

SOCIAL ENTERPRISE IN VIETNAM

CONCEPT, CONTEXT AND POLICIES



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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BC	British Council
BoP	Base of the Pyramid Group
CIC	Community Interest Company (UK)
CIEM	Central Institute for Economic Management
CP	Stock Company
CSIP	Centre for Social Initiatives Promotion
CSR	Corporate Social Responsibility
DFID	Department for International Development (UK)
DNNN	State Enterprise
DNXH	Social Enterprise
DNhXH	Social Entrepreneur
FLO	Fair Trade Labeling Organisation
FT	Fair Trade
HDI	Human Development Index
HTX	Cooperatives
IFAD	International Fund for Agriculture Development
L3C	Low profit Limited Liability Company (America)
NFP	Not for Profit
NGO	Non Government Organisation
NPO	Non Profit Organisation
NSNN	State budget
ODA	Official Development Assistance
OECD	Organization Economic and Development Cooperation
OECF	Fund Overseas Economic Cooperation (Japan)
QLNN	State management
SROI	Social Return on Investment
TNDN	Enterprise income (Tax)
TNHH	Limited Company
TSEO	Thai Social Enterprise Office
WB	World Bank
WWF	World Wild Funds

INTRODUCTION

Over the last 20 years, the renovation and open door policy in Vietnam have created favorable conditions for the development of strong business in all non- state economic sectors and social organizations. Clearly, businesses have made significant contribution to Vietnam economic achievement and growth, the same with social organizations in implementing various socio-economic objectives, such as poverty reduction, environmental protection, social justice... In fact, influenced by the needs of daily life, many social initiatives have been implemented using business activities as tools to achieving social solutions for the community. This model is a Social Enterprise (SEs). In the World, social enterprises have emerged centuries ago, and now has become a major social movements across continents. Many countries have policies to encourage, promote social enterprises with a view that State should cooperate and share responsibility with social enterprises to provide public welfare to achieve greater efficiency.

In the context of current economic crisis in our country, the Government decides to restructure, undertake fiscal tightening, reduction of government debt, to address increasingly complex social and environmental issues. We believe that it is essential to develop social enterprises in supporting the development of comprehensive and sustainable country. Therefore, it is timely now to promote awareness of the society and the State of the roles and the significance of social enterprises model. Social enterprises can be seen as having many potential advantages, derived from non-profit nature and sustainable social mission. Social enterprises can become effective partners of the State, supporting the State to achieve its social objectives.

On that basis, The Central Institute of Economic Management (CIEM) has partnered with the British Council in Vietnam with support from the Centre for Social Initiatives Promotion (CSIP) in undertaking a study research on the theme: "Social Enterprises in Vietnam-concept, context and policy", aimed at two main objectives: (i) promote awareness of social enterprises and (ii) establish the first ground for discussion of policy development for social enterprises in Vietnam. The Research report is also designed with two parts respectively: Part I: a comprehensive understanding of social enterprises concept in the world and in Vietnam; Part II: an analysis of the current situation, the overall context in order to present recommendations for establishment of policies for social enterprises development in Vietnam.

This report was written by main authors including: Dr Nguyen Dinh Cung, Vice President of the Central Institute for Economic Management, Mr. Luu Minh Duc, Researcher, of the Central Institute for Economic Management, Ms Pham Kieu Oanh, Director of the Centre for Social Initiatives Promotion (CSIP) and Ms Tran Thi Hong Gam, Development and Society Manager of the British Council in Vietnam.

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In order to complete this research, we carried out many study visits in and out of Vietnam. We visited and interviewed 15 social enterprises in Hanoi, Ho Chi Minh City and Hoi An, Da Nang; met and interviewed 18 social enterprises, representatives of social enterprises association, experts and government officials working in social enterprises sector in Singapore, Indonesia and Thailand; attended 4 events and seminars in Vietnam and 2 conferences and two training workshops on social enterprises in Singapore and Thailand. During these visits, we have experienced great cooperation and enthusiasm from the social enterprises. Information obtained from these study visits is factual data which is indispensable for this research report.

Therefore, on this occasion we would like to thank the following social enterprises: KOTO Co. Ltd, Viet Pictures Co Ltd, The 'Will to live' centre, Morning Star Centre, Tohe Company Ltd, Microventures Bloom Organization,

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Vice President
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SUMMARY

Social Enterprises (SEs) have been formed from social initiatives, base on a demand of solving concrete social problems of the communities and led by entrepreneurial spirit of the founders. This unique spontaneity and dynamic characteristics resulted in the lagging behind of public awareness of lively development of social enterprises. To date, there are nearly 200 organizations in Vietnam are considered having embedded fully typical characteristics of Social Enterprises; the pioneering social organisations have been founded since 1990s, however, Social Enterprise concept is still very new in Vietnam.

What are social enterprises?

Social enterprises have been founded firstly in the United Kingdom since the 17th centuries. In the following centuries, step by step models of micro-finance, cooperatives, social housing have been founded and replicated in East Europe and North America countries. However, social enterprises only started to develop strongly and expanded into an international movement of current scale in 1980, when there is a replacement of a welfare state model with an innovative view. In which, the role of the State has been streamlined, shared and compacted and transfer part of its function of providing social welfare to third sector. These are organizations standing in between public sector and private enterprises. According to published statistics, by 2005, there were 55,000 social enterprises in the UK generating total revenue of 27 billion pounds and contributes 8, 4 billion pounds per year to the country GDP. On a global scale, the social enterprises movement has been flourished, with a typical model of Grameen Bank in Bangladesh and the founder of the bank was awarded the Nobel Prize in 2006. Many countries have officially acknowledged social enterprises and created regulatory framework and promulgated policies to encourage and support social enterprises development in their respective countries so that this sector can support the state to implement social objectives more efficiently.

Although, the diversity of social enterprises has led to diversified and multi-facetted definitions of social enterprises, in general, social enterprises are organizations which have 3 characteristics as follows:

- social mission is the top priority
- using business activities, fair competition as tools to meet social objectives
- re-invest profit generated from business activities into the organisations, communities and social objectives.

In addition, most social enterprises possess some typical characteristics, such as: (i) a structure of social ownership; (ii) income generated from business activities and sponsorship; (iii) impact is assessed on both economic and social sides; (iv) serving the need of the base of the pyramid groups, who are poor, vulnerable, marginalised. (v) initiatives with “bottom up” approach; (vi) open and linkage; (vii) closely associated with social entrepreneurs; (viii) employees of social enterprises’ are social workers (are paid not volunteers).

Social enterprises often are recognized as ‘hybrid’ models between the two types of non-governmental, non-profit organizations and businesses. In fact, social enterprises model can be applied to many types of organizations with different legal status, such as NGOs, limited company, shared company, Cooperatives, Funds, Association, Clubs ... It should be clearly distinguished, social enterprises is a completely different concept to corporate social responsibility (CSR) or Fair Trade (FT), although these models can connect and integrate. Notably, social enterprises base on social initiatives in which business activities are used to provide sustainable solutions to society, enabling the models to have more advantages over other models in terms of their organisational and financial autonomy, efficiency and scale of social impact.

In the period before Doi Moi, Vietnam already had a number of models that could be regarded as social enterprises, which were cooperatives providing jobs for people with disabilities. After 1986, the renewal and open-door policy of the State have facilitated strong development of enterprises in various economic sectors, charities and community development within and outside the country. From mid-1990s, some social enterprises have emerged such as Hoa Sua School, KOTO Restaurant in Hanoi, and Mai Handicrafts in HCMC city. However, public awareness have been imprinted with a clear separation between two types of for-profit businesses and non-profit NGOs, so social enterprises development has only been very modest with limited scale. Since 2010, Vietnam became a low average income country with gradually reduced of international aid, a number of NGOs have transformed into social enterprises to pursuit new directions.

At the same time, social enterprises concepts have been promoted and widely disseminated in Vietnam by some organizations, such as the British Council Vietnam and CSIP. Dozens of new social enterprises have been 'incubated' by CSIP through the competitive selection process with recognition and support from the centre. Currently, Vietnam social enterprises can be classified into 3 groups as follows: (i) the non-profit social enterprises usually are transformed from NGO activities by establishing business branches to enhance the sustainability of the organisations; (ii) non-profit social enterprises are new social enterprises mainly operate under a corporate form, (iii) profit social enterprises with social orientation which are usually cooperatives, credit funds ... Estimated number of organizations that have potential to become social enterprises in Vietnam is up to 25,600 organizations of all kinds. That's not to mention non-public non-profit organisations; SoEs provide public services, state services units and public scientific and technological organisations encouraged by the State to convert into enterprise model to improve efficiency. All of the above organisations can apply social enterprises model.

How to develop social enterprises in Vietnam?

Study of international experiences in this sector shows that the UK's government first announced the concept of social enterprises and its development strategy since 2002. In 2005, a new legal status for a new type of enterprises was published. It is the Community Interest Company (CIC) model, designed specifically for social enterprises. This is the only one model of enterprise that has been added in the last 100 years. Social enterprises can choose to register under the CIC but it is not compulsory. Currently, there are about 2500 CIC, majority of social enterprises in the UK are operating under NGO status. Notably, UK's government put social enterprises in a general strategy to promote development and active involvement of the third sector, including NGOs, charities, communities, and volunteers.

Regarding institutions, the UK's government established a specialized social enterprises department (SEnU) in the Regional Office of the third sector, under the Cabinet Office. In the U.S. the federal government established the Office for Social Initiatives and the participation of citizens operating as NPO organization, and also creates a new type of enterprise- low profit company (L3C) for social enterprises.

In Asia, the Korean government issued Social Enterprises Development Law in 2007 and set up the Social Enterprises Support Committee under the Ministry of Labor to coordinate the promotion and support of social enterprises. The biggest interest of South Korea for social enterprises is their effectiveness in creating jobs particularly in times of economic crisis. The Thai government also established the Social Enterprises Promotion Committee under the Prime Minister's Office since 2009, the Thai Social Enterprises Office directly undertake research and development of social enterprises policy from 2010. A development strategy and a social enterprises ordinance were issued in 2010-2011, and at present, a new legal document is being drafted. Singapore Government established a Social Enterprises Office located in the Ministry for Community Development, Youth and Sports from 2006 also emphasized the role of social enterprises in helping government to create jobs for disadvantaged community groups.

Meanwhile, social enterprises in Vietnam faced many difficulties from limited awareness of the public, lack of official recognition from the state, lack of a clear legal status, restrictions on human resources, ability to access to capital, management skills, community cohesion, as well as a system of intermediary organizations to provide support services and network connections...

Vietnam has embarked on a new stage of development, but still among the developing countries, with low average incomes. The country remains poor, while economic growth process has poses many emerging social and environmental issues. There are about 24 million people (28% of the population) are in need, including poor households, people with disability, children with special circumstances, people released from prison, people living with HIV/ AIDS, the elderly... Besides there are series of other issues such as social violence, unhealthy lifestyle, stress of the urban population, overloaded education and health care, food safety, waste handling, air pollution, energy saving, culture preservation...

Obviously, it was time for the Government to consider social enterprises as partners to share load of provision of social services. Social enterprise can assist the Government to achieve social objectives. The issuance of legal documentation, creating regulatory framework, officially recognize and sets out specific policies to encourage and support social enterprises, as well as institutionalising the implementation of those policies is extremely necessary.

PART I:

WHAT ARE SOCIAL ENTERPRISES?

1.1 SOCIAL ENTERPRISE CONCEPTS

1.1.1. Brief on the evolution and development of Social Enterprises (SE) movement in the world

Social Enterprises is a new concept in Vietnam, although, currently there are nearly 200 organisations¹ (this is based on the mapping exercise completed by British Council, CSIP and Spark in 2011) are adopting social enterprise model². One of the most typical and pioneering social enterprise that have been well-known in Vietnam is Koto restaurant, which was established in Hanoi since 1999. In fact, there are many organizations that have been established and operated as social enterprises without realising that they are social enterprises, thus the actual number of social enterprises in our country would be much bigger in comparison with the above statistic. Similarly, all over the world, social enterprises practices and movement have always developed far ahead of public awareness.

United Kingdom was the birth place of Social Enterprises and to date has been the country where Social Enterprises most developed. According to MacDonald M. & Howarth C.'s research (2008), the first documented social enterprise model arose as a result of the plague (Black Death) epidemic in 1665. During the plague, as wealthy families fled out of London, many poor people were left unemployed. In this situation, Thomas Firmin established a manufactory using his own money to supply materials for the operation and provided employments for 1700 people. At the time of establishment, Firmin clearly stated that he will not pursuit maximisation of profit but to transfer the profit to charitable funds.

By late 18th and early 19th Centuries, a small number of UK social enterprises can be categorised into two groups:

- (i) Some wealthy people changed their views in undertaking charity activities. Instead of offering financial support, that might create dependence and laziness among the poor, which might also lead to "idle make evils" problems, they focused on providing employments with training to enable the poor to maintain jobs and income. This allowed the poor to become "useful citizens of the country". The first micro-finance fund (mainly to provide loans for production tools) was established in Bath. The School for the Indigent Blind, formed in 1790 in Liverpool was perhaps the earliest example of a social enterprise model in education. Schools to train and provide rehabilitation activities for criminal children, an official function of the police, were recognised and supported by the Government. During this time, there were numerous social initiatives including training on seamanship skills, carpentry for children, using income generated from coffee shops, etc. Especially, some of the first social housing projects adopting social enterprise models were established at this time, where investors accepted a maximum return on investment at the rate of 5%.
- (ii) At the same time, many models allowing employees, the first time, to enjoy more rights in signing labour contract and ownership of business plan and distribution of profits were established. Models such as Co-operatives³, Provident Societies, and Industrial Societies distributed profit and welfare to the whole community, as well as offering voting rights to all members. This allowed members to have their say in managing the organisation and the businesses.

In addition, in practices, many libraries and museums in Europe and North American have run business by opening souvenir shops, organising auctions to raise funds for their own activities. Although, this was not typical, it still could be seen as part of early activities adopting social entrepreneurship's spirit. They aimed to use the business to enhance the sustainability of the organisation, as well as solutions to address social issues on which the organizations were established.

¹ British Council-CSIP-Spark (2011), mapping report on social enterprises in Vietnam 2011.

² DNXH in English is Social Enterprise (SE); DNhXH in English is Social Entrepreneur.

³ In this stage, the models of cooperatives in Agriculture, handicraft, housing are very developed in Germany, Sweden, France, and Italy.

In addition, in practices, many libraries and museums in Europe and North American have run business by opening souvenir shops, organising auctions to raise funds for their own activities. Although, this was not typical, it still could be seen as part of early activities adopting social entrepreneurship's spirit. They aimed to use the business to enhance the sustainability of the organisation, as well as solutions to address social issues on which the organizations were established.

In 20th centuries, following the Great Depression (1929-1933), social enterprise's activities experienced some decrease when the Keynes's economic model became popular. The model encouraged stronger State intervention in the economy and thus, after the War II, series of state welfare models were established in the West of Europe and North America.

Only until Margaret Thatcher became Prime Minister in 1979, Social Enterprises gained profound development and expanded across the UK into a powerful movement as it is now. She intended to reduce State role in providing social welfare and believed that the State should not involve directly in area.

Public services and social welfare are often seen widely as one of the main duty of the State; however, currently, governments of many countries in Europe and North America deliver these duties by outsourcing the services to civil society organisations and private companies. In their view, the State system tend to be bureaucratic and is prone to corruption, therefore they can not deliver as high quality services as civil society organisations and private companies, which have been developed from local communities. Moreover, along the growth of civil society community, limitation of the State system clearly demonstrate that it is not enough for the State, on its own, to address increasing and more complex social issues. The State should not only share the responsibilities of providing social welfare to citizens, but also should consider civil society or the third sector (to distinct those to public and private sectors) as a vital partner in solving social issues.

Scale and roles of the third sector (social enterprises) in the UK nowadays

The UK is a leading country in social enterprise movement in the world. According to published statistic, by 2005, there were 55,000 social enterprises in the UK generating total revenue of 27 billion pounds and contribute 8, 4 billion pounds per year to the country GDP. The sector created 475,000 jobs and engaged 300,000 volunteer, accounted for 5% of total labour working in enterprises. Almost social enterprises are small and super small enterprises. Average revenue of a social enterprise was 285,000pounds per year and income generated from commercial activities was at 82% (other funding was generated from sponsors and fund raising activities). According to the most updated statistic⁴, there are 90,000 social enterprises in the UK with total revenue of 70 billion pounds in 2011.

In 2002, the UK Department of Trade and Industry (DTI) announced the government strategy for social enterprises, in which the first time official definition of social enterprise was announced.

In 2005, the UK issued a new legal framework for social enterprises, in which they were named Community Interest Company - CIC. This was the first time in the last 100 years, the UK has added and legalised another type of enterprises. Of course, social enterprises still can register under different status such as limited company, joint ventures, NGOs, Funds, Association, etc. In 2010, the UK government promoted a programme called Big Society, in which the Government has put support towards the development of co-operative, Supporting funds, Charity funds, and social enterprises at their as their top priority.

Social enterprises is expanding fast all over the world

In the last 30 years, social enterprises have grown significantly beyond countries' borders and become a social movement with global impact and scale. The following are factors that have positively contributed to this development:

First, globalization trend has created opportunities for social enterprises to connect, sharing knowledge, resources and multiply social enterprises model beyond countries' borders.

⁴ According to Dr Gladius Kulothungan, University of East London at the conference on promoting social enterprises through Viet-nam Universities on 9/4/2012 at National Economic University, Hanoi.

Box 1: Ashoka- Innovators for the Public

Ashoka is among the top organization in the world that promotes social enterprises development. Operating as an NGO, Ashoka was founded in 1980 by Bill Drayton in Washington, DC aiming to identify and develop Social Entrepreneurs through Social Investment Fund. At present, they have 160 staff and 25 branches in 73 countries across the world. They have selected and supported 2,145 people (also called Ashoka fellows). In fact, Ashoka focuses their operation in developing countries, in particular India is the country with the earliest and biggest number of Ashoka fellows (283), followed by Brazil (273), Mexico (145). Starting with a budget of 50,000USD/year, now Ashoka has invested more than 32 million USD/year in social entrepreneurs.

Sources: collecting from Wikipedia and Ashoka website.

- Second, humanity values have been strongly promoted. It is time when people talk about post-industrial society and the role of civil society. There are series of other social movements such as environmental protection, Fair Trade, Corporate Social Responsibility (CSR), Millennium goals and human development index happening.

Box 2: Grameen Bank - A typical model of social enterprise

In 1974, Bangladesh suffered a terrible famine. Economic Professor Muhammad Yunus was deeply impressed when he lent a very small funding - 27 USD to 42 households - that enabled them to make products for sale, helped them from being victims of poverty and the heavy loan with high interest at that time. In 1976, he piloted a micro-finance model for the villages around Chittagong University and achieved a great success. In 1979, the project received support from the Central Bank of Bangladesh and continued to expand in Tangail district, Dhaka city. In 1983, Grameen Bank was officially established and started expanding operations across the country.

Besides the government support, The Grameen Bank also received funding from many international organizations and social funds, such as Ford Foundation, IFAD, SIDA, World Bank, OECF. Notably, in order to raise funds, the Grameen Bank issued international Bonds with official guarantee of Bangladesh Government. As of 10/2007, 7.34 million poor people had borrowed money from the bank, 97 percent of whom were women. At this time, the bank had operated in 2,400 branches with 24,700 employees and provided support in 80,200 villages. To date, the total loans the bank has operated is up to 11.35 billion USD, with repayment rates as high as 96.6%. The Grameen Bank has become the most efficient micro-finance model, created opportunity for the poor to access loan with very low interest rates and without deposit. Success of Grameen Bank has been replicated in 40 countries around the world. In 2006, Professor. Yunus and Grameen Bank were awarded the Nobel Peace Prize for their efforts, initiatives and achievements in reducing poverty.

Sources: collecting from Wikipedia and Grameen Bank website.

- Third, the presence of social impact investors, those are pursuing social impact instead of traditional profit earning. They create inter-national networks to collaborate, share and support social enterprises globally. This is particularly beneficial to the development of social enterprises in developing countries where there have been high demand for capital and capacity building.

Box 3: Skoll Foundation

Skoll Foundation is a social enterprise Funds, established in 1999 by Jeff Skoll (first president of Ebay); with headquarter in Silicon Valley, USA. Skoll Foundation mission is to bring about large scale changes to society by investing in, connecting with and rewarding social entrepreneurs and social initiatives that address pressing problems of the world. The Foundation invested in social entrepreneurs through the 'Annual Skoll Award for social entrepreneurship'. Skoll set up online community called 'Social Edge' to connect social entrepreneurs worldwide and organize Skoll World Forum annually on social enterprise movement in Oxford. In addition, Skoll also make short films to introduce and reward social entrepreneurs as well as awarding 5 scholarships annually enabling social entrepreneurs to attend MBA program at Skoll Centre. By 2009, 59 social entrepreneurs have received financial support from Skoll. Skoll's sponsorship for social enterprises and social entrepreneurs has been totaled up to 40 million USD per year.

Sources: collecting from Wikipedia and Skoll Foundation website.

1.1.2. Different viewpoints on social enterprise concept

It can be seen that most social enterprise were established spontaneously (should be understood positively that will be explained in the specifications section), based on the creativity of the founders to solve specific social problems. Pressing to come up with a social solution, the organisation can be formed as a hybrid between non-profit or charitable organisation and business, without knowing that their organization has operated as a social enterprise.

For example, in the case of Koto, Mr. Jimmy Pham (Koto founder) offered housing and foods for a group of street children in Ho Chi Minh City from the early 1990s. However, with a desire to create sustainable livelihoods for the children, as a Vietnamese proverb say "do not give them a fish, but teach them fishing", he founded a company in restaurant business to provide vocational training for the children with special conditions. The restaurant also provides them with a place to practice, as well as generating additional income to supplement training funds (students have been fully supported with the company sponsorships).

Until 2008, when a couple of intermediary organizations with a mission of developing social enterprises, such as CSIP and Spark were established, a social enterprises concept has been formally and widely introduced in Vietnam. There are still a few number of Social Enterprises established as incubated model or that have been awarded with social innovation prizes and often they operate at small scale far from comparable to those spontaneously established such as Koto or Grameen Bank. This is one of the typical characteristics of social enterprises, that allows the model to be highly dynamic and flexible but this at the same time leads to different definitions of social enterprises. The debate on social enterprises is still ongoing, even in international forums.

Social enterprises definition by the United Kingdom and OECD

In the social enterprise development strategy 2002, The UK government defined:

"A social enterprise is a business with primarily social objectives whose surpluses are 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".

This definition is very comprehensive, stick to the basic characteristics of social enterprise. First, doing business, should be understood as a model, a pro-active approach and solutions that the organisation has adopted in its operation rather than bind it tightly to the form of a company, which should not be considered more than an organisational tool. Second, social objectives are set out as the primary mission of such organizations. Social enterprise must be established to pursuit social goals. Third, in principle, the profits are redistributed back to the organization or community, not to individuals.

The OECD definition of social enterprise is:

"Social enterprises are organisations which are operating under several different legal forms applying entrepreneurship spirit to pursue both social and economic goals at the same time. Social enterprises often provide social services and employment for disadvantaged groups in both urban and rural areas. In addition, social enterprises also provide community services in education, culture and environment sectors".

A wider understanding of social enterprise

Among various understanding of social enterprises, the most open concept is “*Social enterprises are profit-generating businesses. On the outset, it looks like other traditional businesses with the only difference that a social mission was placed at the centre of the business, with profit objective taking supplementary role*”. Another open definition also state that: ‘A social enterprise operates like normal business, but the management and use of profit targeting at social and environmental goals’ Carefully studied these definitions, there are some weak points. After carefully studied these definitions, the following are considered as weak points:

First, social enterprises have been simplified and almost equated to traditional enterprises. Looking at its surface, it is right to say social enterprises are doing business with accounting, inventory systems, warehousing, sales and marketing staff as traditional businesses. But the typical characteristic of social enterprises should be highlighted that social objectives are the main mission on which social enterprise was established and operated.

Second, by the above understanding, social enterprises can easily be blended with traditional businesses implementing good CSR activities. In order to build a good image and being customers -friendly, many companies are willing to declare their social mission extensively. In fact, there are many traditional business were established from excellent social belief. However, the question of whether social objectives are the rationale for the existence and operation of the organization or not should be the key to differentiate the two types of organisations? Here, all concepts do not mention the sharing of profit. Thus, there is no clear evidence and justification to classify the level of commitment ‘for social’ or ‘for profit’ of an organization.

A narrow understanding of the definition

Despites, there are also narrow understanding of the definition of social enterprises. Some views required social enterprises to “*register in a form of a company, with equal competition with other businesses. If the social enterprises were supported or given incentives by the States, they may only benefit from those policies in certain fields and base on social impact in that sector only*”. More over, social enterprises should not be given any special treatments than other businesses as this might lead to unfair treatment. A negative consequence might be that businesses want to benefit from the incentives, therefore might decide to transfer to social enterprises model. Some views even go further by opposing the social enterprise model, they think that every enterprise bring benefit to society (such as providing goods, services and creating jobs). It might be that CSR area has been ignored, therefore image of companies have been quite negative. “*If CSR is being operated well, all businesses would be social enterprises*”. On the other side, some opinion requires “*social enterprises have to be partly owned by a non-profit organization*”.

Undeniably, the above comments carry some important views, especially for policy formulation and institutionalization of social enterprises, as well as to enhance comprehensive understanding of social enterprises. However, these definitions have not fully captured the nature of social enterprises as below:

First, it is widely acknowledged that social enterprises are organizational models, a specific type of business in a concept nature other than legal status. If organisations are strictly required to register as companies, we may miss lot of models that have operated as companies (fair competition) but not necessarily have to register as companies.

Some non-governmental organizations (NGOs) confirm that they would like to transform into companies, however, they are hesitant to do so due to the lack of comprehensive legal framework, lack of awareness of social enterprises among state agencies and local authorities, and the fear of losing existing incentives. In fact, many social enterprises have built two separate operational strands: an NGO to implement activities to meet social objectives and a company to generate income for the operation of the NGO.

Second, the viewpoint is also not accurate because no matter how intensive and effective a company CSR is, the company can not be considered as a social enterprise. The two models are different in nature and approaches from establishment. If these models are blended as one, we may loose opportunity to elicit and develop social initiatives such as social enterprises.

Similarly, the third opinion is not really necessary, and it might even discourage the dynamism, creativity and flexibility of social enterprises. Moreover, one of the strengths of social enterprises is to overcome the weaknesses of NGO sustainability; therefore, binding social enterprises to NGO operational structure would lose the potential replacement of Social Enterprises to NGOs.

Other definitions

Opinion from Centre for Social Initiatives Promotion (CSIP):

"Social enterprise is a concept that refers to the work of social entrepreneurs under different legal entities depending on specific purposes and operating conditions. Social enterprises directly target at social benefits, and are led by a strong entrepreneurial spirit to achieve both social benefits as well as economic returns".

The CSIP's concept of social enterprises is quite open, creating more opportunities for CSIP to select, incubate and develop social enterprises at early stage in Vietnam. First, CSIP link social enterprises with social entrepreneurs to emphasize the role of the founders who can harmonies social innovation with social entrepreneurship.

Second, social enterprises can operate in various forms with different legal statuses, which is suitable to the diversity of the civil society in Vietnam; highlighted by innovative role of NGOs. At the same time open up possibility for other organisations such as micro-finance funds, charity funds, co-operatives and even some social organizations, business organizations, public service enterprises in the public sector to transform into social enterprises.

Third, CSIP's key criteria to determine social enterprises seems to be similar to OECD's definition when they require social enterprises to pursuit both social objectives (key) and business objectives- "doing business and doing good together." Similar to OECD, issue of profit distribution was not mentioned explicitly in CSIP definition.

Some organizations have definitions though not yet comprehensive but have highlighted the nature of social enterprises. Wikipedia's definition is:

"Social enterprises are organization applying business strategies to achieve charitable goals. Social enterprises can be a for-profit organizations or non-profit."

Mr. Bambang Ismawan-founder of one of the biggest micro-finance institutions of Indonesia -Bina Swadaya Fund (since 1967) says:

"Social enterprises are the operation that achieves the objective of social development by using Entrepreneurship solutions."

Clearly, the above definitions emphasized the relationship between 'Tools - Solutions' and the strategy / business solutions and objectives / social solutions in the social enterprises models. In other words, using business solutions as a tool to generate a specific social solution is the nature of social enterprises.

1.1.3. Typical characteristic of social enterprises

As mentioned above, there is a wide pool of definitions of social enterprises, base on development stage of each country and region, as well as specific characteristics and priorities of each organization. However, we can summary some basic characteristics of social enterprises which are widely recognised as follows:

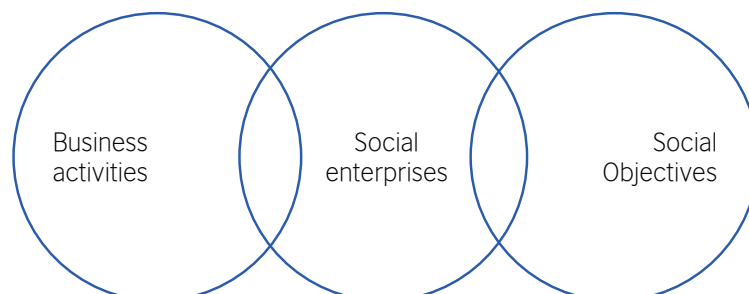
(i) Social enterprises must undertake business activities

Social enterprises must undertake some businesses. Business operation is a unique characteristics as well as strength of social enterprises in comparison with NGOs, non-profit organisations, charities funds that simply receive grant and implement social programmes. Therefore, business solutions are inevitable part of social enterprises model.

Moreover, social enterprises have to compete fairly and equally with traditional businesses in the same field. Unlike the Charity funds who may call for charitable contributions or purchase of products from the organisations to raise fund. For example, Oxfam operate charity shops where they sell used products to philanthropic people who buy products but at the same time contribute to Oxfam fund. This can be considered as strands applying social entrepreneurship spirit in Oxfam system. However, Oxfam is still an NGO, which can not be considered as a social enterprise because their activities of Oxfam is based on volunteer philosophy (including the above activities) and mainly rely on charity funding.

More accurately, social enterprises have to go further than traditional Charity Funds. They should provide goods, products and services with good quality and at competitive prices to the market. This is a challenge of social enterprises, and that explains why social enterprises always tied closely to social initiatives, because their business solutions must be 'social innovation' so it can bring about social objectives using business approach.

Image 1: Typical hybrid of social enterprises



Source: CIEM

The fair and equal competition, though a big challenge for social enterprises, offer social enterprises the independence and autonomy in their activities and organizations. This is the typical characteristic of social enterprises that NGO and charity funds do not have. Revenue from business operations may not be sufficient to cover all expenses of obtaining social objectives, however, with at least partial contribution, usually between 50-70% of capital (the rest to be mobilised through sponsorship), will help social enterprises to be more independent in its relations with donors/sponsors. This enables them to pursue their own social mission and more importantly to expand the scope of social activities, such as increasing number of students, the number of participating villages/districts). The independence and autonomy is tied with the sustainability of business solutions as well as the social enterprises. In addition, sustainability is the strength of social enterprises and therefore, having a good business strategy, profitability and sustainability is an essential requirement for social enterprises.

In fact, many social enterprises can not increase their market share in a competitive environment and face the risk of transforming back into an NGO to mobilise sponsorship as before. However, there are many other social enterprises that can compete fairly with traditional businesses. For example, Koto Restaurant - doing very well with both quality of food and services, it has been recommended in the Lonely Planet, Time-Out; The products of Mai Handicrafts and Mekong Quilts with unique designs that have gained good sale with high prices.

(ii) Social mission as top priority

Social enterprises must hold social goals as their core mission from establishment. In other words, each social enterprise was created for their specific social purpose.

There are many opinions that traditional businesses also provide positive social effects. Except a number of businesses in areas such as tobacco, alcohol, discothèque, casinos (some countries consider these businesses as 'crime' and have to pay Sin Tax), the rest of businesses are producing products to serve the society, creating productivity tools, creating jobs and income. However, the difference is that traditional enterprises meeting customer needs or finding social solutions to maximise profit for enterprise owners. In contrast, social enterprises use business model as a tool to achieve their social objectives.

Traditional enterprises = identify market → make products → gain profit

Social enterprises = identify social issues → develop business plan → solve social issues

Clearly, the two processes as well as approaches are contrasted in nature. Therefore, social enterprises can be profitable, even it is essential for them to gain profit to serve social objectives, but 'for-society' not 'for-profit'.

Hong Ngoc Handicrafts at Hai Duong province have employed people with disabilities to sell souvenirs to tourists on the way to Halong. Clearly, they have created positive implications for the society in that respect, but they are still a traditional enterprise, because the primary target of this organization is profit making. The use of disabled workers is only part of their business plan, which is not the social mission they pursue from the time they established the organization.

(iii) Re-distribution of the profit

Social enterprises model requires profit to be redistributed back to the activities of the organization or the community, who are also the beneficiaries of the business. In fact, the above two characteristics of doing business and serving social objectives are the most important characteristics of social enterprises. The requirement of re-distribution of profits is a criteria to only define 'for-profit' or 'for-social' nature of the organisations. The basic principles of social enterprises are not to distribute profit to individuals. Social enterprises should not be seen as a mean to get rich. Aiming to be rich, individuals should go with traditional enterprises model.

(iv) Social ownership

Some descriptions of Social Enterprise refer to a not common and different characteristic relating to its ownership and management structure with participation of communities and other stakeholders and beneficiaries... This enables Social Enterprises to gain high level of autonomy. This is illustrated through co-operatives operating effectively as Social Enterprise in a number of countries.

In reality, most SEs operates with open and democratic management structure. Required to connect closely with the community, the beneficiaries and a wide network of partners, with ultimate social aim, SEs are willing to share their "power" with all stakeholders. Particularly, in many SEs, the concept of equivalent financial contribution to voting right was not applied as in traditional joint venture or limited companies. In a large number of SEs, Founding Committee or Management Board have applied a rule of "one voting for each member with equal power" in all decision makings of the organisation, regardless of their financial contribution.

Box 4: Hanoi Business and Management University: A Cooperative of Intelligence

In June 1996, Professor Tran Phuong, ex Prime Minister of Vietnam together with some of his educational colleagues founded the Hanoi People owned Business and Management University, one of the first non-state university established as a result of Vietnam Government policy on socialisation of Education. Since its establishment, Professor Tran Phuong has defined the university as "a cooperative of intelligence", who deliberately contribute efforts and finance to establish and develop the university sustainably, for quality human resources development and talent nourishment, **not for profit**.

The management structure of the university consists of Founding Committee, Governing Board, Board of Rectors and Inspecting Committee. Each founding member has one equal voting right towards all important decisions that the Founding Committee make regarding development direction of the university, not dependent on individual's level of financial contribution. To date, with 16 years of operation, profit from the university operation have been reinvested in expanding and upgrading the university infrastructure. The university welcome contribution from new member flexibly, however, new members are required to comply with the university vision and operational approach as defined by Founding Committee.

Starting from a small campus in Lo Duc street, the university has established a new 7 stories building, in an area of 20,000 m² in Vinh Tuy; The university is continuing to build a second campus in Hoang Mai that can accommodate up to 10,000 students. Over the last 15 years, the university have hosted a total of 52,794 students at four training levels (with university students account of 86, 6%). With more than 1,400 computers, the university has been able to adopt the most advanced teaching and testing techniques and methodologies. In 2006, the University adopted a new name of Hanoi Business and Technology University to allow the university to expand its educational area to technology and technical trainings. The university has received Labour Medals from Vietnamese Government and Professor Tran Phuong has been awarded Ho Chi Minh Medal.

The success of the above model explain why in the recent two workshops on Social Enterprises, two founding members of the university have proudly confirmed that the University has been one of the earliest model of Social Enterprises in Vietnam.

Source: Associate Professor and Doctor Nguyen Manh Quan- Deputy Dean of Business Management, Founding member of Hanoi Business Management University.

(v) Meeting the needs of the Base of Pyramid Group

One of the typical missions of Social Enterprises is to satisfy the need of the Base of Pyramid Group. This group comprises the poorest and most disadvantaged people, making up 2 billion with income of less than 2 USD/day. They are the biggest group at the bottom of the society; therefore they have been named as Base of the Pyramid Group. It is also important to acknowledge that, the marginalised groups including people living in mountainous and remote area, people with disabilities, people with HIV/AIDS, street children, drop outs, released prisoners, though not yet be part of BoP group, they can easily fall into this BoP group. Therefore they are also targeted audience of Social Enterprises.

Image 2: Base of Pyramid Group



Source: Wikipedia.org

While it is impossible for public sector to bear the burden of social wealth fare for BoP, the Private sector neglect the group, they target group with better ability to pay. Therefore, Social Enterprises play important roles in filling this gap. Only Social Enterprise can provide services and products to this group at cheap prices.

In Colombia, one Social Enterprise, part of Ashoka network has negotiated with Colceramica Company, a supplier of construction materials to sell construction tiles at low price to poor families in Usme-Bogota. This has enabled the poor to repair their houses. Starting from ceramic tiles, other materials including paint, roofs, and windows have also been supplied through this special channel created by Social Enterprises.

(vi) Outstanding characteristics of Social Enterprises

Though the following are not key characteristics, they are outstanding and quite common characteristics that are indispensable in defining many social enterprises.

Bottom up approach/initiatives: As mentioned, most Social Enterprises were established spontaneously. SEs identified a social issue; they choose a business model to turn theory into practices to solve the issue. Only people with close connection with the community, even those within the community who will benefit from the ideas can spot and fully understand a specific social issue.

For example, Ms Phuong Hahn who is a hearing impaired, has established an educational research centre to study sign languages that have been used by hearing impaired community; Mr Nguyen Cong Hung is a person with mobility disability, has self studied IT and established.

“The will to live” centre to provide IT training to people with disability. The training has followed inclusive integration approach (from training to employment); Mr Ta Minh Tuan, influenced by his father weakness has established Help Corporation to provide family doctor services and to change living style of people in preventing acute diseases. The spontaneity of SEs should be taken positively as stemmed from real living demand, not negatively as lack of organisation or structure.

The spontaneity of Social Enterprises explains why they are always realistic, dynamic and flexible. This is typical characteristic of most Social Enterprises. They can be described as mobile neutron, explode and open up with ideas which are solutions to social issues. Being generated through bottom up approach based on communities needs and from grassroots level, Social Enterprises offer sustainable social solutions. Social Enterprises understand the issues better than anyone else therefore their solutions best meet the need of the communities and better accepted as they were developed from within the communities.

To another extent, with the bottom up approach, there are many views that Social Enterprises can only be stemmed from private sector. This understanding may lead to numerous debates if there was intention to transform some government related organisations to Social Enterprises. In the UK, there have been views from Social Enterprises sector opposing the intention of Minister of Health to transform a Health programme and Fund to a Social Enterprise.

Open and connected: Operating in the Social sector, Social Enterprises are very open and willing to connect. With limited resources and eagerness of implementing feasible social ideas, Social Enterprises share a typical feature of openness. They are open towards changes, oppositions and especially opportunities to access new funding. They are also dynamic towards sharing knowledge and experience as well as collaboration among themselves or with other stakeholders. Perhaps Social Enterprises have been among the early groups that have adopted Steve Job's philosophy of "connecting dots".

Leading role of Social Entrepreneurs: We can say that most Social Enterprise development have closely influenced by the role of the founders, the social entrepreneurs. Different to public liability company, individual roles of Social Entrepreneurs have had thorough impact on its operating philosophy, working and organisational structure and in all of its operation. This is not because Social Enterprise is founded by Social Entrepreneurs but its development depends a lot on the will, enthusiasm and the talent of the Social Entrepreneurs.

Social Entrepreneurs often possess necessary skills and competences of traditional entrepreneurs. They are creative, open to changes, responsible, optimistic, resilient, willing, dynamic and are not bound by constraints and limited resources. More than that, social entrepreneurs are empathetic and seriously concerned about social issues than others, they find their responsibilities in sorting out social issues. They do not spend many efforts on devising theories but rather focus on actions with realistic and feasible results.

Social Entrepreneurs are modest, friendly and close to people though they are able to develop their business very well with expansion of production line, shops or valuable assets. Traditional entrepreneurs have to tackle lots of external difficulties and challenges to maintain and develop their business; it is even harder for social entrepreneurs as they have to compete equally in a less favourable condition of lacking of funding, infrastructure, human resources, knowledge, health and recognition of the society and relationship with government.

Not to mention that many pioneer- Social Entrepreneurs in new sector have to invest heavily in "educating" consumers on their new products. Organic and life style products are typical examples.

The dependency on Social Entrepreneurs can be considered as a weakness of Social Enterprises. For example, issue relating to the inheritance of the business. Will the following generation of leaderships of the social enterprises maintain its vision, mission and spirit of the founding generation? This presents a big question to quite a number of Social Enterprises.

Staffs of Social Entrepreneurs are social workers. Though Social Enterprises attract lots of voluntary contribution, their staffs including founders are provided salaries for their work as if they worked in other organisations or enterprises.

Therefore, staffs of social enterprises are not volunteers. Internationally, social work is a specific job and the concept of social workers has been quite popular for a long time. In a way, staff working in Social Enterprises can be considered as part of this profession.

1.1.4. Social Enterprises in the relation with other organisations and social trends

In the process of raising awareness and policy development for Social Enterprises, there is a need for clear distinction between Social Enterprises and other profit makings, non profit makings and social movements/trends.

Positioning Social Enterprises in relations to Traditional Enterprises and NGOs

Social Enterprises can be seen as standing right in the middle of traditional enterprises and NGOs, the two most closely related to Social Enterprises. On one end are enterprises operating for maximum financial benefit and the other end are NGOs established to solely deliver social benefits. Increasingly, more enterprises have better understanding of their corporate social responsibilities (CSR) and have embedded CSR in their business.

Though the main focus of enterprises are still to maximise financial benefit, they commit to adapt CSR as their business principles, paying attention to environmental protection, and making contribution to the communities as part of the business. On the other hands, NGOs have established arm-length business or specific projects within their structure. These parts, though are not the core operation of the NGO, they are evidences of the dynamism of NGOs to get over their passiveness in their relation with sponsors and other NGOs to generate more funding for their operation.



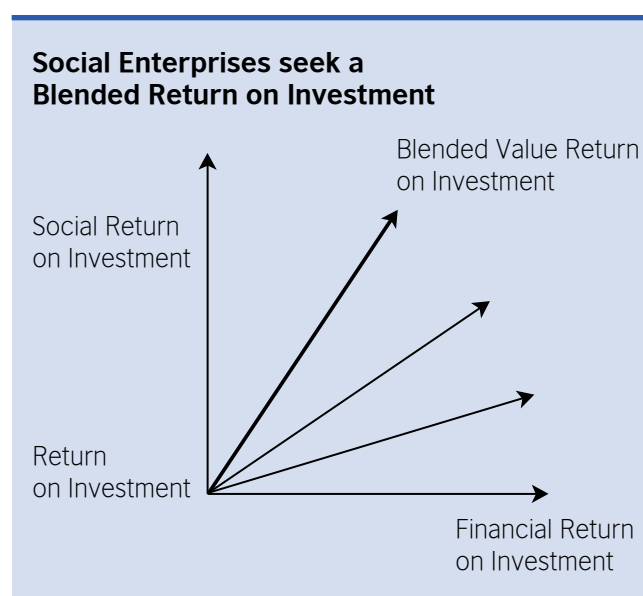
Right in the middle, Social Enterprises are models that effectively combine both the essence and feature of the two types of organisations to focus on the core business but not solely for the purpose of earning benefit but to address a specific social issue.

Table 1: Comparison between Social Enterprises, NGOs and traditional enterprises

	NGOs	Social Enterprises	Traditional enterprises
Legal status	NGO, NPO, Charities	Organisations or Enterprises	Limited companies, Joint ventures, Collectives, Private companies,
Mission	Solely for social benefit	Social mission as core	Maximisation of financial benefit
Solutions/ tools	Voluntary /charity activities	Business activities	Business strategies
Impact	Creating social values	Creating both social and economic values	Creating economic value
Financial resources	Donation/sponsorship	Combination of sponsorship and business revenues	Business revenues
Liabilities	Sponsors, beneficiaries and public	Social investors, customers, beneficiaries, communities	Shareholders, owners, customers, communities
Use of profit/ funding	To directly deliver social activities	To reinvest into the organisation to scale up activities and contribution to the communities	Profit and dividends for owners and shareholders

Đánh giá hiệu quả hoạt động của DNXH như thế nào là một trong những câu hỏi quan trọng nhất đối với cách nhìn nhận về vai trò của DNXH từ phía công chúng cũng như những người làm chính sách.

Image 4: Assessment criteria of impact of Social Enterprises



Sources: <http://www.enterprisingnonprofits.ca/what-social-enterprise>

Success of traditional businesses is assessed annually by their net profit as stated exactly through the bottom line of their balance sheet at the end of the year. Achievements of NGOs can be assessed through the number of poor students who have given relevant schooling, the number of remote areas villages that have got access to clean water or the number of people has attended promotional events on climate changes...

Assessment of the effectiveness of social enterprises will need to be based on both criteria of the social and economic values they create. It will be a serious shortfall if assessment of Social Enterprises that provide vocational trainings to disadvantaged children such as KOTO, or providing IT training to people with disabilities such as “the Will to Live” centre, or the one that offer good environment for autism children, or organisation that provide employment to people with aids or newly released prisoners, was solely based on revenues or net profits of the organisations. Bloom Microventures, Ecolife, Marine Gifts, PT Tây Bac, Mai Handicraft and Mekong Quilt... may not gain high profit margins such as other enterprises operating in the same market, however, the social impact that these Social enterprises create (such as supporting hundred of rural families getting over poverty line with sustainable earning tools) is not quantified easily into financial gain. This nature of Social Enterprises is widely shared among the Social Entrepreneurs, the founders of Social Enterprises and social investors, but more work need to be done to increase awareness and appreciation among the public and policy makers of this characteristic of social enterprises.

Table 2: Comparative social impact index between Social Enterprises and traditional enterprises

1 medium size of social enterprise (under the company form)	1 typical enterprise
Capital : 1,6 billion VND	Capital : 16,8 billion VND
51 employees (include 18 disable people)	36 employees
Impact to 2,262 beneficiaries people	Profit 320millionVND/13,4billion VND revenue
400million VNDprofit/15billion revenue	
Other social value and environment	
According to social enterprises mapping exercise in 2011 by BC, CSIP and Spark	According to white book SMEs Vietnam 2011

Source: contribution from Nguyen Hoa Cuong (2012)

Advantages of Social Enterprises in relation to NGO

Social Enterprises are often compared with non government, non-profit making organisations and charity. The concept of NGOs was established after the second War World to emphasis the neutral position of the organisation, distinct themselves to participating organisations that are influenced by governments such as UN, WTO, and EU...

Non-profit making organisation (NPO) are popular concept in the USA to distinct those organisations with for profit making enterprises. While, philanthropies and charities are those who provide non-return financial support for charity purposes. These three types of organisations are very similar but not exactly the same. With Social Enterprises, its characteristics of non-profit or to be more exact not for profit making need to be emphasised most; however, in Vietnam, NGOs has been widely acknowledged in government documentations and policies, representing the whole community of non-profit and civil society organisations. Therefore, in this section, NGOs will be used as a general concept in comparison with Social Enterprises.

Below are the four common weaknesses that are shared by Vietnam and international NGOs:

Dependence on donation: Most NGOs are heavily dependent on sponsors and donors (individuals and organisations) in both their vision, direction and operation areas. A number of NGOs such as World Vision, WWF, Plan International, Oxfam have developed their own vision and mission as well as their business approach, however, this autonomy require the NGOs to operate at a large scale with a wide range of sponsors. In these case, sponsors and donors making contribution with appreciation and agreement to the NGO vision and culture.

On the opposite side, small NGOs are heavily dependent on sponsors or donors from developing their objectives, operational approach to the selection of projects and identification of project beneficiaries... Lack of autonomy, these NGOs become very passive and being constrained within their own operation and initiatives. They could not expand their projects if not accepted by sponsorships. In another words, NGOs in these circumstances exist virtually as vehicles for funding disbursement of the donors.

Lack of sustainability: Most NGO projects lack sustainability evidenced in their project approach as well as limited sponsorship. All projects are designed based on specific resources to deliver specific objectives. As they can not generate more funding from the core funding, regardless of whether the project has successfully delivered its objectives or not, they can not continue beyond project lives, unless project owners were successful in attracting more sponsorship for extension.

Most projects are one offs and independent; therefore impact of their social solutions are not maintained beyond the boundaries and lives of the projects. For example, when the LMPA project funded by Denmark supporting poor people in Nha Trang sea conservation areas finished, all the beneficiaries are abandoned with risk of having no sustainable earning tools or approach.

More importantly, NGOs approach in these case are often “one way” and “free” therefore have created the tendency of dependence and passiveness of the beneficiaries. Projects approaches do not encourage the beneficiaries to improve their status with more autonomy as well as earning tools.

Box 5: Congratulations for being classified as poor

Internet communities in Ho Nam province, China are concerned with a photo of an advertisement “self flattered” of a local area in the province that is classified as poor. In the photo, there is an electronic wording “Congratulate Tan Thieu district for being classified as the most needed area of the country, becoming the key frontline that the Government will need to provide support in the coming stage”. The same content is shared in the district official website www.xinshao.gov.cn. When questioned, the district propaganda unit has explained that this was a spontaneous act of the advertising company.

Source: Ngoc Bi- www.thanhnien.com.vn, 01/02/2012.

The above is an illustration of the dependence of the local community on Government support. Though not exactly the same, we believe the same attitude is not less popular in Vietnam and regional NGO.

Low productivity: Attention should be drawn to the fact that, not only the beneficiaries lack motivation of becoming independent or try to have matching fund when approach sponsors, in most cases, even NGOs do not have self esteem to come up with sustainable social solutions. A number of NGOs have become passive disbursement channel for sponsors. In fact, beneficiaries do not have many opportunities to directly share their wishes, their needs and benefits with the sponsors.

NGOs have therefore become invisible barriers between sponsors and beneficiaries. This is called “broken - feedback loop”. In these cases, the benefits of the NGOs might be closely tied to the intention of keeping the beneficiaries stay where they are (in terms of being poor, having difficulties and need support) so that NGOs can maintain their sponsored programmes.

At the same time, not all sponsors really care about the beneficiaries. Pressure to disburse funding on time has deprioritised social impact in the priority ladder of both NGO and sponsors. In this aspect, NGOs operation can be considered as a prominent industry.

Box 6: Tears... Charity

...Recently, there have been a trend of doing so call “charity” activities where people clings to the word “charity” to position themselves for either fame, status or prosperity...

According to Government regulation, there is only one compulsory fund that everyone has to contribute to that is the Flood and Storm prevention fund, all other funds are voluntary. Individuals make their own judgment of whether to join the fund and how much they would like to contribute to other funds such as “Gratitude fund, Children protection fund, Poverty reduction Fund, Social wealth fare fund, Education Encouragement Fund, Fund for the Elderly, Drug Prevention Fund, Fund to support infrastructure development...

In addition to the above funds, there are many other funds that were established “spontaneously” through other organisations. Many individuals have abused these kinds of charity funds to polish their brand as well as to PR for themselves just for their own benefit.

Big names and singers with verbal charity commitments

There were so many media articles regarding the “Miss Earth and Businesses care of People in Central Vietnam Gala” organised by Ho Chi Minh City Crossed federation in collaboration with Gia Gia Precious Gems joint venture in 2010. The event generated a huge contribution of 74 billions contributed by many big names through auction session. However, after the event, many of the big names have avoided to contribute the promised funding as they would not gain much financial benefit from that action.

Regarding the wrong use of charity fund, recently, Prime Minister Nguyen Tan Dung has issued a Note 253/TTg-KTTH, dated 29/02/2010 required 8 provinces: Binh Dinh, HaGiang, Lai Chau, Nghe An, Phu Yen, Quang Nam, Quang Ngai, Thanh Hoa to seriously review and draw lessons on their wrong report of casualties caused by natural disasters and plagues in 2009; the issue of slow disbursement of fund; the wrong use of fund; and wrong beneficiaries and lack of compliance of regulations and rules.

Charity fund go to wrong /evil places

...The most recently disclosed case in the last two months was the case of Ngo Trong Binh - Chairman of Khanh Hoa Cross federation, cum Director of Khanh Hoa community First Aids training centre, who had used fund raised to support children with heart operation for a wrong purpose.

Specifically, a total of 1,6 billion dong was raised, however, only 840 million was cashed into the fund, the rest was transferred to the Humanity Promotion Media Agency, an event organising company with 50% of the fund used to pay for the promotion activities according to contract between the company and the Federation. Not only that, Mr. Ngo Trong Binh used the development fund granted by the Central Cross federation to buy motorbikes under his name for his private use.

Le Hai Chau (member of Vietnam Fatherland Front Central Committee)

Sources: <http://suckhoedoisong.vn> (15/3/2012)

Of course, many will share the views that the above are just minorities, a very few cases in the whole NGO community. It is right, however, it is clear that lacking of structured supervision, commercial effectiveness are still challenges in NGO operations. That not to say yet about the other expenses incurred in intermediaries, especially in project consultation, M&E consultations which are undertaken at facial value not to add real value to the project compared to those in commercial sector.

Trend of reduced international aids to Vietnam: When Vietnam reach good economic growth rate and become a middle income country (year 2010), official ODA and private support has started to decrease. A number of countries have declared their roadmap of reducing official aids from Vietnam to turn to more needed countries.

Box 7: British Ambassador - ODA for Vietnam will decrease

In addition to the decision of stopping financial aid to Vietnam in 2016, British Ambassador informed ODA will also be decreased from now to the end of the programme.

In the press briefing on 2/3/2011 in Hanoi, British Ambassador, and Dr. Antony Stokes announced decision to stop ODA to Vietnam in 2016 after the British Secretary of State for Development (DFID) reported results of the Assessment of the impact of multilateral and bilateral aid programmes on 1st March. In parallel with the cut of the funding in 16 countries including Vietnam, the UK will re-focus their support in other 26 countries, most are in Asia and Africa such as Ethiopia or Bangladesh.

“As Vietnam has reached middle income status with a dynamic emerging economy, we will cease our official aid to Vietnam in 2016 to focus our support on poorer and more needed countries” stated by British Ambassador.

Source: www.vnexpress.net/, dated 2 March 2011

Compared with NGOs, Social Enterprises can address most of the above mentioned shortfalls. First of all, Social Enterprises can improve the independence, autonomy and sustainability of organisations as well as their social solutions.

The more revenue Social Enterprises generated, the better position they have established in relation with donors. Social Enterprises can pursue their own objectives and deliver their initiatives in their own ways. More importantly, they can widen their target audiences and beneficiaries as much as they want.

The most important factor is that Social Enterprises always approach social solutions in a sustainable way. Beneficiaries are trained professionally, provided employment and supported with sustainable income generating business that they can operate autonomously. Koto trainees after two years training will be granted with an official certificate from Box Hill, Australia. This is a credible certificate for restaurant and hospitality business and is fully recognised all over the world including five star hotels (Box Hill is among the top 40 TAFE vocational training institution in Australia). In fact, many Koto trainees are now working as chiefs and restaurant staff in 5 stars hotel.

In terms of efficiency, operating as a business, Social Enterprises seek to optimise its business as for traditional businesses. Beneficiaries of Social Enterprises are also their employees and customers; therefore there are close relationships between these stakeholders and founding member of the Social Enterprise. Moreover, as majority of Social Enterprises self deliver their initiative as well as fully responsible for monitoring and evaluating business therefore they can by pass expenses relating to the use of intermediaries.

As discussed earlier, in the context of reduced international sponsorships/aids, Social Enterprises can become an alternative model for NGO projects in Viet Nam.

Social Enterprises and CSR

Social Enterprises are often compared with Corporate Social Responsibilities (CSR). The truth is that they are often mistaken as CSR. In fact, these are two different concepts with the first as a business model and the second is a trend of mobilising social support.

Image 5: Components of CSR



Source: A.Carroll (1999)

CSR is a self generating movement, to improve awareness within enterprises to ensure their business is operated according to common business ethics and standards. CSR movement requires enterprises to apply responsible business approach towards employees, clients, communities and environment as a corporate citizenship.

According to A.Carroll model (Luu Minh Duc, 2008), CSR exists in four layers. In term of the most basic responsibility, enterprises need to ensure stable income for its employees, and profit for shareholders. Second, enterprise needs to be responsible in fully complying with legal regulation where they have registered. However, these are just the basic responsibilities that every business need to respect.

The third responsibility which is also central to any business that they need to comply to is business ethic, working conditions for their employees, quality of services and products, environment protection and for community benefits. Finally, charity is often considered as optional responsibility. However, many companies use this as a PR tool, while have not completed their basic responsibilities.

A CSR concept is triple bottom-lines. Accordingly, today's enterprises should not only focus on pursuing economic profit (Profit), but also must ensure that 'profit' relating to people (People) and environment (Planet) are achieved. These are the three measurements of CSR commitment of a business.

Thus, we can see CSR and DNXH are two different and independent concepts. Enterprises that commit to CSR activities are still traditional enterprises. In other words, CSR only makes the business look good without changing its nature and model. Meanwhile, Social Enterprises are business models that have different operating nature than traditional businesses.

However, Social Enterprises offer effective business models and channels for business CSR agenda. In Indonesia, the state-owned enterprises (SOEs) and foreign investment enterprises (FDI) are required to spend a certain amount of their profit (by 2.5 to 5% profit as CSR tax) to support social and community objectives. Seizing on demand, Social Enterprise, Provisi has been very successful in collaborating with a number of foreign invested enterprises, such as Chevron, BP-Rio Tinto to spend these CSR taxes on projects supporting education of poor children in Indonesia.

Social Enterprise and Fair Trade

Social enterprises share many similarities with the Fair Trade movement (Fair Trade). Fair Trade is a well organised social movement, with a market based approach supporting manufacturers, people of developing countries with better trading and more sustainable development conditions. Fair Trade movement encourage multinational companies such as Nike, Gap, Nestle, Unilever to abandon acts of price pressure, facilitating a more equitable trade for small producers and the poor in developing countries to obtain more sustainable growth and mutual benefit in that value chain.

Fair Trade movement is led by some global NGOs such as Fair Trade Label Organization (FLO). FLO assess quality of products and production process to issue Fair Trade stamp for products that satisfy Fair Trade standards.

Products with Fair Trade stamp guarantee bigger sale as Western Europe and America customers pay more attentions to social and environmental standards of the products (moral Consumerism).

Image 6: Some typical Fair Trade trademark



Source: www.wikipedia.org

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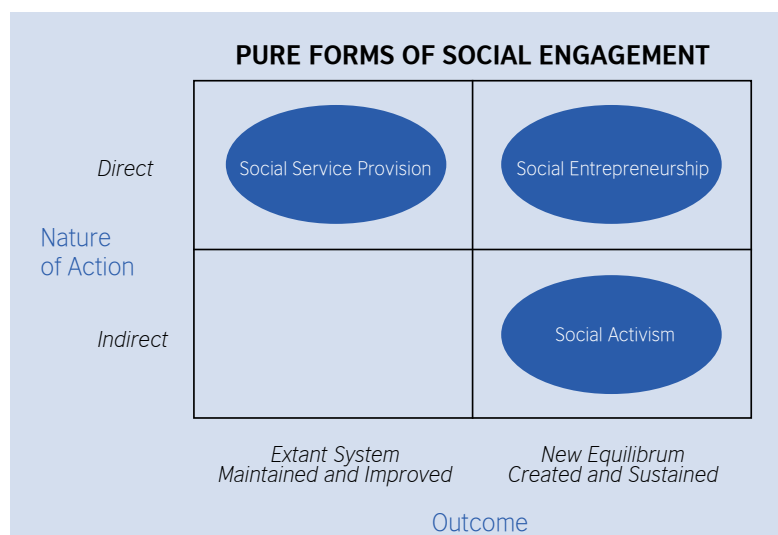
Currently, the Fair Trade concept has been introduced to Vietnam. However, the numbers of enterprises whose products are labeled Fair Trade are still very limited. On the basis of sharing similar social goals, Social Enterprises and Fair Trade can develop side by side.

Social Enterprise, Mai Handicraft have created employments for a community of poor women in the South Central Coast to produce handicraft products with FLO certifications and Fair Trade stamps. Become a member of FLO have offered Mai Handicraft with great advantages of having free support of design and patterns as well as marketing their products to international markets.

Scale of Social Enterprises

As mentioned above, in principle, scale, duration and the possibility of replication of social enterprises are not limited. Therefore, at present, in Vietnam, Social Enterprises community might still be quite modest that we have not fully realised the potential for development of this model; however many theories have proved the grand scale and deep meaning of Social Enterprises to the society in the future.

Image 7: Social activities matrix



Sources: Roger L. Martin & Sally Osberg (2007)

The authors Roger L. Martin and Sally Osberg (2007), as board members and CEO of the Skoll Foundation have introduced a famous Social Enterprise matrix; accordingly to the matrix, three types of Social activities are categorised according to their approach in creating direct or indirect impacts and the end results if social issues can be handled sustainably or not.

- (i) To provide social welfare and charity: is done directly by NGOs and donors. They contribute to solving social problems directly. However, the issues are only resolved to a certain extent.

There still exist, in other words, it's 'equilibrium' (equilibrium) that society have to compromise while not yet able to deliver fundamental changes. Example such as Bo De pagoda in Gia Lam, Hanoi, famous for its gesture of adopting abandoned babies. Clearly, the noble acts bring about tangible meaning and directly support those children in particular and society in general, but the pagoda can not solve a wider problem of abandoning infants in a sustainable way. Similarly, charity project SympaMeals can offer lots of poor patients of K hospital with free meals and milk but the project can not solve the problem of increasing number of K patients.

- (ii) The social movements led by social activists: examples include the revolution led by Reverend Martin Luther King for equal rights of the black or CSR movement, Fair Trade. ... These movements have created widespread impacts, solved social problems in a sustainable way, leading to 'equilibrium' of social acceptance. However, the potential of developing such social movements are still very few and they are time intensive requiring favourable external economic and social conditions, in particular, these movements can only be implemented indirectly via affected communities (in terms of CSR that means enterprises) to create changes.
- (iii) Whilst Social Enterprise can solve social problems directly and sustainably. Also providing social benefits such as NGOs but Social Enterprises have more advantages in terms of possibility of scaling up and replicating models. Koto is developing in the direction of replicating its model to other localities in Vietnam and overseas; at the same time, Koto encourage the generation of F2, F3, graduates of Koto training programme to replicate Koto model (typically Pots & Pans restaurant was opened in Hanoi by a former student of Koto).

More importantly, Social Enterprises approach social issues with fundamental solutions and sustainability therefore have obtained better and deeper impacts. If Social Enterprises, "Help Corporation " populate its model of effective health prevention improving better living style, then number of K patients will be reduced, not increase (according to Help, 80% of K patients resulted from unhealthy lifestyle).

Above matrix compare typical and genuine types of social activities. In fact, distinctions between them are not always clear. However, through this, we can acknowledge that Social Enterprises have advantages resulted from their approaches as well as the natures of this model. If these strengths are developed, Social Enterprise can bring about extensive and powerful social impact.

1.2. THE DEVELOPMENT OF SOCIAL ENTERPRISES IN VIETNAM

In Vietnam, although have never been officially recognised, activities using business as tools to serve the public interest, particularly disadvantaged communities have existed for a long time. A recent study by CSIP, the British Council and Spark (2011), found that among the 167 organisations identified with all characteristics of social enterprises in Vietnam, the longest established organisation is the Humanitarian Co-operative which belonged to Hanoi Disabled People Association, founded in 1973. The development of social enterprises in Vietnam can be divided into three main stages as follows:

- (i) *prior Innovation 'Doi moi' (1986)*, social enterprises associated with collective ownership and operate in the form of Cooperative serving the needs of vulnerable /disadvantaged communities;
- (ii) *from 1986 to 2010*, social enterprises associated closely with NGOs and funding mainly from foreign organizations;
- (iii) *now*, since Vietnam became a middle income country, social enterprises have operated according to market principles; shifting funds from external financing to income from business activities.

1.2.1. Before Doi Moi (1986)

In the centralized planning economic system, the state is the only entity responsible for ensuring provision of social services to citizens. The formation and operation of the socio-political organisations such as the Women Union, Youth Union... were always put under the leadership of the Communist Party, tied to state management system and these organizations were the only channels for individuals to participate in community activities. During this period, various forms of social organizations operating independently to government such as NGOs are not allowed to operate in Vietnam. Besides, only the state economy and collective economy were recognised as two key economic sectors of the country.

In that context, cooperatives were the only suitable form of economic - social organisations established to meet some special needs of its members with community spirits: Cooperation, sharing and for mutual benefit. Cooperatives were considered as belong to community ownership, at the same time operating as independent economic units. Therefore, the cooperative model can be regarded as the earliest social enterprise model in Vietnam. In term of policy, the state had adopted policies to encourage the development of cooperatives from the early years of building up a socialism country in the North. By 1987, the number of cooperatives across the country was up to nearly 74.000 operating in various areas contributing to meeting pressing needs of the community.

Box 8: Humanitarian Cooperative

Humanitarian Co-operative was established in 1973 with a long history of production, jobs creation for many people with disabilities mostly blind people. The main activities of cooperatives including massage, acupuncture, toothpicks and brooms producing and trading... Humanitarian Cooperative contributed to stabilization of lives for many people with disabilities and along with the State to solve social problems.

Source: CSIP

Among the cooperatives that were established in this period, a big number were established to create jobs and to support vulnerable groups, mainly people with disabilities to obtain better quality of lives.. Most of these cooperatives operated in cottage industry and handicraft, such as rattan and bamboo, embroidery, knit and garments ... because this is considered as appropriate job for their health and working conditions.

1.2.2. From 1986-2010

Although Social Enterprises had emerged in the form of cooperatives for a long time, business activity for social objectives with all basic characteristics of social enterprises model only started to develop since the implementation of Doi Moi policy in 1986.

This was a milestone marking the recognition of new economic sectors such as state capitalist economy, private capitalist economy and small business owners⁵. Thus, the active role of individuals and communities in providing and exchanging services to meet people's needs have been recognized and developed.

⁵ After 25 years Doi moi, Vietnam currently have 500,000 Enterprises in the private sector, 9,500 Cooperatives and a hundred thousand of collective groups which are operating and contributing to the national economic growth.

The open door policy led to spectacular growth of foreign direct investment (FDI) and international development assistance (ODA). These activities not only bring huge capital supporting country development, but also the exchange and sharing of experience and knowledge of social development has brought in new models and method that Vietnam could adopt. After the U.S. embargo was lifted in 1994, hundreds of humanitarian and international development organisations came to Vietnam, with huge volume of non-refund humanitarian aid and non-refundable ODA. Only in the period 2005-2010, the total committed ODA for Vietnam was 31 billion U.S. dollars⁶.

During this period, the state adopted many open policies, created a legal framework for the development of non state economic and social organizations. Decree No. 71/1998/ND-CP on grassroots level democracy and other legal documents were issued in 1998, for the first time, officially encouraged the participation of social organizations and citizens in the process of building, implementing and monitoring policy implementation in the community.

To promote people's participation in the process of building and developing community, the state took positive steps to promote cooperation between different organisations, particularly through the strengthening of social and political organizations (mass organizations). Decree 35-HDBT (Decree of Council of Ministers) (1992) launched a number of solutions to promote the establishment of science and technology organisations by individuals.

Decree 177/1999/ND-CP and Decree 148/2007/ND-CP then develop foundation for the establishment of social funds, charity funds ... The role of community organisations are particularly emphasised in the provision of basic services to the community such as water resource management, poverty reduction, primary health care, general education and environment protection. The State paid special attention and encouraged cooperation between national and international NGOs in country and oversea and local governments.

The above policies have enabled massive growth of organisations and community development enterprises. Statistics showed that there were more than 1,000 NGOs, 320 national associations and 2.150 associations operating on voluntary principles and autonomy at the central and local levels. Most of these organisations received financial support from international NGOs and donors to maintain operations and provide services to the community.

Moreover, in Vietnam there are thousands of community organizations such as cultural houses, clubs, business strand of mass organizations (e.g. women union, veterans association, association of people with disabilities etc.) and thousands of others units are providing social welfare (provide public services such as waste, water sources management, etc.). These organisations have certain characteristics of social enterprises and can be transformed into social enterprises in the future.

Along with the open door policy and comprehensive renovation, the state also implemented reforms in the field of public services by adopting socialization approach, calling for investment and participation of all economic sectors, individuals and collectives to share the burden in providing public services, particularly in the field of poverty reduction, education and health care.

A large number of non-state educational institutions, health care, culture and arts organisations was established following this policy had partly solved social problems and satisfy people's basic needs.

Box 9: Research and Training Centre for Community Development

The Research and Training Centre for Community Development (RTCCD) was established in May 1996 by Dr Tran Tuan with the participation of four scientists and social activists. At first, the centre operated under the legal patronage of another organisation. By September 1998, RTCCD was officially recognised as a non-profit independent scientific and technology organisation for the purpose of community development in Vietnam. The main activities of the research centre including training, consultancy and implementing of pilot models in the field of mental health, disorder prevention, nutrition and prevention of micro nutrient deficiency, developing health care systems in an equitable and effective way and improving social relations to serve the community development objectives.

Source: www.rtccd.org.vn

⁶ <http://www.khoaqhqt.edu.vn/news/172-Nhin-lai-nen-kinh-te-Viet-Nam-sau-25-nam-doi-moi.html>

In general, innovation was a fertile ground for the development of non state enterprises and social organisations including Social Enterprises. However, the separation of economic activities and social activities, both in mindset and actual operation, has limited the introduction of the hybrid model as Social Enterprises. When it comes to business, people only talk about net financial return, and community activities organized by the enterprises often used for individual reputation and these activities are considered as pure charity. Meanwhile, social organisations are often grouped together with other types of charitable organisations, based on the mobilization of resources from external donors: This not only inhibits social initiatives but also offers Social Enterprises with limited choices: either operate as charitable organisations, or as a normal enterprise. In the context of abundant external funding for community development activities, poverty reduction in Vietnam, most organisations choose to operate as NGOs. Only a small number of organisations, for many different reasons, have bravely decided to operate with their own resources. They believe in the sustainability and effectiveness of applying business models to solve social problems and support the community.

During this period, some typical social enterprises appeared and actively operated under various forms such as Hoa Sua School, KOTO Restaurant in Hanoi, and Mai Handicraft Co., Ltd in Ho Chi Minh City...

Box 10: Hoa Sua Tourism Economics High School

In 1994, “Hoa Sua Private Housework Training School” was established with 20 students. Six female retired teachers (Ms. Pham Thi Vy, Ms. Doan Khue, Pham Kim Anh, Nguyen Xuan Trinh, Phan Tuyet Lan, Ms. Zhang Bao Lan) had chosen “Charity job training for disadvantaged youth as a life-changing opportunity for the disadvantaged and unfortunate.” With support from a number of French NGOs and UNDP, the school implemented training programmes in European Cooking, Bread and cake making and restaurant table services and finding job for young people who are in difficult situation.

To date, the school has three restaurants, two shops and a mini hotel introduces practical products. The school now has its own premises, residential quarter for student’s accommodation, workshop areas (State land, financial support for construction from the Spanish and French Embassies). In 2006, Hoa Sua continues to establish the embroidery and tailoring department for young people with disabilities. Currently, the school has been allowed by the Ministry of Education and Training to deliver trainings at 3 levels: elementary occupations, vocational secondary and professional secondary. 2/3 training time shall be delivered at the school workshop area. More than 7,000 disadvantaged students have been trained by Hoa Sua and they all have stable jobs after graduation. Revenue generated from restaurants, shops (occupied 65% of operating costs) enable Hoa Sua school to be independent in finance and maintain free training programs to difficult and disabled people sustainably.

Source: www.hoasuaschool.com

Although not yet flourished in number and proved their full potential, the existence and development of these typical social enterprises in the last 10 years have demonstrated the possibility of successfully combine business model with social development objectives, eliminate the gap between economic and social sectors, opening up a third area of social enterprises.

1.2.3. From 2010- to date

As Vietnam entering the threshold of a low average income country a new development opportunity has opened up for the nation. That means Vietnam has better and active capital capabilities, poverty has been significantly improved for majority of the population. However, this also led to policy changes in humanitarian assistance and social development of other national and international organisations in Vietnam.

We have witnessed the departure of a number of bilateral development organisations such as SIDA, Ford Foundation, or the declining of ODA funding to has opened up Vietnam, to be shifted to poorer countries (Denmark, UK). If we continue to depend on external aid, Vietnam will face the risk of serious shortage of capital for community development activities in the coming time. Meanwhile, the mobilisation of funds from donors and the community in Vietnam is rather limited. A recent study by the Asia Foundation (2011) on charitable contributions in Vietnam shows the great potential contribution from people and enterprises, but due to lack of official charitable channels and lack of appropriate policies, most charitable activities are spontaneous, small-scale and limited within small communities. Lack of operational funds places serious pressure on thousands of Vietnamese NGOs and community development projects in the near future.

In this context, Center for Community Initiatives Promotion (CSIP) with partners such as the British Council (British Council) and Spark Centre, have actively promoted and introduced social enterprises as a new solutions, an alternative organisational model that fit the current social and economic context. The strength of social enterprises is the ability to apply business model based on market principles and demands to address market failures and social problems. In other words, Social Enterprises can solve both social and economic objectives in which social objectives are key goals. Achieving economic objectives is the mean to achieve social objectives sustainably in a large-scale.

Box 11: The Centre for Social Initiatives Promotion (CSIP):

Established in 2008, CSIP is a Vietnam NGO with the mission to contribute to building of a fair, prosperous and sustainable society through the promotion of business initiatives which bring about deep social impact. CSIP directly support Social Enterprises at start up phase, and attracted participation of state agencies, businesses and communities to promote social enterprises movement in Vietnam. It can be said that CSIP is the first organization officially promote and build social enterprises model in Vietnam, enable small , separate and discrete operations of social enterprises to collate into an organized movement and network for equitable and social development.

Since 2009, CSIP and its partners operated two major assistance programs annually: Start-up and Take-off. So far, 43 Social Entrepreneurs with 29 Social Enterprises have been selected through a survey and thorough appraising process to receive financial and technical assistance (training on Social Enterprise model, organisational management skills, financial management, marketing, etc...).

The social enterprises currently contribute to solving social issues such as environmental protection, vocational training and jobs creation for people with disabilities, poor women, and people living with HIV / AIDS, community health care, psychological health and care for children with autism ... and initially they have obtained remarkable achievement.

The first 19 social enterprise projects alone have helped to improve quality of life for 17,000 people directly and 200,000 people in disadvantaged communities indirectly. Among them, there are four initiatives and social development models that have been replicated in other localities and have raised additional 4 USD for every 1 USD invested by the program.

In March 2012, CSIP has cooperated with auditing company Deloitte Vietnam opens the first incubator for Social Enterprises in Vietnam; this provides basic office facilities for Social Enterprise ideas at start-up stage or youth projects that have potential to become Social Enterprises.

Source: www.doanhnhanhxahoi.org

Social enterprises at this time were originated from the three main groups as below:

- (i) **The NGOs:** transform the operating strategy of the organizations, or to establish strand as a Social Enterprise to:
- generate income to increase funding sources; and
 - more effective use and management of resources in providing public service bases on market mechanism.

Box 12: The Will to Live Centre

Vietnam has up to 6.1 million people with disabilities (PWDs) accounted for 7% of the population, which largely dependent on support from the family (95.8%). Nearly 33% of households of people with disabilities, live below the poverty line. Noticed and understood the needs of people with disabilities, empty-handed, Nguyen Cong Hung has established by his own and led the Will to live centres in Nghe An and Ha Noi with steady development in the last 7 years.

The purpose of the centre is to support disabled people with full integration through training activities of information technology, vocational training, job placement, and connection with production facilities to find out-puts for product produced by people with disabilities.

Since 2009, Hung established the “Will to Live” centre and Technology Vision and Solutions Joint Stock company to develop business activities to generate revenues and create jobs for those with disabilities at the centre. For many years, the Will to Live centre has been awarded the certificate of merit for the best information technology training for people with disabilities by the Ministry of Information and Communications.

Nguồn: www.doanhnhanhaxahoi.org

(ii) Group of companies pursuing shared value: in which the creation of economic value is done in a way that it also creates value for society by responding to social needs and challenges. Here, the shared value is not social responsibility, charity or even for the purpose of sustainable development, it is a new way to create economic success. The social values are embedded in the ADN (the core value chain) of enterprises as an indispensable element in the competitive capability of enterprises⁷. Some development orientations of these enterprises are:

- *Fair Trade:* Enterprises such as Mai Vietnam Handicraft in Ho Chi Minh City supply handicrafts, farm forest products, create jobs and provide income along with educational opportunities for hundreds of poor women in many parts of the country.
- *The business group target at the Base of the Pyramid Group (BoP):* identify business opportunities through meeting the needs of poor communities with affordable service.
- *Enterprises aim to resolve issues related to society and the environment.*

Box 13: Mai Vietnamese Handicrafts- MVH

MVH is a successful small enterprise established by two social officers in 1990 in Ho Chi Minh City. Built on the belief that social development should be linked closely to economic autonomy for disadvantaged communities, MHV has accessed and worked with artisan (70% are poor women) in remote rural areas to train and create jobs for them, and to modernize and increase the value of Vietnamese goods and handicrafts in the international market.

As one of eight Vietnamese members of the World Fair Trade Organization (WFTO), MVH is working with 21 groups including more than 1,100 craftsmen mainly in the southern provinces (with an average salary of 3.4 million Vietnamese dong/ person/ month).

Source: Case study-Mai Vietnamese Handicrafts, *Growing Inclusive Markets*, UNDP 2011.

(iii) Group of new social enterprises: After the Social Enterprises concept was introduced into Vietnam in recent years and is encouraged and supported by intermediary organisations with Social Enterprises development role such as CSIP and Spark, more individuals have started their career by establishing Social Enterprises which can operate in many different forms (NGO or limited company, joint-stock company). These Social Enterprises share some common features as:

- Founded and led by Social Entrepreneurs (individual or partnership) with high autonomy.
- Provide innovative social solutions
- Social environmental objectives are core to the organisation. These are reflected throughout the operation with transparency.
- Highly competitive with market orientation.
- Optimising not maximizing profit. Majority of profits is used for reinvestment and enhancing impact not to be distributed to investors.
- Collective and community ownership, with democracy and participation of people sharing needs and goals.
- Accept high risk.

⁷ Michael E. Porter, Mark R. Kramer, *Creating Shared Value*, Harvard Business Review, 2011

Box 14: To He stock company

Realizing creative potential of children, especially disadvantaged ones, that has not been encouraged and deployed effectively, TO HE is a Social Enterprise established in 2009 to promote creative activities for children with special needs through the provision of playgrounds, teaching materials and drawing training for children in special child care establishments.

Paintings of the children are used to produce environmentally friendly fashion items. To He not only create opportunities for these children to play and realize their potential, the company also helped to bring them a better future through scholarship programs. More importantly, their activities have helped to change parents' understanding of the potential of their children.

Source: www.doanhnhanhaxoi.org

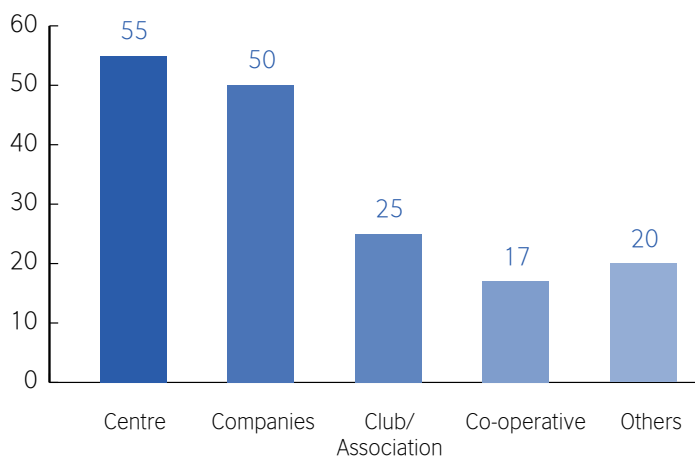
1.2.4. A brief on the structure of Social Enterprise sector in Vietnam

Information about the structure of Social Enterprise movement in Vietnam are based on a single study to date in this field - 'Vietnam Mapping of Social Enterprise' undertaken by CSIP Vietnam, the British Council and Spark in 2011. Based on data collected from 167 Social Enterprises from 25 provinces participated in the survey, the study showed that the majority of Social Enterprises concentrated in Hanoi (41%) and Ho Chi Minh City (13%). Impacts of Social Enterprises in the remaining 38 provinces are minimal, due to low awareness and support of development.

Organisational forms and legal status

Social Enterprises operate under various organizational forms with diversified legal status, ranging from ordinary enterprise to clubs and associations:

Image 8: Organizational forms/ legal status of 167 Social Enterprises participated in the mapping exercise



Source: 'Vietnam Mapping Social Enterprise project' (2011)

It was clear from the chart that the most common form of registration of Social Enterprises is "Centre" because it can enjoy many advantages in Vietnam legal procedures in terms of establishment, tax support and access to funding. Here, it should be noted that centres are popular operating forms of NGOs, were formed as a result of implementing development projects.

Scale and economic efficiency

The table below shows that companies are organizations that have the biggest beneficiaries among major categories, only after other types such as funds, local agencies and institutions.

Notably, the economic value of various types are put in similar order as beneficiaries criteria. Social Enterprises operate as Centre obtained the lowest economic value in comparison with other types. Meanwhile, the Social Enterprises operate in the forms of company demonstrate a higher economic efficiency with the average cost per beneficiary of only 1/3 of the centre form and nearly - of other forms.

Table 3: The size and average economic efficiency of different types of organisations

Type of organisations	Centres	Companies	Clubs/ Associations	Cooperatives	Others
Average beneficiaries / benefiting organizations.	1,624	2,865	2,343	142	4,204
Average economic values/ organization (revenue and sponsorship)	\$42,700	\$74,950	\$62,700	\$67,950	\$172,650
Expenses/beneficiary *	\$80	\$26	\$27	\$478	\$41

Source: 'Vietnam Mapping Social Enterprise project' (2011)

* The economic value expressed in U.S. dollar exchange rate: 20.764VND/USD.

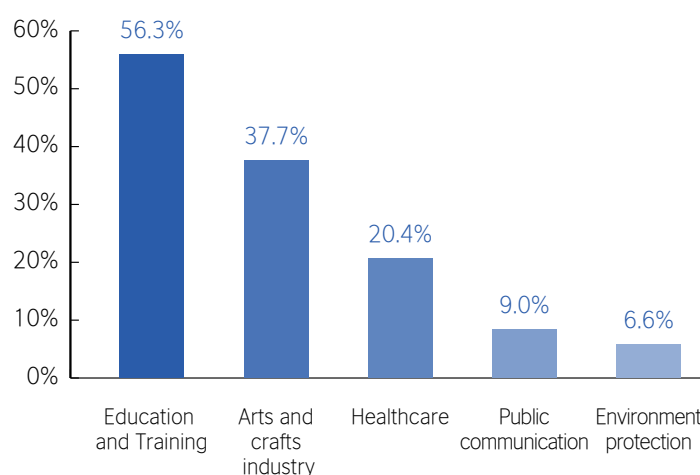
Operating areas

The report showed that 68% of Social Enterprises in some way working towards contributing to poverty reduction, life stability and income improvement through education, vocational training, enhancing skills, providing equipment and updating knowledge.

In addition, up to 48% of Social Enterprises have environmental objectives, such as providing environmentally friendly products and services, operating in environmentally friendly manner and increase awareness in community on environmental issues.

More specifically, the chart below shows the most popular yet different areas that 167 social enterprises have operated in:

Image 9: Top five social enterprise operating areas



Source: 'Vietnam Social Enterprise Mapping project' (2011)

Though areas of operation are diverse, most Social Enterprise focus on niche market and markets that businesses generally ignored and have not approached by public services.

Up to date data on Social Enterprises in Vietnam though not yet complete, still can provide certain evidences for confidence in the potential and development of the sector in coming time.

Located in the favourable geo-economic conditions, the movement of Social Enterprises in Vietnam is being motivated by movement of Social Enterprises in the world in general and in Southeast Asia in particular. There is a big chance for Social Enterprises movement in Vietnam to catch up for their own development and contribution to national both economic and social development as there is a big wave of investment to Social Enterprises in Southeast Asia, along with policies of supporting Social Enterprises movement that some regional government have adopted.

1.3. ORGANISATIONAL FORMS AND LEGAL STATUS OF SOCIAL ENTERPRISES IN VIETNAM

In management practices and support of social enterprise in Vietnam and overseas, the concept of social enterprises is usually defined very openly and mainly focused on factor of social impact. For example, the definition of the Skoll Foundation (2010): *"social enterprise is an innovative approach with market-orientation to solve underlying causes of the most intense social and environmental problems. It creates systemic changes and offer sustainable solutions"*. Therefore, social enterprises can be found in many types of organisations with various legal statuses. Notably, social enterprises can exist in public sector, private and civil society, though this is the subject of intense debate. Some views require social enterprises to come from private sector and civil society because of their specific 'bottom-up' approach and some even require social enterprises to register for new company status to be considered as "enterprise", and some others said that many organisations which provide state welfare by applying business skills and thus can follow social enterprises model.

Aiming to institutionalize and develop policies for this sector, the report will review and analyze some forms of organizations those are the base for many social enterprises and organizations which are potential to become social enterprises in the future if the conversion is necessary. Understanding the position of social enterprises in the whole social and economic context will help to clarify motivation for their establishment and development, as well as other functions of these models. This will inform efficient approach to State's policies for each organizational form. Specifically, there are six organizational forms that need to be studied as follows:

- NGOs;
- pure social enterprises (follow social enterprises model since establishment and operate in a form of a company);
- mix structure between business and non-profit organisation (in which business activities are implemented primarily to support non-profit activities);
- the non-public organisations (semi-public, people owned and private);
- agencies of state-owned enterprises that provides public services;
- state organization with income generating activities, state social organisations (associations, research institutes, hospitals, schools).

1.3.1. Types of social enterprises

(i) Non-profit Social Enterprises

The non-profit social enterprises usually operate in the form of: centre, association, fund, club, voluntary organization/ groups of people with disabilities, people living with HIV / AIDS, women suffering from violence ... Almost non-profit social enterprises were originated from NGOs, but besides, there also have been a number of social enterprises defining their models right from establishment. Thus, although very similar to traditional NGOs, the difference between NGO and the non-profit social enterprises is the ability to provide new and innovative solutions to solve problems of social concerns. In other words, social enterprises offer competitive solutions to address specific social needs, so that they can attract capital investment from individuals and social impact investors.

The non-profit social enterprises have played a good role of catalyst to mobilize community resources to improve life for disadvantaged communities. These social enterprises can be divided into three groups base on forms of operation, objectives and social impact and funds:

- (i) Social enterprises provide highly effective services and products in solving social problems, and usually be funded by a third-party that often are community or social investors. In other words, this type of social enterprises acts as an independent employer with autonomy and plays a catalyst role to connect resources with social objectives.
- (ii) Social enterprises aim to provide goods / services to most economically disadvantaged and vulnerable people, those who do not have access or can not afford services at normal prices. The goal of these

enterprises is to meet the needs and rights of people who have been bypassed by the current business model and mechanism. While ensuring the rights of people particularly vulnerable communities is the supreme goal, social enterprises often directly involve in the provision of services and goods to meet the demands of abandoned needs, instead of propagating and mobilizing other people to do this⁸.

Box 15: Clan bookcase model

Clan library and Parents Bookcase model founded by Nguyen Quang Thach is a typical example for this type of non-profit enterprises. Thach identifies one underlying cause of poverty in rural areas is the lack of knowledge. The decline of learning and reading eagerness in Vietnam rural area is in a state of emergency. Studying the existing library model and the development of lineages in recent years has motivated Thach to establish a new library model, based on clan resources and involvement in raising general knowledge of their young generations and farmers in the village. The Clan bookcase project was first established in 2007 and so far has been set up in 22 provinces with 92 bookcases and 30,000 books, to provide opportunities for knowledge improvement for at least 80,000 people in rural areas. In particular, the number of clans that have requested consultancy on development of Clan bookcase has exceeded 100. This is exclusive of bookcases that have been built by families following Thach's advice.

Parent bookcases have also been set up with the same model of resource mobilisation and community participation. From 2010 to date, 71 parents library were established in 21 schools, with 6,100 books being used by 6,000 students. Initial assessments show that the bookcases have helped community to improve the books shortage in 92 hamlets in rural villages. In particular, Quynh Phu Education Department plans to expand parent bookcases to 78 Primary and Secondary schools across the district. With a strategy of awakening local resources to enhance citizens' responsibility in sharing for own and community benefits, so that bookcases are constructed with at least 50% of contribution from the families and parents. The remaining 50% of resources have been mobilized from donors, books contributed by people, personal money and especially recently is the special contribution from the "book for countryside" action group on Facebook. Each Facebook and email user support 20,000 /month and after 4 months, the group have collected 110 million VND to build book cases system for rural areas in Vietnam.

Source: www.doanhnhanhaxahoi.org.vn

- (iii) Social enterprises create jobs for disadvantaged and marginalized groups such as people with disabilities, people with HIV / AIDS, released prisoners ... Most of these social enterprises were transformed from NGOs by establishing a business unit within the organization, or establish an enterprise, with profits being used to finance part of the costs of the organisation. The hybrid structure existing in the same organization of this group has caused lot of debates, as if we viewed these two separately we will find that the business unit makes profit but the whole organisation is a non profit. So how policies for this group of social enterprises be developed properly? Should the business units are considered as social enterprise or only the parent organisation should be considered social enterprises? KOTO International Centre and "The Will to Live" Centre are examples for this kind of non profit social enterprises.

Box 16: KOTO International

Founded in 1999, KOTO (Know One, Teach One) is a social enterprise model operates as a restaurant business and vocational training centre with a mission to change the lives of disadvantaged children in Vietnam. KOTO training center is a non-profit center (NGO) established to support vocational training for street and disadvantaged children. In 24 months, students learn skills to serve in hospitality (cooking, waitress, bartender), business English and other life skills. In addition, they are also provided with periodical health examination, immunization, uniforms, residential arrangement, health services and training allowance monthly at the training restaurant. So far, KOTO has trained more than 20 courses (2 courses enrolment each year) with the number of graduates up to nearly 350 children.

KOTO restaurant is a training restaurant, in which trainees can practise in a real business environment. Currently, more than half the Centre's operating costs is funded from the profits of the restaurant. Serving social objectives of the Centre, however, KOTO restaurant still have to compete equally with other restaurants operating in the same street, even pay more taxes as accounting management of the organization must be transparent and disclosed on donor's request.

⁸ Elkington J., Hartigan P., The power of unreasonable people, Social-Labour publishing house, 2008.

Table 4: Social enterprises “Nest” in Vietnam

Type of organistaion	Estimated quantity	Aims	Profit distribution
NGO	1,000	Social and environment mission, right of the poor, disadvantage	Non-profit
Associations	6,900	Support and protect for members benefits	Not for profit
Community Voluntary organisations that have no legal status (including cooperatives)	140.000	Meet the needs of Community particularly whom can not approach the public services	Not for profit
New social enterprises	200	Provide services and create jobs for disadvantage people, solving the market fail	Not for profit
Cooperatives	9,500		Mainly to use the profit for Community and members
SMEs	8,000	Balance benefits between economic - society	Maximise the advantage but not maximise the profit
Total	165,600		

Source: CSIP

(ii) Not-for-profit Social Enterprises

Most of these social enterprises were founded by social entrepreneurs with social missions announced clearly. At the beginning, the enterprises have clearly defined the combination of social goals and economic objectives while the economic objectives are a mean to achieve the supreme goal of social development. Profits are used primarily to re-invest or to expand social impact of the business. The introduction of innovative solutions applying market leverage to solve complicated social problems and environmental challenges is the difference of social enterprise compared to charitable organisations or normal enterprises. Most of the income comes from business activities or services offered by the enterprises. We can say, this is the ‘essence’ of social enterprise sector.

Not for profit Social Enterprises often register as a limited company or joint stock company, and operate under the Enterprise Law. One of the reasons for social enterprises to choose this registration form is that they do not want to be seen as a social unit that ‘beg’ for charitable support from the community. They saw a chance to create material value from the humanitarian wealth of goods and services they provide to the community. Besides, operating as company help them to access more diversified capital sources and business opportunities than normal charity organizations. However, because of the social mission that they pursue, these social enterprises face some typical challenges compared to other ordinary business:

- Social objectives do not allow them to ‘maximum’ the profit by all means. Instead, their approach is to ‘optimise’ profit.
- Besides expenses as usual business, social enterprises often have to spend huge ‘social costs’. For example, the cost of providing vocational training and skills development for low-skilled labor with special circumstances, the costs of organising small fragmented groups and communities into a community to raise voice and to increase their opportunities in overall value chain, cost of sales in places where geographical and residents conditions are not favorable such as remote areas ... This requires social enterprises to be very creative and in many cases lead to increasing social costs and reducing net profit in comparison to similar businesses.

- Due to its 'mixed' nature, social enterprises often have quite diversified funding sources. Besides the general commercial capital, they may also receive preferential capital as long-term loans at low interest rate, social equity, or non -return grant. However, the lack of clear regulation on receiving funding and concessional loans from social investors has created difficulties for social enterprises in tax justification and business accounting. In addition, legal status of a company also limits their ability to access funding compared to NGOs, even though the social impacts may be the same.
- Social Enterprises apply different performance measures to ordinary business. Next to the material value, the social value it has brought about to the community is supreme and should be measured and recorded in details.

(iii) Social Business Ventures/Profit social enterprises

This model is particularly popular in the field of microfinance with examples as the Grameen Bank and BRAC in Bangladesh, SKS Microfinance in India, Bina Swadaya in Indonesia, Kiva in America ... In Vietnam, we also have thousands of micro-finance institutions with most typical organisations like the TYM Fund (Vietnam Womens Union) and CEP (HCMC Labor Federation). Below are some characteristics of this type of social enterprise:

- Different to non-profit and Not-for-profit social enterprises models, social enterprises in this third type of category at the beginning have recognized opportunities and plan to build itself into a profitable enterprise with a mission to create forces for powerful change in social or environmental protection.
- Though still making profits and providing shareholders with dividends, these social enterprises are not driven by profit. In other words, its main purpose is not to maximize financial income for shareholders, instead the social/environment objective that has been shared and valued by all shareholders. A significant portion of profits is used for reinvestment or to support groups with low income positioning the social enterprises more accessible and beneficial to more people.
- Enterprises often find investors who are interested in both financial and social benefits. They rarely use the non-refundable grants for main activities of the enterprise.
- Social enterprises of this type typically operate under the forms: Company, cooperatives, micro-finance organization...

Box 17: Microfinance - CEP Fund

Access to capital is a challenge for the poor in both rural and urban areas. Founded in 1991, CEP stands for "Capital Aid Fund for the employment of the poor" by the Labour Federation of Ho Chi Minh City with the mission of operating for the benefit of the poor and the poorest, to help them achieve long-term stable lives through the provision of financial and non-financial services sustainably, honestly and efficiently.

In 2011, CEP has provided 238.062 loans to 193 238 customers with an average loan size of 403 USD / person. 52% of the loan is for members to operate small trading activities, 11% is used for the purpose of improving housing, building latrines, 13% for the purpose of breeding, agriculture and fisheries, and 24 % for other purposes such as services, handicraft products, procurement of production tools, paying tuition fees, medical treatment and settlement of heavy interest loans. By the end of 2011, CEP has a network of 26 branches, 371 employees, with an investments capital available for loans of 939 billion and continues to self-fund for its operation.

CEP operation has been sustainable over many years because they do not treat the poor as charitable objects but have come up with creative and appropriate ways to provide opportunities and develop capacities for the poor.

Sources: www.cep.org.vn

Below are some other areas of social oriented activities of social enterprises in Vietnam today:

New environment, new energy: In the context that normal business are reluctant to invest in areas such as clean technology, recycling, renewable energy due to high risk, large investment and profit not has not been as expected, there are enterprises that place social and environmental goals above immediate profit and boldly take the lead in this area.

Box 18: An Dien battery factory

Pollution from waste batteries and accumulators is one of 10 leading environmental problems in the world. In Vietnam, there are 28 million motorcycles, 1.4 million cars that require periodical change of accumulators from 1-3 years. Therefore, the volume of millions of lead batteries and accumulators waste which are not properly handled present a major threat to the environment. Moreover, battery manufacturers in Vietnam have to import 100% of lead materials from abroad cost millions of dollars in foreign currency.

An Dien Battery Factory is an ambitious project of a young social entrepreneur Pham Phuong Linh. As an environmental expert, she has witnessed the effects of hazardous of lead waste and the manual recycling of lead batteries and accumulators on many people's health. Linh also see the potential for lead recycling in order to meet the demand for lead in the country. Project for building An Dien, a modern factory to recycle lead batteries and accumulators has started. There is a long way ahead but this is a testament to the development prospects for profitable social enterprises in Vietnam.

Sources: www.doanhnhanhaxhoi.org.vn

Social housing: To address housing needs for people, especially low-income people, recently Vietnam Cooperative Alliance has piloted cooperative housing programs in Hanoi and Ho Chi Minh City. Cooperative housing, with a nature of people's organization, was founded on solidarity, self-reliance, self-help and self-responsibility, is the best model for housing, best suited to address housing problem, especially in terms of meeting the increasing housing needs of the people, including social housing for low-income people.

The cooperatives are economic social organizations which were founded with the purpose of providing continuous and long-term housing for cooperative members, who have housing needs but lack of financial capacity. Unlike other economic organisations, housing business, housing cooperatives established by the people. Their members are both owners and managers of the cooperative houses following principles of democracy, fairness and openness. In Vietnam, housing cooperatives have potential to develop in two areas:

- New housing cooperatives: Established for the purpose of raising, combining human and material resources from cooperative members and society to build houses, apartments with quality and price that suit the needs and financial capability of members.
- The cooperative housing conversion: set up by the households in apartments block or public housing to help them manage, maintain, undertake maintenance and provide essential services such as security, sanitary, electricity, water supply, internet, telephone, shops, amusement parks, entertainment ... in the living quarters.

Primary health care: preventive health care is a key to ensure the health of the community. Understanding this, Mr. Ta Minh Tuan has established HELP Corporation to build a health care system helping community to adopt a positive lifestyle and to prevent illness. Family doctors will monitor, provide counseling on preventive health care and resolve 90% of the common diseases right in the early stage. Thus only 10% of serious illness should be treated at a higher level hospital. A good organisation of a family doctor system will help solving the current problem of overcrowding in hospitals in Vietnam.

Cooperative (Co-ops): Established very early, cooperative is considered one of the oldest models of social enterprises in Vietnam as well as in the world. Cooperatives are collective economic organisations established by individuals, households, legal persons in need with common interests and voluntary capital contribution. Together they play to the collective strength of each participating cooperative members to help each other to effectively carry out production, doing business and improve their material and spiritual life, contributing to economic and social development of the country. Cooperatives operate as a form of enterprise, having legal status, sovereignty, and are responsible for all financial obligations within registered capital, accumulated capital and other capital sources according to the law. (Cooperatives Act 2003).

Cooperative groups also known as interest groups, labour exchange team, networking group, clubs, or simply referred to by name as the waterline services, seeding etc... "is formed, on the basis of contracts of cooperation certified by the local people committee, between 3 people and above, contribute property and labor to operate certain activities on mutual benefit and mutual responsibility basis and are subjects of civil relations" (Civil Code, 2005).

Cooperatives have some features as follows:

- Cooperative members are co-owners and manage the cooperative follow democratic principles and these members are also the one who use cooperative services;
- The cooperative was established to meet some special needs of its members. The ultimate goal of the cooperative is to provide best services to meet the needs of cooperative members. In other words, the function of cooperatives is to meet the common needs of cooperative members who also are cooperative's customers;
- Asset generated from the cooperative activities is non-shareable property of the cooperative (non transferable). This is a vital nature of the cooperative which highlight community values of the cooperative. Common property is formed and developed with no individual objectives but aims to effectively serve the common needs of cooperative members;
- A proportion of cooperatives profits are used to established funds, that is divided to meet the needs of education, training, information provision for members, satisfying the needs of cultural and social activities of local community... Other proportion of the profit is distributed back to members on the extent of service usage. This is a special humanity and cultural nature of the cooperative.

In Vietnam as well as in the world, Cooperative Groups and Cooperatives development is considered an important strategy to gather small producers and farmers to create greater economic scale, to reduce the dominance of intermediate groups and to create greater value on the market, contributing to economic development and social justice for poor and small producers. In nature, cooperative model is quite close to social enterprises and is a popular model in the world.

Social enterprises - Cooperatives - operate in agriculture, trade, transport, industry, handicraft, construction... In the agricultural sector, there are many social enterprises - cooperatives - supporting members in market, distribution of goods or supply. The self sustained groups or collective groups, including poor women and other disadvantaged groups often assembled to form cooperatives to support the diversified needs of members related to trade, health or education ...

However, for a long time, co-operatives linked to collective ownership is understood wrongly and negatively, in which members do not see the benefits from participating in the cooperatives. Benefit was averaged and motivation of participating members was suppressed. Failure in recognising benefits from joining the cooperative leads to lack of confidence and loyalty of members when dealing with cooperatives. Especially, lacking of democracy in cooperative management was popular. Failure of agricultural cooperative model before innovation was a big lesson. However, in the opposite side, misunderstanding of the nature of cooperative profit distribution according to capital contribution can undermine the spirit of co-operation; enhance desire for profit, which can turn the cooperative model to enterprises or joint stock companies. At this point, cooperative no longer have unique advantages in encouraging a spirit of cooperation in the community.

The growing number of social -oriented enterprises in which social or environmental objectives are embedded in the core value of the enterprise is a fast growing trend. Regardless of operating fields such as clean technologies, environmental friendly, microfinance or meeting the needs of the base of the pyramid (BoP) consumers, these enterprise always find innovative and creative solutions to create values and benefits for the community. The biggest challenge for this kind of enterprise is to ensure benefits for stakeholders. The task of balancing between social objectives and financial goals can create tensions within the shareholders and accountability to explain to business stakeholders. This makes leadership more difficult. However, this is the kind that general business find easier to understand and accept, so it has a better chance to cooperate and mobilize resources than other social enterprises.

In summary, social enterprises in Vietnam operate under various forms of legal entities. Though there is no exact statistic of number of social enterprises in each form, the number of organizations and businesses with potential to become social enterprises in Vietnam is up to 400,000 units, of which 35,000 units have legal identities. This is a significant figure in quantity and in the contribution they bring to the community.

1.3.2. Some type of organisations that can be transformed to social enterprises model

(i) State-owned agency providing public services:

According to the previous Law on State owned Enterprises (SOEs), they were divided into 2 groups: SOE business with activities primarily aimed at profit making and the others to provide public welfare activities with *"production activities, providing public services in implementing state policies or directly performing the duties of national*

defense and security.”. However, along with the process of equitization, SOEs operating for profit have less and less reason to continue. The key point of view now is just to keep the SOEs operating in some essential sectors of the economy and in providing ‘public goods’.

SOEs are now operating under the Enterprise Law (with corporate management as regular businesses) and comply with Decree No. 31/2005/ND-CP dated 03/11/2005 of the Government on production and supply of products and public services. Accordingly, a company provide public services is “*state-owned companies which are designed, invested, set up to implement a major regular and stable objectives which is production and supply of public products and services which ordered and planned by the state*”. However, more and more people think that public services are not “inclusive responsibility” of the State. The State can fully outsources public service and products to other companies and organisations in private sector.

Box 19: SOEs doing public work: “Disabled” market

Instead of using economic concepts of “public goods”, “capital goods”, “foreign influence”, ... to clarify what are public duties, we may be satisfied with the list of activities that are often associated with public tasks: building infrastructure such as roads, bridges, ports, electricity, telephone, water supply system, sewage treatment, street cleaning (garbage collection, waste treatment, cleaning of public places), education, health, ... World-wide, all those tasks can be done by for-profit enterprises or public enterprises (they can be owned by private or state). Thus using the reason “for public tasks” to transfer money to SOEs is not entirely accurate.

Many “public tasks” like those can be done entirely by profit companies, for instance, construction of telecommunication network, even roads, so saying that private enterprises do not do this is not correct. The issue is whether there is enabling environment for private companies to participate in these areas.

It is also argued that the state have to provide public services as it is not done by private sector. That is also a misunderstanding. There may be things that the government should organise (in the form of outsourcing) rather than implementing. For example, urban sanitation. The local government may establish such a company (such as URENCO in Hanoi). The company performs those public tasks and the local and state purchase that company’s services. That is the way that the State set up its own company to deliver public tasks, the state can also purchase these services on the basis of competitive bidding for a certain period (for example 3-5 years). The competitive bidding to purchase services may be more effective while free the state from having to worry about its company management. This approach is very common in developed countries.

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Sources: VietnamNet (19/11/2010)

In fact, Decree 31 also opened gates for private enterprises and cooperatives to participate in the production and supply of public products and services, using different methods: bidding, ordering, and delivery of plans. However, the implementation in practice has not made significant progress. Most of the supply of public products and services was ordered or allocated by the State management to the state companies directly under their management. Enterprises, cooperatives belong to private and collective sector are still bystanders. The lack of competition, conflicts of interest often lead to low efficiency, high cost, lack of transparency and accountability.

We can say, judging from many angles, SOEs perform public tasks is the state social enterprises. Through the above analysis we can draw two solutions to reform public-services -SOEs sector, that are relevant to the role of social enterprises to improve the state supply of public products and services:

- (i) In case, a new type of enterprise is added, similar to the CIC or L3C company in England and America, the public services SOEs can fully re-register under new forms with the only difference is their state ownership. The re-registration does not in itself improve the efficiency of public-services SOEs, if they do not actively innovates, but the re-registration does offer the following positive effects:

- Firstly, to create common legal ground for public-services SOEs, private enterprises, cooperatives to compete equally for state orders. Currently, there is no real market for fair competition for the provision of public products and services.c. Bởi hiện nay, thực tế vẫn chưa có một thị trường cạnh tranh bình đẳng cho các sản phẩm, dịch vụ công ích.

- Secondly, expand the access to capital from social investors in and outside the country rather than relying on indirect revenues from the state budget as now.

- Thirdly, applying social enterprises model will facilitate public-services SOEs participation to a large network of social enterprise which include the exchanges, sharing of knowledge and experience that will accelerate the creative process in company activities, rather than being passive as now.

(ii) Need to expand access to a real and equal participation of social enterprises in providing public products and services. The process of ordering or allocating plan should be limited and replaced with a competitive bidding approach.

(ii) Non-public establishments:

Socialisation of the provision of public services is a policy of the Party and State to mobilise resources in cultural, social and environmental development. Currently, the Government has adopted preferential policies to encourage development of non-public establishments in the field of education, health, culture, sports and environment.

Before 2005, non-public organisations were established and operated under Decree No. 73/1999/ND-CP dated 08/19/1999 of the Government; accordingly, non-public organisations including 3 types of semi-public, people funded and private. The non-public establishments were entitled to incentives such as free land tax, VAT, income tax incentives, waving of corporate income tax.

By 2005, the Government adopted Resolution No. 05/2005/NQ-CP on 04/18/2005 on promoting the socialization of education, health, culture and sport, in which it was stated clearly:

"Vigorously develop non-public organisations with two types: people owned and private... progress to stop having semi-public type. Each non-public establishment may operate under the non-profit or profit mechanism. Under the non-profit mechanism, apart from the profit is used to secure the reasonable interests of investors, implement social policies of the Party and State, assistance for the poor, most of the profit is used for development investment. Under the profits mechanism, the profits can be distributed to individuals and taxable. The State encourages the development of non-profit establishments."

Next, the Government issued Decree No. 53/2006/ND-CP dated 05/25/2006 on policies to encourage the development of organisations that provide non-public services. This Decree applies to non-public establishments operating in the fields of education - training, health, culture, sports, science and technology, environment, society, population, family, child protection and child care. Accordingly, non-public establishments consists of only two groups which are people funded and private (or private schools in education - training). Some incentives are specified in the Decree including:

- Incentives for construction land as state land without collecting land use fee;
- Eligible for income tax rate of 10% during operation; VAT incentives;
- Can participate in public services funded, ordered by the State, and participate in bidding for contracts and projects;

By 2008, Decree 69/2008/ND-CP dated 30/5/2008 of the Government regulate incentives for additional objects such as organisations and individuals operating under the Enterprise Law with investment projects, joint ventures or setting up establishments in the sectors that are being socialized .

Thanks to these preferential policies, the system of non-state public services providers has grown, creating jobs and satisfying a significant proportion of social needs. So far, education is considered an area that has the most significant changes with the network of schools, training institutions; non-public vocational trainings expanded at all levels. The non-state local health facilities are established and operated mainly in the form of hospitals, clinics, health counseling centers, family doctor services and private pharmacies, contributing to releasing burden on public health care and at the same time contributing to the effective implementation of people health insurance roadmap. Similarly, non-state facilities in the field of culture, sport plays more important role in society.

The non-state establishments may operate under the non-profit or profit mechanism, and the Resolution 05/2005/NQ-CP clearly stated that the State encourages the development of non-profit forms. However, so far, criteria for these two forms, relating to property ownership, nature of profit or not for profit, responsibilities of institutions and forms of socialization in each field have not been specified. Therefore, the current legal framework

and policies apply the same treatment to the non-state establishments (whether for profit or not for profit) and enterprises operating in the same fields of providing public services, leading to disadvantages for the non-profit establishments. In fact, among those who own and operate private establishments at present, there are people who are enthusiastic to contribute to social objectives, but there is no legal framework to facilitate their mobilization of resources to implement that goal. In contrast, business that provide provision of public services are benefiting from incentives of the state (10% income tax rate, preferential treatment in capital loans or in land allocation...), and may enjoy super profits.

Under the current interpretation, a social enterprise is an organisational model that delivers social objectives through business activities. Different to normal business that operates for profit; social enterprises often use profits to invest back to their own social goals. When social enterprises develop, society will benefit. On that basis, we can say *"non-profit non-state establishments and social enterprises are similar"*.

If we consider non-public non-state establishments are social enterprises who are serving the public interest, the State can distinguish different types of non-state establishments as follows:

- The non-state establishment for profit are private establishments (or private schools for education - training), belong to private ownership, with private capital investment for construction, operate for profit. Profits and assets of the private establishments under private ownership are distributed proportionately to contributed capital. The establishments operate under the Enterprise Law with a number of certain incentives.
- The non-state non-profit establishments are people funded, may be set up by a group of founders and with initial contribution of capital, but does not apply the principle of human-capital, and assets of the organisation is of collective ownership of the partners who contributed capital as well as the community. People founded term can be used to indicate the non-state non-profit establishments.

To analyze the differences in non-profit and for profit objectives between people-founded and private establishments, this research study the field of education. According to Education Law (2005), the concept of people founded schools is established by residential communities, and private schools is established by social organizations, social-professional, economic establishment or individuals (Article 48). This means people founded schools under common ownership of the community (not for profit); private schools under common ownership (not for profit) or private ownership (for profit). However, Article 67 states: "property and finance of people founded schools are under the collective ownership of the communities, property and finance of private schools owned by the shareholders ". Thus, people founded schools may be understood as a non-profit, and private schools as for-profit.

(iii) State units delivering public services and state scientific and technological organisations

State units delivering public services are *"organized by the competent authorities of the State, political organizations, political - society organizations and established under the provision of law, has legal status, to provide public and state management service."* (Officer law 2010).

Currently, there are two types of units that either have or have not been allocated autonomy, however, the trend of administrative reform leading to complete autonomy for the state units delivering public services (referred to as 'don vi su nghiep') to perform tasks, finance, organizational structure and personnel. According to Decree 43/2006/ND-CP dated 25/4/2006, the grant of autonomy to these units aim to achieve the following objectives: (i) enhance ability of the units to provide high quality services to society, increasing revenues and improving incomes for employees, (ii) to socialize and mobilize the contribution of communities and society to develop business activities, gradually reducing subsidies from state budget. Article 4, Decree 43 states: *"The State encourages [don vi su nghiep] to transform to enterprises, non-state forms ... The converted units are entitled to preferential policies on tax, land and state invested assets in accordance with regulation"*.

Based on income, these units are given autonomy and are splited into two groups that can fully or partly self-fund its operating costs. Notably, with the mechanism of being autonomy, the law allows the above units to obtain loans from credit institutions, to mobilise capital from employees to expand investment and improve business operations, at the same time they are responsible for repayment. In terms of usage of financial results, annually, after deducting actual costs, taxes, the difference in revenues and expenditures, the business units will deduct 25% to career development fund, pay extra income for employees, setting up reward fund and welfare...

Similarly, Scientific and Technological organisations (referred to as the S & T organizations) are being converted to autonomy, self-responsible organisations. According to Decree 115/2005/ND-CP of 09/05/2005, S & T organizations are “*scientific research institutions, research organisations and technology development organizations, S & T services agency established under decision of State management units*”. The purpose of giving autonomy to S&T organisations is also aiming to enhance responsibility, initiative and creativity of the organizations and the leaders, to improve performance and promote socialisation in the field of science and technology.

S & T organisations are selected to transform to one of two models: (i) self-funding S & T organizations, (ii) science and technology enterprises. S & T organisations have access to loans and funding from organizations and individuals inside and outside the country. In addition to bidding, taking orders, signing S&T contracts, these organisations are able to produce, trade, import technology and export commodities in registered professional fields. The use of financial results of scientific and technological organizations is similar to ‘don vi su nghiep’, but the percentage of profit set aside for career development fund is 30%.

We can see ‘don vi su nghiep’ and scientific and technological organizations are transforming to a model similar to State-owned public service units. Legal documents clearly state that State encourages ‘don vi su nghiep’ to transform to enterprises, or non-state establishments; scientific and technological organisations into science and technology enterprise. It shows the process of State administrative reform with awareness of the needs to include business activities, business models, entrepreneurship into state non-business units and S&T organisations, to enhance efficiency, initiative, creativity and self-sustainability of these organisations.

In addition, the socialization of provision of products, public services and social welfare will bring about the following positive effects:

- Shared state responsibility, reduce the burden on the state budget;
- Attract and diversify resources, community investment and foreign and domestic economic sectors;
- To create an equal competitive market to improve efficiency in delivering public products and services.

Thus, besides the biggest difference lies in the ownership, social enterprises absolutely can be a compelling model for ‘don vi su nghiep’, scientific and technological organisations to convert to “state social enterprises”. However, in reality, the difference in ownership is a huge gap between the two sectors. Because legally, the conversion can be done completely, but still the challenge of clarifying motivation for state social enterprises to be as dynamic and creative as normal social enterprises. The social enterprises led by social entrepreneurs with clear motivation and creative approach of the leading social entrepreneurs. There is an open question of whether public sector environment would facilitate the development of such social entrepreneurs.

PART II

HOW TO DEVELOP SOCIAL ENTERPRISES IN VIETNAM?

2.1. INTERNATIONAL EXPERIENCES IN SETTING UP LEGAL FRAMEWORK AND SUPPORTING SOLUTIONS FOR SOCIAL ENTERPRISES

2.1.1. The United Kingdom

Social Enterprises in the United Kingdom have had a long history of development. Over the last three centuries, many models of Social Enterprises have been experimented in the UK such as social housing, self-help groups, vocational training and job creation, fair trade, or income-generating activities for charities, microfinance, and outsourcing of public services through contract with the UK government ... Social Enterprises in the UK have operated under many forms and different legal status, including: Community Interest Company, Limited Stock Company, credit funds, self employed businesses Group, cooperatives, development funds, housing federation, social company and authorized funds ...

The above Social Enterprise models can be divided into 4 key groups as follows:

- *Community Interest Company - CIC*: This is a business model that was designed specifically for Social Enterprise (but the law does not require all Social Enterprises to register under this model).
- *Industrial and Provident Society - (IPS)*: mainly consists of co-operatives and other kind of collaboration for community interest operating on principles of democracy and community ownership.
- *Company Limited by Shares or Guarantee*: This is a popular model and many Social Enterprises choose this model because of its flexibility. However, in order to define if the company is a Social Enterprise, it's objectives for community interest should be clearly shown in its charter and the company has to commit in re-investing their profit for social objectives.
- *Group structures with charity status, among those there are non-profit operations*: This is the most popular Social Enterprises model operating in the UK as there are more and more charitable organisations switching their traditional fund raising model to obtain sustainability. Moreover, incentive policies on tax exemptions have also been a factor that influences Social Enterprises decision in choosing this model.

Recognizing trends and development potential of Social Enterprises in Britain, since late 1990s a number of deep researches and intermediary organizations were established to support Social Enterprises, such as Social Enterprise Partnership in England (1997), or Social Enterprise London (1998). Initially, these organizations were established on the basis of cooperation between cooperatives and the cooperative support units. Then, they quickly developed into organizations to support young Social Enterprises in business development, expand social enterprise training programmes in universities, and promote social enterprises programme through Journal Social Enterprises. Up to now, there are hundreds of intermediaries to support Social Enterprises in the UK⁹. Currently, Social Enterprise Collation UK is an organization with the widest network and biggest impact in this sector.

Pressing by Social Enterprises and intermediary organizations, the state began offering some financial assistance program for Social Enterprises, first to promote sustainability of voluntary organizations through business activities. In 2002, the British government firstly launched the strategy on development of Social Enterprises and established the Social Enterprises Unit (SEnU) under the Ministry of Trade and Industry (DTI). The unit has responsibility to coordinate Social Enterprises activities in England and Wales. In 2006, the unit became a part of

⁹ The Young Foundation and NESTA, Growing Social Venture, 2011

the Office of the Third Sector which is belonged to the Cabinet Office. In 2010, the Office of the Third Sector has become Office for Civil Society belongs to the Cabinet Office, looking after all voluntary organizations, charities and Social Enterprises.

According to the statistics of the British government in 2005, there were around 55,000 Social Enterprises with revenue up to 27 billion pounds, accounting for 5% of the Enterprise workforce, and contributes 8.4 billion pounds each year to UK economy¹⁰. During the economic crisis in these days, Social Enterprises in the UK have proven its superiority compared to other forms of charities and small businesses:

- Social Enterprises maintain the development better than small businesses. The growth rate of Social Enterprises in the crisis period was 56%, while this was only 28% in SMEs.
- Social Enterprises can make profit. 2/3 of Social Enterprises have profit, 16% Social Enterprises achieved breakeven.
- In comparison to charitable organisations, Social Enterprises obtain higher sales and equivalent to other SMEs.
- 70% Social Enterprises use their profits to reinvest into other community development activities.
- Social Enterprises often have positive thinking during the economic crisis than SMEs.

Some other characteristics of Social Enterprises in the UK:

- Operating in various scales, with a few at very large scales, the vast majorities are at small scale which annual revenue at £ 175,000.
- Most Social Enterprises operating in small communities. Up to 2/5 Social Enterprises operates within 1-2 small local areas. Only about 10% of Social Enterprises operate in regional and national scales.
- The public sector is the main customer of Social Enterprises. Up to 39% Social Enterprises participating in the survey said that more than half of their revenues are coming from business activities with local authorities and central government¹¹.

In the UK, the development of Social Enterprises always has close relationship with the state through:

- *The view and vision of the state in providing the public services:* Social Enterprises often do not develop strongly in the context of 'welfare state' (the period before 1979). Since the 80s of the last century, the British government realized shortfalls in the state directly providing public services (different to private and states sectors), while Social Enterprises are motivated and developed effectively.
- *Leverage Policy:* specifically to support and encourage Social Enterprises to develop, particularly to encourage community autonomy, to volunteer initiatives to resolve their problems. The State support through economic leverage, mainly encourage Social Enterprises to participate in supply chain of public services. Currently, revenues generated from contracts of providing public services, accounting for more than 50% of the total revenues of Social Enterprises in Britain. Besides, the state also offers many programmes and other financial support for civil society organizations, including Social Enterprises.

The development of Social Enterprises in the UK in the last decades could be divided into 2 main stages with incentive policies from the state as follows:

(i) From mid 1990 - 2006

Developing Social Enterprises through social entrepreneurs incubation and support. The basic formula of this stage is:

There are many social entrepreneurs = more social enterprises + well managed Social Enterprises = to bring about more social impact.

Strategy to develop Social Enterprises at this stage has been affected by the business development model of the U.S. (Silicon Valley), in which, individual entrepreneurs play crucial roles in the formation of new businesses and open up a period of explosive growth of high-tech companies. At this beginning stage, Social Enterprises usually associated with non-profit organizations, or a business branch of charitable organisations. Social Enterprises have been founded by social entrepreneurs. Therefore, the government focused their support in social entrepreneurs with a hope that they will establish more and more social enterprises, and when they have opportunity to access to capital and markets, they will generate more social impact.

¹⁰ JPA Europe Ltd., The Social Investment Market in the UK: an initial overview, 2010

¹¹ The State of Social Enterprise Survey, 2009

In 2002, the British government firstly introduced the Social Enterprise: a strategy for success, with a strategic view that a dynamic and sustainable group of Social Enterprises will promote the growth and synergy of the economy. The British government believes that the success of Social Enterprises will play an important role in implementing government objectives, particularly through:

- increasing productivity and competitiveness of the economy;
- contributing to creating not only material prosperity but also social values;
- supporting individuals and groups to cooperate to build a better community;
- introducing a new way of providing public services;
- building a fair society and promoting citizen's activeness.

Development strategy for Social Enterprises set out three main objectives with the following implementing policies:

- (1) To develop an enabling environment through i) strengthen the role and official participation of the government, ii) ensure that Government legal regulations do not undermine the growth of Social Enterprises, iii) promote participation of Social Enterprises in public services procurement.
- (2) To enable Social Enterprises to become better businesses. Government is committed to collaborate with capacity building institution (private or public) to support development of business capabilities for Social Enterprises. In addition, the Government also has specific solutions to maintain capital sources for Social Enterprises. This is to enable Social Enterprises to shift from being dependent on financial support to being financially autonomy through their business activities.
- (3) To create values for Social Enterprises through: i) carrying study research to determine the scale and impact of Social Enterprises, ii) officially recognise and promote Social Enterprises' contributions through the Media, iii) set up an assessment system to build credibility and trust in the social and economic values that Social Enterprises have created.

To initially acknowledge and develop a specific 'brand' for Social Enterprises who don't want to register in the form of charity, in 2005, the British government introduced a new corporate form: Community Interest Company - CIC. This is the first time in the last 100 years, a new type of enterprise and a new legal status has been added in the British Enterprise Law. CIC is the type of company for Social Enterprises who desire to re-invest their properties and profits for social objectives. CIC are easy to set up, with flexible characteristics similar to other types of enterprises, however, they also have unique characteristics to allow them to operate for the benefit of the community.

The launching of CIC has helped to solve an existing problem in the current legal system affecting Social Enterprises that have registered as commercial companies. It is difficult for these Social Enterprises to convince that they use their profits for social objectives. CIC helps Social Enterprises demonstrating their transparency and honesty with the community. However, CIC firms are not entitled to tax incentives such as charities and NGOs. So far in the UK, there are about 2,500 social enterprises registered under this form.

Through series of policy movement, the British government has succeeded in creating more Social Enterprises and attracting other stakeholders into this newly explored field. Social Enterprises movements become more vibrant and complex with many Social Enterprises and involvement of other stakeholders. By this stage, policy of attracting more Social Enterprises is no longer a priority. Instead, the British government shifted the focus to promote efficiency, scale and sustainability impacts of Social Enterprises.

(ii) From 2007 - present

This is the stage that Social Enterprises were placed in a larger ecosystem with many stakeholders taking part to create effective impact and sustainability. The question is how to increase Social Enterprise' efficiency and sustainability, to better meet demands of the communities. The British Government believes that this can be achieved through cooperation between Social Enterprises and other organizations, private enterprises and the State. Moreover, the British government also holds a view that a number of social development objectives would be achieved through Corporate Social Responsibility (CSR) programmes. Some other objectives being achieved through voluntary activities would be more effective. Therefore, the exchange and cooperation between these sectors are extremely important. Again, the government plays a crucial role in working out how best to enhance the impact of Social Enterprises in the new decade. The British Government is currently promoting social enterprises model in the four main orientations as follows¹²:

- To support Social Enterprises in scaling up their activities through capacity building and connecting them together through collaboration, strengthening their network and expanding their model using the approach of licensing;

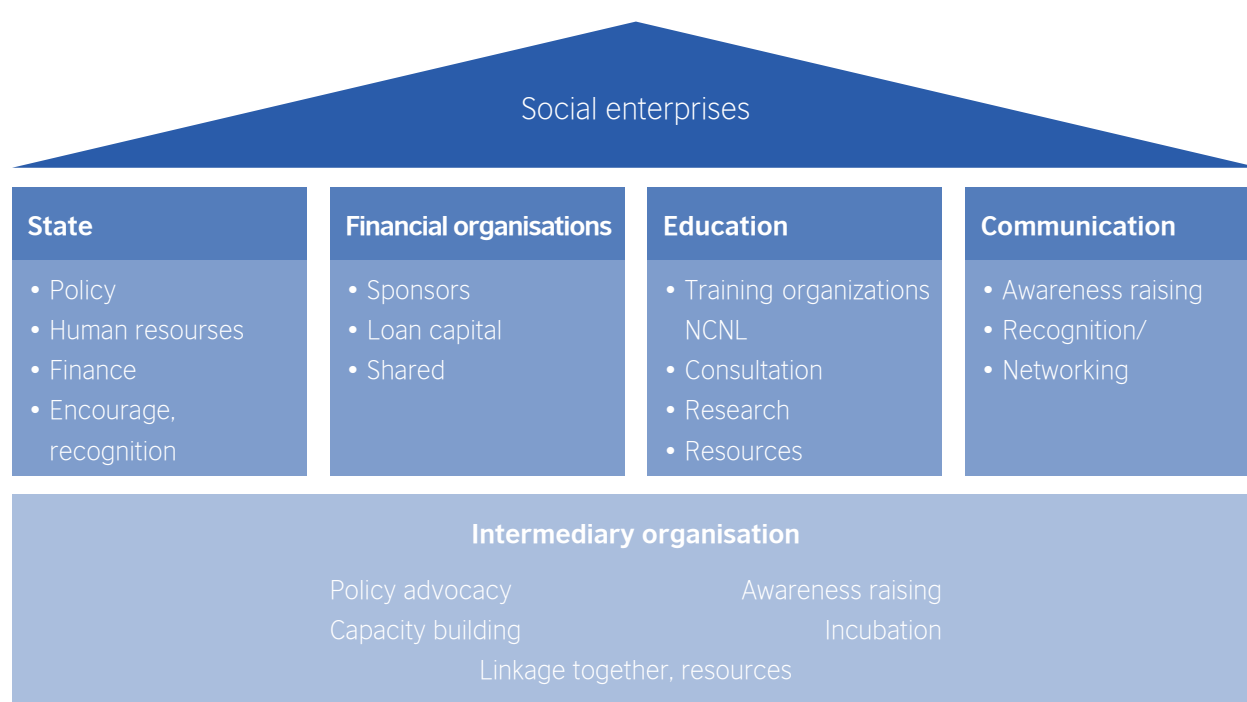
¹² Charles Leadbeater, Social enterprises and social innovation: strategies for the next ten years, 2007

- To encourage a sharing culture and responsibility toward the society, particularly through supporting the Social Enterprises and to contribute to voluntary activities in order to indirectly support the delivery of public services;
- To out source public services promoting social initiatives and it's efficiency;
- To encourage and require (as needed) the implementation of CSR.

With this approach, in 2006, the British government launched the Social Enterprises' Action Plan, which involved the participation of 12 ministries and other sectors such as: Department of Business, Enterprise and Institutional Reform; Ministry of Health, Ministry of Children, Ministry Schools and Families, as well as the office of the Third sector to promote and support Social Enterprises. The British Government has provided the following incentives toward Social Enterprises:

- Continuing to strengthen Social Enterprises' culture through capacity building programme, to promote communication, research and assessment on social impact (SROI);
- Strengthening consultation and information for the establishment and development of Social Enterprises: The government committed to devote resources to support Social Enterprises activities such as business development (6 million pounds), building consultative skills and providing intensive support (6 million pounds) and support Social Enterprises modernization in times of crisis (8 million pounds);
- Create opportunities for Social Enterprises to access to capital and to diversify forms of investment. Approximately £ 315 million has been mobilised to support Social Enterprises through:
 - o 215 million pounds was used to build capacity for Social Enterprises to provide public services;
 - o 10 million pounds was used to establish Venture capital funds;
 - o Social impact Investment Programme provides capital and increase liquidity for intermediary organizations who are investing in Social Enterprises;
 - o Encourage investment in Social Enterprises;
 - o Organise training course on financial management.
- Facilitate opportunities for cooperation between Social Enterprises and the Government: carrying out a research to identify sectors that Social Enterprises can make best contribution such as Health, community development, business development in disadvantaged areas and rehabilitation of prisoners. Based on this, the British Government designed a strategic partnership programme with Social Enterprises.

Image 10: Ecosystem of the UK social enterprises



Source: CSIP

In 2010, The UK Prime Minister David Cameron launched a Social Vision of the Big Society. This is a key point in his election campaign to become Prime Minister. Big Society is to help people working together and improve their lives. It also demonstrates the Government's determination to empower people more than ever before. This is considered a major effort of the current government to redefine the role of the State and promote entrepreneurial spirit in the community. Civil Society Bureau of the Cabinet Office will help coordinating relevant ministries and departments and implementing the Government's policy through the following programs:

- *Big Society Capital bank*: March 2012, The UK Prime Minister approved to establish the Big Society Capital Funds to spend an amount of £600 million from all accounts that hadn't been used in the last 15 years. Those amounts were currently frozen in banks, (Dormant accounts) will be mobilised to invest in Social Enterprises programme. These projects, once have been fully operational will pay back basic capital funds, interest rates and profits for the Funds. This is one of visible actions of the State in supporting Social Enterprises in accessing to financial sources to develop activities for the benefit of the community.
- *National Citizen Service - NCS* will gather all young people (over 16 years old) from different living conditions to carry out community development activities. In summer 2011-12, there are about 10,000 young people participated in the programme.
- *The Community Organisers program*: During a parliament term, 5,000 people who desire to improve community will be educated and supported to gain better understanding of community needs and become key change agents.
- *Community First* is a new Fund to encourage the development of social activities for poor people who are staying at the disadvantaged and under developed areas.

With the encouragement from the government and efforts of intermediary organisations, Social Enterprises and other relevant stakeholders have created an "eco-system" for their development in the UK. This can be seen as a good model for Vietnam in the future.

Overall, despite a long history, Social Enterprises in the UK has really developed strongly in the last 15 years with support from the State and the establishment of hundreds of professional intermediaries. The State has taken a role of promoting, supporting, nurturing as well as key customers of Social Enterprises. This is an important difference between the developments of Social Enterprises in the UK with other countries including the U.S. There are supporting views as well as oppositions toward this policy. We found that selection of model to develop Social Enterprises will be heavily dependent on operating context and demand of each country. In the region, Thailand, Singapore and Australia are following UK model that we will discuss further in following part of the report.

2.1.2. United State

In the 1960s, the model 'welfare state' was popular in the U.S., with billions of dollars was invested in achieving objectives in poverty reduction, education, health care, community development, environment, art through the non-profit organization (NPO)¹³. However, the economic downturn from the last decade 1970-1980 pressurised the government to cut most of the above programmes, except health care sector. The technical term of Social Enterprises became popular at this stage referring to business activities undertaken by NPOs. These businesses helped to improve NPOs financial autonomy and to create employment for disadvantaged groups. NPO started to realize that Social Enterprises would be an alternative source to replace the support from government. The technical term of Social Enterprises was then developed with broader meaning, including most of the commercial activities committed to pursuing social objectives.

The organizational model

There are two ways to classify Social Enterprises models in the U.S. include:

The first view usually come from the academics, they think that Social Enterprises can operate in a wide range from purely NPO organizations to profitable businesses, including:

- (i) *The NPOs undertaking business activities* to provide financial support for social services, therefore they operate with more autonomy and less financially dependent on external funding.

¹³ Concept of NPO has been popular in US in order to distinct between State and Private sectors in terms of profit. In the meantime, the concept of NGO has been used more in the UK.

- (ii) *Social Enterprises with profit simultaneously pursue business and societal objectives.* Their resources are not limited and they adopt a similar governing structure to traditional enterprises.
- (iii) *The third way is a hybrid;* combining advantages of the above two forms.

The second point of view is popular among businesses, in which Social Enterprises are classified into three groups¹⁴:

- (i) *The Corporate Philanthropies:* Social Enterprises can be profitable and they commit to use resources to solve social issues or contribute in many ways to the overall progress of the society or communities.
- (ii) *Social Purpose Organizations* are Social Enterprises with self-defined objectives of achieving social progress. Such organizations are often dominated by their social mission rather than profit targets. However, generating revenue from trade and business activities are considered as a strategy to raise income to carry out their social mission. NPOs are among in this group.
- (iii) *Hybrid organisations:* is recently a popular trend of development of enterprises when they simultaneously pursue two objectives - generating profits for business owners and contributing to social progress. In theory, those Social Enterprises would reduce profit ratio to meet criteria for social development such as: environment protection (use of recycled materials, environmental friendly products); ensure a social fairness (provide employment for or use of products produced by people with disabilities or ethnic minorities people, etc.); or they will use a large percentage of their profits to solve social issues instead of distributing all profits to business owners. Hybrid Social Enterprises are often operated by entrepreneurs who really concerned about social issues; they consider a strategy to optimize their value by achieving both economic and social objectives, instead of solely pursuing profit target as before¹⁵. Bill Gates is a typical example. Though Microsoft is not a Social Enterprise, but the founder - Bill Gates decided to use most of his property to fund researches on HIV/AIDS and poverty reduction in Africa.

In terms of operation, Social Enterprises in America operates in many forms such as:

- Non-profit organizations (operating under the provisions of paragraph 501 (c) (3) of the Law on income;
- Sole Proprietorship
- Corporation
- Partnership
- Co., Ltd (Limited Liability Company)
- Low Profit Company Limited (Low-Profit Limited Liability Companies-L3C).

Since 2008, low-profit limited companies (L3C) are permitted to establish and operate by some states in America. This is a new form of enterprise, combining social objectives of NPOs with diversified forms of ownership such as Co., Ltd., that allows profit sharing. However, the difference of L3C to traditional businesses is that making profit is not their primary objective. The L3C have to pay tax for their business income as usual, however, they have created a motivation and new sources of investment for Social Enterprises, where social investors accept lower return rate on investment to generate social values, instead of having no profit or even losing money when investing in NPOs.

The government's policies to promote and support the development of Social Enterprises

The government has clearly demonstrated efforts in promoting the development of Social Enterprises, firstly by establishing the Office of Social Innovation and Civic Participation - SICP. SICP is working primarily with NPOs in both private and public sector to organize, promote social initiatives and to set up procedures to enable the government to solve social challenges. SICP activities based on three objectives and key areas of activities as followed:

- (i) *To promote the development of community leaders.* This is a tool to attract participation of young people to share responsibility in solving social challenges. These efforts are illustrated through the following projects: (a) AmeriCorps is an organization co-ordinating voluntary resources with 75,000 people involved in community development projects, (b) Volunteer Generation Fund create tools to support NPOs to exploit their potential through provision of expertise, human resources services or developing management skills...
- (ii) *To increase investment in community initiatives for community with clear impacts.* This is a partnership between the federal government and other sectors to create an infrastructure system such as funds, rewarding mechanisms, social capital markets, etc., to provide certain success indicators in promoting the

¹⁴ http://www.jonaspiela.com/files/2010/03/jonaspiela_socialentrepreneurship.pdf

¹⁵ http://www.community-wealth.org/_pdfs/articles-publications/social/paper-young.pdf

development of Social Enterprises. For example, the establishment of Social Innovation Fund with roughly 50 million US dollars (for 2010 fiscal year) investing in the best projects and replicating successful models to other communities with similar challenges. The Funds target non-profit projects with great social impact and influence, to ensure the highest efficiency of government funds.

- (iii) *Development of new forms of cooperation.* This is an important element in creating a foundation for promoting the best cooperation between private sector and public sector aiming to solve common social issues and to create positive impacts for the community. For example, Let's Move projects is a collaboration between Philanthropic Funds, private companies and NPOs sharing the same concern and commitment to solve the problem of child obesity; or Text4Baby project is the collaboration between private companies and state in sending messages to pregnant women to provide information and knowledge on health care for mothers and babies.

In terms of law, in the United States, there have not been any legal documents for Social Enterprises, except the inclusion of a new type of company (L3C) as mentioned above. There are still debates on whether the current tax law should be applied for Social Enterprises or there need to be a separate law for Social Enterprises. However, the Government has amended and supplemented some regulations on supporting Social Enterprises as follows:

- *Policies to support new taxes (New Market Tax Credit)* are implemented continuously since 2000 to provide 15 billion US dollars of tax support for investment in community's activities from 2000 to 2007;
- *To amend tax regulations (2004):* Allows NPOs (that do not need to pay taxes) to collaborate with for profit joint venture¹⁶.

Impact of Social Enterprises to the economy and society

Data from the National Statistics Centre of charity activities shows that number of Social Enterprises in the U.S will continue to increase fast. Business activities in the last 20 years (1982-2002) not only became the main revenue for NPOs but also have gained significant growth rate at 219%, compared to the contribution from private sector of 197% and the funds from government 169%. It should be emphasised that the proportion of total revenue from non profit business increased from 48.1% in 1982 up to 57.6% in 2002. Meanwhile, the contributions from the private sector increased marginally from 19.9% to 22.2% and financial support of the government is slightly increased from 17% to 17.2% (Kerlin & Pollak, 2006). This proved that Social Enterprises play an important role in improving financial self-sustainability of NPOs in the U.S. in the last period.

2.1.3. Korea

The development of Social Enterprises in Korea has closely associated with the 1997 financial crisis. When unemployment crisis occurred in Korea, difficulties were compounded as the Government social welfare programme could not satisfy basic needs of people. It created a pressure on the government requiring an urgent action to solve this issue. In that context, the civil society organizations in Korea have exercised their dynamism in supporting the Government to create new jobs, in order to meet the social mission during the period from 1998 - 2006. Social Enterprise Law was enacted in 2007, thus Social Enterprises activities in Korea are better shaped and continue undertake positive changes.

The main types of current Social Enterprises¹⁷

- (i) *The Social Enterprise operating under the Social Enterprise Law:* This is the best defined type that has been recognized by Social Enterprise Law. The Social Enterprises Committee under the Ministry of Labour is responsible for appraising and giving permission for the operation of Social Enterprises.

Conditions for being recognised:

- Organizations with business products and services for social objectives, to improve quality of life for disadvantaged groups through employment or provision of social service, with at least 50 % of the beneficiaries group or employees or staff of vulnerable groups. (Article 2).

¹⁶ Margie Mendell, Social enterprises in North America, 2007

¹⁷ Social enterprises in South Korea: History and Diversity, Eric BIDE (Associate Professor, Le Mans University, France) and EUM Hyung-Sik (PhD candidate, Liege University, Belgium).

- Organisations with appropriate legal status: for example Associative Corporation are working under the Civil Code, companies under Commerce Law, non profit private organisations, consumer cooperatives, Society welfare units registered under the relevant laws. (Article 8)
- (ii) *The Social Enterprises related to the Basic livelihood National System (NBLS)*: These Social Enterprises have operated within NBLS to provide 07 financial or non-financial aid packages (for the health sector, education, housing, employment ...) for poor families under absolute poverty line (income below ~ 1.200 U.S. \$ / family of 4 people). This is a follow up programme called “Promoting self-sustainability” that was implemented since 1996. The programme was the collaboration between the Government and other civil society organisations. Among those, self sustained Social Enterprises play important role in ensuring stable employment for the poor.

Key features of self-sustained Social Enterprises include:

- at least one third of workers belonging to poor households and they are NBLS’s targeted;
 - capability to self-sustained financially;
 - collective ownership.
- (iii) *other types of Social Enterprises*: are those organisations though not yet be recognised, but according to general definition of Social Enterprises, in general, they are still adopting Social Enterprise approach. These may include the following organisations:
- Club for Elderly people;
 - Manufactory for people with disability;
 - Project teams which are preparing to form up sustainable business organizations (pre-social enterprises model)

Government’s policies to promote and support the development of Social Enterprises

As noted above, the development of Social Enterprises in Korea is the relationship between the efforts of the government in finding solutions in term of policy with support from Civil Society organisations since the financial crisis in 1997. Specifically, these efforts include:

- The first phase from 1998: it was a pilot initiative between civil society organizations that were supported by Government funding from “National Committee on solving unemployment” to create temporary jobs and stable income as well as reduce unemployment for poor households.
- By mid-2003, “The Self support Policy” was issued in the framework of “National law on securing basic livelihood”. This had impacted significantly on the institutionalization of Social Enterprises’ job creation projects in two directions; either to meet the needs of the market or for collective benefits. However, unemployment and poverty rates were still high in comparison to the rates prior to the crisis. This was because programmes/policies could only reach to a small percentage of the poor. The vast majority of low-income households did not receive any significant support.
- Therefore, from 2003 to 2006, the Government decided to implement the “Social Employment Creation Scheme - SECS. Thus, there were not only civil society organizations operating in the field of social welfare, but also networks/associations such as environment, women ... participated in the movement of creating jobs combining with their original social objectives. For private sector, SECS program also attracted CSRs agenda that would improve images and brands of the business. Some giant corporations have partnered with civil society organizations to implement the programme¹⁸.
- In 2007, the “Social Enterprise Promotion Act” was established to support the business activities aiming at resolving social issues through job creation and products and services for disadvantaged groups. The organisations may be business, NGOs, or Association. Benefits to Social Enterprises that have been recognised, is the access to government funding in the start up stage; they were supported with mentoring on management, tax exemption and enjoy priority when bidding for public services contracts¹⁹. Currently, there are about 300 Social Enterprises receiving this support from the government.

¹⁸ Kim Shin-Yang, The dynamic of Social Enterprises in South Korea.

¹⁹ Chapter 5: Social Entrepreneurship in Japan, China and the Republic of Korea: A comparison, Katsuhiko Harada, Senior Staff Writer, NIKKEI inc and Professor Meiji, Gakuin University.

Impact of Social Enterprises to the economy and society

The strong support from the Government, particularly the establishment of a legal framework for Social Enterprises, have contributed significantly to reducing the social pressures on issue such as care for the elderly, employment for youth and the poor. Notably, in fact there are more and more young people embracing vision of becoming social entrepreneurs. According to statistic in July 2009, there were 7228 employees working in 251 Social Enterprises. Among these, 110 Social Enterprises (43.8%) are operating in employment sector, followed by 71 Social Enterprises (29.2%) operating as hybrid, the remaining 37 Social Enterprise (14.7%) adopting other models. To January 2010, according to official statistic, Korea has 288 registered Social Enterprises.

Regarding Social Enterprise that are relevant to the Law on National Basic Livelihood system (NBLS), according to 2007 statistics, there were 509 self sustained Social Enterprises creating jobs for about 3,245 workers in areas such as construction, health care, sanitation, agriculture, manufacturing, etc. Approximately 406 other Social Enterprises have operated clubs for the elderly, manufactures for people with disability creating 14,122 jobs (Source: Eum, 2008).

2.1.4. Thailand

In South East Asia, Thailand is a pioneering nation in the development of Social Enterprises. Amendment of Thailand Constitution (1997) has strongly encouraged the participation of civil society and the promotion of social initiatives (social innovation). Thailand considers this as a foundation to develop a creative economy and minimize negative impacts (direct or indirect) of traditional enterprises to society and the environment. With that point of view, many businesses with special interest in social expenses and the environment have been established. These businesses have been designed creatively by social entrepreneurs in order to balance the economic and social benefits²⁰.

Since 2009, Thai government has implemented many action plans to promote the development of Social Enterprises. Among those was the establishment of 'The social enterprises Committee' operating directly under the Prime Minister's Office. The Committee is tasked to design strategic policies and programs to encourage Social Enterprises, play the role of state management and provide plan for provisional budget for related administration in developing Social Enterprises. The development of Social Enterprises in Thailand is considered to be appropriate to the philosophy - "Just and Sufficient economy" of the King of Thailand (in late 1990s and continues to date). It emphasizes 3 key components of the economy including modernization, wisdom, and capacity building to cope with the risks that may come from changes of external environment.

Social Enterprises models in Thailand

According to the Thai government, "*Social Enterprises are private or people owned enterprises, which generating income from sale, production of goods or services. They are established with clear objectives from the beginning that be added or changed latter aiming to solve social issues and /or developing communities, tackle issues on social and / or the environment. They do not operate to maximize profits for stockholders or the business owners*"²¹.

Legal documentation including the draft Law on Social Enterprises share agreement on the following six characteristics that Thai Social Enterprises should have:

- (1) manufacturing process, full operation, products or services to not create any bad social, health and environmental impact in the long term;
- (2) operating with good management and organization;
- (3) having the ability to sustain financially in the long term;
- (4) majority of profit is reinvested back to business expansion in order to fulfill its objectives or to the society and services users;
- (5) applying diversified business and organisation models;
- (6) applying the economic philosophy by Thai King - Just and Sufficient economy²².

In fact, Social Enterprises has emerged in Thailand for a long time, mainly in the form of cooperatives and community

²⁰ Planning Development Strategy for Social Enterprises in Thailand (2010-2014)

²¹ Ordinance from Thailand Prime Minister Office to promote for business activities for society, Social Enterprises Development Strategy (2010-2014)

²² Article 4.4 - supporting Social Enterprises of TSEO, 2012

enterprises. Depending on geographical conditions, culture and political economy that Social Enterprises in different areas have different characteristics. Social Enterprises in Northern Thailand are working closely in the sector of agricultural economy, the poor, improving spiritual life and culture of ethnic minorities; While Southern Thailand that is surrounded by the sea, a good condition for Social Enterprises to work in the field of marine conservation and environment ... According to government statistics, there are about 116,000 organisations who may be considered as Social Enterprises in which majority (> 100,000 organizations) are groups and networks operating in the communities. However, according to Thai Social Enterprises Office (TSEO), there are only 500 organizations and businesses have been identified and fully operated by the standards of a Social Enterprise, with different aims and motivation:

- *Groups and community organizations*: were founded aiming to promote the autonomy of communities, to meet the need of the people that State provision can not reach to;
- *The Social Enterprises established by NPOs*: to strengthen their self financial sustainability and operational efficiency for social objectives;
- *The new Social Enterprises established by social entrepreneurs*: to implement social initiatives and to create a sustainable financial base for the next generation;
- *The Social Enterprises established by the government and businesses*: to encourage accountability and transparency for social objectives.

Because of the diversity and complexity of these models, Thai government plans to develop criteria to mark Social Enterprises. Depending on level of development and compliance to stated criteria of Social Enterprises that they can benefit differently from support programs of the Government.

In terms of operation, in general Thai Social Enterprises operates in the following areas:

Environmental field:

- Alternative energy at community level;
- Environment protection, biodiversity and local forest;
- Design for the environment (Green Design);
- Recycling and manufactured goods from scrap.

Social sector and quality of life:

- Alternative Education;
- Museums and cultural preservation;
- Educational tools to encourage children's creativity or social awareness education;
- Goods and services for people with disabilities;
- Health care and community health services (e.g. community hospital);
- Low-income housing;
- Skills development and job creation for unemployed, disadvantaged and homeless people;
- Psychological recovery and skills development for prisoners screwed up people in order to prevent recurrence of crime;
- Goods and services dedicated to supporting the development of social organizations.

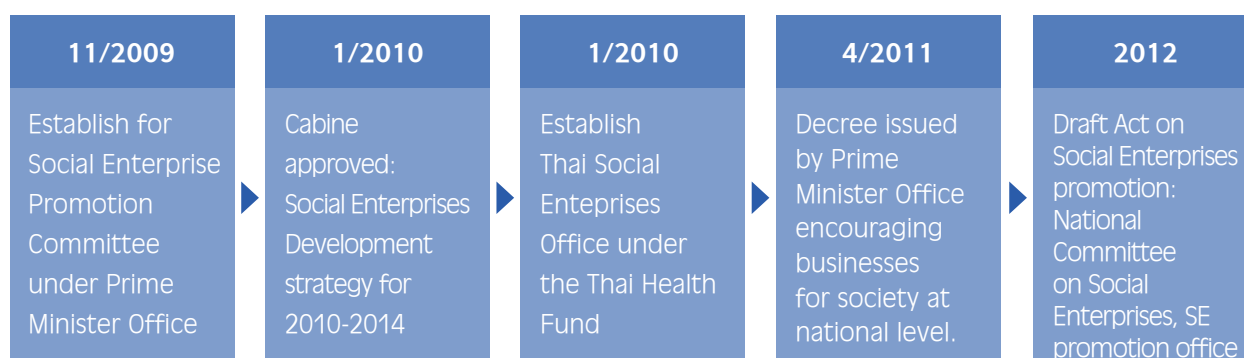
Local economic for society and sustainability:

- Fair Trade for producers
- Sustainable agriculture, agricultural microbiology;
- Tourism services for community and by community;
- Local micro-finance institutions;
- Community businesses.

Government's policies in promoting and supporting the development of Social Enterprises

Although the number of real Social Enterprises in Thailand is still limited, Thai government has recognized their potential. Therefore, in recent years, Thai government has invested efforts in institutionalizing State management in this sector by issuing series of important legal documentation, establishing State management system and initial legal framework for Social Enterprises.

Image 11: Some milestone in policies of Thai government for Social Enterprises



Source: CSIP & CIEM

Set up systems to encourage the development of Social Enterprises

(i) Thai Social Enterprise Promotion Committee:

On November 5, 2009, the Prime Minister Office - Abhisit Vejjajiva issued an ordinance 246/2552 on the establishment of the Committee to encourage Social Enterprise development (called the Committee) to develop strategic policies and models to promote Social Enterprises and develop provisional budget for relevant sectors.

Committee under the Prime Minister's Office consisting of 23 members:

- The Prime Minister is the Committee chairman;
- 02 Vice chairmen: Chief Administrator of the Prime Minister's Office is the first Vice chairman; 01 independent expert is the second Vice chairman;
- 09 members appointed by Positions: Permanent Vice ministers of relevant Ministries such as Finance, Society, Agriculture, Health; Director of Thai Health Funds, and Chief Administrator of SMEs development office.
- 04 representatives from Social Enterprises;
- 06 appointed members based on the following standards: people who have been recognized with expertise, ability, and experiences in relevant sectors. No more than one member from each sector, no more than 3 full time government employees.
- Director of TSEO is a member, cum secretary with no more than 3 assistants.

Main functions and duties of the Committee is to study, propose and advise the Cabinet office on policies, strategies, supporting programs and promotion of business activities for society (Social Enterprises); develop and complete legal framework and coordinate with other agencies in implementing programs to enhance Social Enterprises activities. The Committee shall report to the Cabinet Office at least once a year.

(ii) Thai Social Enterprise Office-TSEO

The committee is to facilitate the coordination and decision making at top policy level for Social Enterprises sector. However, TSEO is the centre for policy development and management of Social Enterprises. Founded in 2010, in the last 3 years, TSEO has drafted a 5 years strategy, 01 decree, 01 provisional Acts for Social Enterprises. Notably, the Committee was created under an ordinance of the Prime Minister so that it has a Statutory Board. Meanwhile, though TSEO are entitled to act as state agency, it is under the Thai Health Promotion Foundation, in short a 'Fund', with participation from both government and private sectors. This is a big non-profit organization, was established by a separate law to coordinate programmes and resources of both the Government and private sector for many health and society sectors.

TSEO is placed in the structure of the Foundation because TSEO do not receive State funding but being sponsored by the Foundation with funding come from 3% Sin Tax of tobacco, liquor, bars and discotheque industry. The Foundation earmarked 105 million Baht for TSEO (U.S. \$ 3-4 million) in three years since its establishment. In turn, TSEO are implementing support programmes for Social Enterprises through intermediary organizations whose have mission to develop Social Enterprises such as Change Fusion. Currently, Thailand has 4-5 intermediary organisations with a role 'incubating' Social Enterprises.

Draft Act on Promotion of Social Enterprise

A Draft Act for Social Enterprises is currently being circulated by TSEO office for comments and planned to be submitted to the Cabinet Office and National Assembly for approval this year. Based on the current draft, we could see some new changes as follows:

- Debating approach: the draft proposal clearly states that *"Social Enterprise is an organization with a legal entity operating under the Civil and Commercial Law, and it must register under this Law"*. However, there is a view that *"the characteristics of Social Enterprises tend not to gain surplus to maximize profits for business owners. This is against business principles stated in the Civil and Commercial Law. Therefore, it is necessary to regulate legal status of Social Enterprise similarly to non-profit organizations."*
- Social enterprise is a new type of enterprise, learning from the CIC model in the UK. Registration dossier including: business name, need to have the phrase "Social Enterprise"; application form for establishment of a legal entity which defined clearly responsibility of the businesses; documents about the Social Enterprise's mission. Continuing to maintain the 6 criteria to identify Social Enterprises.
- Expanding the Committee to a National Committee on Social Enterprises, increasing the number of members up to 30 people, including increased number of industry representatives, and to include 03 representatives from local communities. The new Committee will follow the model of the National Committee on Health Promotion Fund. However, in general, the content does not differ significantly.
- There need to be a chapter regulating the operation of TSEO. Accordingly, TSEO will become a statutory body, independent of Thai health-promotion Funds. TSEO will be funded directly from Sin Tax. Establishment of National Social Enterprises encouraging funds.

Building a legal framework: issues relating to certification and criteria of Social Enterprises

Social Enterprises are considered as special organizations operating as a half public and a half business, therefore, Thailand plans to provide clear regulations through the establishment of standards to support Social Enterprises. This is similar to special regulations for Social Enterprises adopted in other countries such as Community - Interest Company (CIC) of the United Kingdom and the Low-Profit Limited Liability Company (L3C) of the United States; Accordingly, Thai Government will apply existing Law on management of normal businesses and Law on state management of philanthropic organization and funds to Social Enterprises. Thai government regulates two main principles for Social Enterprises' property as follows:

- *Profit sharing*: The profit sharing or dividends to shareholders must not exceed 20% of annual net profits to ensure that the enterprises do not aim to maximize profit for shareholders, and to support the replication of these models or using most of its profits to reinvest in activities with similar purposes.
- *The decommissioned of assets when Social Enterprises close down*: In case Social Enterprises decommissioned after solving all debts, the remaining assets beyond investment, the accumulated profit will be used as desired by the business owners, in which there is a contribution to the Social Enterprises encouragement funds.

However, TSEO comment that regulating 80% is correct, but it will exclude many organizations which have the potential to become Social Enterprises. Therefore, TSEO are setting a mechanism to identify and classify Social Enterprises. Accreditation process can be seen as "Social Enterprises journey", consisting of three steps: Registering - Marking - Accrediting.

- *Step 1*: organizations are considered as Social Enterprises based on 6 criteria, operating under any kind of (NGOs, companies, cooperatives...) can register.
- *Step 2*: Social Enterprises will be classified A, B, C or with traffic light from red to green color, similar to Fair Trade. There are many criteria, among these; the ratio of reinvested profits back to social objectives is the most easily recognised. For example: the highest reinvested profit of 80% will be graded A, the lowest was 50% is graded C. There may be approaching to "labeling", such as "Thai SE Good", similar to Fair Trade Label. Labeled goods will be sold better, and there will be regulation requiring State enterprises and Government agencies to give priority to purchase all goods which have been labeled Social Enterprises. State Enterprises will also have to pay a certain fee to maintain the labeling.

- *Step 3*: for example Social Enterprise that can re-invest back to social objectives of over 80%, will be certified. And the Government will support the certified Social Enterprises in this stage.

The overall point of views is Social Enterprises can participate directly in Social Enterprises journey at any steps, as long as they satisfy the condition, according to two factors:

- *non-negotiable factors*: it has to solve social, community and environment issues. There are business activities, not purely receiving sponsorship.
- *negotiable factors*: The rate of profit reinvesting back can range from 50 to 80%. If on social impacts criteria can be measured, this classification can be applied similarly.

Thai Social Enterprises support programme

Strategic development of Social Enterprises in Thailand (2010 - 2014) offers three main approaches:

- Raising awareness on Social Enterprises in Thailand;
- Capacity building to promote models and impact scope of Social Enterprises;
- Creating opportunities to assess financial investment market and other resources for Social Enterprises.

Some specific measures to support Social Enterprises, including:

1. To announce all special privileges for Social Enterprises which once certified by TSEO, operating in sectors encouraged by TSEO's.
2. To promote all preferential rights for Social Enterprises investing in social activities and making contribution to Social Enterprises encouragement Funds;
3. To support Community Development Financial Institutions: CDFI of the Ministry of Finance through:
 - Capacity building of local micro-finance, linking with Thai's National Bank in developing the existing credit funds, to improve capacity for the Funds and transform these funds into micro-finance funds for local development.
 - Training and improving operation skills and providing tools for local micro-finance funds linking with the state financial institutions, private financial organizations and financial experts in finance sector.
 - There is a mechanism to check the operation of micro-finance institutions for reliability rating and to evaluate the efficiency of the micro finance funds. These will be used as indicators for investment decisions of agencies and organizations.
4. To develop a Social Enterprises training centre under the Office of SMEs Promotion, Ministry of Industry.
5. Ministry of Agriculture and Cooperatives is responsible to modify some regulations in order for the cooperatives to network into cooperative associations.
6. National Bank of Thailand to operate special credit programmes for Social Enterprises:
 - Building cooperation with other credit institutions/commercial banks through increasing understanding and cooperation of credit institutions to raise funds and support for Social Enterprises
 - Policy supports to create local financial investment market via local banks while the National Bank of Thailand will be responsible for regulating conditions for local investment through local banks
7. To adjust operation of Commercial information centre and commercial registration of the Ministry of Trade.
 - Adjust, add an item of Social Enterprises into the Commercial information center. Update information on Social Enterprises into the system to promote, monitor and respond to public on information on policies.
 - Consider to add a new item of commercial registration for Social Enterprises.

Overall, Thailand applies the top-down policy to promote the development of Social Enterprises. However, most programmes and new policies are in development stages and piloting, so there have not been any formal assessments of its impact on Social Enterprises in Thailand. Social enterprises which have created big impact, in fact, have had many years of experiences and continue to contribute positively to the community development. Besides, there are new Social Enterprises, applying new technologies and techniques to bring about changes to the community.

2.1.5. Singapore

Singapore is a small country in Southeast Asia but is a diversified nation with many ethnic including Chinese, Malaysian, Indian and immigrants from neighboring countries. Fast economy growth has increased economic gap between citizen classes. The Singapore government has to mobilize support from all other sectors to solve these issues. In which, the civil society organizations have played a vital role in this movement. Singapore has many big charity organizations, but the development of Social Enterprises is still very new. However, this sector

has received attention from the government. Besides, based on the national position in Southeast Asia, Social Enterprises promotion organizations has a vision to develop Singapore as a central point and leading hub of Social Enterprises movement in the region.

Government policies to promote and support the development of Social Enterprises

In 2006, the Ministry of Community Development, Youth and Sports established a Social Enterprise Division. The division received assistance from both the government and private sector, intelligence and other civil society organizations to support social development in Singapore. Result of this combined effort was the business development strategy for Social Enterprises that has been focused on the following three issues:

- Promote corporate social responsibility activities (CSR) in enterprises;
- Develop supporting tools for Social Enterprises;
- Replicate Social Enterprises models and awareness raising on Social Enterprises.

The Social Enterprises in Singapore are currently operating under the four basic models as follows:

- *Integration model*: These Social Enterprises provide skills training and employment opportunities for marginalized groups, helping them integrate into the community and enhance their own independence. The marginalized groups include people with criminal records, the elderly, single women, the mental or physical abused and the vulnerable youth. For example: Believe NJ Store Café has taught adolescents with autism to make pastry and bread. The Café is a place for practice and a real business place for the students.
- *Reinvested profits model*: Objective of these kinds of Social Enterprises is to generate profits to re-invest in social programmes, which is their sub-branch of social activities or provide investment for the charity organizations. This model helps voluntary welfare organizations (VOWs) and charitable organizations to be financially sustained and reduce their dependence on donation funds. For example, O dance School located in a high rise building with the upper floors used for hip-hop dance attracting thousands of youth in the community (these activities are similar to those in a Children's Culture Palace), the ground floor offer cheap venue for children's second hand shops, souvenirs. Income from these activities will be re-invested back to a mother Secondary school where they offer scholarships to poor students.
- *Subsidized services model*: provide subsidized services for disadvantaged people to ensure the services costs are proportioned accordingly to key customers. This model ensures affordability will not limit any individual to receiving the services.
- *Social needs models*: are designed to serve social needs or solve any social problem.

In terms of financial resources, there are 5 options for Social Enterprises:

- *Self start*: an entrepreneur can raise funds for his/her business activities without being dependence on external aid;
- *Government financial programme*: is a financial support for appropriate entrepreneurs and enterprises without return. Singapore government bases on specific criteria to choose the most appropriate Social Enterprises for investment within a certain time limit. For example, the government subsidized 50% of salary for people with disability working in a Social Enterprises for the first 2-5 years.
- *The private charities*: A legal entity established by an individual, family or group for charitable purposes, such as: Caritas Singapore Community Council, Lien Foundation, Tan Chin Tuan Foundation;
- *Financial liabilities*: a company receives a loan and commits to pay later;
- *The Social stock market*: a company can be listed to receive capital from social investors. Singapore is the only country in the region has a social stock market; however, the size of this market is still very limited.

The biggest contribution from Social Enterprises in Singapore is mainly on creating employments. Specifically, 94 surveyed Social Enterprises have created 1212 full-time jobs and 341 part-time jobs. In terms of inclusive employment for people with disability, there are 254 people working full time and 236 part-time".²³

23 State of Social Enterprises in Singapore, management report-prepared by Lien Foundation, August 2007.

2.2. ANALYSIS OF SOCIAL ENTERPRISES SITUATION IN VIETNAM

2.2.1. Difficulties that social enterprises currently facing in Vietnam

Social enterprises are still a very new sector in Vietnam, this leads to series of difficulties and challenges that social enterprises are facing. The following section will analyse some main problems both from internally and objectively of the current social enterprises in Vietnam.

Limited Awareness of social enterprises

To date, social enterprise is a new concept without official recognition from the State. Not only that, for many different stakeholders from ordinary people, the mass media to traditional businesses, social enterprises' approach as well as their role in Vietnam economy and society have not been understood and accepted properly. This results in the common consequences of many doubts about the nature and purpose of social enterprises. For years, in the understanding of the community, there is a clear distinction between business activities for profit and social activities, non-profit. In other words, the society has been so familiar to the view that the above two types of activities can not co-exist in one organization.

Misunderstanding by mixing social enterprises with charities, humanitarian or other traditional social programmes can lead to psychological dependence or stagnancy from the community, while the partners have not been ready to accept the improvements of operation with economic motivation. On the other side, social enterprises can also be misinterpreted with skepticism about their social objectives while operating in a form of enterprise to generate revenue and profits. Many social enterprises, after registration in the form of company (shifting from a foundation or centre), immediately found their donation drop, as the donors think that those organisations open new companies as they have enough funding and have transformed into a commercial entity, therefore, they stop donation. One of the founders of the above social enterprises said: *"In fact, it is not enough to consider a social enterprise as a charity, and it is wrong to view social enterprise as a normal business"*.

The lack of trust and acceptance of the community presents certain barriers to social enterprises in working with other relevant stakeholders, to increase cost of time, resources and opportunities and to limit their ability to create positive and sustainable impact. Social enterprises face lots of common challenges of the lack of enthusiasm in working with local authorities. As reflected by a social enterprise, they would not even register in the form of a company as fearing of *"the local authorities do not know about social enterprises, they will be very demanding when working with enterprises."* One other social enterprise send a written request to a local agency to ask for their collaboration in providing a free training venue and invite local authorities and beneficiaries (children in difficult circumstances) to attend a induction section training programme offered by a social enterprise. It was resulted in a delay of 3 months for the enterprise to receive the response from that district. And the opening of the training was passed by then.

Notably, the impact of social enterprises' activities should be assessed on both economics and social sides (even sometimes it is very abstract). Lack of comprehensive understanding of social enterprises' characteristics, when a foreign social enterprise would like to cooperate with local authority to implement a project, the first question from the local authority was: *"How much money will you give us?"*, *"will the project budget big?"*, but not questions on the potential social impact of the project, such as *"how much support will be given to households, how many jobs will be created for the locality?"*

Limited awareness is also existed in charity and philanthropic sector. When a social enterprise approaches a Child support Centre to cooperate in organizing programmes, playground for children, response from the center is usually hesitant due to fear of being seen as undertaking commercial activities. Therefore, they often limit the scope of cooperation in a moderate, half-hearted, non-official arrangement. Even when asked to sign a long-term agreement on issues related to scholarship, intellectual property for the benefit of the Center and its students, no one dares to sign because their fear of responsibility.

International experiences shows that lack of a formal definition with specific regulations on appraising criteria and accreditation of enterprises as social enterprises has negatively impacted on the development of this sector. Lacking of comprehensive understanding on social enterprises is one of the reasons for the lack of legal

framework for social enterprises; it creates barriers in attracting and access investment fund and other supports, incentives on policies, lack of appropriate human resources...

No legal framework for Social Enterprises

Currently, there is no legislation regulating social enterprises' activities, as well as there is not a specific type or a legal status for social enterprises. The legal forms of current social enterprises are divided into two main groups: (1) Enterprises operating under the Enterprise Law, and (2) social organizations (NGO) operating following some legal documents concerning voluntary organization, societies, charities, social funds, the science and technology organization ²⁴.

The choice to follow a specific legal framework as enterprises or NGO entity for the hybrid social enterprises cause many obstacles in the process of establishment, operation and development of the social enterprises, particularly:

Challenges in establishing a social enterprise

First, the legal framework for a social model in Vietnam is not completed yet, there are many overlapping regulations causing difficulties for individuals, groups to establish a social organization in Vietnam. There are many kinds of different social organizations with different names, to be appraised and approved by different organisations. Registration of a social organization is very complex processes, with regulations on founding board, management board, number of members, the capacity requirements of the founder, geographical areas activities ... that not easy for any new organisation to meet, especially for social initiatives which should be 'incubated flexibly, simply but effectively'.

Registration as an enterprise is simpler but as a result requires social enterprise to unify and meet the interests of various investors with diversified objectives. In fact, there are many social enterprises, have been in the situation that the shareholders are inconsistent on reinvesting profit for social objectives and organizational development. At the start-up stage, due to lack of capital, social enterprises often taking loans from family, friends and they can be social investors, but most of them do not clearly understand about the social enterprises model, so it is difficult to be associated with social mission in the long term. In other words, in principle, they are still the traditional investors, not social investors, so the risk here is very high in deflecting social enterprises in the wrong track at this stage.

Some social enterprises may choose hybrid model, combining NGOs and businesses with a desire to optimize the advantages and benefits of each model. However, without clear regulation on ownership and operation between the two models, social enterprises are not allowed to register as a hybrid organization. Currently, the state does not have specific regulations on whether an NGO can own a profit making unit or not?

Instead, they generally have to register two parallel organizations: one is to perform business operations and the other is an NGO which are working on the social activities, subject to two different legal systems. Even in some cases, only the business has formal legal status, all other social activities are carried out informally. Establishing a hybrid organisation is particularly difficult for the young social enterprises lacking resources and reputation. An issue is that the business strand of social enterprise still needs to pay enterprise tax as normal business, even when their revenue is fully reinvested back to the social enterprise branch in the same social organization. Should we develop tax incentives for business activities in this case? Obviously this is a controversial issue, and it is an urgent issue to Social Enterprises is to solve this issue transparently and comprehensively.

Difficulty in operating and developing social enterprises:

Social enterprises themselves are very confused and facing many problems in operating a combined model of social objectives and business activities in an incomplete legal environment in Vietnam. This is clearly seen in financial related issues; regulations on receiving aids, sponsorship, funding, policies and regulations on taxation and financial management, access to incentives and state regulations concerning special people in the society. Currently the State does not have any restriction for businesses to receive grants, aids but the State's regulations only allow businesses to be exempted from tax when using the grants to carry out charitable and humanitarian activities in the areas of education, health, scientific research, arts in some humanitarian agencies, school... approved by the State .This limits the flexibility and proactiveness of the enterprise when using this aid to partner with non-state organisations, or using the grants to develop community's activities. If the grants is recorded as

²⁴ Handbook for social enterprises and social entrepreneurs by CSIP and Investconsult and MSD, 2010. <http://doanhnhanhaxahoi.org/document/cam-nang-phap-ly-dnxh-2010.pdf>

a regular revenues, the enterprise may have to pay tax, but this tax is unreasonable because the grants is not a source of income from business activities, but by nature, it is a social investment, non-profit.

Financial management Mechanisms is a complex problem caused many difficulties. Currently, there is no clear and consistent legal framework for different types of social organizations. The State only has financial management rules separately for the two models: social funds, charity funds (Decision 10/2008/QĐ-BTC dated 12/02/2008 of the Ministry of Finance) and the social protection Agencies (Decree 68/2008/ND-CP and Circular 07/2009/BLDTBXH).

There is no separate regulation for other types of organizations. The social organizations, NGOs are still allowed to carry out activities which generate income and these incomes are taxable under the provisions of the state. However, the guidance on taxation for this organization is unclear, and the management bodies of state on tax also don't provide specific guidance. Social enterprises that are NGOs, are also facing difficulties in understanding the mechanism of internal financial management and reporting. There are many organizations are sanctioned administratively by lack of tax payment without knowing in advance, mis- understood guidelines, and in-consistent advice from the relevant authorities.

The issue of financial management for NGOs even more complex in case these organizations receive grants, non-government aid from international donors. Apart from the issue of mechanism for receiving grant as mentioned above, the social enterprises are also facing difficulties in compliance with both the donors and Government's financial systems. The two regulation systems may present many different perspectives, or overlapping leading to the large investment of resources on accounting administration errors still exist.

For social enterprises operating under the Enterprise Law or the Law on Cooperatives, due to the nature of social enterprises - combining social and business activities to generate revenue so the enterprise incur lots of business expenses which are not eligible for reduction when calculating corporate income tax. Back to the case of Tohe company as mentioned above, Tohe is a trading and manufacturing enterprise to produce household products, using creative drawings of children with disabilities and disadvantaged children. A large proportion of Tohe profit is used to organise creative activities for children such as painting classes, club activities for children at Centre of social protection, children in remote areas, but these expenses can not be recorded as legible expenses of the business. They are not raw material costs, labour cost... or the cost of production and other distribution. Therefore, they are not counted as legible expenses that would be deducted from taxable revenue of the company.

At present, the State offer incentive policies to agencies whose following the policy of socialisation according to the Decree 69/2008/ND-CP on policies to encourage the socialization in the sectors of education, vocational training, health, culture, sports and environment. Accordingly, organizations provide public services for community benefits are entitled to incentive on infrastructure, land policy and land rental, tax incentives, preferential credit ²⁵...

Enterprise operating in investment incentivised sector, employ people with disabilities, women, ethnic minorities, workers in difficult circumstances will be offered some tax incentives according to the state regulation. In terms of their mission, operating sectors and targeted audience, social enterprises are suitable to receive the above incentives. However, there is still a gap between administrative regulations and real implementation. Regulations on assessment criteria, approving mechanisms and procedures to offer the above incentives is very complex, so it become so costly and time consuming for social enterprises. The implementation is also dependent on local authorities' awareness about social enterprises, local flexibility and transparent supporting mechanism. At present, understanding about social enterprises in local authority's level is quite limited. Social enterprises have not been officially recognized by the government and state so even legal/justice organisations do not understand and being confused in guiding the enterprises in applying for these incentives.

[Lack of a criteria system and flexible standards for social enterprises:](#)

In recent years, we witness the development of systems of policies, regulatory framework aim at standardizing social sector, education, health and culture. However, clearly, the special objects, such as people with disabilities,

25 Nghị định 69/2008/NĐ-CP về chính sách khuyến khích xã hội hoá đối với các hoạt động trong lĩnh vực giáo dục, dạy nghề, y tế, văn hoá, thể thao, môi trường; Thông tư số 135/2008/TT-BTC ngày 31 tháng 12 năm 2008 của Bộ Tài chính hướng dẫn Nghị định 69/2008/NĐ-CP và Quyết định số 1466/QĐ-TTg của Thủ tướng ban hành ngày 10 tháng 10 năm 2008 quy định danh mục chi tiết các loại hình, tiêu chí quy mô, tiêu chuẩn của các cơ sở thực hiện xã hội hoá trong lĩnh vực giáo dục- đào tạo, dạy nghề, y tế, văn hoá, thể thao, môi trường.

children with special circumstances have not received adequate attention. A social enterprise share that they would like to register their organisation as vocational training centres in order to issue official certificates for students but they can not meet the standard requirements of local authorities; because the centre founder is a person with severe disability. He had to stop going to school so how should he obtain the formal qualifications, limited capacity also prevent the centre to expand to have sufficient facilities, space, equipment as specified in the state regulations, though 700 disabilities students have received free training this organisation. Consequently, he continues to open similar kinds of training classes following “spontaneous” and “informal” approach. And because the organization has no official certification, graduated students have had difficulty in finding job.

Lack of capital and limited capability in accessing financial resources

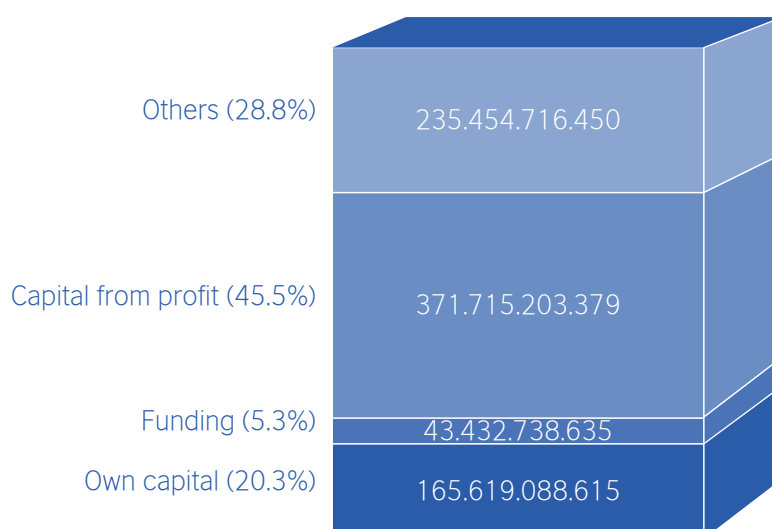
The financial resources, here refers to business start-up and enterprise development capital, an important element for any business and organization development. Capital demand is even more crucial for social enterprises which are the pioneers, developing a totally new market. The cost of “educating” customer, “creating” habits, new tastes are extremely expensive. For example, in the production of organic products (organic), social enterprises have to put lots of effort in raising awareness for customers about positive effect of healthy products, the social enterprise even organize medical check up, consultation for their customers as patients. Other similar example such as social enterprise providing family doctors providing consultation on preventive medicine and daily life improvement; Social enterprises produced a “stylist” product need to develop a new customer segment and raising awareness for them on healthy lifestyle, recommend them to use products which are made from environmental friendly materials, to create jobs for poor women in rural and preserve marine areas, or offering learning opportunities, playground for children who have special circumstances ... Meanwhile, the challenges of a social enterprises are lack of funds and limited access to financial resources even those social entrepreneurs are coming from the professional and middle classes.

Lack of capital and limited capability in accessing commercial investment:

Social enterprises in Vietnam are quite young, mainly established from individual ideas whose have social mission so their initial capital are mainly self investment of the founders in a small scale. Social enterprises has a typical character of not for profit, operating in high-risk market, with low return on investment rate and are not being attractive to commercial investors. Therefore, opportunities for them to access commercial investment including start-up or business development are very limited. Social enterprises find it difficult to mobilize bank loans because of some following reasons:

- No property or manufactory for mortgage because most of social enterprises are operating in small-scale;
- Bank interest rate is much higher than profitability of social enterprises.
- Payback period is longer than normal projects.

Image 12: Assets structure of social enterprises



Source: Report on survey results of social enterprises (2011)

Survey results on assets structure of social enterprises showed that capital of social enterprises are mainly equity capital (up to 20.3%) and accumulated capital from production and business activities (45.5%), a small funding from sponsors (5.3%). Commercial loans are only a part of other sources of capital (bank loans, loans family, and friends) with a total 28.8%. While for commercial business, commercial loan is an important mobile fund to promote business development but for social enterprises, this source doesn't have the contributing ratio to the total capital they have.

Social capital market in Vietnam is still young and not meeting the needs of social enterprises, in the meantime, Vietnam is still lacking strong social enterprises ready to receive social investment capital:

Capital market for social enterprises in Vietnam is not yet developed, reflected in the lack of capital and lack of suitable scale and channel for social enterprises development at different stages and in different areas. Until 2012, there are only two NGO - Centre for Social Initiatives Promotion (CSIP) and Centre for social enterprises development Sparks, have programmes to provide investment for social enterprises with total funding in cash of 200,000USD/year. This is a very modest capital comparing with the needs of current social enterprises and is just initial seed funds, to kick off ideas and provide capacity building, not yet sufficient capital for business development.

Social investment (impact investing²⁶) is the appropriate financial resources for social enterprises but it is still a new concept and there is no professional social investment funds actively involved and invest in social enterprises in Vietnam. Recently, International Social Funds have started exploring investment opportunities for social enterprises in Vietnam in recently years but most of them are still at market research or experimental phase. There have not been any significant direct investments for any social enterprises.

Box 20: LGT venture Philanthropies

In 2010, the LGT venture Philanthropies (LGT VP) came to Vietnam to do a survey and search for investment opportunities for social enterprises in Vietnam with a scale from 400,000 - 1,000,000 USD, but after more than a year of searching and survey, the organization could not find appropriate social enterprises ready to respond immediately to their investments. Therefore, this Venture has launched a new strategy in 04 South-east Asia countries, including Vietnam, by implementing programmes to promote the development of social enterprises with a goal to support potential social enterprises (at earlier stage) to develop capacity, build up organisational profile to be ready for the call and receipt of greater investment from LGT VP and other social investors in the region.

Source: CSIP

A number of stakeholders or potential participants of financial market for social enterprises in Vietnam may include government agencies, international donors, corporate (mainly through CSR activities), have not expressed interests or develop any specific action plan to support long-term financial or investment for social enterprises. There are many reasons, including the fact that Vietnam doesn't have official recognition and legal framework to support social investment activities. Investment for social enterprises is not entitled to Government tax incentives. Regulations on receiving grant for non-commercial activities are not clear, causing confusion as analyzed above. Donors therefore often find a solution to channel their investment through an intermediary incurring higher costs and reducing efficiency of the investment.

Lack of channels for disbursement of fund, intermediary organisation, mechanism of flexible state management and transparency to create the financial markets for social enterprises - is a huge challenge now. When lack of capital, social enterprises don't know where to go, where to look for investment suitable to their specific activities. On the other side, Investors also spent a lot of time to look for social enterprises which have suitable demand and potential for their investments. Besides, an important issue is the capability of current social enterprises in Vietnam; they are still not strong enough to receive investment from a professional social investor. Consequently, many social enterprises, after many years are still growing at an average level, small scale with limited impact or operating in a 'maintaining' stage facing lots of market volatility and challenges and pressure from increasing social issues.

²⁶ Social investment: http://en.wikipedia.org/wiki/Impact_investing

²⁷ <http://www.lgtvp.com/ivap>

Weak on management capability and lack of appropriate support services for capacity building for social enterprises

Most of social enterprises in Vietnam are young organisations; therefore, lacking of organisational and management experience, particularly on combining skills for management of business activities and Social mission to create sustainable social impact. Typical competitive capability of social enterprises come from their close relationship with local communities and authorities (mostly disadvantaged groups), and motivation for non-profit activities and opportunities from abandoned niche markets.

In order to maximise these advantages, social enterprises need to enhance capacity for strategic management, long-term vision, ability to identify and exploit market opportunities, innovative marketing strategies, organizational skills to work effectively with the community and excellent ability of financial management. Therefore, Social Business requires much better management skills than operating a normal business.

The gap in management capacity of social entrepreneurs:

With social enterprises founded by social workers, or transformed from other social programs and projects, their fundamental difficulty is the lack of capacity to manage business development, specifically: product development for social services with market orientation, marketing capabilities, financial management capacity, organization and management of business production... the most visible difficulty is to switch from traditional management thinking of social projects to business management strategy, accepting competition and risks related to business operation. This process requires a long time, practical experiences, or even failures as well as appropriate support and services for social enterprises to improve capacity.

For social enterprises at community, when start-up social enterprises models in local area (for example the model of self-help for disabilities, people with HIV-AIDS or livelihoods for ethnic minorities...), besides the strength of organizing and interacting with the community, business capacity and management experiences is a vital element for the development of the business. However, most of “community leaders” have many disadvantages in living conditions, educational background; difficulties resulted from real circumstances of the individuals and community where they live so their capacity is very limited. There are very few opportunities for training, capacity building and experimentation for their development as with small social enterprises, they don't have resources to invest in capacity building activities.

For the newly established social enterprises group established by young people with social desire and being trained professionally on management or having practical experience, then the problem they face is being able to understand and connect with community to design organizational system, interaction and work with the community effectively, closely fit to real needs of the benefiting communities, having a long-term strategy to achieve both sustainable economic and social impact.

Besides, many social enterprises are easily falling into vicious cycle of solving short-term financial difficulty and long-term investment for business development. Enterprises focus on solving immediate problems on business operation, on maintaining financial resources without realising the importance of, as well as the lack of adequate resources of investing on strategic development activities, business development, in the very complex and risky context that social enterprises are operating.

A market of supporting services and capacity building is not yet developed:

The development of a market to provide support and capacity building services which is suitable for social enterprises is necessary to solve the above problems. This is again a missing point in Vietnam. Although, training, supporting and counseling services have been established in Vietnam for a long time, serving both private business sector and NGOs, but still lacking of providers who provide tailored services suitable to the needs of social enterprises.

Currently, CSIP is the pioneer organisation to provide a number of training courses dedicated to social enterprises includes training on overall social enterprise development, skills to develop business plan, social enterprises leadership, personal counseling and advice for social enterprises development... However, the ability to meet specific needs for each social enterprise is still limited. In the meantime, there are many organizations and enterprises with potential to transform into social enterprises but there is no provision of appropriate training and counseling services.

Challenges related to human resources

Social enterprises often work with disadvantaged communities as partners, beneficiaries or members, employees or members of social enterprises. Typical character of social enterprises in term of human resources resulting in a number of fundamental challenges as follows:

Low-quality of human resources, lack of stability, low labor productivity

Social enterprises labor resources working with disadvantaged groups, less fortunate, who are special objects of the society as people with disabilities, rural women, disadvantaged children, are source of low quality labor, lack of stability due to awareness, mental health and living context, as well as low labour skills. So it is impossible to require high labour productivity in initial state of recruitment, in addition, social enterprises need to have a contingency plan to cope with the instability, job quitting, or failure to meet work requirements.

Greater investment for personnel than average includes actual cost of raising awareness, provide training, organizations work for staff, health care expenses and opportunity costs. For example, social enterprises working with ethnic minority people to develop sustainable livelihoods of local communities, have to spent most of their time and resources to carry out capacity building activities because the very weak base of the members and community; and capacity building and empowerment of these communities is also a major goal of social enterprises, in parallel with the development of products or services. For social enterprises working with special social beneficiaries such as returning trafficked women, people living with HIV-AIDS, people with disabilities...incur more costs because the social enterprises have to pay attention to health care, physically and spirit well-being, and living conditions of these people. In addition, the risk of instability on human resources may require more funding for social enterprises to develop new personnel. Opportunity costs resulted from the investment on human resources are not small.

The difficulty in looking for suitable human resources for social enterprises

In the context of today human resources market, recruiting a qualified Management staff is a headache for normal business in general, for social enterprises it is even more challenging as it requires staff to have good understanding and appreciation of the mission and social value of the business, having good management capacity, and able to combine business management skills and social work. Even staff of social enterprises' also meets this dual requirement". Meanwhile, funding to invest in senior staff of social enterprise is very limited. There are not many social enterprises can afford to pay for highly skills staff at present market rate.

Besides, the current human resources graduated from universities mainly focused on specific areas of trade, business, financial or social development. Induction programmes on social enterprises have not been embedded into university programmes; youth awareness of social enterprises is limited so undermined possibility to attract the young well trained workforce to work in social enterprises in Vietnam.

Operate an effective human resources system

Social enterprises need to combine voluntary and official human resources. Although, official human resources is limited, many social enterprises have advantages in mobilizing support of professional voluntary counseling from experienced experts in some specific areas who could not commit time to work more prominently in social enterprises. The development of an effective working mechanism to mobilize respective and proper contributions, to take full advantages of these groups is a challenge to the management capacity of social enterprises.

Receive no policies support on human resources

As noted above, the state does not have specific and effective policies to encourage employers to employ people with disabilities. Therefore, even they were trained by social enterprises, it is still difficult for them to find suitable jobs; whether in terms of ability, many types of disabilities do not affect quality of the work that they are responsible for. Difficulties in outcome inevitably reduce the level of interest in participating in social enterprises' training.

In addition, there is no policy support for those who work at the social enterprises. Many social enterprises face challenges in recruiting teachers who can teach children with special circumstances, children with autism, and children with disabilities. Although they are not volunteers, but they are working on social fields and do not enjoy attractive benefits compared with other common areas. Therefore, to compensate for these gaps, in order to encourage people who involve in social work sector, the state can encourage teachers who work for social enterprises through salaries incentives, house rental, further training...

The biggest challenges: the dependence of social enterprises on social entrepreneurs

Most social enterprises depend too heavily on the social entrepreneurs. Even some social entrepreneurs said: “social enterprises would not develop above the social entrepreneurs. It only moves forward when the social entrepreneurs move forward”. This is true, social entrepreneurs are the founders of social enterprises, inspires, motivates, and being the soul of the organization and operation of social enterprises. A matter of inheritance of social enterprise operation needs to be carefully thought out by social entrepreneurs. Is the organizational structure, working culture, staff enthusiasm sufficient to sustain the initial social mission of the social enterprises?

Some other issues

Lack of an “ecosystem” to promote the development of social enterprises

National and international networking is not strong enough to support development of social enterprises in Vietnam, and awareness of potential cooperation between different social enterprises, as well as those between business sector and social enterprises or normal social organizations is still limited. Social enterprises are now unlikely to have access to infrastructure, modern technology due to lack of financial investment as well as support from the state. Social enterprises must still compete fiercely with businesses in the market and comply with legal framework, whereas, they are often faced with many challenges for operating in difficult areas, low profits, working with vulnerable groups, high costs and high risks.

Lack of evidence on successful

Social enterprises which have strong foundation to scale up for bigger social impact at local and national level. Currently, for example, KOTO and Hoa Sua School are known as successful social enterprises in providing vocational training programs and effective education for street adolescents in Vietnam. Or Mai Handicrafts Vietnam helps to improve quality of life for disadvantaged women with fair trade model for the traditional handicrafts products in Vietnam. However, in order for social enterprises to strongly advocate to the government as an effective direction to create sustainable social impact, it is necessary to have more typical successful examples. The lack of typical success stories is also a challenge in raising awareness of community and government agencies, relevant stakeholders in general to support social enterprises.

2.2.2. Social issues and resources in Vietnam: Opportunities and Challenges

The relatively high economy growth rate in the last two decades is an undeniable achievement of Vietnam. However, because the growth is based on a low starting point, so in term of economic development, Vietnam is still a developing economy and among the low average income nations. In the region, Vietnam still needs to go a long way to catch up with many neighboring countries such as China, Thailand and Malaysia. As such, Vietnam not only have to solve a range of social problems inherent in a poor country but also have to face with increasing number of new issues as a consequence of economic growth.

Obviously, this can be considered as ‘prices’ for growth. However, currently it has been increasingly popular to separate the concepts of “growth” and “development”, in which growth is only a “sufficient” condition, to achieve development requires a strong, harmonious, cohesive and safe society. Aiming to achieve sustainable development requires Vietnam to address simultaneously both economic growth and problems posed by society. In this section, we try to enumerate and analyze some prominent economic and social problems as well as the national potential resources with a view that effectively connecting resources and social objectives is the role that the state expects social enterprises to take. Therefore, this is the opportunities as well as challenges for both social enterprises and policies of the State to encourage development of the sector.

Social problems

Poverty reduction and wealth disparity

According to the Ministry of Labour, Invalids and Social Affairs, by the end of 2011, Vietnam still has 12% poor households, decreased 2.4% from 2010, base on newly applied poor baseline (400,000 VND and 500,000 VND / person / month for rural and urban areas)²⁸. Thus, the current poor baseline in Vietnam is only one dollar/day/person, while according to the World Bank poor baseline of 1.25 dollars/ so , Vietnam’s poverty rate is up to 21% (2008)²⁹.

28 In 2012: The rate of poor household is 12% - www.molisa.gov.vn dated 18/1/2012.

29 “Vietnam need to be avoided of the new poor” - www.vietnamnet.vn dated 7/1/2012.

If the average income of the base of the pyramid group is under 2 dollars / day, the percentage of population falling into this group in Vietnam was even higher. Thus, we can estimate the number of poor people in Vietnam is more than 10 millions and about 5 millions people in poor threshold or at risk of poverty. Obviously, reducing poverty sustainably continues to be one of the fundamental challenges for Vietnam in the near future. And the most effective solution to address this problem is to create sustainable livelihoods for the poor. Mai Handicrafts, Mekong Quilts creates jobs and provide vocational training for poor women in Ninh Thuan, Binh Thuan, Hau Giang, Microventures Bloom operates in tourism and micro-credit in Bac Giang are typical social enterprises working in this area.

Creating 1.6 million jobs a year is the objective set out in the Employment Strategy 2011-2020. This is a very high target because Vietnam has a young population, each year; more than 1 million youth participate in the labour force. In addition, there is a demand to shift labour from agriculture to services and industrial jobs, from rural to urban areas. Job creation is not only meaningful in term of economic but also play a key role in terms of social impact, because high unemployment will lead to poverty, social evils, instability and violence... This explains why the government of many countries solely focus on employment issues when developing policy for social enterprises. Finland define social enterprises as any business with 30% of employees are people with disability or being long-term unemployed. Singapore provides direct support to social enterprises based on the number of jobs that they have created. Korea places direct 'order' with social enterprises on job creation. In the area of job creation and job training to create sustainable livelihoods, social enterprises in Vietnam can target those groups who are disadvantaged and marginalized.

People with disabilities

Currently, Vietnam has about 6.7 million people with disability, accounting for nearly 7.8% of the national population. Of these, 69% of them are at working age, but only 30% have jobs and stable income. Clearly, this situation presents major economic problem for people with disabilities themselves and their families as well as state welfare policies. This also a waste of human resources as majority of people with disabilities can undertake work that is appropriate to their conditions without affecting the quality of labour. In fact, many employers are willing to recruit people with disabilities, but they also do not know where to start.

People who have been released from prisons

Supporting these people in rehabilitating into the community was left open for many years. Each year there are tens of thousands of prisoners were awarded amnesty or completed their sentences. While the average recidivism rate in the region is 15-20%, in Vietnam it is 27%. They need support for employment, career, legal counseling, community integration...

People with HIV / AIDS

International organizations estimated that in Vietnam there are about 280,000 people living with HIV / AIDS, and each year more than 40,000 people were newly infected. Job and expertise losses are costly to both workers and enterprises. Thus, both need advice, communication and creation of new jobs.

Child protection

Currently, across the country, there are approximately 4.28 million children with special circumstances, accounting for 18.2% of all children and including 1.5 million children with disabilities, 2.75 million poor children, 153,000 orphans and abandoned children, 287,000 children affected by HIV/AIDS, 26,000 children aged 8-15 are working as hard labor or being exploited. Meanwhile, number of children who receive allowance of the State is only 66,000. Protecting and assisting children clearly is a major challenge for the society. Social enterprises can operate in many fields such as consultants, representatives, teaching, vocational training, information connection, housing, clothing, food, medical care...

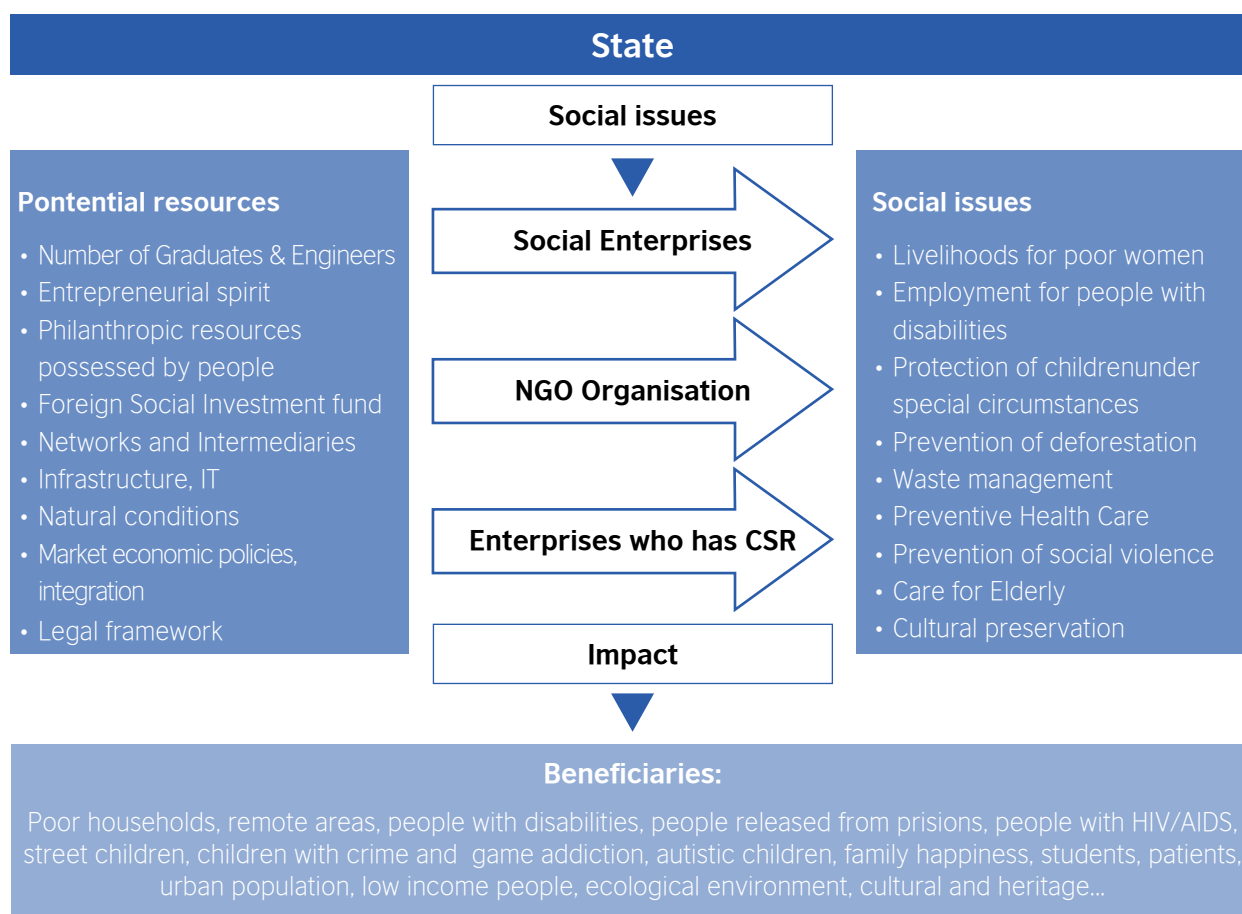
Care for the Elderly

According to data from population survey in 2009, the number of elderly people in Vietnam is growing faster than any other population group. The rate of elderly population has increased to 9.4% (2010). Estimated dependent rate of 60 years or older elderly in 2014 will be 12.2%. Notably, the proportion of elderly people who have no wife, no husband (alone) up to 61.0%, and in elderly subgroups, female elderly is always higher male. It can be predicted that aging population will also be one of the major social problems for Vietnam in the near future.

These are just some prominent social issues, however, gather these together, we will see directly affected objects has risen to about 24 million people, accounting for 28% of the population. In addition, there are many other social issues which have started emerging; with serious impact probably none of us can be outsiders, such as:

- School Violence
- Domestic violence
- Young offenders
- Children with game addiction
- Children with autism
- Overload of Education
- Overloaded healthcare system
- Education, health care for remote areas and islands
- Public health, disease prevention
- Reproductive health, abandoned infant
- Mental health, stress of urban residents
- Preventive healthcare, healthy lifestyle
- Traffic Safety
- Safe food, organic vegetables
- Legal advice for the bottom group
- Social housing
- Prevent deforestation
- Environmental pollution, waste, recycled materials
- Climate Change
- Energy saving, clean energy
- The livelihood of the people living in protected areas, migration, and site clearance
- Cultural conservation, heritage conservation.

Image 13: The connecting role of Social Enterprises and state policies



Source: CIEM

Social resources

Human resources

Currently, each year, Vietnam has around 260,000 students graduated. Overall, the increase in the number of universities, colleges, new training programs, and more open enrollment criteria will create a higher number of bachelors and engineers. Although, there are many warnings about the quality of training as well as the risk of excessive higher education in comparison with vocational training, we can not deny that higher education is increasingly more competitive, better regulated and with more attention paid to enhancing reputation. The labour market has operated more efficiently, and therefore it is trusted that higher education has had better quality.

The increasing mobility and dynamism of students in Vietnam should be noted. It can be seen clearly by observing the increasing number of students who work as interns and volunteers at NGOs, social enterprises. About 10 years ago, this was quite rare. In addition, students today are proactive in accessing foreign information, with better foreign languages proficiency, actively taking part in seminars, events, clubs, so they can access modern knowledge of the world, including social enterprises. This is the source of “community leaders” for social enterprises in the future. That’s not to mention the number of students studying abroad, bringing back to Vietnam updated knowledge of the world. Typically is the case of Ms. Phan Y Ly, a Chevening scholar studied Master degree in the UK, after returning home has set up a project on community art (Art Life) in the spirit of a social enterprise.

Entrepreneurial spirit

Each year, Vietnam has more than 80,000 enterprises register for establishment. The number of enterprises in Vietnam is still modest but keeps growing. The current economic difficulties can undermine business investment in the short term. But overall, entrepreneurial spirit of young people of Vietnam is always strong. However, it is difficult to say the number of enterprises above can become “input” for social enterprises as the two models differ greatly. As previously mentioned, social enterprises might not be able to address the desire of “individuals getting rich”. The number of newly registered enterprises only show the use of business, entrepreneurship spirit (creativity, adventure, dynamism, persistent) which have become popular and the ‘value’ of young people today. To get a few hundred out of 80,000 business people to become social entrepreneurs requires other promotional factors such as education, communication, support of intermediaries, incubators of universities, government, state policies etc...

Social investment capital

In general, social investment capital market, charity fund are abundant in both domestic and foreign markets. For the attraction of social capital from foreign institutions, the problem lies mostly in the capacity of social enterprise to absorb capital and prestige of the social enterprises in country (as mentioned in the difficulty of Social Enterprises). In fact, some social enterprises have attracted and managed international capital very well, typically the Hoa Sua School and KOTO Restaurant. To build reputation with foreign partners, social enterprises must possess professional networking skills, modern management processes, demonstrating accountability, openness, transparency.... Notably, external resources are not only finance. Technical assistance, capacity building, certification play important roles. Mai Handicrafts received free support from WFTO on product design, KOTO in their early establishment received foreign volunteers to teach cooking, and especially to become partner that receive Box Hill international certification for training courses.

Besides the large external capital market, the domestic philanthropic capital is also quite potential. Once having real capability and reputation in professional organisation, open and transparent and demonstrate real social effect, many organisations/charitable projects attracted large funding. According to our estimates, the average grant amount every month in 2011 for SympaMeals project which provide coupon for free meal and milk to poor patients at Hospital K is more than 130 million VND / month. At a greater scale, Charity fund of Dan Tri (an on line newspaper) received an average of 467 million/week (from 3rd week, 12/2011-, 3rd week 3/2012). Thus, the matter lies in the way, that social enterprise operate, their creativity and transparency will determine their ability to successfully access fund.

Some other resources

Social Enterprises can seize the opportunity from the policy framework and state laws in attracting foreign investment (direct and indirect), economic integration policies, bilateral agreements and market economy. The state preferential policies available to various types of cooperatives, non-state establishments, state public services enterprises, non-business units, science and technology organisations should bring about favorable conditions for the operation of these organisations and social enterprises (in case of conversion). In addition, the infrastructure of Vietnam has also been significantly improved. The popularisation of information technology, Internet and telecommunications in Vietnam with low cost is an advantage. Besides, in terms of natural conditions, our country is located at a good intersection point in Southeast Asia enabling social enterprises to exchange, connect to social enterprise and intermediaries to promote the sector in the region.

2.3. RECOMMENDATIONS ON MECHANISM, POLICIES FOR DEVELOPMENT OF SOCIAL ENTERPRISE IN VIETNAM

2.3.1. Finding an official concept for Social Enterprises in Vietnam

Of course, there will always be different and diversified point of views about social enterprises. However, to lay a good foundation for institutionalization of policy and support for the development of social enterprise in Vietnam in the future, it is essential to develop an official concept with high level of consensus among relevant stakeholders, on social enterprises in particular context of Vietnam and to be used for specific policies.

In order to develop an official concept, the following issues should be addressed:

- *social enterprises is a concept, model or a specific category of organisation?*
- *which are specific objectives for social enterprises from the State standpoint?*
- *social enterprises are only suitable for private sector or it may involve state owned entities?*
- *the concept of social enterprises must be very clear. What are the key characteristics which are compulsory? which are flexible criteria?*

Within this consultative report, following we provide some subjective analysis and recommendations, not opposing, but open for further constructive policy discussions with a coherent policy orientation.

[Social enterprises should be a concept, organizational models applied flexibly from NGOs to traditional businesses](#)

Although, in the process of institutionalization of this model, we can create a separate type of business for social enterprises, but social enterprises are not required to register or transfer to this legal form. We highly recommend reference to the UK and Thailand's experiences in this area. In fact, for many years, some organisations have attempted to separate social enterprises out of NGO but finally, they also have to accept that social enterprises can operate based on an NGO platform.

[In Government policies for social enterprises, the State needs to focus on efficiency and social impacts that social enterprises have created](#)

It should be acknowledged that the State support to develop social enterprises, in return, social enterprises assist the State in implementing social objectives. Ms Penny Low, founder of Social Innovation Park of Singapore has raised a modern perspective on "national balance sheet" (see below), where the State must effectively manage their "ready available assets", which is human resources, financial capital, infrastructure, natural conditions and policy framework, legislation, and their "liabilities" or in other words it is the function and mandate of the State, including social cohesion, social welfare, social justice, which can be measured and expressed through the Human Development index (HDI) and the national economic competitiveness. On that basis, people will be "shared", to benefit from national achievement, under two types of "financial joint-stock" and "Society joint-stock".

Notably, in many areas, social enterprises can help the State to implement social objectives (as mentioned previously), it is important to emphasize the two superior aspects of social enterprises as follows:

- *Social enterprises associate with social initiatives.* As taking a different journey with traditional business, most business solutions of social enterprises are very creative. They found materials that was never been used, connecting people who have not been connected, to exploit ignored markets, even creating entirely new markets for new products. Therefore, promoting the role of social enterprises is synonymous to effective exploration and use of abundant resources, or potential resources of the society and economy.
- *Social enterprises associate with sustainable solutions.* Sustainable social solutions are the mission of social enterprises. So social enterprises bring about long-term impact, fundamental changes. Such as changing habits, lifestyle, customs and skills. In addition, social enterprises can create large impact, which is resonant and widespread. Therefore, the State should have policies to exploit and develop these strengths of social enterprises.

Image 14: Modern perspectives on national balance sheet

National Balance Sheet	
Assets	Liabilities
Human resources	Social linkage
Financial capital	Social welfare
Policies, legal framework	Social equality
Infrastructure	HDI index
The natural conditions	Competitive advantages
Equities Financial equity Social equity	

Source: Penny Low's presentation at I-genius Workshop (Thailand, 2012)

Social enterprises can belong to State ownership

In the UK, there is also ongoing debate on this issue. While the Minister of Health wants to transform some health care programmes to social enterprises, many others have opposed this intention. In fact, if we have a separate legal framework for social enterprises (similar to the CIC model in the UK), then public Enterprises, State service units, and Science and Technology Organisations (which had been encouraged to switch into enterprises) can be transferred to operate under social enterprises model.

However, the key lies with social creativity. The strength of social enterprises derived from specific approach “bottom up”. Social entrepreneurs established social enterprises base on real demand from local community to address very specific and practical social objectives. Meanwhile, representatives of state owners, managers of state organizations are too familiar with the structural dynamics “top-down”, so unlikely to have real creativity. However, one of the feasible solutions is to expand the opportunities for social enterprises to participate in equal and transparent bidding, order placing, outsourcing with other organizations of State to carry out State social welfare programmes and public service. At present, we've had many legal regulations on this issue, but effectiveness of implementation is still limited.

Social enterprises are required to have social objectives

Social mission must be put at the top. This is a key point to distinct social enterprises with other organizations, and it is also the reason for the State to promote the role of social enterprises. Business approaches are just solutions and tools of social enterprises. However, it is very difficult to measure and evaluates social objectives. If criteria for social enterprises are not defined clearly, normal enterprises might evade the law to acclaim themselves as social enterprises to be entitled to incentives from the State. Therefore, it is needed to establish a percentage of profit that is used to re-invest in the development of the organizations and social objectives to identify clearly and transparently the level of the organization's commitment to social enterprises models. In Thai case, there is regulation requires more than 50% of profit to be re-invested and social enterprises are assessed at varying levels, respectively.

Based on above analysis, we propose two options for defining social enterprises in Vietnam as follows:

“Social Enterprise is an organisational model applying creatively business principles, dynamism and principles of the market to solve specific social issues, in a sustainable way. Most profits are re-invested back to the development of the organizations, communities, or social objectives. Social enterprises can belong to many different economic sectors.”

“Social enterprises are organizations established to pursue innovative and sustainable social and environmental solutions using business activities. Most profits are reinvested to expand the scope of the organization and social objectives.”

2.3.2. Institutionalization of social enterprises in Vietnam

Through the study carried out by the research team, we found that social entrepreneurs are simple but strong with internal power. They are the people who don't prefer theories but love to take specific action. Most prominently is their passion and willingness to not only overcome difficulties and obstacles that social enterprises are facing, which are always more than normal business, but they also need to be powerful enough to solve conflicts between business and society objectives.

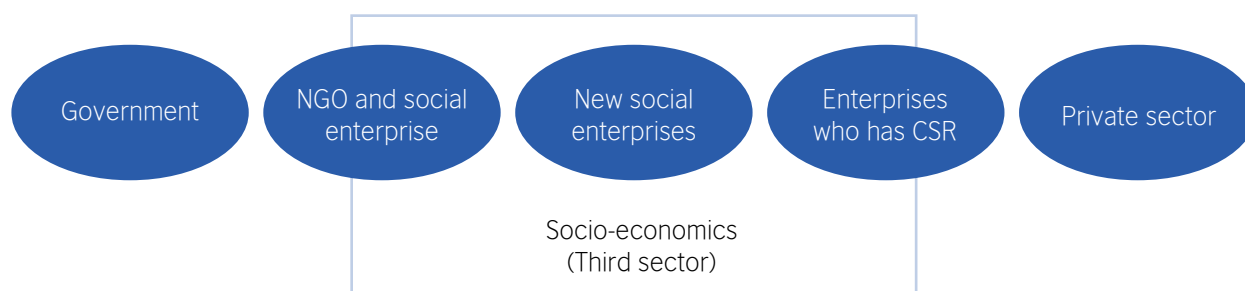
If they are driven too much by business activities, social objectives might be digressed; vice versa if they were too focused on social aspects, social enterprises will be financially unsustainable. They immerse themselves in social initiatives with strong desire that we may think that they can operate social enterprises anywhere, in any condition, even in the absence of incentives or support of the State. In Indonesia, the social enterprises feel "better" when the State has no incentives support, because the legal environment of the country is still inadequate so implementation of policies are less effective, and always carry with its phenomenon and corruption.

Therefore, it is necessary to build a consistent perspective of State for social enterprises in the process of policy formulation about the positive role of social enterprises sector as an efficient strategic partner, a powerful tool - "helping-hand" of the State in implementing social objectives. Under pressures of reducing public debt, tightening spending, building an efficient government, improving competitive advantages, we can envisage future institutionalisation to include:

A compact public sector, efficient + dynamic and growing economic sector + dynamic and growing civil society sector

State will only focus in some key functions such as defense, security, foreign affairs, ensure the rule of law, building vital infrastructure, and create policy framework and institution for growth, facilitating science, education, health, economic development... For provision of social welfare, addressing social issues and the environment, the state should share responsibility with partners from civil society, in which social enterprises can play a central role. The State must also play a 'helping-hand' for these areas by creating a legal framework, providing catalyst conditions for social enterprises development, both in quantity and scale.

Image 15: State needs to develop the third sector, including social enterprises



Source: CSIP

It is necessary to issue a decree on social enterprises

First, a separate framework should be established for social enterprises and for the operation of social enterprises. At this initial stage, we believe that issuing a legal document in a form of Government decree is appropriate. This is at the same time, the first brick laid down in the process of institutionalization of social enterprises, and also an exploring step to prepare legalisation of this sector at a later stage, when social enterprises have massively grown with profound practical evidences.

Official recognition by defining social enterprises' concepts and criteria

Decree on social enterprises should give an official definition of social enterprises in Vietnam. Criteria on compulsory and flexible characteristics of social enterprises should be clearly defined. Through it, issues in terms of positioning social enterprises in private sector or government, belonging to NGO or business, or both, and the

possibility of conversion of other types of organisations will also be addressed. This is the official recognition of the State for social enterprises, the result that social enterprises have been longing for.

When we asked social enterprises about their most desire, what is their top priority for expectation from the state's policy, they all responded that they need an official recognition of the Government and society, to define 'who they are?'; from that stage, they can operate formally with official names and recognised roles.

Preferential policy, incentives to support social enterprises

The decree also needs to offer specific preferential policy, incentives, supports to social enterprises as well as process and responsibilities to apply these policies. Here, we need to have an insightful reference to opinions saying that social enterprises should be placed in the general legal frameworks, operating on the same 'playing ground', competing fairly with other organizations, other enterprises. The state should only have preferential policy for a certain number of areas, which the State deems necessary to encourage development or participation of these organizations. Social enterprises will enjoy preferential policies when operating in those areas and this is a general policy, not just for social enterprises. This opinion is well worth considering as social enterprises should be viewed closely with their social impact. Social enterprise operating at sizes, in many different areas, and therefore not every social enterprise can bring about social impact that the State can actually be convinced that incentives are really necessary.

Need to establish a department / agency to implement state management, to promote and support social enterprises

In term of public administration, the decree may stipulate the establishment of a department/agency within a ministry that is responsible for the administration, encouragement and support of social enterprises. Based on the focal nature and cross-sectors of the Ministry of Planning and Investment, we recommend the establishment of a Unit responsible for social enterprises within the structure of the Enterprise Development Department, Ministry of Planning and Investment.

Another possible option is to set up an Independent organisation in the structure of a state socio-political organisation to carry out assistance programmes for social enterprises. This is the lessons learned from Thailand. However, the tradition of using tools as intermediaries, mixed organisation in Vietnam is still limited and less effective because the independent status of these organizations, instead of having the advantage of being dynamic, it often creates gaps in responsibilities, make it difficulty in gathering resources of stakeholders, especially state agencies and local governments.

Thus, the first choice is more convincing. And to improve the efficiency of their operations, the dedicated agency for social enterprises should implement programmes to support social enterprises through a 3rd party which is intermediary organization who can develop social enterprises through open competitive bidding, outsourcing, ordering, while the agency will be responsible for supervision, monitoring and evaluation.

Supplement to Law and the possibility of converting some units, public organizations

Concept, criteria to identify social enterprises need to be added in the revision of the Enterprise Law, Investment Law in the coming time. At this stage, there may not be sufficient condition to add a new type of enterprise for social enterprises but this issue should be discussed during the revision of the Law on Enterprises.

Currently, if consider social enterprise as an organisational model, undertake business activities for social objectives, that can be applied to many different types of organizations both private and state, then non-profit non-state entities, state public service enterprises and scientific and technological organisations which have operated in the form of enterprises (according to state preferential policies) can fully apply social enterprises model without conversion. Only when, social enterprises are added as a new type of enterprise, these organizations must convert and re-register. In case, that social enterprises model is not mandatory, such organizations may not need to convert.

2.3.3. Measures to encourage and support social enterprises in Vietnam

As mentioned above, programmes and policies to encourage, support social enterprises should be done through intermediaries, to achieve greater efficiency thanks to its competition and avoidance of conflicts of interest and corruption. Social Enterprises also have the opportunity to feedback directly, objectively to the State management agency in assessing quality and service of these intermediary organisations. At the moment, there are two intermediary organisations in Vietnam that are CSIP and Spark. It should be noted that intermediary organisations have missions of developing social enterprises. They are funded by international NGOs and social investors. Therefore, they must also have their own social enterprises networks. That will enhance the State and their support programmes further, and the main beneficiaries are social enterprises.

To encourage, promote growth of social enterprises in Vietnam both in quantity and scale, following policy solutions can be taken into consideration:

- i. Promote communication in various forms ranging from the mass media to supporters, to transmit, disseminate and explain the concepts and issues related to social enterprises;
- ii. Awarding and honoring successful social entrepreneurs who have developed social enterprises in a large scale;
- iii. Organising competition to seek social enterprise initiatives to identify potential social entrepreneurs and projects to fund start-up capital in the first stage of establishment;
- iv. Provide direct financial support to social enterprises to expand social impact, through a closely selection, classification, monitoring and evaluating process
 - a. Notably, financial instruments here may be non-refundable grants or low interest loans, but apply in a certain time period (3-5 years) to build resilient social enterprises avoiding possible dependence.
 - b. The financial assistance must be tied to the effectiveness of social impact. For example, provide support of 50% of salary for each person with disability employed by social enterprises, decrease gradually in 5 years; provide 50% support to house renting, basic living expenses for teachers involved in vocational training project for young street children, people returned from prisons.
- v. In order to develop sustainable financial sources to support social enterprises, a Social Enterprises Development Fund needs to be established. The Fund will be financed by State budget on the basis of extracting a certain percentage (e.g. 10%) from the Special sales tax revenues. Not only limited by the state budget, the Fund can expand cooperation opportunities to receive funding from voluntary organizations and social investors at home and abroad.
- vi. Tax exemptions or reductions for social enterprises in some priority public sectors. Some opinions are that as social enterprises have supported or undertook some state's roles in a number of social welfare sectors, which the State should have used tax revenues to carry deliver their responsibilities, so it will be logical if the State exempt tax for these social enterprises.
- vii. It is necessary to standardise, classify and evaluate social enterprises in a consistent, specific, clear, open and transparent set of criteria. This is important stage, but also the most difficult for state agencies, because lack of consistent criteria would lead to inequality, legal evasion, conflict of interest; but social impact and the no-profit motif are very difficult to measure. Notably, the criteria should be designed reflecting closely social enterprises operation. Too high criteria might undermine motivation for social enterprises and will therefore hinder encouragement and attraction of new social enterprises. A system should be developed to quantify some kinds of social impact that social enterprises generated, to compare with investment costs, opportunity costs and efficiency gain. The application of financial audit and social audit should also be applied more widely.
- viii. Support for capacity building, training of business management skills, finance, personnel, marketing for social enterprises;
- ix. Need to develop and pay attention to the role of intermediary organizations, encourage social investors; may establish an Association of social enterprises in Vietnam; in-depth consultation with these organisations in the process of making policy to social enterprises;

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- x. Need to conduct public competitive bidding so that social enterprises can participate in providing products and public services, such as waste disposal, environmental protection, education, public health, sustainable livelihoods...
 - xi. May adopt policies regulating state agencies, public sector organizations to prioritize the use of products and services of social enterprises when making public procurement or outsourcing;
 - xii. Social enterprises should be encouraged and facilitated to access information, state infrastructure or used at preferential rates;
 - xiii. Developing ground for social enterprises to enjoy cheap rent to set up office, training, practice, sales venue...
 - xiv. Implementation of social housing programs follow social enterprises model;
 - xv. Development of various types of cooperatives, micro finance towards ensuring democracy and fairness in organizational management and distribution of profits to the community;
 - xvi. Develop networks and facilitate connection between social enterprises, and intermediaries, social investors in and out of the country. Social enterprises are facilitated to participate in high-level missions overseas, participation in fairs, exhibitions, product introduction, registration contacts, information and data for the promotion of foreign trade;
 - xvii. Develop training programs at the undergraduate level and post graduate on social enterprises. Establish social enterprises incubating model at universities. Promote common knowledge of social enterprises and student movement encouraging young people to raise their dream of starting their career with social enterprises.

CONCLUSION

In fact, in the last 10 years, Vietnam has actively implemented socialization in education and health. This demonstrates a change in the perception of the State on sharing a number of areas which have been considered as inclusive responsibility of the State with non-state entities consisting mainly private enterprises and non-public organisations. However, it is apparent that we don't have a comprehensive methodology for socialization. Consequently, in many places, socialization have been converted to intensive marketization; leading to chaotic competition, lacking of standardised and effective management system, poor services and decrease of trust in the roles of the State as well as the market.

In another aspect, a change in perception has been documented in the administrative reform of the public sector. The State encourages public services organizations to transform into Enterprise model, State Science and Technology organizations have been converted into Science and Technology enterprises, create opportunities for private sector and non-state organisations to involve in providing public services through competitive tendering to achieve greater efficiency. This shows that the State is in agreement with a trend of applying business models, market principles for the implementation of its social functions. However, there are many areas that have not been socialized, or can not be socialized under traditional approach (because it is not attractive to private sectors in term of potential profit). These areas include job creation for disadvantages or marginalized groups. In addition, there are many other issues, such as: support for children with special circumstances and reintegrate people released from prison, people living with HIV/AIDS, protection of ecological environment... In fact, implementation of policy on transforming some public services organisations, Science and Technology organisations into business and expanding markets to provide public services have not gained significant progress.

It is clearly that it will not be adequate to rely on the two public and private sectors to fulfill demands and to solve social issues. That's not to mention economic down-turn, requirement on restructuring, reducing public debt, State fiscal tightening at the present, while the grants from International organisations for Vietnam is declining gradually. In this context, we see the role of social organizations; community development in general and particularly the emergence of social enterprises are very suitable to fill the gap.

Social enterprises are hybrid organisations, undertaking business activities to achieve social objectives. They operate not for profit. In fact, social enterprises are catalyst that promotes innovation and initiatives for the society. They go into the niche market which no one has entered. They even create new market, or meet the needs of a neglected group, or address the social and environment issues that have arisen during the economic growth of the country. The social entrepreneurs hold high interests in social issues; particularly they have to overcome many difficulties and obstacles in order to maintain social enterprises model in order to compromise between the sustainable objectives and extreme challenges of the market. We can say that this is a 'piece of jigsaw' which is missing in a picture that has the place in the public sector, private enterprises and NGOs. This is a 'win-win' partnership, provided invaluable support to the State in the implementation of social objectives. Each of the above area has its own advantages and strengths, however, social enterprises can be seen as solutions or tools to complement the weaknesses of the remaining areas including the promotion of social initiatives, mobilising potential resource both intellectually and physically from the people, promoting effectiveness and sustainability of social measures...

It's time, the State had an official recognition of social enterprises model and the role of social entrepreneurs. Mechanisms and policies need to be developed to create a stable legal framework for the operation of social enterprises, creating favorable condition for social initiatives to be implemented easily, encourage and promote the strong growth of social entrepreneurship in Vietnam.

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