and Industrial Revolution 4.0.

### Implementing Recommendations

Based on these key findings, the study proposes 12 recommendations to address challenges in the sector and foster the growth of the ecosystem. These recommendations are not new to many in the sector and while many leaders have been advocating for such, or similar, changes in the past it is important to detail the challenges and proposed solutions of social entrepreneurs and SIB managers so all stakeholders active in the ecosystem can focus our efforts on issues of common concern. Such recommendations include the development of stronger financial incentives, strengthening the connection of SIBs with the wider private sector, increasing public awareness of the sector, and embedding social innovation and entrepreneurship in universities and high schools.

The recommendations highlight the need for a **cross sectoral approach** to growing the ecosystem. Not all solutions lie with Government policy and reform of regulations. Of course, creating the right regulatory environment which incentivises social entrepreneurship while preventing abuse of advantageous policies is key, but it is also crucial to engage the wider private sector. International examples show us how the SIB sector can thrive with expert mentorship, sharing of resources, and increased

132. Mai Phuong, 'Hội Thảo Quốc Tế 'Cơ Chế Giải Quyết Kiến Nghị Trong Đấu Thầu Tại Việt Nam', *Ministry of Planning and Investment*, 2016, <http://www.mpi.gov.vn/Pages/tinbai.aspx?idTin=37319&idcm=188>, (accessed 15 July, 2018).

133. Pham T, 'Mở Cửa Thị Trường Mua Sắm Công: Ngân Sách Hết Bị Rút Ruột?', *tienphong.vn*, 2016, <https://www.tienphong.vn/kinh-te/mo-cua-thi-truong-mua-sam-cong-ngan-sach-het-bi-rut-ruot-964571.tpo>, (accessed 15 July, 2018).

commercial activity with leading businesses, including large multinational companies.

Similarly, greater **movement from within the SIB sector** can help foster growth. SIBs can come together and build a strong network where they share best practice, connect with other international networks, and advocate together for changes which can help the entire sector to grow. Many networks already exist. The challenge is uniting the wider SIB sector around the objective of creating an enabling environment for businesses which seek to balance commercial sustainability with social and environmental impact. The SDGs could form the central framework for uniting such businesses, ultimately developing a network of businesses who are united by their commitment to achieving the SDGs. This could be the distinguishing fact between traditional commercial enterprises, and SIB sector, or the SDG Business Sector.

### **Networks for practical guidance and support**

Based on the key findings and good practice shared through interviews, survey responses and consultation, the study proposes **guidance to support SIBs** grow their business and scale up their impact. The advice and experience of sector leaders is included to address challenges through the sharing of **“best practice”**, including measuring social impact, marketing and branding through storytelling, building business capacities by taking advantage of the growing startup ecosystem, attracting new talent by developing a values-based corporate culture.

Through this guidance, the study aims to further show that besides policy and regulatory reform, empowering and guiding SIBs and social entrepreneurs can be equally effective in growing the sector. It is crucial that we couple our advocacy efforts with strong practical guidance and direct support for SIBs. As businesses with impact, SIBs should both maximize their market advantage and begin measuring closely the important contributions they make toward social and environmental development. This way they can clearly demonstrate to policy makers value of the sector and help drive the necessary reforms to further grow. The study highlights that there is already much experience and success within the sector, and that the guidance presented here is only an example of the huge potential of developing and sharing good practice. Through this study, an informal network has developed, in conducting interviews, sharing experiences, circulating

of the survey and partnering and participating in consultations. We hope this practice of sharing and support can continue through the creation of a more formal network, as highlighted above.

This study has provided a mapping of the SIB sector in Viet Nam, in 2018, and a baseline to observe the development of the sector in the future study. Future research can attempt to delve deeper into specific issues facing the SIB sector, which are highlighted in this study, and further respond to the challenges and needs of the sector as identified by key stakeholders.

The study presents SIBs, ecosystem enablers, and policy-makers with important data and analysis to support the design and implementation of key interventions in understanding and fostering the growth of the SIB sector. Whilst the study builds on previous important efforts to map and develop the sector, this study represents the largest yet conducted into the SIB sector in Viet Nam. The research team hopes the flexible and working definition of SIBs developed for the study encourages stakeholders and policy-makers to consider the increased potential of engaging a wider variety of actors and models within the sector, to ensure all enterprises aiming to balance profit, people and planet realise their full potential in supporting Viet Nam achieve the SDGs by 2030.

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**FOSTERING THE GROWTH OF THE SOCIAL IMPACT BUSINESS SECTOR IN VIET NAM**

Chịu trách nhiệm xuất bản - Giám đốc - Tổng Biên tập  
Nguyễn Minh Huệ

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