

# VIETNAM SOCIAL ENTERPRISE CASEBOOK



HANOI 2016



A blue geometric graphic element consisting of a large triangle and a smaller triangle, creating a folded paper effect.

# **VIETNAM SOCIAL ENTERPRISE CASEBOOK**



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# INTRODUCTION

Over the past 30 years, economic reform has created opportunities for enterprises and organisations from various economic sectors to develop and contribute to economic growth, poverty alleviation, and improvement in living standards.

However, alongside economic reform, a number of social and environmental issues have emerged and increased in terms of quantity and scale. This requires governments to focus on economic growth associated with sustainable development and environmental protection, ensuring equal and full access to public services for the entire population.

In recent years, the social enterprise model has existed under various forms and legal statuses. These include as a standard business, a non-profit organisation and a charity. You can add to this the latest form of social enterprise, registered under the Enterprise Law 2014. Social enterprises have confirmed their role as an active and effective partner in assisting governments in solving social and environmental issues in a sustainable manner. Thanks to the success of their creative ideas, social enterprises have supported governments in addressing social and environmental issues including poverty alleviation, capacity building for disadvantaged and ethnic minorities, natural conservation and environmental protection.

Acknowledging the importance of respecting and spreading creative ideas for social goals through social enterprise models, this book has been published to introduce examples of social enterprises in Vietnam. It is the result of a partnership between the Central Institute of Economic Management, the British Council in Vietnam and the National Economics University, in cooperation with national and international stakeholders.

In addition, 11 example social enterprises have been selected based on business fields, beneficiaries, operational areas, legal statuses, and effectiveness in addressing social and environmental issues.

These enterprises operate in various business areas and serve different beneficiaries. Selected business areas include culture, art, eco-tourism, medical services, production of environmentally friendly products, organic agriculture and microfinance. In terms of beneficiaries, the enterprises focus on groups including disadvantaged women and children, people living with disabilities and ethnic minorities. These enterprises operating under various forms and legal statuses might or might not register as social enterprises under the Enterprises Law 2014.

In addition, the book also introduces six successful examples of social enterprise from the United Kingdom as well other countries in South East Asia – Cambodia, South Korea, Hong Kong, the Philippines and Singapore. Here, examples of social enterprises are listed in alphabetical order and we will continue to add to them and update on their progress in successive editions.

The publication of this book aims to:

- increase awareness of and respect for social enterprises
- mobilise wider participation of the private sector, social organisations, associations and social enterprises in addressing social and environmental issues in an effective and sustainable manner
- encourage reform and creativity in dealing with social and environmental issues
- inspire the state's thinking in terms of planning and enforcement of social policies to ensure more practical, effective and sustainable policies
- serve as an educational curriculum of business administration programmes for business people at universities and institutes.

This book is written by a group of authors including: Dr Nguyen Dinh Cung, President of the Central Institute of Economic Management, Nguyen Minh Thao, Director of the Business Environment and Competitive Capacity Department, Central Institute of Economic Management, Ngo Minh Tuan, Deputy Director of the Public Service Policy Department, Central Institute of Economic Management,

Associate Professor Dr Truong Thi Nam Thang, the National Economics University, Tran Thi Hong Gam, Development and Society Manager of the British Council in Vietnam and journalists Hoang Tu Giang and Vu Thi Huong Giang.

On this occasion, we would like to express our sincere thanks to the British Council in Vietnam and the National Economics University for their cooperation and sponsorship to enable publication of this book. We are also very grateful to valuable contributions from national and international agencies, organisations and individuals including the British Council regionally and internationally for access to their database of social enterprises.

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Also special thanks go to the following enterprises: Green Generation Joint Stock Company, Ecolink Ltd. (EcoLink), Creative City Joint Stock Company, KOTO Social Enterprise, Kym Viet Joint Stock Company, Mekong Plus Ltd., Sa Pa O Chau Travel Company Limited, Solar Serve Ltd. (Solar Serve), Tohe Joint Stock Company, Tri Duc Service Joint Stock Company, Viet Rural Enterprise Development Centre (VietED) for their support, cooperation and for sharing their stories so we could complete this book.



**Dr. Nguyen Dinh Cung**

President, Central Institute of Economic Management



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This book has been completed by a group of authors from the Central Institute of Economic Management, the British Council in Vietnam and the National Economics University with support from relevant agencies, organisations, businesses and individuals. The views expressed in this book are those of the authors and do not necessarily reflect the views of the above organisations.

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## Central Institute of Economic Management

The Central Institute of Economic Management is a national institute under the Ministry of Planning and Investment. As a leading research and advisory body on economic development policies in Vietnam, the institute takes the initiative in researching new issues in order to advise party and state on guidelines and policies effecting economic reforms. In 2012, the Central Institute of Economic Management was considered one of 80 leading institutes in the world in terms of national economic policies (according to The Global GoToThinkTank index).

## The British Council in Vietnam

The British Council is the UK's international organisation for cultural relations and educational opportunities. It boosts friendship, knowledge and understanding between the people of the UK and other countries. Using the UK's cultural resources it makes a positive contribution to the countries where it works – changing lives by creating opportunities, building connections and engendering trust.

The British Council works with over 100 countries across the world in the fields of arts and culture, English language, education and civil society. Each year it reaches over 20 million people face-to-face and more than 500 million people online, via broadcasts and publications.

Founded in 1934, the British Council is a UK charity governed by Royal Charter and a UK public body.

## National Economics University

The National Economics University was founded in 1956 and was originally known as the School of Finance and Economics. After 60 years of development, the National Economics University is one of the leading universities in economics, public management and business administration in Vietnam.

The National Economics University's mission is to place a high priority on the quality of teaching and education, scientific research, consulting, application and technology transfer in the field of economics and business administration. Together they contribute to the industrialisation and modernisation of the country in the context of global economic integration.

The National Economic University's vision is to become a prestigious, research-oriented university in multiple sectors at both regional and global levels, especially in terms of economic management and business administration.



## **PART 1**

# **OVERVIEW ON SOCIAL ENTERPRISES**

# I. The definition of social enterprise and the global trend of the development of social enterprise

## 1. The definition and characteristics of social enterprises

Although social enterprises have existed for quite a long time, there are still various definitions across the world. For example, the UK Government in its Social Enterprise Development Strategy 2002 states: '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.'<sup>1</sup>

As defined by the Organisation for Economic Co-operation and Development (OECD): 'Social enterprises are organisations which operate under several different legal forms applying entrepreneurial 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'.

These two definitions are often cited and referred to by researchers and organisations.

There are other definitions – for example, according to global associations including Ashoka, Echoing Green, the Skoll Foundation and the Schwab Foundation for Social Entrepreneurship: 'A social enterprise is a business model to develop innovative and effective solutions to address social issues in the world'. Meanwhile, a number of Asian governmental agencies state: 'A social enterprise is a business model providing training and employment opportunities for marginalised groups'.

The Centre for Social Initiatives Promotion (CSIP, Vietnam) has its own definition: 'Social enterprise is a concept that refers to the work of social enterprises under different legal entities depending on specific purposes and operating conditions. Social enterprises directly target social benefit, and are led by a strong entrepreneurial spirit to achieve both social benefit as well as economic returns'.

Despite different definitions, social enterprises have three typical characteristics as follows:

- **Social missions and goals are set as top priority at the time of establishment:** Social goals of enterprises must be publicly, clearly and transparently declared. Each social enterprise is created to solve a specific social goal, serving a recognised social community or group, not an individual. Traditional enterprises also bring about positive social effects using a different approach from that of social enterprises. Accordingly, meeting customer needs or relying on social solutions is used by traditional enterprises as a tool to gain profit for business owners. In contrast, business activities are used by social enterprises as a tool to achieve social goals.
- **Business activities and fair competition are used as a tool to achieve social goals:** Business activities are a special feature and a strength of social enterprises compared to non-governmental organisations and non-profit organisations as they mainly receive funding from donors to implement social programmes. Social enterprises have to compete equally and fairly with traditional businesses operating in the same field. While facing such a big challenge, social enterprises are independent in terms of their organisation and operation. Revenues from business operations might not offset all of the costs for social goals and they might rely on funding from donors to cover part of these costs. Therefore, it is important to develop a rational, profitable and sustainable business strategy to ensure effective solving of social issues.
- **Most profits from business activities are redistributed for the enterprise, the community and social goals:** Under the social enterprise model, it is required that profits are used for activities that benefit the enterprise or its community. Business activities and social goals are the most basic characteristics. Profit redistribution is a criteria which distinguishes between 'for profit' or 'for social goals' enterprises.

In addition to typical characteristics mentioned above, most social enterprises also have other characteristics as follows:

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<sup>1</sup> The British Council, CSIP and CIEM (2012).

- **Social ownership structure:** The community, relevant stakeholders or beneficiaries, are engaged in the ownership structure and management of social enterprises. This gives social enterprises high autonomy. In practice, most social enterprises have open and democratic management structures. As the main goals of social enterprises are to solve social issues, their activities are closely linked with the community, stakeholders, and a wide network of stakeholders. Therefore, social enterprises are willing to share 'power' with all relevant stakeholders. For example this might include applying the principle of one member one vote instead of voting rights based on contributed capital.
- **Meeting the needs of the Base of Pyramid Group:** One typical mission of social enterprises is to satisfy the needs of the Base of Pyramid Group (including disadvantaged and marginalised groups). While the public sector finds it difficult to ensure social security for the Base of Pyramid Group, the private sector often ignores this group as they consider groups with higher solvency as targeted customers.

Consequently, social enterprises play an important role in targeting secondary markets, filling gaps between 'market failure' and 'public sector failure' through provision of goods and services at low prices for the Base of Pyramid Group.

- **Bottom-up business initiatives:** In general, most social enterprises are spontaneously established to meet social demand and business solutions are considered a way to solve social problems found by such enterprises. These enterprises are closely linked to communities that are beneficiaries of their business initiatives. This bottom-up approach has resulted in sustainable business solutions to achieve social goals.
- **Openness and connectivity:** Due to limited resources, social enterprises are always willing to share social initiatives in order to attract more support and increase access to finance sources as well as cooperation with other social enterprises within their network and relevant stakeholders.

In Vietnam, in the 1950s to 1960s, the initial social enterprise model did exist, though not legally recognised. In the form of cooperatives in the North, they began to flourish after 'doi moi' <sup>2</sup>. Presently, social enterprises exist in various legal forms including non-governmental organisations, charity organisations, clubs, cooperatives and enterprises with social objectives.

Due to their practical role, significance and development, the Law on Enterprises 2014 officially recognises social enterprises. Accordingly, a social enterprise registered under the Law on Enterprises 2014, must satisfy the following criteria:

- the enterprise is registered in accordance with the law
- the enterprise's objective is to resolve social and environmental problems, or to serve public interests
- at least 51% of annual profit is used for reinvestment in order to serve social, environmental purposes as registered.

## 2. Role of social enterprises in social-economic development in some countries in the world

International practice confirms social enterprises have become one of the sustainable ways to solve social problems, especially in the context of limited resources for the solution of social issues by the public sector. Established to meet social goals and serve the community, social enterprises complement the public sector in addressing social issues such as capacity building for marginalised groups, poverty alleviation, creating jobs for women and ethnic minorities, natural conservation, and environmental protection.

<sup>2</sup> The British Council, CSIP and CIEM (2012).

## 2.1. Social enterprises in the United Kingdom

Social enterprises have a long tradition in the United Kingdom, starting from the 17th century. Since then, many social enterprise models have been implemented including social housing, self-help groups, vocational training and job creation, fair trade, income-generating activities for charities, microfinance, and contracted outsourcing of public services.

Social enterprises have operated under various forms and legal statuses including community interest companies, limited companies, incorporated companies, credit funds, self-employed businesses, cooperatives, development funds, housing federations, social companies and trust funds. According to a survey by Social Enterprise UK in 2015<sup>3</sup>, there are around 70,000 social enterprises contributing GBP 24bn to the UK economy, creating jobs for nearly one million people. Most social enterprise revenue comes from commercial activities (73%). It is also a growing trend that traditional non-governmental organisations (NGOs) have gradually changed to this model.

## 2.2. Social enterprises in South Korea

Development of social enterprises in South Korea is closely associated with the 1997 financial crisis. With high unemployment, public social welfare programmes could not meet all basic needs of the people, putting pressure on government to take urgent action. In this context, civil society organisations took the initiative in supporting the government by creating new jobs for social goals during the period 1998 – 2006. This significantly reduced pressure on social care for the elderly and job creation for young people and the poor labour force.

After the Law on Social Enterprise Development was issued in 2007, the activities of social enterprises in South Korea were clearly defined and have showed positive change. As of November, 2014, there was 1,165 registered social enterprises and it is an intention of the South Korean Government to increase this to 3,000 by 2017<sup>4</sup>.

## 2.3. Social enterprises in the Philippines

In recent years, despite achievements in GDP growth, the social economic situation in the Philippines has still faced a number of difficulties including natural disasters, high unemployment and poverty. In order to assist the government in solving social problems, dedicated businesses have established new social enterprises operating under the business model. These are in addition to the traditional model of social enterprises as non-governmental organisations and charities, with each aiming to use profits from activities to invest and support people in sustainable poverty reduction.

According to statistics, it is estimated that there are more than 80,000 social enterprises in the Philippines, divided into three groups (cooperatives, NGOs, and businesses), operating in various sectors such as production of consumer goods, education, healthcare and fashion.

## 3. The ecosystem and policies supporting the development of social enterprises in the world

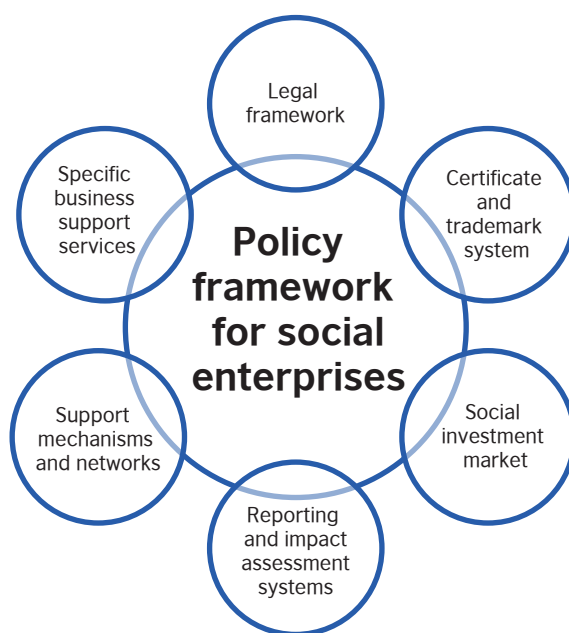
With the growth of the social enterprise movement, some countries have developed ecosystems for social enterprise development. The European Commission (2014) believes that social enterprise ecosystems should consist of environmental components that support social enterprises, including solving the main issues and challenges they face. Accordingly, key components of social enterprise ecosystems should include legal framework, social investment market, general policy framework, business support services, reporting and impact assessment systems, and support mechanisms and networks (Figure 1)

<sup>3</sup> Social Enterprise UK (2015).

<sup>4</sup> <http://www.innov8social.com/2015/01/social-enterprise-in-south-korea-5-facts>

## Figure 1. Main components of social enterprise ecosystem

Source: European Commission, 2014, p.14



In practice, legal framework and business support mechanisms are important components of social enterprise ecosystems. These components have been established in a number of countries such as the law on social economy in Spain and the law on cooperatives in Italy.

Accordingly, social enterprises, including non-governmental organisations, associations and charity funds, are entitled to incentives such as financial subsidies or tax exemptions. (See Table 1). Specifically:

### **Government funding:**

Member states of the European Union (EU) have established the Fund for Local Social and Economic Development. Accordingly, social enterprises receive payments/grants from the fund for supporting and providing social services.

### **Incentives in public procurement of goods and services:**

Agreeing contracts for goods and services through public procurement is used by EU countries as a way to support social enterprises. This fits well with the EU context where on one hand, the economy is operating under the laws of the market, and on the other hand, social welfare must be secured. For example, in Slovenia, the laws give priority to social enterprises using disabled workers and volunteers in public procurement of goods and services. Accordingly, the government allocates at least 30% of public procurement contracts to social enterprises. The Austrian Law on public procurement, which entered into force on 1 February 2006, also gives priority to social enterprises employing people with disabilities, women and the unemployed.

### **Tax incentives:**

For public benefit organisations in Italy, a preferential tax rate of 12.5% is applied against profits for reinvestment instead of the normal tax rate of 40%. Organisations pursuing social goals are entitled to land use tax exemption. However, in practice, tax exemption is only applied to public benefit organisations operating in the areas of public health, education, culture, religion and humanitarian work. VAT is exempted for goods and services provided.

In Spain public benefit organisations are entitled to exemption of income tax for subsidies and gifts if such incomes are not considered economic activities. Incomes from related economic activities of public benefit organisations are exempted from tax if profits from these activities do not exceed 20% of the total annual income. Incomes from unrelated economic activities are subject to a preferential tax rate of 10%. Public benefit organisations are exempted from property taxes, and often also capital gains tax and VAT.

In Slovenia public benefit organisations including private associations and organisations and institutes pursuing public-interest activities, are entitled to tax exemption for most income including sponsorship, donations, membership fees, and income arising from provision of public services. However, these organisations have to pay tax for economic activities meeting one of the following conditions:

- aiming to create profits, or
- engaging in competitive activities in the market with other business organisations. Passive incomes including dividends and rents are also considered incomes from economic activities.

In the United Kingdom in general, tax incentives do not apply to community interest companies (CIC) but mainly to charities. Charities are entitled to tax exemption for most direct income including sponsorship and profits for charity purposes. If charities engage in economic activities through enterprises, profits from these activities are exempt from taxes if used to pursue original charity goals.

In addition, charities are entitled to a reduction of 80% on property taxes. Local authorities also have the right to reduce a further 20% of these taxes for charities. NGOs may be exempt from part or all of property taxes. In addition, organisations and individuals contributing funds for charities are entitled to income tax reductions d

Under Austrian policies, public benefit organisations, including associations and non-profit limited liability companies, are exempt from tax for most of their income including contributions, gifts, and membership fees.

Incomes from economic activities are exempt from tax if they meet the following conditions:

- the basic objectives of the activities are to support public benefits
- the activities are needed to pursue the organisation's basic public interest goals
- the income does not distort competitive markets.

Individuals and businesses can deduct up to 10% of taxable incomes for public interest purposes. Public benefit organisations are exempt from property taxes if such properties are used for public interest and charity purposes.

In the Federal Republic of Germany some public interest activities are exempt from value added tax (VAT) including activities relating to public health, education, culture and science. In addition, corporate tax law provides for income tax exemption for companies and organisations if they directly implement activities for public interest purposes. This also includes income from organisation assets so long as it is exclusively used for public interest and charitable purposes.

In brief, international practice on social enterprise development policies shows clear distinction between two types of incomes from commercial and non-commercial activities. Revenues from commercial activities are taxable. Donations from governments, individuals and organisations are exempt from income tax. Social enterprises and public benefit organisations pursuing social (or non-profit) purposes are exempt from indirect taxes such as business taxes, VAT and property taxes.

### **Institutional support:**

- Support to establishment and operation of social enterprises: Spain has set up a network of 'business access points for start ups' to support administrative procedures and advice on business establishment for vulnerable groups including women, and young people wishing to establish social enterprises. In addition, the government has recruited 100 officers to provide online support on business establishment as well as conducting administrative reforms for 'one-stop shops' to support small and medium social enterprises.
- Quality control of social enterprises: Under Italian law on social enterprises, the Ministry of Labour and Social Affairs is mainly responsible for developing a mechanism for monitoring and managing quality control of social enterprises. Spanish laws also outline government responsibilities in submitting reports on social enterprises every two years to parliament.



### Establishment of a coordination agency:

Presently, some EU countries have made a great effort to support social enterprises through establishment of a coordinating agency. In general, countries interested in development of social enterprises have set up a coordination network in order to cooperate with the government in policy development and propose measures to support social enterprises for community interest.

In Italy, the government has established an agency in charge of managing the third sector to propose policies and manage data on social enterprise development.

Meanwhile Spain has set up a council of social-economic development and social funds to develop the third sector. This agency is responsible for coordinating among government agencies during development or institutionalisation of socio-economic documents and management of funding to support social enterprises.

In addition, the agency also coordinates and develops training courses to support social enterprises in gaining access to advanced technologies as well as mobilising participation of social enterprises during policy-making process.

In the United Kingdom, the Office of the Third Sector was renamed the Office of Civil Society in 2010 with the remit of being responsible for supporting social enterprise development.

**Table 1: Summary of social enterprise development policies in some countries**

Supporting policies	Content
Issuance of legal documents/strategies on social enterprise development	Social Enterprise Development Strategy 2002 (United Kingdom); Law on social values 2012 (United Kingdom); Social Enterprise Development Act 2007 (Korea); Law on Social Economy 2011 (Spain); Law on Social business (Slovenia); Law on social cooperation (Italy)
Establishment of social enterprise funds	EU has established the fund for local socio-economic development to provide payments/grants to enterprises engaging in provision of social services.
Public procurement	Priority is given to social enterprises in public procurement of goods and services.
Tax incentives	Preferential corporate income tax, VAT, land and real estate tax.
Institutional support	Establishment of agencies to support social enterprise development, development of data systems, policy dialogues and support in administrative procedures.

Source: authors

## II. Overview on social enterprises in Vietnam and the development prospects

### 1. Current situation of social enterprise development in Vietnam

Results of a preliminary survey in three cities including Hanoi, Danang and Ho Chi Minh City in 2011 show that social enterprises have operated under various forms and legal status. These include centres (an operational form for non-governmental organisations), joint stock companies, limited liability companies, associations, clubs and cooperatives. There are currently around 1,000 social enterprises.

Social enterprises in Vietnam also engage in diverse areas such as education, health care, arts and crafts, community media, agriculture and environmental protection. According to a survey on social



enterprises (2011)<sup>5</sup>, 68% of social enterprises aim to pursue poverty reduction, stable livelihood and increased incomes for vulnerable groups through education, vocational training, improved skills, equipment and knowledge.

Unlike traditional businesses, it is difficult to assess effectiveness of social enterprise activities and their impact on the community, especially their social impact. For example, it is not easy to quantify by monetary value the effectiveness of support from social enterprises in helping hundreds of farmers eradicate poverty through sustainable livelihood activities. However, according to the survey mentioned above, the number of beneficiaries from social enterprise activities is higher than those from normal businesses (see Table 2)

farmers eradicate poverty through sustainable livelihood activities. However, according to the survey mentioned above, the number of beneficiaries from social enterprise activities are higher than those from normal businesses (see Table 2)

**Table 2. Comparison of impact indicators of social enterprises and normal businesses**

<b>1 medium social enterprise (in the form of company)</b> (According to the British Council, CSIP and SPARK, 2011)	<b>1 typical business</b> (According to Vietnam small and medium enterprises White Paper 2011)
registered capital of 1.6 billion VND	registered capital of 16.8 billion VND
Using 51 employees (including 18 persons with disabilities)	Using 36 employees
Impact on 2,262 beneficiaries	
400 million VND of profit/15 billion VND of revenue	320 million VND of profit /13.4 billion VND of revenue
Other social and environmental values	

Source: British Council, CSIP and CIEM (2012)

Nevertheless, compared to normal businesses, social enterprises in Vietnam have faced difficulties as follows:

- society's awareness of their activities and role is still limited, partly due to inadequate legal framework for operation of social enterprises
- lack of capital and access to larger financial resources, as most social enterprises are small and relatively young
- lack of management capacity, as most of enterprises are young with little experience of this new form of business in Vietnam
- quality of human resources is still low. Many social enterprises only recruit employees from disadvantaged and marginalised groups.

## 2. Social enterprise development policies in Vietnam

As mentioned above, social enterprises in Vietnam have operated in varying forms and legal status. Each type of enterprise is governed by different laws and policies. In addition, social enterprises investing in referential sectors or areas might enjoy preferential policies depending on those selected sectors or areas. As an example, special preferential policies are applied to investment in providing public services, environmental protection, investment in mountain areas, or for vulnerable groups. Examples of policies to encourage and support social enterprise development are as follows:

<sup>5</sup> The British Council, CSIP and SPARK (2011).

- Social enterprises, registered under the Law on Enterprises 2014, are entitled to preferential policies mentioned in Decree No. 96/2015 / ND-CP detailing a number of articles of the Law on Enterprises. Specifically:
  - The state shall encourage and create favourable conditions for organisations and individuals to set up social enterprises targeted to address social and environmental issues in the public interest
  - Social enterprises shall be given investment incentives as prescribed by law
  - Social enterprises can receive foreign non-governmental aid to resolve social and environmental issues as prescribed by regulations of law on receiving foreign non-governmental aid.
- Social enterprises operating in social and environmental areas might be entitled to incentive policies under Resolution No. 05 and Decree No. 69<sup>6</sup> . Specifically:
  - Incentives on infrastructure and land. Socialisation establishments are entitled to long-term leases at a preferential rate (excluding land rents, site clearance compensation and profit earned through housing and infrastructure enterprises).
  - Receiving or leasing land with a completed site clearance from the state in one of the following forms: (i) land allotment free of land-use levy; (ii) rent-exempt land lease; (iii) land use levy-exempt allotment or land subject to land use levy
  - Socialisation establishments are exempt from registration fees charged for the use of land and ownership of assets attached to land.
- Preferential tax policies:
  - entitled to a 10% enterprise income tax rate for the whole operation period
  - exempt from enterprise income tax for four years starting from the time of generating taxable incomes and enjoying a 50% reduction in the subsequent five years
  - medical services and treatments, education, import of machinery and equipment for scientific research or aid are not subject to VAT
  - entitled to preferential export tax and import tax.
- Credit incentive policies:
  - entitled to investment credit loans or to receive post-investment support according to the state's investment credit regulations.

### **3. The Prospect of social enterprise development in Vietnam and recommendations**

Presently, the social enterprise movement has flourished in various areas. In Vietnam, social enterprises continue to grow, expand and attract increasing attention in society. In the near future there are also many opportunities for social enterprise development:

- As need for welfare services increases, it is important social enterprises support the public sector in providing these services to different targeted groups
- As the government has always focused on the improvement of the business environment to create favourable conditions for businesses, the legal framework for operation of social enterprises will also be enhanced
- Extensive economic integration gives social organisations more opportunities to cooperate, attracting investment in social and environmental sectors

<sup>6</sup> Resolution No. 05/2005/NQ-CP dated 18 April, 2005 on promoting socialisation of educational, healthcare, cultural, physical training and sport activities; Decree No. 69/ND-CP dated 30 May, 2008 of the Government on incentive policies for socialisation.

- During administrative reforms, one important task is to reform the public service sector, changing to a business model with self-management and self-responsibility, distinguishing between administrative tasks and public services, increasing efficiency and efficiency of capital use. Accordingly, the social enterprise model is considered a suitable model for public service delivery units
- There is a tendency to change the role of the government from providing to purchasing welfare services from organisations and businesses. This creates opportunities for non-state actors (social organisations, the private sector, businesses and communities) to participate in providing public services to the people.

Based on the practical situation of social enterprises in Vietnam and international practice, it is important to apply effective and consistent measures as follows:

- Communication activities under various forms should be promoted to disseminate information and raise awareness of the social enterprise model and its role in sustainable development
- The government plays an important role in the development of social enterprises. International practice shows social enterprises only flourish after government changes its role from direct provision to ensuring equal and effective provision of public services to the people to overcome market failure
- Following this approach, the government should implement open and transparent public procurement for social enterprises to provide public goods and services. This could include waste treatment, environmental protection, education, community medicine, and sustainable livelihoods. To do this would require them to create policies and regulations requiring state agencies and institutions to give priority to social enterprise goods and services while ensuring the same quality as those provided by other businesses
- Favourable business environment should be created for social enterprises to enter the market. Currently, the government has established a legal framework for social enterprise activities including policies on support to social enterprises, funding and aid receipt. These policies must ensure the principle of openness, easy access and simple administrative procedures

However, for more comprehensive and effective development of social enterprises, the government should aim to develop a system of specific incentives for social enterprises. Enterprises often face difficulties when starting traditional businesses. It is even more difficult when starting businesses aimed at solving social issues as they often focus on the needs of the poor, low-income and vulnerable groups. Therefore, incentives for social enterprises should focus on following aspects:

- institutional support
- financial support
- support and delivery of training courses to improve quality of human resources
- providing information and marketing for social enterprises.
- It is important to establish a fund for social enterprises in order to ensure sustainable financial resources. This will be partly funded by state budget, charities, and social investors. In addition, the stock market is also a channel to mobilise capital for social enterprises. Some countries (such as Bangladesh) have allowed establishment of social investment funds listed on the stock market to attract investment capital from social investors and benefactors.
- Capacity building and human resource development for social enterprises should be implemented. In practice, leaders of social enterprises are often people who are devoted to social assistance but lack training in business administration, especially skills in solving social problems. Therefore, it is important to include subjects relating to social enterprise start-up and business in the teaching curriculum of universities.

International practice shows that while social entrepreneurship has been integrated into academic activities over the last 10 years, it has not become an orthodox subject. Major universities around the world have established research centres for social entrepreneurship or social innovation.

These include the Scholl Social Innovation Centre under Saïd Business School, University of Oxford, United Kingdom, the Social Innovation Centre under Stanford University, USA, the Social Innovation Centre under Boston University, USA, the Tamer Social Enterprise Centre under Columbia University, USA, the Centre for Social Innovation and Impact Investing of Sauder Business School under University of British Columbia, Canada, the Centre for Social Enterprises (RAISE), Singapore, the Institute for Social Enterprises (RISE) and Pusan National University, South Korea.

It is important to widely spread the concept of social entrepreneurship and, in doing so, aim to create a better and fairer society. This requires the effort of many parties including the role of universities in research and training managers, entrepreneurs and future employees in their responsibilities to the community and the society.

Universities contribute to these efforts through knowledge sharing and training activities such as:

- studying and making recommendations on policies to promote social entrepreneurship
- including business ethics and social responsibilities as core subjects in teaching curriculum at universities
- establishing nurseries for social entrepreneurship.

Given the blooming social enterprise movement in recent years, it is important to strengthen cooperation and coordination among national and international stakeholders in the development of social enterprises. These activities may include the organisation of national and regional forums to provide and exchange information. This could be achieved among social enterprises, between social enterprises and other enterprises and donors and between social enterprises, researchers and policy-makers as well sharing good practices in social enterprise development. Promotion of social enterprise development creates a wide social enterprise network that attracts capital from charity investors.

It is hoped that effective implementation of the above-mentioned measures will promote social enterprise development, actively assisting the government in solving social and environmental issues for community benefit.

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## **PART 2.**

# **VIETNAM SOCIAL ENTERPRISES**





**VIETNAM ECO - LINKS LIMITED  
COMPANY (ECOLINK) - A BRIDGE TO  
BRING VIETNAMESE ORGANIC TEA  
TO THE WORLD**



**By establishing a mechanism for fair trade and organic production, Ecolink has helped bring clean tea products from hundreds of ethnic household in the highlands of northern Vietnam to western tables.**

### **Mechanic engineer goes to work with organic agriculture**

Than Dy Ngu, Director of Ecolink which specialises in organic tea products, graduated in 1989 with a mechanical engineering degree from Hanoi Polytechnic University. It wasn't the best timing – during that period shortly after Vietnam opened up to the world, manufacturers were struggling. In 2001, after gaining experience in many different jobs, Ngu established Hiep Thanh Company specialising in sustainable agriculture products and the construction of supply chains.

By 2003, Ngu had founded Ecolink, headquartered in the Cau Giay District of Hanoi. His ambition was to bring organic Vietnamese tea products to foreign countries, using his Hiep Thanh model, but on a larger scale.

He realised that in order to do this, he would have adhere to a lot of regulations covering the organic production chain while attempting to obtain fair trade certification.

It took time to turn the idea into action. By 2009, after much research, Ngu decided to choose the Tan Cuong region, Thai Nguyen Province, one of the most famous tea growing areas in Vietnam, to provide the raw materials. He and his staff convinced many households to become part of Ecolink's tea production chain and Ecolink supported them in learning tea growing techniques as well as financial management. Unfortunately, after much hard work and time and money spent, initial efforts was not successful. Tan Cuong is a very competitive area for tea enterprises and many growers broke their contracts. Investments were lost and orders weren't met.

The whole idea of providing organic tea via Ecolink was seriously challenged. Ngu lost more than money – he lost confidence.

### **Continuous experiments**

After the failure in Tan Cuong, Ngu went to Ban Lien in the Bac Ha mountainous district of Lao Cai. It is a remote area about 360km from Hanoi. He thought the ethnic people would better comply with Ecolink's clean tea production process. Luckily, Lao Cai province's leader at the time, Bui Quang Vinh - who later was Minister of Planning and Investment, and was responsible for promoting the private sector in Vietnam - enthusiastically supported Ngu's idea. As a result, Ecolink organised ethnic groups to grow tea. Ecolink helped establish cooperatives and production groups. Members were trained in organic agriculture, the process of creating organic compost, skills to organise organic tea groups, management boards and internal control systems.



*Organic tea at Lien Village, Bac Ha, Lao Cai*

Ecolink's organic tea is based on natural forest tea, using micro organic fertiliser and bio-pesticides, if needed. All the raw tea were harvested from ancient tea trees growing naturally. But ensuring the tea was 'clean' was the challenge. Training was exhaustive.

However, everything did not go smoothly. At the end of that first year, when preparing to harvest the first batches of ecological tea, farmers were offered inorganic fertiliser by the local authority. The farmers used it without notifying Ecolink. The result was that the first batch of tea could not be used.

'Receiving the required organic certification is a very strict procedure for tea growers and everyone involved in the whole system of production and distribution. The customer requires high quality and the farmers must understand the techniques required to grow and harvest. Ecolink had to comply with all regulations at all stages,' Ngu said.



By the end of 2006, Ecolink obtained two key fair trade certificates. It was a milestone in the development of Ecolink in particular and Vietnam's tea industry in general.

## Harvesting day

To date Ecolink has developed tea growing areas and tea production facilities in the provinces of Ha Giang and Yen Bai. They are mountainous regions with cool climates and are completely isolated from traditional tea cultivation areas. The company has built tea factories in Bac Ha (capacity of 15 tons of fresh buds per day) and Quang Binh (20 tons of fresh buds per day). The company's organic tea is packaged in 30 - 40kg containers for export to Europe and America. From there, local partners sort them into smaller packages branded for domestic markets.

Ecolink only uses the local Shan Tuyet tea variety, produced by registered and trained farming households. The tea farms only fertilise with incubated organic fertiliser and do not use mineral fertilisers or chemical pesticides. The company purchases standard fresh tea buds for processing at the factory, complying with all procedures.



*Technical training in organic farming for farmers*

The company's strategy in ensuring quality is to satisfy the quality standards of each target customer. This requires strict quality control procedures and regular internal inspections.

In October 2009, Ecolink opened the first of a chain of stores providing local organic food. Ecomart now has two stores in Hanoi as well as provinces including Hoa Binh, Bac Giang, Lao Cai, Ha Giang, Cao Bang, Lai Chau, Moc Chau and Lam Dong.

Ecolink places strict emphasis on developing the supply chain, and its main focus is farming groups. From there it builds links with manufacturers and branded distribution channels. Currently Ecolink is working directly with around 28 farming groups, consisting of about 800 households, which they train and assist in the production of organic food. Around 600 of the households it works with are part of ethnic minority groups in remote areas.

In 2016, Ecolink exported 100 tons of organic tea, opening up a sustainable future for the local tea industry. By standardising quality and working in partnership with international brands, farmers can be confident of fair returns. Products sold via the FLO channel, the production organisation belonging to the Fair Trade Movement, additionally include a 'welfare' payment of between 7 and 15% so as to improve workers' conditions.

Organic agriculture in Vietnam is still at an early stage. Specific policies to support development of organic agriculture are limited. Numerous organic products are yet to be certified for proper distribution. There is no local system of accreditation, no certification for organic products and little of the organisation required to make it happen. Knowledge of producers, consumers and the wider organic agriculture community is limited.

But Ecolink is starting to build an organic tea industry. It has also helped wider enterprises develop processes to obtain internationally-required organic certification. Ecolink is striving to become the number one organic enterprise in Vietnam. Besides, Ecolink is working to become Vietnam's top consultancy provider on the development of organic projects and international certification. Ngu believes Vietnam needs more enterprises in organic tea production so that its tea products can reach the outside world and help increase tea growers' income.

Ecolink's aim is to build a sustainable agricultural system via the creation of a supply chain of organic products from farms, through processing and distribution to consumers. It introduces high quality natural products to the market to improve the lives of consumers and the lives of highland farmers as well as numerous others along the production chain.

Lives have been much improved due to increasing incomes. Many new, nice houses can be seen in the areas where Ecolink works. New hygiene habits have also been established. No longer do people live in the upper floors with cattle inhabiting the floor beneath. During his fieldtrips to the manufacturing areas, Ngu can clearly see the change brought by Ecolink and that makes him happy.

WebPages: <http://vietnamorganic.vn/> and <http://www.ecomart.vn/>

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According to the UN's definition, organic agriculture is a natural farming and breeding system, not using chemicals as fertiliser or pesticide, helping reduce pollution and ensuring the health of farmers and cattle. Organic agriculture was formed in the 70s and is growing strongly, particularly in developed countries, to meet the needs of a post-industrial society desiring natural nutritious foods. It ensures sustainability, health benefits, safeguards the environment and provides sustainable development. Organic agriculture is one of the measures available to reduce CO<sub>2</sub>, and reduce climate change effects. Currently, there are 130 countries in the world cultivating produce using organic agriculture methods. These account for a growing share of agricultural land with 35.6 million hectares now organically managed.



know one, teach one



# KOTO: THE BIG BROTHER OF VIETNAM'S SOCIAL ENTERPRISES

KOTO chapter written by Dana McNairn, CEO | KOTO

KOTO chapter edited by British Council (BC), Central Institute for Economic Management (CIEM) and the National Economics University (NEU)

**Jimmy Pham, a Vietnamese-Australian, could not have predicted that his chance encounters with street kids in Hanoi in the mid-1990s, at a time when Vietnam itself was opening to the world under *đổi mới* (renovation) would change his life forever. His organisation KOTO has gone on to change the lives of many hundreds of at-risk and disadvantaged youth and, in the process, has also changed Vietnam's perceptions of social enterprises.**

## **The story of KOTO, sandwiches and street kids**

KOTO started in 1999 as a small sandwich stall providing employment for nine street kids. It has since grown into an award-winning nonprofit social enterprise providing at-risk and disadvantaged youth aged between 16-22 with an intensive 24-month programme of vocational hospitality training, crucial life skills development and support, and English language learning. KOTO graduates receive an internationally recognised accreditation from Box Hill Institute (Melbourne, Australia) and go on to have careers in leading hotels, resorts and restaurants in Vietnam and the world.

There are currently 150 trainees enrolled in the programme<sup>1</sup>. To date almost 700 young men and women have graduated from KOTO and among these alumni are entrepreneurs who have opened businesses. Some of these utilise the social enterprise model and also provide further opportunities for KOTO trainees and alumni. Examples of entrepreneurialism include Pots 'n Pans and Little Black Duck fine dining restaurants in Hanoi. The philosophical foundation of KOTO (know one, teach one) is based on the concept that graduates will take the lead in assisting not only KOTO trainees, but also other youth in similar disadvantaged situations.

Accounting for approximately 17 million people, youth make up 18.4% of the Vietnamese population. While Vietnam's unemployment rate has been relatively stable at 2 - 4% over the last decade, the International Labour Organisation (ILO) estimates that nearly half of the country's unemployed are between 15 and 24, making the unemployment rate of Vietnamese youth more than three times that of adults<sup>2</sup>.

In addition, around 4 million youth are in 'vulnerable employment', meaning they are self-employed or work in jobs that have low productivity, low pay, poor working conditions or no social protection<sup>3</sup>. Meanwhile, the tourism and hospitality sector is a thriving industry across the world in general and in Vietnam in particular. However, it continues to face labour shortages due to a lack of relevant workforce training opportunities.

This fact encouraged Jimmy to start the training model that became KOTO and led him to embrace and champion the social enterprise model in Vietnam.



*Koto staff at KOTO Dream Ride launch ceremony in Hanoi (November, 2015)*

### **Revenue**

- 2011: 16.7bn VND
  - 2012: 21.6bn VND
  - 2013: 23.8bn VND
  - 2014: 23.4bn VND
  - 2015: 16.8bn VND
  - 2016 (unaudited): 31.9bn VND
- (VND22,000=\$1)

1 As of June 30, 2016.

2 ILO (2013) "Global Youth Unemployment Rate to Reach 13 Percent This Year," ILO News, International Labour Organization (ILO). Available at: <[http://www.ilo.org/hanoi/Informationresources/Publicinformation/Pressreleases/WCMS\\_212989/lang--en/index.htm](http://www.ilo.org/hanoi/Informationresources/Publicinformation/Pressreleases/WCMS_212989/lang--en/index.htm)>.

3 Ibid.



## Vision Statement

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

## Mission Statement

Empower at-risk and disadvantaged youth to pursue lives of dignity by providing life-skills, training and opportunity.

## Values

Justice | Community | Respect | Teamwork | Performance

## Governance and structure

KOTO's vision, mission and values are embedded in its approach and structure. As a non-profit, KOTO invests profits directly back into its programme rather than pay dividends to shareholders as in the traditional business model. KOTO's business activities are in:

- hospitality
- tourism
- restaurants (including cafes, bakeries, catering and canteen services)
- food and beverage management services
- vocational training provision and services.

This helps explain KOTO's structure. There are two divisions. The first is Social Enterprise, which operates food and beverage activities and training restaurants. The second is Foundation, which operates training activities, and the national training centre and campus (including all trainee housing). Revenue generated by KOTO Social Enterprise activities support the operations of KOTO Foundation.

KOTO's operations in Vietnam are overseen by a nonpaid board of directors in Australia with reporting requirements to the Australian Taxation Office. The nine-person board includes a public funds committee (PFC) in order to satisfy tax requirements for a non-profit to issue Australian tax receipts. This is KOTO's legal charity status in Australia and enables it to fundraise there for programme support in Vietnam. While Jimmy chairs the board and is based in Ho Chi Minh City, the remaining members are in Sydney, Melbourne and Canberra.

In 2002 KOTO registered as a limited company at the Hanoi Department of Planning and Investment. In 2016 KOTO became the first company in Vietnam to be registered as a social enterprise under amendments to Article 10 (Decree 96) in the Ministry of Planning and Investment's Law on Enterprise.

## Funding

KOTO also holds two annual fundraisers – the KOTO Dream Ride in Hanoi since 2002 and the KOTO ONE gala event in Ho Chi Minh City since 2014. Generous individuals, families and corporations continue to participate in the Dream Makers programme by sponsoring individual trainees for US\$150 a month during the trainee's 24-month training and education period with KOTO.

KOTO's revenue has remained stable over the last few years. The move into and renovation of a new training restaurant in Ho Chi Minh City in 2015 at the KumhoAsiana Plaza, while doubling



*Former Australia Prime Minister Julia Gillard visiting KOTO Hanoi (2010)*



*KOTO trainees graduation ceremony in at United Nations International school of Hanoi (June, 2016)*

the space for customers and special events, affected KOTO's income in the second and third quarters of that year. However, KOTO's revenue is on track for 2016 and forecasted to see a healthy 80% increase by fiscal year-end. KOTO is independently audited every year by financial service firms such as KPMG or International Auditing and Financial Consulting Company (IFC).

This is how a social enterprise like KOTO applies business solutions to social problems. The ultimate goal is to achieve sustainability by enabling KOTO to wholly support itself financially in innovative ways instead of relying on grants and donations to fill funding gaps. Since KOTO has no shareholders, profits from its revenue-generating social enterprise activities are reinvested in the KOTO training program. Therefore, KOTO's business model channels and converts input (solid training and great food) into outcomes by generating both economic value (revenue via restaurants) and social value (measurable impact on transforming young lives).



*KOTO's trainees at Koto Van Mieu Restaurant (2015)*

**Table 1. Snapshot of KOTO's key partners since 1999**

Bilateral	UNICEF, UN Women, UNESCO, UNDP, UNIS Hanoi
Business chambers	AusCham, BBGV, CanCham, EuroCham, AmCham, Nordcham, Singapore Business Group HCM
Enterprises	Fujitsu, Cook Medical, Australian Business Group, Unilever, PwC, GroupM, Family Medical Practice, International SOS, HSBC, Starbucks, Vodafone, Warehouse, Joy Water, Lavazza, Coca Cola, Medusa, Rice Creative, Kingsmen, Red Brand Builders, KOTO Catering, Word Vietnam, AsiaLIFE, Vietnam Oi, Saigoneer, Cathay Pacific, ThaoLe Entertainment, Kumho Asiana Plaza, Colliers International, Meatworks, PEB Steel, B+H Architects, Indochine Engineering, Work Room Four, SyncNamArt, Creative Tribe, Officine, Red Apron, The Warehouse, Da Loc
Donors	EMpower, Project Happy Feet, Babonanum, , GRM International, Donaco International, Vietnamese American Scholarship Fund (VASF), Center for the Encouragement of Self-Reliance (CESR), Hanoi International Women's Club, International Ladies of Vietnam
Education partners	Box Hill Institute, Hoa Sen College, Macquarie University, Le Cordon Bleu Australia, RMIT Vietnam, La Trobe University, The Northern Sydney Institute, New South Wales AMES
Foundations	Wise Foundation, One Foundation, Henley Foundation, Michael Matthews Foundation, The Intrepid Foundation (TIF), The Kadoorie Charitable Foundation, The Body Shop Foundation, La Fondation Junclair, Swiss Philanthropy Foundation, VinaCapital Foundation, Fondation Albatros
Government (via embassies and consulates)	Australia, Canada, USA, Denmark, Ireland, Switzerland, UK, Germany, New Zealand

Government (via cultural cooperation agencies)	British Council, Goethe-Institut
Restaurants and hotels	Caravelle, Park Hyatt, Sheraton, Hilton, InterContinental, JW Marriott, Sofitel, Jaspas, Refinery, Press Club, The Reverie Saigon, Hotel Nikko, MGallery, Serenity Holding, Fusion Resorts, Six Senses, Banyan Tree Hotels and Resorts, Pullman, Novotel, Hotel Equatorial, New World Hotel, Renaissance, Lotte, Villa Song, Pots 'n Pans, Little Black Duck, LePub, The Refinery, Cousins, Emerald Management Group, Last Call
Travel and tourism	EXO, Intrepid Tours, Trails of Indochina, Handspan, Buffalo Tours, Asian Trails, Amica, Tonkin, Focus, Easia Travel, Pacific World, Active Asia, Contiki, PEAK Adventure Travel, Peregrine, Saigon Tourist, Hanoi Tourist, Asiatica, Travel Indochina, Lotan Travel, Tour Lê, Vitours, Sunlight, Indochina Voyage, Asia King, HG Travel, Viet Vision, CITE, Vietnam Tourism, Destination Asia, Indochina Tourist and Trade Saigon, Sky Pacific Travel, Heritage, Asia World, Tulip Tour, Newday Travel, Smile Tour, DER Touristik
Impact investment funds	Small Giants; Lotus Impact
International nonprofit organizations	Oxfam, Save the Children, The Pacific Links Foundation (PALS), Alliance Anti-Traffic (AAT), Loreto Vietnam Australia Program, Christina Noble Children's Foundation, Marie Stopes International (MSI), German Technical Cooperation Agency (GTZ) (Gesellschaft für Technische Zusammenarbeit), Alliance for the Prevention Against Trafficking (ADAPT), Consortium for Street Children, Life Project 4 Youth, Institute for Europe and Community Development (IECD), End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes (ECPAT)
Nonprofit, non-governmental organizations	LIN Center, Center for Social Initiatives Promotion (CSIP), HATCH!, Eaves for Women, Child Wise, Education for Development, Centre for Family Health and Community Development (CEFACOM), H2H, Mekong Plus, VUFO-NGO Resource Centre, Saigon Children's Charity CIO
Professional service organizations	Allens Linklaters, Allens Pte Ltd, ABLINK, Adecco, Hogan Lovells International LLP, PBC Partners & RHTLaw, Mazars, KPMG, Ernst & Young, International Auditing and Financial Consulting Company (IFC)
Volunteer organizations	Volunteering for International Development from Australia (VIDA), Australian Volunteers for International Development (AVID), Australian Volunteers International (AVI), Young Australian Ambassadors Delegation (YAAD), Macquarie University Participation and Community Engagement (PACE), Voluntary Service Overseas (VSO), Little Rose and Green Bamboo Children's Shelters, Australian Business Volunteers (ABV)

This is only a partial list of KOTO's past and current major donors, partners and supporters. The table, while not exhaustive, shows the kaleidoscope of partnerships, in cash or in-kind, KOTO has gratefully benefited from since 1999. KOTO has and continues to receive support from many more private citizens, businesses and organisations that lack of space precludes their mention here.

## Organizational structure

KOTO has 109 staff working in Hanoi and Ho Chi Minh City, and one staff member in Australia. Of the total paid KOTO staff, two are foreigners – the CEO of KOTO and the General Manager of KOTO Foundation Division. Two-thirds of all staff are women. KOTO's empowerment approach is also exemplified in that alumni account for 36% of all staff.

Vietnam and Australia also utilise volunteers in multiple cities, again including the nonpaid board of directors in Australia. KOTO's volunteers are engaged on two continents in a variety of part-time and full-time activities on behalf of the vision and mission. In addition, KOTO hosts groups of student volunteers from Macquarie University (Sydney, Australia) twice a year that stay in Vietnam for three weeks each spring and summer. KOTO also engages the services of local volunteers to run co-curricular activities such as music, art or dance lessons for the trainees or to help with the logistics of a fundraising event.

## Training programme at KOTO

KOTO recruits trainees, aged 16-22, every six months from all over Vietnam. These are at-risk and disadvantaged youth whose backgrounds include, but are not limited to, sexualised and gender-based violence, mental and physical abuse, trafficking, conflict with the law, poverty and homelessness. The trainees receive regular health checks and vaccinations, uniforms, meals, housing, ongoing health care and well-being services, and a modest monthly training allowance. Most trainees send this allowance back home to their family or caregivers. After training in classrooms, sports and other co-curricular activities, and practice hours in restaurants during their internships, trainees also share leisure time with house mothers. KOTO organises the students' housing like a home and family environment.



*KOTO's trainees at Ho Chi Minh City (2015)*

Trainees spend the first 18 months at the Hanoi training centre and campus<sup>4</sup>. For the remaining six months, students can choose to continue training/work internships in Hanoi or Ho Chi Minh City. KOTO's training sector innovation is not to simply make trainees 'job ready', but to ensure graduates are employed upon leaving the program and are empowered to stay off the streets and out of exploitative employment or environments for life.

<sup>4</sup> In late 2014 a sponsor donated land to KOTO in Dong Nai province for a training centre and residential campus for KOTO trainees in the south.



## Huong Dang Thi's story



*Huong Dang Thi at Swinburne University of Technology, Melbourne, Australia in 2015 / Image credit: Huong Dang Thi*

Huong was born in 1986 in a farming family. Her father passed away when she was very young. Her mother had to work very hard just to make a living. The yearly income for the family came only from harvesting a few paddy fields. When Huong was 12 years old, her mother became very sick. At 13, Huong arrived in Hanoi by herself, hoping that she could earn some money to support her mother and to make sure her siblings could stay in school. Huong had to work hard. She took care of her siblings and woke up every morning at 2 am. to cook sticky rice and banana cakes which she would then sell. Her life was full of danger. There were many drug dealers in the neighborhood where she lived and she slept on a small bed under a flight of stairs.

Despite all this hardship, Huong never lost her thirst for learning. She decided to register for a night class at a Continuing Education Centre. Then, a friend told her about KOTO. In 2006, she became an official KOTO trainee. In 2007, she was offered a waitress position at the Intercontinental Hanoi Hotel Westlake.

Two years later, Huong came back to work at KOTO. There, she took on various positions such as receptionist, function coordinator, café Supervisor and marketing and communications officer. In 2011, Huong finished her IELTS course, and soon after received a scholarship to study at Box Hill Institute in Melbourne, Australia.

In 2012, Huong began to study for a Diploma of Business Management in Melbourne. She also became a Marketing and Communication volunteer for KOTO International and worked part time at the Sofitel Melbourne.

In March 2013 she was selected as Box Hill Institute International Student Ambassador representing Vietnam. At the same time, Box Hill Institute offered Huong a scholarship to study an Associate Degree in Commerce. In November 2013, Huong was honored with the Victoria Higher Education and Premier's Award for International Student of the Year and received an AU\$20,000 scholarship.

In February 2015 Huong started a journey with Swinburne University of Technology, undertaking a Master of Entrepreneurship and Innovation. By late 2015 Huong was appointed to be Young Leader of the Asian Australian Alliance and project development member of the Back to School Project.

Because of her passion and the support from KOTO and Box Hill Institute, Huong and her family's life have changed completely. Huong is an excellent example for KOTO trainees to follow and realise: All your dreams can come true if you dare to hope and rise to the challenge.

*—Contributed by Huong Dang Thi—*

## Jimmy Pham, KOTO Founder and Executive Chairman – The big brother to many kids

Jimmy was born in Ho Chi Minh City in 1972 and two years later emigrated with his mother and four older siblings, eventually settling in Australia in 1980. He studied at Hayton College (Sydney, Australia) and received his tourism management certificate in 1993. He has also undertaken coursework at the prestigious International Institute for Management Development (IMD) (Lausanne, Switzerland) in High Performance Leadership (HPL) in 2007 and at Yale University for the Young Global Leaders Program in 2013.

Jimmy's professional background in tourism and hospitality management brought him back to Vietnam operating a tour in 1996, where he witnessed the plight of at-risk youth on the streets of Hanoi. From a sandwich stall manned by nine street kids in 1999, KOTO has grown into an internationally recognised and award-winning non-profit social enterprise.

In 2006 Jimmy received the James Strong Outstanding Leadership Award (International Customer Service Professionals). In 2009 he was a finalist for the Schwab Foundation Social Entrepreneur of the Year award, the same year he also participated at the World Economic Forum's New Champions summit, the foremost global business leaders gathering in Asia. In 2011 Jimmy was again acknowledged by the World Economic Forum, this time as a Young Global Leader for his social enterprise work.

Jimmy and the KOTO team have been featured in media such as BBC News, CNN News, Huffington Post and The New York Times, as well as broadcast on Australia Broadcasting Corporation (ABC), Vietnam Television (VTV), Korean Broadcasting System (KBS) and the Swiss Schweizer Radio und Fernsehen (SRF).

Jimmy is a member of the board of directors for the Centre for Social Initiatives Promotion (CSIP), a Vietnamese nongovernmental organisation that mentors, incubates and funds social enterprises. Jimmy also spoke at the 2012 TEDx Mekong on the impact of social enterprises in Vietnam and has developed and led training programs with CSIP and the Vietnam Chamber of Commerce and Industry (VCCI) on civil society development for future leaders.

Jimmy was appointed a Member of the Order of Australia (AM) in January 2013, an honour acknowledging his significant service to the community, particularly with marginalised children and youth in Vietnam.



*Jimmy Pham and trainees at KOTO Training Centre in Hanoi (2015)*

## Milestones

Some of the milestones during the last 17 years of KOTO's development include:

- Formation of KOTO as a sandwich stall in Hanoi with nine street kids and one accountant in 1999; first formalised KOTO training centre in 2001.
- Receiving heads of state at the restaurants, including United States President Bill Clinton in 2000, Deputy Prime Minister of the United Kingdom John Prescott in 2004, Denmark's HRH Queen Margrethe and Prince Henrik in 2009, Australian Prime Minister Julia Gillard in 2010, and the Prime Minister of New Zealand John Key in 2015.
- Cooperating with Box Hill Institute in developing training curriculum in 2001, Box Hill Institute's upgrading of the KOTO vocational training programme to Certificate III in Hospitality in 2013.
- The first restaurant opening in Hanoi across from the Temple of Literature in 2007. Celebrating the 100,000th customer in 2008. Opening a training centre in Ho Chi Minh City in 2010 and a restaurant there in 2011.
- Creating Pots 'n Pans, a new high-end dining restaurant and social enterprise in Hanoi by KOTO, the KOTO Alumni Association (KAA) and Small Giants, a social impact investing company, in 2012.
- Creating KOTO Catering in partnership with social investment group Lotus Impact and KOTO in 2014 to provide catering services in Ho Chi Minh City and Hanoi, staffed by KOTO alumni.
- Creating the first ever off-site KOTO-run café in partnership with global media agency GroupM for their offices in Ho Chi Minh City in 2014 (two more followed in 2015). Moving to a new and larger training restaurant in Ho Chi Minh City in 2015. Opening the new KOTO Phở and Street Food Café in Hanoi in 2016.

## Social impact

KOTO's holistic approach to training is distinguished by a strong co-curricular component such as targeted life skills development and robust work placements. This greatly contributes to the programme's overall high retention rate of 87% of each student intake cohort and a 100% job placement rate for graduates. A third-party evaluation surveyed alumni and found 100% employment rates continued one year, five years and 10 years after graduation<sup>5</sup>. Other criteria KOTO uses to assess its social impacts are: career growth, salary increases, life quality improvement, contribution to trainees' family and KOTO programmes. Also the number of alumni with their own business, the number of alumni in management and leadership positions, the number of alumni guiding current KOTO trainees and the number of alumni participating in social and charitable activities.

## Challenges and prospects

KOTO's CEO Dana McNairn said KOTO faces challenges from the restaurants' business flows (e.g. tourism's high and low seasons) and the demand for KOTO graduates outstripping supply. While KOTO currently has limited capacity to take in more trainees and scale its programme, the new 6,000 square metre training centre and campus in Hanoi (Yen Vien) and the near-future Dong Nai campus will go a long way towards increasing trainee intake. Other challenges include streamlining timely financial reporting for a growing organisation, and measuring all of KOTO's social impacts. Dana notes, however, that these are also great opportunities for KOTO as it grows its vision, mission and partnerships.

Jimmy reflected on these milestones, prospects and the very welcome news of KOTO's registered status as a social enterprise:

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<sup>5</sup> Cara Nolan (2015) Expanding Horizons: Demonstrating KOTO's Social Impact, Hanoi, Vietnam.

‘After 17 years of operation, KOTO has seen many struggles, but we keep going, in our own way, from strength to strength. We keep growing and it is my greatest wish to continue to build “homes” for our trainees with bigger training facilities. The social enterprise recognition just proves the validity of our model and what we’re trying to achieve.’

When asked about his biggest dream, Jimmy said:

‘When KOTO turns 20 [in 2019] I can retire. The KOTO model will then be replicated elsewhere in South East Asia. KOTO will become the leading organisation in the region providing a highly professional labour force for hospitality and restaurant management, and “my kids” [alumni] will come back to manage KOTO activities.’

Jimmy also has advice for anyone wishing to start their own social enterprise:

‘Persistence. Be persistent. If ten people tell you it’s a bad idea, then probably you’re in the right direction.’

## Looking ahead

KOTO’s participatory, action and rights-based model provides training for in-demand hospitality employees, in Vietnam and internationally. This integrated program also ensures behaviour change by building the self-esteem and dignity of trainees, ensuring participants transform themselves, their families and their communities. The KOTO model has demonstrated that empowered youth go on to establish businesses in their communities, such as opening restaurants or tourism services, and further contribute to the socioeconomic development of Vietnam. The ILO also recognises the ‘significant replicability value’ of the KOTO education, training and life skills model<sup>6</sup>. Social enterprise is the way forward for better opportunities for all.

<sup>6</sup> Peter Keyon (2009) Partnerships for Youth Employment: A review of selected community-based initiatives, International Labour Organization (ILO), Employment Sector, Employment Working Paper No. 33, Youth Employment Program, Geneva, Switzerland.





**KYM VIET - PRODUCTS SPEAK LOUDER  
THAN WORDS**

## A desire to “walk on one’s own feet”

Kym Viet started in late 2013 when three people with similar views met each and decided to set up a factory producing stuffed animals.

The men, Pham Viet Hoai, Nguyen Duc Minh and Le Viet Cuong, all had mobility impairment, and used their own money together with raised funds, to set up Kym Viet Joint Stock Company in December 2013. When Kym Viet was in its infancy, they met Nguyen Thi Dinh and Nguyen Thuy Ngoc in a seminar for the disabled. Both Dinh and Ngoc had spent a long time working in organisations for disabled people, and understood the difficulties faced by the disabled.

All five got together to steer Kym Viet to a larger market with one wish – to create opportunities for the disabled and help increase their independence.



*From left to right: Cuong, Hoai and Minh – three founders of Kymviet Joint stock company*

The company adopted the slogan ‘products speak louder than words’. They knew they had to build their reputation on the quality of their products. They didn’t want customers to buy them products out of pity and reasoned that if they did– they’d only buy once.

The founders set up a joint stock company instead of a more traditional model of a support centre relying on philanthropic funding. Once they had established the company, they started to produce stuffed animals for the market. They enjoyed increasing demand and managed to balance cash flow and the quantity while quality of production was maintained while continuing to create jobs for disabled people.

## The thorny road of starting up

Kym Viet started with only 25 million VND, or \$1,120. It had two sewing machines and one hemstitch machine.

In those days, the company did not even have enough money for premises. Ngoc’s parents let the group use a small piece of yard. That mini workshop started operations right away, even though the summer heat was almost unbearable while occasional rain meant they couldn’t work at all.

The two workers were Hang and Hoa, both around 20 years old and born in Nghe An province. Hang was born into a family with five hearing-impaired children. Hoa not only suffered speech and hearing impairment she is also physically weak. During her three years at Kym Viet, she has been hospitalised on a number of occasions. Each time Kym Viet paid her healthcare expenses and after each recovery, Hoa has wanted to continue her work.

It was this lack of capital and staff that meant every member of Kym Viet had to take on multiple tasks. Initially, Dinh was in charge of cooking and housekeeping as well as preparing deliveries carried out by Minh and Cuong. With her sewing skills and ability to communicate with hearing impaired people, Dinh took on extra responsibilities to produce designs and monitor production.

Ngoc, who was then an accountant at a vocational training and job centre, spent Saturdays at Kym Viet to work on the accounts, purchase materials and work in sales. Meanwhile, transportation of stuffed animals from Kym Viet’s headquarters to retail stores in Hanoi’s Old Quarter was done by Cuong and Minh. Cuong is disabled and used a three-wheeled vehicle. He could only drive slowly and could not carry heavy loads. For Minh, the task was even more challenging. He could only transport the products in his spare time while still working at another company. Minh had graduated from Thang Long University and was then an IT engineer in Hanoi. Minh is also the weakest of the three and uses a wheelchair. For Nguyen Viet Hoai, who had the most management skills, his own business in industrial machines took most of his time.

It was almost impossible to introduce their products in fairs and exhibitions because it was hard to get around due to Vietnam's poor infrastructure. Moreover, the company was yet to recruit sales people.

Business remained stagnant for a while. But half a year later, the stuffed animals were reaching consumers in sufficient numbers for workers to double from two to four. All had hearing impairments. They decided to upgrade their headquarters and began renting two small rooms.

However they continued to be largely assetless. As a company, all Kym Viet had was determination. Like many others, their infancy was characterised by shortcomings in management, a lack of marketing skills and a shortage of capital.

Those first two years 2014-2015 were full of difficulties. Many of the products couldn't be sold and 2015 revenue was just over 200 million VND, or \$9,000. All five founders had to use their own money to keep the company afloat. Cuong even had to work through severe pain. By mid 2015, Cuong found himself asking a tough question – should Kym Viet continue?



*The current management team of Kymviet in the Kymviet first opening booth ceremony in Ho Chi Minh City, September 2016*



*View at Kymviet factory*

## A door is open

In March 2015, Le Quoc Vinh, chairman of Le Brothers' Board of Directors, helped the company borrow money, to continue its business. At the end of 2015, Associate Professor Doctor Truong Thi Nam Thang, a lecturer at the National Economics University and chair of Vietnam Social Enterprise Scholars Network, joined Kym Viet to help its development. Every Saturday, Thang would check all accounting activities and make plans for the following week. In early October 2015, Kym Viet restructured itself following Thang's guidance. The company invited Le Quoc Vinh, Truong Thi Nam Thang and designers Kieu Tuan and Nguyen Dung to become shareholders and join the Board of Directors.

Their joint efforts quickly showed results. More and more orders arrived. Revenue from 2016's first nine months was eight times the same period in 2015. By investing in equipment and monitoring production, the company maximised productivity. In early 2016, Kym Viet moved to a new five-story building that could hold a factory, office, showroom, dormitory and kitchen.

All shareholders, either working part-time or full-time for Kym Viet, are dedicated to safeguarding and growing the organisation. Hoai, the Production Director, is in charge of the overall management. Cuong is responsible for sales and market development. Minh covers communications while designers Kieu Tuan and Nguyen Dung offer creativity and product strategy. Meanwhile Ngoc takes care of administration and Vinh is strategy consultant with Thang monitoring finances.



In addition to stuffed animals, Kym Viet plans to develop a branch that trains disabled people in hand-crafting products, helps the community to live and work with the disabled, and provide value-added services such as educational tours or Kym Viet café shops. In terms of products, it will develop more educational and home decor items. Kym Viet now has a total of 18 staff with 11 working at the factory.

## The hope ahead

In order for the company to develop sustainably, the most important thing is its ability to sell its products. Competition comes in the form of Chinese stuffed animals and gifts at very low prices. In addition, there is also competition from similar products and business models of other disabled groups. However with the expertise of the two designers, the company is developing designs on a regular basis and winning and keeping customers as a result. Kym Viet attracts customers whose income is in the middle range. Kym Viet's products are sold at Me va Be supermarket chains, Thai Ha Books stores, Noi Bai International Airport lobby, and Kym Viet coffee shops – two in Hanoi and one in Ho Chi Minh City.

Kym Viet's 2016 growth is partly thanks to the support from international organisations in capacity building. One of them is British Council's Business and Investment Readiness programme (BiR) that provided training in social enterprise management and a management advisor for three months. As a result, Kym Viet could develop its own distribution channel in various coffee shops in downtown Hanoi.

But what do the next five years hold for Kym Viet? According to Thang the company's biggest opportunity lies in the Kym Viet brand with loyal customers, highly committed shareholders, eager staff, and many more hearing impaired people wanting to work for them. She says: 'We have grown in scale, diversifying our products and services, and yet, we still should base our development on our nature as a social enterprise. We want to bring stable jobs and the best life quality possible for the disabled. That is our core and ongoing mission.'

After three years of start up, Kym Viet started to make profits this year. These very first profits were shared with disabled people. For example, in October 2016, Kym Viet donated 30 new wheelchairs in Ninh Thuan province<sup>1</sup>.



*Products of Kymviet are distributed in small quantities in Hawaii*



*Feng shui fish products*

### Vision

KymViet aims to become a leading social enterprise in creative industry, fostering an enabling environment for the disabled and the larger community.

### Mission

Kym Viet is a social enterprise of the disabled and for the disabled.

### Core values

Quality – Creativity – Humanity – Cooperation – Culture

### Product principles

Quality – Originality – Functionality – Neat/ Smart Features – Using local materials – Environment-friendliness

<sup>1</sup> <http://baodansinh.vn/trao-30-xe-lan-cho-nguoi-khuyet-tat-tinh-ninh-thuan-d44560.html>



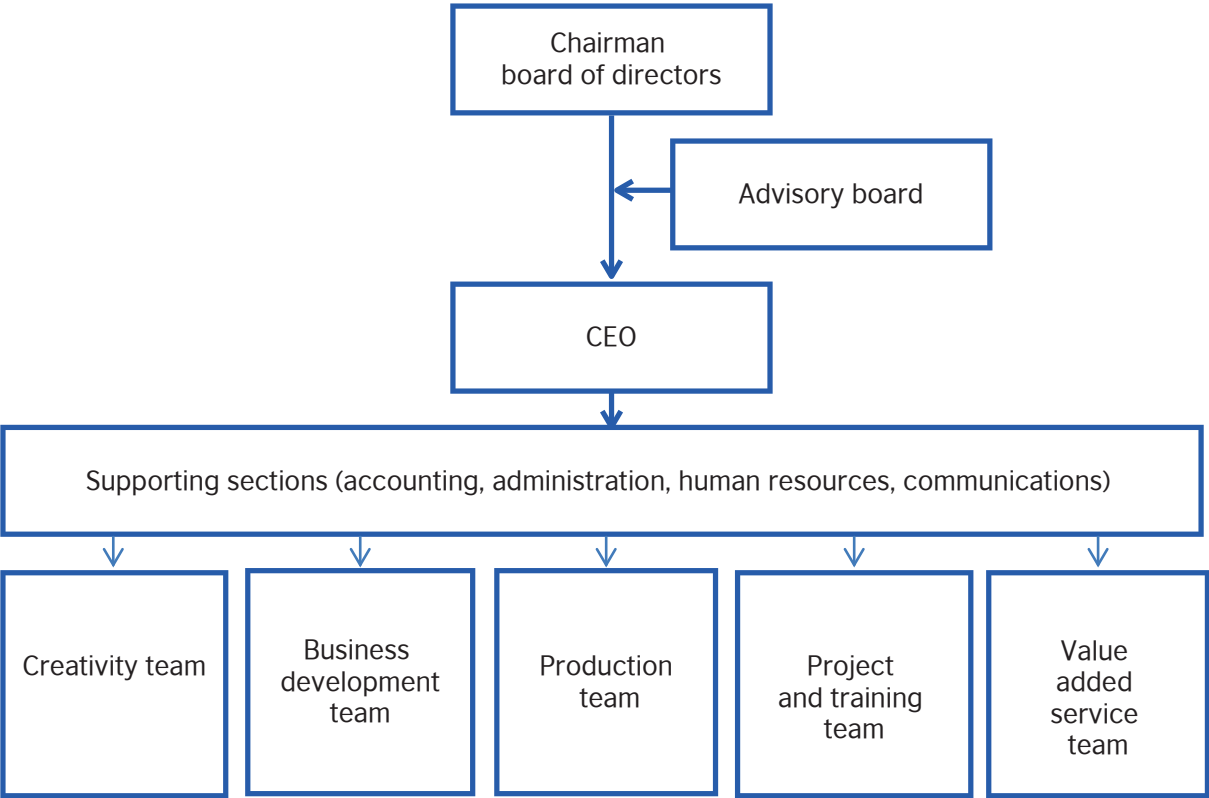
Hang, the hearing impaired woman who joined the company in its very first days, is now the leader of a team of 11. She takes orders, distributes them to her team, suggests technical improvements, and writes daily reports to the production director.

She said: 'I am very happy to work at Kym Viet. We are like a family.'



*A corner of a Kymviet booth*

Figure 1. Kym Viet’s new structure in 2016





**Mekong Quilts**  
Non-Profit Organisation



## **QUILTS AND EMPLOYMENT FOR DISADVANTAGED WOMEN AT MEKONG PLUS**



**“High-quality and sophisticated handcrafted quilts enable talented crafts women to earn their living. They also offer an awesome bicycle made from bamboo and unique scarfs which are better than other shops in Ho Chi Minh City’ – a tourist’s comment on TripAdvisor, providing reviews for travelers all over the world, precisely summarises Mekong Plus’s offerings to its customers.”**

### **Final goal: sustainable employment for rural women**

The story of those pretty quilts began in early 1994 when three people from France and Belgium set up a NGO named Vietnam Plus (it would change to Mekong Plus in 2007). Their aim was to build subcontracted handicraft projects for export. They quickly realised it was the existing norm that in many cases, workers who made the products – most of which were women – were not paid for varying reasons. In addition, product quality was inconsistent. At that time, the majority of handicraft businesses in Vietnam only focused on making use of cheap labor and mass production to offer popular products at low prices.

In 2001, doctor Truong Diem Thanh, a dentist passionate about quilts and recognising the employment opportunities their production offered, cooperated with Mekong Plus to build up Mekong Quilts’ social enterprise. The aim was to offer stable employment for poor rural women and to use the profits to support community programmes.

Mekong Plus has always focused on high-quality products with beautiful designs for its target market – expats and foreign tourists. Thanks to the popularity of the Mekong Quilts brand, Mekong Plus created jobs with stable incomes for hundreds of poor families in rural southern Vietnam, specifically Binh Thuan and Hau Giang provinces. In the first year (2001), production was organised with only 35 women. Training skillful quilt workers is not an easy task and normally takes years. But alongside business growth, the Mekong Quilts workforce reached 400 by 2012.

However, in the past three years, due to business difficulties, sales volume has decreased, and only 213 workers continue at Mekong Plus in Ham Thuan Nam, Tanh Linh, and Duc Linh districts in Binh Thuan province and Long My in Hau Giang province.

Thanks to employment with social insurance, many women in these provinces can remain in their hometown while achieving a good wage. According to Mekong Plus, those women can double their earnings, compared to previous employment, and are trained not only in terms of job skills but also in medical care and legal regulations for domestic violence. Their regular income can support children’s schooling.

In 2010, with Mekong Quilts’ success, Mekong Plus in cooperation with two other Vietnamese NGOs, Anh Duong and Thien Chi, established Mekong Creations in order to expand product varieties to souvenir and bamboo products. However, the overall economic recession forced Mekong Plus to close this enterprise in 2014 and merge it into Mekong Plus, using the same brand Mekong Quilts for all products.

By September 2016, Mekong Quilts owned five shops in popular tourist locations in Vietnam and Cambodia – Hanoi, Ho Chi Minh City, Hoi An, Phnom Penh and Siem Reap. Nowadays, Mekong Quilts offers a diversified range of products. The products combine the use of environmentally sustainable raw materials such as bamboo, water hyacinth and papier mache with traditional hand craftsmanship to create innovative designs. Products are of high quality and authentic Mekong designs using local



*Support from an enthusiastic volunteer despite the language barrier*



*Making papier mache – Long My*

materials. In 2013, Mekong Quilts received Japan's Good Design Award and has attracted many foreign volunteer designers to share experience and training support.



*Technical exchange between group members*

'The earning of rural women is the most unstable and risky sort of income. We, therefore, would like to help more people have stable earnings,' said Bernard Kervyn, Mekong Plus advisor, 'Many villagers want to become workers in Mekong Quilts.'

#### **Key milestones in brief:**

- 1994: Mekong Plus NGO was created, which is the predecessor of Mekong Plus Social Enterprise
- 2001: Mekong Plus and Doctor Truong Diem Thanh set up Mekong Quilts Social Enterprise
- 2010: Mekong Plus working in cooperation with two Vietnamese NGOs (Thien Chi and Anh Duong) establishes Mekong Creations Social Enterprise.
- 2014: Mekong Plus, incorporating Mekong Quilts and Mekong Creations, trade using the common brand Mekong Quilts

#### **Alliance with Vietnamese NGO**

Besides Tran Diem Phuong, the director, and Bernard Kervyn, the advisor, the board of directors of Mekong Plus also includes

representatives from two Vietnamese NGOs Thien Chi<sup>1</sup> and Anh Duong<sup>2</sup>. They are community development organisations mainly operating in the southern provinces of Binh Thuan and Hau Giang. All three partners including Thien Chi, Anh Duong and Mekong Plus are responsible for raising capital according to the demands of business and production. Thien Chi and Anh Duong, however, are in charge of organising production in communities. Each production unit gathers between 10 and 30 workers living in nearby neighborhoods. Bernard explains this alliance model:

'The production location is often in remote areas while shops are located in big cities. We are not able to supervise every production group, whether it is in terms of capacity, finance, or management. Anh Duong and Thien Chi have a profound understanding of local associations of farmers and women and have strong community programmes. We can not survive without their cooperation.

'For example, there are situations where workers are in conflict with team leaders, or disputes arise during the production process. The role of Anh Duong and Thien Chi is very important as we alone can not cover everything.'

Despite its high quality products, strong management system and benefit to local people, Mekong Plus has had to reduce its number of shops. The workforce, decreased from 400 in 2012 to 213 in 2016. So what went wrong?

#### **General and specific difficulties**

The economic downturn over the last few years has directly impacted Mekong Quilts, leading to reduced production and a decrease in workforce. In addition to closing inefficient shops, Mekong Quilts has cut down its number of workers.

1 <http://www.thienchi.org/>

2 <http://www.anhduonghg.org/>

## Vietnamese goods means cheap?

One of the key issues it faces, according to Bernard, is the perception that traveling to South East Asia means opportunities to buy cheap handicraft products. Although it is true for many souvenirs, it does not mean Vietnamese people cannot produce high quality products for discerning customers. For example, a set of quilted bedcovers and pillowcases decorated with lotus flowers from Mekong Quilts may cost \$381 each<sup>3</sup>.

To overcome this psychological constraint, Mekong Quilts focuses on building its brand and marketing programmes to target the upper market segment. In June 2016, Mekong Quilts organised a charity programme for experts and staff working in international organisations and diplomatic missions<sup>4</sup>, where they could efficiently introduce products.

## The buying power of tourists from neighboring countries

It is not that fewer international tourists are coming to Vietnam, but their make-up has changed. During strong economic growth, Mekong Quilts' customers are western who are willing to spend when travelling. During the economic slowdown, the number of western tourists decreases sharply while those from China increase. Bernard explains:

'The number of tourists alone doesn't reflect the market situation. Their demographic characteristics and consumption habits are far more important. For instance, top end tourists become fewer and even those who come spend less.

'There have been more tourists from China or South Korea, but they care less about handicraft products and even when they do, they prefer cheap items.'

As a result, sales and revenue have decreased. In particular, the shop in Siem Reap which recorded 30% drop in revenue.

Items	Sales volume		
	2013	2014	2015
Accessories	19.370	24.903	31.652
Quilts and Bed covers	2.669	2.619	2.939*
Products from papier mache	12.501	11.230	22.009

\* Including sales items

Mekong Quilts says this situation has caused immediate problems. Each worker specialises in making a limited number of products. For example, some make large-size products such as quilts while others work on pillows or seat-cushions. But, shifting product demands requires additional investment in training and quality control. In addition, due to lower consumption, remaining workers receive lower incomes.

## Uncertain legal framework

In October 2014, Mekong Plus submitted its registration for its Mekong Quilts brand. But, after two years, Mekong Plus has received no response. In the meantime, in Hanoi, a Saigon Quilts outlet has opened only a short distance from a Mekong Quilts shop. Limited intellectual property protection is also a problem for Mekong Quilts' two shops in Cambodia. Additionally, as Mekong Quilts does business in various cities and provinces, it faces barriers caused by differences in local regulations.

Bernard says that Mekong Plus pays tax like any other enterprises but receives little support from local authorities:

<sup>3</sup> <https://mekong-plus.com/quilts/adult-quilts/lotus-quilt-queen-size.html>

<sup>4</sup> <http://www.nhandan.com.vn/xahoi/item/29790102-gay-quy-giup-phu-nu-kho-khan.html>



“If we were registered as a charity, we may avoid many issues. But when we present ourselves as a social enterprise with shops in different places, they are sure we earn a lot of money. When we talk about losses, they don’t believe us.”

### Internal factors

It is difficult to save management and transportation costs when production is organised in places far from each other. Aiming to create employment for women in remote areas, Mekong Quilts accepts additional costs. If all production activities were conducted in one place, Mekong Quilts could centralise production, administration, design and marketing. Their operation costs would be much lower and efficiency between divisions would be improved. Meanwhile, with the current model, it takes four months to introduce a new product in shops and at least six weeks to deliver a new order.

At the same time, it’s a continuous process that requires long-term investment to train workers to Mekong Quilt standards. Given its commitment to sustainable employment, Mekong Quilts concentrates on its working environment and fair wage scheme. That means high operational expenses in comparison with other enterprises in the same sector. The current gross profit margin is 35%, which is often not attractive to agents .

Regarding its administrative staff, Mekong Quilts faces similar problems to many other enterprises. After a few years at Mekong Quilts gaining experience, employees can quit for better-paid jobs. Moreover, shops opened at prime locations to attract foreigners and high-income customers result in high rental costs. Bernard believes customers need to see and touch the products before buying – ruling out online sales.

### The market will recover

After years of experience, the quality of Mekong Quilts’ product has improved and stabilised. Difficulties and pressures over the last three years have forced the enterprise to review and cut unnecessary expenses in favour of leaner, more efficient management. Confident in the market recovery, Mekong Quilts is now open to new opportunities to create more employment for disadvantaged rural women as well as earning more profits for reinvestment in community programmes.

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Photo: (source: <https://mekong-plus.com/>)



*Quilting in the leader’s house – Duc Linh*

## Mekong Plus products:



*Adult quilt*



*Vase – a papiermache product*



*Children's quilt*



*A sports bicycle*



*A hyacinth basket won the a design award in Japan.*



## SAPA O'CHAU OF TAN THI SHU



**Running a social enterprise in Sapa in Lao Cai province, 30-year old Tan Thi Shu has become a source of inspiration and a figure to rely on for many ethnic children financially and spiritually.**

## Ly's story

On a cold winter night in late 2010, Tan Thi Shu wandered to the church area at the centre of Sapa, a popular town among tourists. Only a few years earlier, it was exactly the place where Shu, now among the young outstanding entrepreneurs selected by Forbes Vietnam magazine in 2016, was selling souvenirs on the street. She noticed a small, lonely shadow trying to hide under a roof away from the piercing cold. That was Hang Thi Ly, a skinny 16-year-old girl. She was selling on the streets for a living as Shu once did.

After that brief meeting, Shu went to see Ly in her home in Ta Vang village. It is an old, Hmong-style house where Ly lived with her mother and two siblings. Ly's father had passed away a short while ago and to support the family, Ly had no choice but to quit school and sell souvenirs. Shu spent the whole morning convincing Ly and her mother to let Ly go back to school. But both feared that if she did, the family would starve.

Shu managed to change their minds and Ly went back to school with financial support. She studied really hard and graduated from the Sapa Centre for Continuing Education. Her English and Vietnamese were good enough for her to get a job as a tour guide - earning five to six million VND, around \$250, each month.

## Shu is an extraordinary person

Ly's life had changed dramatically with Shu's help. But there are many more like Ly. Now aged 30, Shu has provided rent, money for food, and school fees for dozens of ethnic children. There are always 35 young people receiving assistance from Shu. When one graduates, Shu finds someone else to help. But Shu has also known her share of hard living.

Shu was born into a Hmong family in the Lao Chai commune of Sapa district. Her parents were too poor to keep her in school longer than the third grade. Instead she had to start to accompany her mother in her daily business, selling souvenirs to tourists in front of the stone church in Sapa. It was during this time that Shu taught herself English and tour guiding.

Communicating with foreign tourists helped her learn English, as many were willing to spend time teaching kids like Shu. Unlike others, Shu further practiced at internet cafes at night. When her English was good enough, she stopped selling souvenirs and became a native guide for foreign visitors.

The idea of setting up a social enterprise came to her in 2002, when she was only 16. It was a difficult dream to realise for a girl without the necessary knowledge, networks or capital. Later, in 2008, when Shu was 21, she crystalised the idea further - imagining it would be a profit-making enterprise with funds raised being used to supporting ethnic children's schooling. But it was challenging to find a suitable business model. Her first thought was to set up an NGO but the paperwork was daunting.

It was only in 2011 that Shu succeeded in establishing a cooperative. However, the model failed to help Shu build what she wanted. She realised her own lack of knowledge and experience was holding her back.

In 2011, Shu was lucky to attend a project to enhance social enterprises' leadership capacity by the Centre for Social Innovative Promotion

### In 2010

36 trainees  
2/3 female students  
100% rural/poor/minority enrollment

### In 2015

49 staff  
2/3 female staff  
94% ethnic minority  
100% female owned

(CSIP) and KOTO. Shu proposed her idea and received strong support from the project. After attending several workshops to improve her leadership and business skills, Shu got the chance to apply her newly gained knowledge in her own enterprise. The O'Chau Cooperative also received an in-depth support package.

The package analysed O'Chau's overall strengths, weaknesses, and potential in all areas, including human resource management, organisational capacity, tourism management skills and training. The business moved from a management structure of instinct-based decisions, lack of skills and professional knowledge, and an absence of job descriptions to a new stricter structure that cut down on redundant positions and provided clear job descriptions and task delegation.

By 2013 Shu had established Sapa O'Chau Travel Company Limited. In Hmong language, 'O'Chau' means thank you.

## A social enterprise in the making

Sapa O'Chau now operates on the principle of a social enterprise – doing business and paying profits forward to ethnic children. This model is based on four interconnected pillars – a boarding facility, coffee shops, Hmong handicraft stores and tourism activities.

Direct beneficiaries of the model include mountain guides, homestay hosts, pupils and women making handicraft items and volunteers. The revenue mainly comes from mountain guiding, coffee shops and embroidered fabric sales. Sapa O'Chau helps bring ethnic children back to school using holistic measures. When the children are at school, their families need an external financial resource

such as farming. Hence, if Sapa O'Chau creates jobs for their parents, the children will have a better chance to go to school and then college. The fact that most families only have a small plot of land, that is not fertile and has low yields, emphasises the importance of sustainable livelihoods for both parents and their children.

Sapa O'Chau focuses on organising homestay-based tours. The company has an office in Hanoi ensuring they have access to international visitors who want to experience mountaineering in Sapa as well as other north western areas. Its tour guides are ethnic people who can speak English. The Sapa O'Chau coffee shop is at the heart of Sapa town and is one of its core business activities. Next to it, the company's shop sells Hmong products. These brocade items are also exported to the US, Taiwan and Laos as well as being sold to tourists and to other Vietnamese provinces. The revenue from this activity contributes to paying expenses for those living in the boarding facilities.

That boarding facility is a key part of Sapa O'Chau's social enterprise. This is what makes it possible for poor ethnic children to continue school. Each village only has one kindergarten



*Brocade souvenir stalls at SapaO'Chau*

and a primary school and that can mean children having to walk 15km to their nearest one. The boarding facility provides those children with free accommodation, meals and school fees funded by Sapa O'Chau as well as other funding sources. The children get an official education in Sapa's high school and take English lessons at the boarding facility, from foreign volunteers.

Giang Thi Van: 'I was selling souvenirs in the market when I met Shu by accident. Shu asked, "Do you want to go to school?" I liked it a lot, so I've been here to go to school for two years. Sapa O'Chau gave me a home and a wonderful sister.'



Tan Thi Su – Founder of SapaO'Chau



SapaO'Chau office at 8 ThacBac Road, Sapa village, Lao Cai

Sùng A Tũa, now in the 12th grade: 'Shu is a special sister because she gives poor kids like me a dream and a future<sup>1</sup>.'

Foreign and Vietnamese volunteers mostly teach the children to communicate in English. Most of the children would like to become a tour guide or get a job in Sapa's tourism industry. The boarding facility, however, is still only leased. Shu's wish is to buy a piece of land to build a house where the children can live and learn at the same time. This remains a dream as Sapa land prices have gone up significantly since the expressway connecting Hanoi and Lao Cai was completed and the cable car service up Fansipan mountain was opened.

By generating profits from organising tours, providing homestay services, opening a coffee shop and a brocade store, Sapa O'Chau has managed to finance its pupils instead of depending on philanthropic sources. But that is far from being enough.

### The road ahead

Shu has pursued this project for over a decade since being a girl herself, which is not always fully understood by the public.

'Some think I'm a good person, some think I'm bad. I can't force everyone to think positively of me, but I'm confident what I'm doing is right for my fellow people,' Shu said in one of her visits to Hanoi in late July 2016. She was there in search of accommodation for 16 ethnic children from her facility who were taking college exams.

Her trip to Hanoi had another goal. She wanted to know how to transform Sapa O'Chau into a social enterprise. This is what Shu believes will help meet the increasing demands of the people she helps which are becoming beyond her capacity.

'I want to switch to a social enterprise model so that the assistance for these kids is more sustainable,' said Shu.

Shu's enterprise is currently operating within the legal framework designed for ordinary businesses. The social enterprise model has been officially recognised since the introduction of the 2015 Enterprise Law. In mid-2016, the Ministry of Planning and Investment issued Circular 04/2016/TT-BKHĐT guiding the implementation of this law.

1 <http://vov.vn/doi-song/chi-shu-da-cho-em-mot-uoc-mo-308216.vov>



According to this circular, social enterprises are allowed to receive foreign non-governmental funding in the form of assets, finance or technical assistance from national and international individuals and organisations that have registered operations in Vietnam. This can be used for solving social and environmental problems according to legal regulations. Additionally, the circular states that social enterprises, with the aim of solving social and environmental issues for community benefit, should invest at least 51% of their annual profit in their registered social and environmental purposes.

Shu said: 'When I set up this business, my actual purpose was not to gain profit. I wanted to create more opportunities for disadvantaged ethnic children so they could continue schooling and get out of poverty. I set up the company to show Hmong people that they could escape poverty too. Just because you are born into farming, you don't have to stay in farming. My wish is that Sapa O'Chau will assist poor people, not just in Sapa but also the whole north west.'

In 2016, and in the years to come, Sapa O'Chau plans to expand its work into community activities by sending volunteers to remote villages to teach English to ethnic people who cannot travel to the town where Sapa O'Chau currently offers classes. It also wants to provide better services to alumni via job search support as well as hiring an advisor to support those living at the facility in terms of their career path including their potential for university entrance. Sapa O'Chau is also looking for external resources to buy a piece of land to set up a training and dormitory facility as the current one is leased and has reached its capacity.



*A local SapaO'Chau guide with tourist*

### **Telling figures**

*Source: Sapa O'Chau 2015 Social Impact Report*

#### **To trainees**

- 100% trainees say Sapa O'Chau has helped them develop their goals for the future
- 86% trainees want to go to university
- 80% are the first in their family to attend high school

#### **Prior to Sapa O'Chau**

14% walk to school  
37% afford public school fees  
9% have access to hot water  
12% have in-house bathroom  
37% have a cement floor  
54% play sports and other entertainment forms  
0% access internet  
40% feel comfortable in class  
18% eat meat at least once per week

#### **At Sapa O'Chau**

100% walk to school  
100% receive funding for school fees  
100%  
100%  
100%  
100%  
100%  
89%  
100%

#### **To employees**

##### **Average monthly income**

- Prior to working at Sapa O'Chau: 1.62 million VND, approx. US\$ 72.20
- When working at Sapa O'Chau: 2.81 million VND, approx. US\$125.30

##### **Training**

- 84% provided with English training
- 74% provided with formal job training
- 74% are the highest income earners in their family (on average, each household has six members)
- 91% is the average contribution of household income by Sapa O'Chau employees

##### **Employee empowerment**

- 98% are satisfied with their job
- 96% say Sapa O'Chau has provided them with opportunities to achieve their goals in life
- 93% agree that it is significantly easier to support their families since beginning work at Sapa O'Chau

##### **Community engagement**

- Sapa O'Chau has served 39 local communities
- Over 100 volunteers
- 45 partnerships
- Has a reach of over 1,000 via social media



## **SOLAR SERVE - FROM A CHARITY TO A SOCIAL ENTERPRISE**



**The Solar ServeCentre was established in May 22, 2000 as part of the Solar Serve project of the Research Centre for Pressure Equipment and Renewable Energy of Danang University. A few years before that, Nguyen Tan Bich, who was then a farmer, studied and produced different cookstoves, from solar energy stoves to stoves in bamboo baskets and square stoves. He is now the owner of a 15-staff enterprise, with each person earning an average of 3-4 million VND(\$140-180) per month. Half of the staff are hearing or mobility impaired and four are of Ka Tu ethnic minority in Dong Giang and Tay Giang of Danang city.**

## History

Nguyen Tan Bich has a passion for solar energy and a concern for the environment. His interests prompted a friend to send him various materials from Holland so he could study the subject further. Between 1997-2000, Bich spent time researching and exchanging information with friends who shared his interest. He started to raise funds after successfully making his first solar energy cooker in 2000.

One man that cannot be overlooked in the history of Solar Serve is Hans Van Beek, a Dutchman living and working in Hanoi in late 1990. Hans also paid special attention to fuel-saving cookers and wanted to bring them to Vietnam for poor families. At that time, Bich, wanting to learn more about solar energy cookers so he found Hans via the internet. Bich and Hans, together with Danang University's Research Centre for Pressure Equipment and Renewable Energy, launched a project to expand the use of solar energy cookers under the name Solar Serve.

The aim was to bring solar energy cookers to different areas and mobilise different financial sources. One of those sources was a group of Dutch people who organised a walking event to raise funds. In the early 2000s, Solar Serve would usually raise \$15,000 - 20,000 yearly, which was used to pay salaries, production costs, and distribution expenses. However, the project was over dependent on this source, and the sponsorship was not consistent.

In 2008, the OneWorld organisation in the US was interested in the Solar Serve project and ordered 50 cookers, to give for free to the poor. OneWorld would only engage in monitoring the implementation. Once it was ready to roll out, aiming to start on World Environment Day, OneWorld changed its mind, cancelling the sponsorship and causing Solar Serve to pay all the costs. This incident made it clear to Bich that external funding was not stable and that depending on sponsorship was not a long-term option.

Also in 2008, Solar Serve realised the market's potential when people asked to buy cookers

## Key Milestones

1997-1999: Experiments with solar energy stoves, stoves in bamboo baskets and square stoves in northern Vietnam

2000: Establish Solar Serve Centre

2004: Produce parabola cooker

2007: Launch lightweight solar box cookers

2008: Receive VIFOTEC Scientific and Technological Innovation Award

2011: Receive a social enterprise award from the Centre for Social Initiative Promotion (CSIP)

2012: Produce cylinder cooker

2013: Receive United Nations Environment Programme's SEED Low Carbon Award in Kenya

2014: Launch the production of 7,000 clean cookers and 500 parabola cookers

2014: Receive the 2014 Energy Globe Award

2016: Receive an award in 'Innovation start-up to respond to Vietnam climate change' contest in Vietnam



*7.5kw solar power installation grid in Danang*

instead of waiting for a project to give them one for free. This prompted Nguyen Tan Bach to register Solar Serve as an individual entity. This is an important milestone that marked Solar Serve's transformation from a charity to a social enterprise.

## Social values

The fuel-saving cookstoves Solar Serve produce are first and foremost for poor communities and those living in areas of serious deforestation. Solar Serve customers are disadvantaged, especially those living along the coastline and in off-grid highlands.

Until now, Solar Serve has helped thousands of households with different solar energy cookers in Phan Rang, Quang Nam, Danang and Quang Tri. In Danang, Solar Serve helped establish a model solar energy village in Binh Ky 2, Hoa Quy ward, Ngu Hanh Son district. However, because these cookstoves are better used in really sunny weather, and are large, when the weather was not favorable people had nowhere to store it and stopped using it<sup>1</sup>.

In Quang Tri, where most rural and mountainous people are still using firewood and hay for cooking, Solar Serve carried out another project in 2009 in Trieu Lang commune of Trieu Phong district. About 70 households benefitted from the project each receiving a parabolic cooker worth 1.5 million VND (about \$70). In 2014, together with Institute of Social Sciences of the Central Region, Solar Serve gave away clean stoves and parabolic cookers to 100 poor households in Hoi An, Quang Nam province. The total amount of cookers was worth 180 million VND, or approx. \$8,000.

In addition to bringing clean stoves to poor people, Solar Serve has created stable jobs for 15 people who earn on average 3-4 million VND (\$140-180 USD) per month. Many of them are handicapped or of a minority ethnicity.

## Products and activities

Solar Serve currently has eight products – box cookers, parabolic cookers, 3M clean stoves, hand-held solar lamps, solar water heaters, small wind turbines, solar water pumps, and solar water filters. Among these, the key products are parabolic cookers, 3M clean stoves and hand-held solar lamps.

Besides production, the company also provides consultancy services in solar energy installation projects. According to Bich, this is also a strength of the company and provides profits used for research and development. In 2010, the company was invited to consult and monitor the implementation of solar energy projects in Nghe An, Quang Binh, Quang Nam and Quang Ngai. In 2011, Solar Serve participated in the consultancy and implementation of connecting Danang's solar energy system to the national grid.

Supported by Swiss Create of Swiss Consulting Group SCG AG<sup>2</sup>, the company is now conducting business training and consultancy programmes for families, also known as Family Business Training or FBT, in Lam Dong, Kon Tum, Quang Nam, Kien Giang, Vinh Long and Danang. Such programmes help people do business effectively, be it raising bees or selling eyeglasses. In 2015 and 2016, there have been nine training workshops for 250 disadvantaged and near-disadvantaged people. As a result, 60% of them have a more effective business model. The training is among key activities Solar Serve currently offer, exemplifying its spirit and aim.

### Mission – Vision

Solar Serve adopts the mission of providing products that help protect the environment, saving energy, fighting deforestation, and creating jobs for the poor and disadvantaged. Solar Serve brings free cookstoves to coastal and highland people who are living off-grid, and creates stable jobs for disabled and local people.

Solar Serve's slogan is: 'Giving the poor fish today will make them hungry tomorrow, but helping them catch the fish will enrich them in the future'.

1 <http://www.24h.com.vn/tin-da-nang/bep-nang-luong-mat-troi-lang-phi-ca-lang-c498a497705.html>

2 <http://www.vietnamsolarserve.org/VietnamsolarserveWeb/Eng.Solar%20Seve%20News/VN48.html>

Solar Serve's operations depend on three major revenue sources – production, consultancy and sponsorship. Before 2008, the majority came from fundraising and was used for the production of free cook stoves for poor people. Since becoming an enterprise in 2008, Solar Serve has been selling its product for profit. The current revenue structure is as follow:

- 2014: consultancy 50%, sales 20%, sponsorship 30%
- 2015: consultancy 30%, sales 40%, sponsorship 30%
- 2016: consultancy estimated to reduce, sales and sponsorship to increase.

From 2007 to 2010, revenue rocketed, especially between 2009 and 2010, where it increased ten-fold. Though the sales revenue decreased from 2011 to 2013, the company remained profitable and has become less dependent on external sponsorship.

### **Advantages, difficulties, the future**

Bich saw that the community is paying more attention to the environment and climate change issues. That is why the introduction of solar energy and energy efficient equipment is often positively welcomed. Another advantage lies in Solar Serve's ability to set up a network of specialists and receive support from friends and colleagues.

The company has invested in innovation to make products more efficient. Solar Serve also makes sure its capacity is enhanced through training by CSIP and business seminars in Thailand as well as accessing different advice channels.

The company's experience shows that bringing a new product to customers, even when it's for free, can still encounter difficulties when it comes to changing habits. Solar Serve also still fulfills its tax duties like any other enterprises and does not enjoy any incentives despite being a social enterprise, hence having more financial burdens.

In the future, the company expects to have funding to invest in its labour force because it employs mostly disadvantaged people. At the same time, it hopes to receive assistance in market access and expansion, especially in the central, northwestern and Mekong Delta provinces. Solar Serve is also studying ways to access the Cambodian market.



*Solar Serve Centre in Danang*





**HANOI CREATIVE CITY JOINT STOCK  
COMPANY: THE LEADING CREATIVE  
COMPLEX IN VIETNAM**

**On May 09 2015, Hanoi Creative City (HNCC) launched to a warm welcome from young people at the Thang Long Metal Building at 1 Yen Luong Street. The building had been vacant for seven years.**

**HNCC is the brand name of the Creative City Joint Stock Company and the space it covers is more than 8,000 square metres. Beside fashion shops and restaurants, the building also has space for art classes and entertainment. You can experience street art and sports as well as music and outdoor activities - HNCC is Hanoi's largest creative complex. It is a hub of organisations, enterprises and individuals each with their creative products, services and activities.**

## General context

The creative industry is increasingly asserting its global role. UN figures released in May 2013 show the total exchange of global creative goods and services reached a record \$624bn in 2011. Its size has doubled since 2002 with an average growth rate of 8.8% a year. That figure is even higher in developing countries<sup>1</sup>.

In the UK, the industry creates two million jobs accounting for 10% of exports in 2009<sup>2</sup>. The UK lists 13 sub-sectors of the creative industry, including advertising, architecture, design, film, television, radio, publishing, music, performing arts, fine arts and handicrafts.

In Vietnam, 2014 research conducted by journalist Trương Uyên Ly<sup>3</sup> for the British Council, showed Hanoi had 24 creative hubs (two of which were online), Ho Chi Minh City had 10 (including one online). Hue, Hai Phong, and Hoa Binh province also had one each.

During this time HNCC was being developed and had not yet launched. None of those 24 places in Hanoi could offer the abundance of space with high connectivity between creative forms as was to happen in HNCC. The research showed creative enterprises not only needed support in terms of funding, they also needed lease stability and local authority support. Many enterprises face uncertainty as rental contracts can unilaterally be terminated by landlords at any time.

They also need assistance in terms of management skills, business, networking and ideas. This is the problem that architect Doan Ky Thanh, one of the founders of HNCC, outlined and it's the story of many enterprises in Vietnam.

Vietnamese legal documents see the creative industry as a cultural industry. On September 8 2016, the Prime Minister approved a strategy for the development of cultural industries up to 2020 with a further vision stretching to 2030. This strategy considers the cultural industry as an integral part of the national economy and expresses the state aim to create favorable conditions to attract maximum resources from enterprises and society to develop it. This strategy identifies the cultural industry as advertising, architecture, fashion, performing arts, fine art, photography and exhibitions, TV and radio and cultural tourism.

1 <http://www.unesco.org/culture/pdf/creative-economy-report-2013.pdf>

2 <https://www.britishcouncil.vn/cac-chuong-trinh/nghe-thuat/du-an-kinh-te-sang-tao>

3 [https://www.britishcouncil.vn/sites/default/files/ch\\_report\\_v7.pdf](https://www.britishcouncil.vn/sites/default/files/ch_report_v7.pdf)



*Vietnam Halography – the biggest creative exhibition in Vietnam*



*An artist in the Graffiti Festival 2016*

## The birth



*The first countdown party at Hanoi Creativity City*

You can not tell the HNCC story without mentioning 'Zone 9' which was developed on a deserted pharmaceutical factory near Yersin Park, Hanoi, in 2013. In just six months Zone 9 became a symbol of local creative spirit - both in art and business. After being forced to close, with the official reason given as 'labour safety', it looked like Zone 9's ideas would die too - until the birth of HNCC over a year later.

Doan KyThanh could not accept Hanoi had no artistic and creative hub – a city of nearly ten million people. After Zone 9's closure, he and alike-minded group of friends continued to search and explore other opportunities and finally were able to launch HNCC on September 5 2015.

HNCC is a mix of three models:

- art and entertainment centre
- production and creative district
- a district emphasising Hanoi's culture.

HNCC had a vision to become the first creative community and artistic district in the country, contributing to shaping Vietnam's creative industry. When setting out that vision, HNCC identifies its mission as follows:

- supporting the development of new creative ideas and creative businesses with services, training and events
- promoting multi sectoral and community connections, creating links between domestic and foreign resources and contributing in a positive way to the development of the country in terms of art and the creative economy.
- identifying and honouring young creative talents, introducing new experiences and taking risks in order to take the initiative.
- inspiring as well as contributing to the education and development of the creative abilities and artistic sense of Vietnam's young.



The core values of HNCC can be summed up in four words: creativity, art, community and humanity.

**Creativity** - because this is the key to progress and development of mankind, as creativity will help life change and become better. HNCC also hopes to inspire individuals and enterprises to participate and enjoy its services and products in HNCC.

**Art** - because it is a playground, a forum for artists to express themselves and their works.

**Community** - is the most important asset in any creative complex, including HNCC. HNCC and its members regularly organise networking activities to support the development of their community.

**Humanity** - because HNCC places the human element and humanity at the top of its considerations. The organisation considers art and community values to be essential so that human beings can comprehend themselves in the most genuine way.

## Founders

Vietnam is a country with a large domestic market of 90 million people, a young population with a fondness for entrepreneurship and a rapidly developing information technology industry. It was these details that inspired Thanh and several other founders to build a professional creative community – bigger than anything Vietnam had previously known.

Thanh was born in 1968 in Hanoi. In his future career he worked as an architect, becoming director of Avant Company. He also worked as a reporter for Dat Viet newspaper.

Through study visits to European and neighboring Asian countries, he found out that a creative complex had the potential to support Vietnam in developing a sector as well as assisting economic growth and social progress. So he and a group of friends initiated Zone 9. However, due to the project's spontaneity and lack of a legal planning, it was stopped before the end of 2013. Having learnt from this first model, HNCC was built professionally both in terms of operation and legal basis. However, with the creative industry in Vietnam still being new, it has yet to be officially recognised. HNCC is registered as a real estate enterprise instead.

## Business Management

### Management Structure

HNCC is registered as Creative City Joint Stock Company. In this form, the company consists of shareholders, a management board and board of directors. Beneath these area administration, human resources, finance and accounting and technical and marketing departments.

The first feature of the managerial system is that no member of the board works full time for HNCC. The second feature is HNCC is not currently overly concerned about profits. This is despite the fact that HNCC shareholders are business people. However, HNCC aims to be profitable after five years and, a year in, Thanh believes this goal is feasible. At present HNCC is not yet profitable and requires additional funding to continue.



Engineer Doan Ky Thanh – Hanoi Creativity City founder.



Young community artists at Hanoi Creativity City

## Selection of cooperative partners

Since HNCC's strategic vision is to become a professional model and the largest creative community in Vietnam, it has selected partners representing its sub-sectors. These include advertising, architecture, design, game software, movies, television, radio, publishing, music, performing arts, fine arts, and handicrafts.

## Fundraising and fund utilisation for reinvesting activities

The initial funding to build HNCC came from investors that shared its vision. Since the company was founded in the real estate field, so its biggest income comes from leasing space. The space is filled with creative industry representatives. The next largest portion of its income comes from incubating start-up projects. Here HNCC selects potential projects and helps them to develop, with an investment contributed in the hope of later profits. Finally income also comes from cooperation with other units in organising events and exhibitions. This not only helps attract investment, it also brings visitors which helps spread the HNCC brand.

## Marketing modality

All enterprises have to cope with fierce competition both locally and globally. In this context, HNCC ensures each enterprise develops a strategy to survive and grow, especially as part of new and undiscovered models.

HNCC's 'product' includes service, culture and venue as well as the human beings who work there. Products of HNCC, according to Thanh, are rare and specific and with that in mind he requires its marketing to be unique, flexible and different.

As the first large-scale and professional creative complex in Vietnam, the enterprise has to spend a lot of time on communication to create awareness. When other complexes just focus on one area or one single form of exhibition, the interaction with the public and the audience is relatively low. But by exploiting all the different creative sub-sectors, HNCC can attract a large number of visitors and not easily be copied.



*A corner of the exhibition at Hanoi Creativity City*

HNCC puts its human factor first. It strives to persuade small enterprises to join its marketing activities. Each story helps the creative complex to become more unique to customers – and that encourages investment. Businesses in the building are also seen as HNCC products.

According to HNCC staff, Thanh's role is very important – like a conductor controlling a giant orchestra. Marketing activities rely on this community and the way it links customers, small businesses and investors. HNCC coordinates this with various marketing channels – websites, Facebook, Instagram, YouTube, direct e-mails, point of sale materials and press coverage.

By organising cultural events they attract visitors to the complex where they can promote the advantages of the creative industry itself as well as boosting spending in the complex

in shopping and services. Beyond that marketing also brings art closer to the public and promotes a friendly place for artists to create – and enjoy investment.

## Activities

The 20-storey building is subleased by Creative City to creative industries. The HNCC space includes a courtyard area for organising outdoor events, space for shops and space for offices, art and studios as well as space on the fifth floor for organising indoor activities and events. Compared to other commercial centres such as Lotte and Vincom, HNCC is radically different as its themes are art, creativity and community.

Following its opening, HNCC could only fill around half of its space. After a year of operation, Thanh says this figure is now between 80 and 90% with a strong core of enterprises and activities in the field of art, culture and creativity. Currently the building has nearly 30 companies with around 650 employees.

HNCC cooperates with many large, medium and small enterprises working in creative fields. Those large companies include BOO - a well-known fashion group, media group Le Bros, Gimasys - a partner of Google, Oracle and Microsoft in Vietnam. Mid-sized enterprises include Universal Time - a communication and brand consulting company, Doo - an indoor entertainment complex with non-electronic games, BBplus - a model training centre and Printopia - a publishing and printing company. Small enterprises include FYD - a child talent academy, and Lo Mo which makes ornaments.

Only two months after launching, HNCC organised the Hanoi Creative Show gathering representatives and products of Vietnam's creative industries. Also in late 2015, Goethe Institute introduced the documentary film 'Zone 9'. It was one of the first Vietnamese documentaries to be crowdfunded via Kickstarter. It enjoyed unexpected success.

In March 2016, HNCC participated in the international conference 'Creative Hub Maker' in Ho Chi Minh City, which identified that, by then, there were nearly 40 creative centres in Vietnam contributing to growing and developing the community.

In April this year, Coworking and HNCC co-organised a programme welcoming the former Vice Chancellor of Germany Philipp Rösler to exchange knowledge and experience with Hanoi Global Shapers Hub, The Young Global Leaders and representatives of Vietnam's young leaders. In August, HNCC organised street art exhibitions for a third time that year.

Coworking is an active part of HNCC. It has meant the creation of working places with lower rental costs for the young. For only a small fee, anyone can have a work desk and can use common utilities like kitchens and bookcases. People who work in sectors like music, architecture, painting and fashion have the opportunity to work independently but together. 'The boundaries between creative sectors are erased,' Thanh said'



*Hanoi Creativity – space for young people*



*Vietnam creative community's growing self-belief*



### Floor layout

Art - Creativity  
Collectives House on stilts, Real art  
Office  
Boo (Fashion design), Gimasys (IT), Time  
Universal (Communication consulting),  
Tropikon, Siêu Chung Kỳ (Architecture),  
Joint Working Space  
UP Co-working Space  
Studio  
REC ROOM, Mầm Nhỏ  
Training Centers  
Cọ xính, FYD, BB plus, Talky  
Entertainment  
Dấu Entertainment  
Supporting services  
Boo café, 1988, café Cộng, Zone 9 Beer,  
SCC, Xobu shop, Swequity Gyms.

### Floor layout

#### Space for event organization

##### 5th Floor

The 5th floor is multi-functional, specialising  
in the organisation of activities.

##### Creativity Square

Creativity Square occupies the area of  
more than 400m<sup>2</sup>, and can be used for  
outdoor events and activities that require a  
large area – such as: music events, festivals,  
food fairs, and sports events.

##### 1st Floor Lobby

With an area of 200m<sup>2</sup>, this can be used  
for mobile exhibitions and food fairs.

## Social impact and future prospects

Previously, creative enterprises in Vietnam in general and Hanoi in particular, operated without connectivity. In addition, government had no policies covering the creative industry. The birth of HNCC as a creative complex, created a place for enterprises to gather and work and learn from each other and making a unified holistic creative industry. Since activities in the creative subsectors are blended and offer mutual assistance, by gathering in one hub they can create more favorable conditions for entrepreneurship, marketing and exchanging expertise.

For the start-up community, HNCC supports with office rental as well as networking through projects. HNCC creates the right conditions for artists giving them somewhere they can demonstrate their capabilities and organise exhibitions.

Moreover, HNCC also help artists communicate so they can promote their work. For people living in the capital, HNCC has been the new wind required to boost their cultural, spiritual and recreational lives.

However, HNCC has encountered a number of challenges. Start-up enterprises and artists do not ensure stable funding. So when they hit problems, they can find it hard to pay rental fees and they can simply stop operating. This is why there is a need to balance the commercial and creative while leasing premises.

Secondly, the management of a place outside the downtown area and relatively hard to find, is a challenge. The building itself was not built to serve the development of a creative complex so HNCC has to invest to repair and renovate. Finally, no legal framework for creative industry business registration means they are at-risk if activities overstep unclear boundaries.

HNCC also aims to build similar creative complexes in other major cities such as Ho Chi Minh City, Danang, Can Tho and Haiphong.

To do that and to form a strong pioneering community that enjoys breakthroughs in the creative industry, HNCC will need the support of the authorities and government to prioritise legal recognition and creation of policy conditions for this type of creative business.

The strategy to develop cultural industries in Vietnam upto 2020and on to 2030 promises to bring a bright future for HNCC in particular, as well as the individuals, organisations and enterprises in the wider creative industry.



*Mr Giles Lever, Her Majesty's Ambassador to Vietnam joining the Shakespeare Lives in Vietnam exhibition at Hanoi Creative City*



## GREEN GENERATION JOINT STOCK COMPANY (GREEN GENERATION) – HOW BUSINESS CREATES SOCIAL IMPACT

**In just two years Green Generation has seen thousands of cookstoves reach consumers in 17 northern provinces. Green Generation's story shows that in business, passion is necessary but there are also other vital lessons to learn.**

## **Vietnam's cookstove landscape**

With two thirds of the population living in rural and mountainous areas, much of Vietnam still depends on wood for fuel, causing environmental damage through deforestation and greenhouse gases. Meanwhile, millions of tons of straw, hay, corncobs and sugar cane are considered waste and dumped or burnt. This habit causes environmental pollution and waste while people still pay for cooking fuel. This is why The He Xanh and Solar Serve produced a cookstove that is better for the environment and human health.

In the past few years, many fuel-saving cookstoves have been launched. They can be as simple as improved three-legged units or as modern as biomass cookstoves. Nevertheless, despite low prices ranging from 80,000 VND to 150,000 VND each (almost \$4-7), simple cookstoves, like the conical stove, do not save much fuel and still emit smoke. For biomass stoves, their weakness lies in their size, complicated usage and high price (2 – 3 million VND or about \$100-150 each), making them unsuitable for low-income households. In addition, these are usually produced only on a small scale without distribution, sales or customer care channels. Most clean stove programmes can deliver fewer than 1,000 units and prioritise aesthetics over function. Vietnam's challenge is to reach and manage new markets with clients mostly located in remote areas<sup>1</sup>.

## **From a virtual to a real cookstove**

The He Xanh Joint Stock Company was established in 2012. The first few years achieved little because owner, Nguyen Tuan Anh, was still researching. Despite working in the finance and banking sector, Tuan Anh had a passion for technical engineering. After time spent researching and designing a stove on his computer, he eventually produced a pilot stove with the help of technician Phi Van Huan. Together the two tuned Tuan's ideas and He Xanh's cookstove design was granted a patent by the copyright office. Huan's wife also stopped working as a farmer to work for the company.

At the end of 2013, with Huan as the only technician and a small group of rural, unskilled workers in Thach That, Tuan Anh opened a production workshop. The first wood-saving cookstoves were branded as THX. In 2014, The He Xanh was one of 21 projects working with low-income people that received support from the Vietnam Business Challenge Fund (VBCF). The He Xanh has persistently pursued a business model in which low-income people are part of its organisation as workers, agents, sales partners, and end users.



*Training in environmental benefits*



*Stove practice using corncobs at Green Generation - Son La*

<sup>1</sup> [http://cleancookstoves.org/resources\\_files/vietnam-market-assessment-mapping.pdf](http://cleancookstoves.org/resources_files/vietnam-market-assessment-mapping.pdf)





*Training members of the Women's Union to work with Green Generation*

By the end of 2015, The He Xian cookstoves were present in 17 northern provinces and had become Vietnam's leading wood-saving cookstove. The stove is characterised by wood being burnt from the top and there is no need for fanning. It is portable and easy to start and saves up to 50-60% of wood compared to traditional stoves.

The company now has four types of stoves of different sizes to suit various needs. The mini stove is good for cooking for a small-sized family. The big stove can be used for 40-50 litre pots. Prices range from 180,000 to 450,000 VND each unit (approximately \$8.5 – 22) and can be fixed nationwide. Director Nguyen Tuan Anh has not stopped his research and continues to come up with efficiency improvements. For example, The

He Xanh has added to its products – stoves that use corncobs and pellets and heating stoves for mountainous areas as well as charcoal stoves for barbecues.

### Testing with real clients and real products

Do Thu Giang, Nguyen Tuan Anh's wife, has a US masters degree in finance. With her husband struggling with the company, she decided to quit her job in banking to work full time for The He Xanh. She remembers the time they first introduced cookstoves to Tuyen Quang province in late 2013:

'Tuan Anh was keen on explaining how environment-friendly the stove was, how the two air streams worked, and so on. Clearly the women there didn't get a word he was saying because everyone was just yawning.'

But the atmosphere changed when Tuan Anh took everyone outside to see the stove in action. The women gave feedback on functionality and design and dozens of households immediately bought a stove. The company also took users' feedback including a choice of stove sizes. Giang believes many Vietnamese enterprises still skip this pilot phase, a step that was of high importance to them before mass production:

'We learn that any product needs a period of entering the market, for example, via pilot use by a group of targeted customers. The He Xian cookstoves are mainly for women in rural or remote areas. It is only thanks to their feedback that we can create suitable products.'

For his part, Tuan Anh said the product's value could only be acknowledged by users. The product should speak for itself above and beyond its manufacturer's claims.

Tuan Anh said:

'In the end, The He Xanh stoves are friendly to the environment and reduce green house gases. But to users, what's most important is that they save firewood, are easy to use and do not require much care.'

### Doing business as the top priority

Unlike social enterprises where social objectives are prioritised, The He Xian Joint Stock Company puts business first. 'We aim to reach the minimum profit level to ensure we can continue our production and expand the distribution and sales network. Though small, the profit has to be sufficient for the company to continue,' said Giang.

### Costs management

The He Xanh's business is run so as to keep costs low so prices also remain low, stove quality is maintained and profits are made. The management has adapted to the company's rural, low-skilled labour. Because the stove is square, it saves investment in press machines and requires no welding. This design also helps reduce transportation and storage costs. With larger orders, they can deliver parts that customers can easily put together themselves.



The He Xanh makes use of available technologies that are adjusted to a local context. With a strategic business plan, continuous research, suitable price ranges for rural users, and promotions and customer care programmes, The He Xanh stoves have a stronghold in the market despite being copied.

### Making use of the available

Probably the most impressive aspect of the way The He Xanh operates is the creativity that makes it possible for such a small company to penetrate rural markets and develop a widespread distribution network. To reach women in remote areas, The He Xanh worked with women's unions to carry out communication programmes and train local staff about negative effects of smoke from hay burning and deforestation. This included reducing green house gases, adapting to climate change and protecting the environment. It also covered the damage of smoke to health, especially women's health.

The He Xanh has integrated its activities with the New Rural Development programme and Vietnam Women Union's<sup>2</sup> '5 Nos and 3 Cleans' campaign. Hundreds of members of local women unions have been trained to assist The He Xanh's and in doing so have increased their own income and living standards. At the same time, the company also participated in dozens of 'Vietnamese Products to the Countryside' fairs organised by the Department of Industry and Trade. To set up the distribution network, it signed a contract with the Vietnam Post so it can deliver stoves to the most remote places.

Giang confirmed the company owes much of their success to the VBCF:

"Without this support, we would not have been able to move so fast. The fund had difficult requirements but they were transparent and clear. That was why we were determined to upgrade the workshop, train staff, collect user information and feedback in a systematic way from early on.

"Initially I felt annoyed because we had to meet so many strict requirements, but later realised it was so beneficial for the company. In general, without the support of development organisations, we would not be able to invest in communication and awareness raising activities in remote villages."



Green Generation display at the Vietnam Business Challenge Fund Vietnam (VBCF)

<sup>2</sup> "5 No" includes: No poverty, No violations of law and social evils, No violence, No third to more children' and No malnourished children and dropout schools. "3 Cleaning" includes: house cleaning, kitchen cleaning and lane cleaning

By developing the market, by combining a traditional sales network and marketing with social organisations, the company's annual revenue has now reached between two and three billion VND (approximately \$90,000-135,000). This despite its products only starting to enter the market in 2014. There are now nearly 30,000 households using The He Xanh stoves. The business has created about 250 agents and partners and stable jobs for about 20 people, including managers, workers, administrative and distribution staff, and an accountant.

The stoves can save up to 50-60% of wood, reducing over a ton of CO<sub>2</sub> every year according to a SNV report. They also use agricultural waste, reducing deforestation and unmanaged burning. With a sustainable business model and social-environmental values, The He Xian Joint Stock Company continues to receive financial and capacity-building support from development organisations. These include SNV project Market Acceleration of Advanced Clean Cook stoves in the Greater Mekong Sub-Region, a project with CARE Vietnam to enhance women's capacity that is funded by the Global Alliance for Clean Cookstoves and another under the USAID-funded Forest and Deltas programme.

The He Xanh has successfully developed a commercial model, which utilises the precious support of international organisations, to bring to customers products that are both practical and also help the environment and society. Hopefully The He Xanh will soon realise its dream of becoming one of the top companies in energy efficiency solutions and leading the firewood cookstove market, first in Vietnam and then the region.

Photos: (Source: <http://www.greenengstove.com>)

The He Xanh's wood-saving cookstove:



*Cob-stove Green Generation*



*Green Generation stove in multiple of sizes serving a diversity of customer needs*



## **TÒHE: A HAPPY BUSINESS MODEL FOR DISADVANTAGED CHILDREN**



**Founded 10 years ago, Tòhe has seen Pham Thi Ngan and husband Nguyen Dinh Nguyen work hard ever since to make it a success. Tòhe makes accessories, stationery homeware and kids' toys. Not only appreciated by their customers, Ngan was named at the 2016 World Economic Forum as one of 121 Global Young Leaders under 40 years of age.**

## Introduction

The path that Ngan and Nguyen have taken has been difficult. Together with their friend Nguyen Thi Thanh Tu, they registered Tòhe in 2006. Their early years saw them focusing on developing fabric production and design, but sales were not sufficient to break even. In addition, taking on all management tasks from designing and producing to marketing and sales, made it impossible for the founders to properly run the company causing loss after loss. During ten years in existence, the company suffered nine years of losses.

Supported by various partners and programmes, and with a determination to help disadvantaged children, Tòhe has overcome major problems and, in 2015, started to break even. Besides accessories like bags, purses and notebooks, Tòhe has also developed its educational and interior decoration components. More importantly, Tòhe has strengthened its values of care and mutual support for disadvantaged children and their 'innocent, carefree and pure' way of life.

However, along the way, design and production have created numerous challenges in terms of time and cost. That is why in recent years, Tòhe owners have transferred much of the production to partners. They now focus their energy, time, and expertise on designing, marketing and sales and new projects. As a result, the business has gradually grown. For now, Ngan and her husband (co-founder Nguyen Thi Thanh Tu is no longer in the management board) are nurturing new ideas to make Tòhe more sustainable and reach more people.



*Co-founders Nguyen Dinh Nguyen and Pham Thi Ngan*



*Stitching Tohe's products*

## Context

Vietnam has increasingly improved its government and policy framework in terms of supporting disadvantaged children. Disabled children are subject to the 2016 Child Law, which include the rights of disabled children in Article 35:

'Disabled children are fully entitled to child rights and the disabled according to legal regulations are supported, cared for, and receive special education to rehabilitate and develop their self-reliance and social integration.'

Wider legislation outlines the rights of other types of disadvantaged children including, orphans, unaccompanied minors, and abused children<sup>1</sup>.

Besides state-funded and operated systems, various Vietnamese and international non-governmental organisations also assist disadvantaged children, such as Save the Children, Unicef, Operation Smile, Compassionate Social World Club (Ho Chi Minh City) and Small Action Club (Soc Trang province).

<sup>1</sup> <http://thuvienphapluat.vn/van-ban/Giao-duc/Luat-tre-em-2016-303313.aspx>

Nevertheless, these efforts cannot reach all one million disabled children across the country<sup>2</sup>. In particular, the majority of assistance models have been limited to charity and short-term activities. There remains a gap in sustainable activities and barriers exist within healthcare and education, as well as in access to entertainment, culture and sports<sup>3</sup>. Disabled children also face difficulties inside the home. Many are born into poor households and are yet to receive support so they can learn and play as other kids. That was the context that prompted Tòhe's creation.

## Playing and eating at the same time

Via visits to Thuy An Elderly and the Disabled Children Care Center in Ba Vi on the outskirts of Hanoi, Nguyen, Ngan, and Tu became determined to support such children. The three organised art and painting activities for the centre's children.



*Tòhe playground at Thuy An, Ba Vi*

In 2006, Nguyen and Ngan visited Barcelona in Spain. In the Picasso Museum, they read his words:

'It took me four years to paint like Raphael but a lifetime like a child.'

It influenced them greatly. Many children were 'painting innocently' back home, thought Nguyen and Ngan. And so they decided they'd bring children's paintings to the community and in return, encourage the community to support and nurture child creativity, learning, and playing.

September 29, 2006 is the date Tòhe was officially established. Tòhe is named after a traditional Vietnamese toy that is made from rice flour and natural dyes. After playing with these toys, children can eat them.

Within one year, Tòhe imported its first digital printing machine from the United States. In the following two years, Tòhe launched its first product, a digital printed T-shirt, and started research on new cotton products. Three years after start-up, Tòhe received support from the Centre for Social Initiatives Promotion (CSIP) and the British Council in Vietnam, enabling it to launch its first retail products at the Charity Bazaar in Hanoi.

'Customers received them with enthusiasm. They were fond of the products for their originality in both design and materials as well as the messages those products carried,' recalled Ngan.

In 2011, the German Development Cooperation Agency (GIZ) sponsored Tòhe to buy machines and develop its painting curricula. This was also the first year Tòhe exported to Australia. In 2012, the company opened its first shop, expanded exports to Germany, exhibited its products in South Korea and attended a series of fairs and events such as the Fukuoka Giftshow 2013, Vietnam Festival in Tokyo, and the Asia Social Enterprise Conference. Tòhe was also energised thanks to the participation of many volunteers from Japan, the UK and Australia assisting with marketing, sales, human resource management and design. Revenue in 2013 increased five fold. In 2016, Pham was selected as one of 121 Global Young Leaders by the World Economic Forum.

<sup>2</sup> The data estimated to 2009: [http://www.unicef.org/vietnam/vi/Final\\_KAP\\_report\\_on\\_CWD\\_in\\_V.pdf](http://www.unicef.org/vietnam/vi/Final_KAP_report_on_CWD_in_V.pdf)

<sup>3</sup> [http://www.unicef.org/vietnam/vi/Final\\_legal\\_analysis\\_report\\_in\\_V.pdf](http://www.unicef.org/vietnam/vi/Final_legal_analysis_report_in_V.pdf)



## Adjustment but Not Diversion

Tòhe's ambition to bring quality products to customers explains the purchase of a printer from the US and usage of 100% cotton fabrics made specifically for Tòhe. The founders' pursuit of perfection explains their engagement in managing the printing workshop. Ngan said:

"Initially we thought that, as we wouldn't be able to immediately sell a lot, we'd better have our in-house production to avoid running around for each and every order. The only thing we thought of was how to have the most controll."

However the founders quickly realised that costs were increasing so fast that, without adjustment, they could no longer afford them. In addition, no one had appropriate management experience of working with factory staff. Thus, instead of maximising their advantages in design, marketing and sales, their situation led them to spend too much time, energy and money on production which was not their strength. Furthermore, the imported machine broke and remained unused. Tòhe suffered constant losses – over 1.5bn VND in 2012 and 500 million VND in 2013<sup>4</sup>. Also, Tòhe invested in many activities that did not bring in revenue as Ngan acknowledged:



*Tohe workshop*

"We invested a lot capital and energy in promoting Tòhe's spirit via not only selling our products but also telling our stories, organising different programmes, and participating in fairs and exhibitions. Most companies would prioritise sales, yet for us, image building and branding, creating a bond with customers and promoting the company spirit among staff are equally important."

So if they could start over, would they do anything differently? Nguyen said:

"I think the process should occur naturally. Everything happens for a reason. When capacity is limited, failures are normal. Those failures were also a necessary test for us to see how determined we were."

Yet, Nguyen admits the situation forced Tòhe to change its way. For the past two years, Tòhe has carried out only part of the production. In the beginning, it was hard to find production suppliers due to small order quantities. But with regular orders and timely payment, Tòhe found several reliable partners. Since then, Tòhe has settled on an optimal model utilising its strengths while searching for new opportunities to 'distribute and sow innocence, purity, and carefree joy'<sup>5</sup>.

Among the areas needing adjustment was the company's reinvestment policy. Upon its inception, Tòhe committed half of its profit to maintaining and expanding free art classes for children. Realising it was unsustainable because they had to spend hundreds of millions of dong from the founders' own pockets for those activities, Tòhe switched to two projects in order to secure funding for free art classes. The first one used donations from organisations and individuals via crowd funding. The second put aside 5% of all revenue to pay cash directly to children and their families. In 2015, Tòhe gave away around 100 million VND, and in the first half of 2016, another 100 million VND more to the child artists whose paintings can be seen in Tòhe's products.

## Products and services

The overall philosophy in Tòhe's products and services is 'for children'. Lovely laptop cases imprinted with children's paintings would make anyone smile. The drawings reflect the innocence and joyfulness of children which Tòhe's leaders bring to the world of grown-ups so that adults are reminded everyone used to be a child.

<sup>4</sup> <http://baocongthuong.com.vn/ceo-to-he-dam-me-vitamin-hon-nhien.html>

<sup>5</sup> <http://www.tohe.vn/vi/tin-tuc/27-ve-chung-toi.html>

## Products

Tòhe's key products include fashion, accessories, stationery, household apparel and toys. Fashionwise Tòhe focuses on several items, such as long-sleeve shirts and blazers.



Toys are also selective, including stuffed chickens, frogs and horses. The distinction between these and other stuffed animals in the Vietnamese market lies in the fact Tòhe's bare no resemblance to real-life animals. For example, the rooster's tail has five colors.



The most diverse group of products are the accessories and stationery, with numerous handbags, pencil cases, books, glasses and phone cases and kids' backpacks. Each of them bears a child's drawing such as this laptop cover:



## Services

Besides retailing, Tòhe receives many corporate orders. They include folding bags for WWF, cross-shoulder bags for Family Medical Practice Hanoi, shoe bags for Sofitel Plaza Hanoi hotel, laptop covers for UNDP Vietnam, and so on.

List of Tòhe's corporate and organisation clients<sup>6</sup>

## Tòhe Play



*List of customers/companies which have assisted Tòhe*

Since 2012, Tòhe has organised a playground that charges fees. These include 'Tòhe – Lọ mọ', where urban kids can enjoy folk law inspired games with their parents at the Red River's bamboo ground (2012). The following year there was a drawing contest 'What will your new year look like?' which became an exhibition at the Army Museum. In 2014 and 2015 KIDSTALLATION was a series of activities that allowed children to explore materials. In 2016, they developed a video curriculum so more children could access Tòhe Play and are now working to open Tòhe Bank – an archive of children's paintings.

## Stakeholders

Tòhe has different partners in all activities and business areas. The process of setting up the company was supported by the British Council and CSIP. In 2015, Tòhe was granted \$33,000 by LGT Venture Philanthropy to consolidate its business model with a special focus on art playgrounds for children<sup>7</sup>. Tòhe's stakeholders range from children to volunteers, social support groups, sponsors, and many more.

## Social values

The biggest social impact Tòhe has is its art playgrounds for children. By 2016, the number of playgrounds has exceeded 150, creating opportunities for over one thousand disabled children in more than 20 social support centres and primary schools. The creativity also raises income thanks to the products using their paintings.

But for Nguyen and Ngan the key to the future is maintaining Tòhe's values. Ngan explains:

"An enterprise will always focus on developing its business and maximising its profit. But at Tòhe, business development goes hand in hand with the development of other values, including a fair working environment filled with love, innocence, creativity, opportunities for personal development and happiness

"We work to protect and preserve nature and the ecosystem by minimising and eliminating harmful factors. We are not in a rush for profits ahead of the values to which we are committed. Although the road ahead is long we are proud of what we've done and generations of staff, customers and clients have over the years felt that spirit and chosen to stay with us."

<sup>6</sup> <http://www.tohe.vn/uploads/files/Tohe%20corporate%20catalogue%202015.pdf>

<sup>7</sup> <http://csip.vn/vi/news/he-nhan-ho-tro-tu-quy-dau-tu-thien-doanh-lgt>

“There are companies that are strong in many areas but still admire Tòhe because we are able to create a difference, which is a beautiful spirit that is easily felt. While more competition is coming from outside with more and more big companies entering the market, they understand that without developing a difference in spirit and character, they are overwhelmed by those who have a more distinct reputation. We are proud of this difference that is not easily copied by others.”

Nguyen Dinh Nguyen and Pham Thi Ngan are yet to be content with what Tòhe has achieved, particularly when the company's finance is 'not yet strong' as Nguyen admits. But they believe they are headed in the right direction, with a happy business model where profit is just one of the goals.

Photos: (all photos are from [www.tohe.vn](http://www.tohe.vn))

Disadvantaged children enjoyed drawing:



*Thuy Anh's art work – Tohe playground at the Elderly and Young Disabled Care Centre*



*Thien's art work – Tohe playground at Elderly and Young Disabled Care Centre*





## TRI DUC SERVICE JOINT STOCK COMPANY: MOUNTAIN PATIENT SUPPORT



**After seven years in operation, Tri Duc Service Joint Stock Company, more often known as Yen Bai 115 ambulance service, owns five ambulances – an impressive achievement for an organisation dedicated to its patients.**

### Concerns over ‘wartime’ ambulances

The province’s hospital has long suffered due to ambulance shortage, most of which were Uaz models from the Soviet era.

‘In the early 2000s, Yen Bai lacked so many ambulances that each had to install another level and both levels were shared by two patients,’ explained Tran Tuan Hiep, formerly an ambulance driver.

In 2004, Hiep was transferred to the province’s Department of Health and had less contact with ambulance drivers. But he sometimes visited the hospital to donate blood and saw that transport problems continued. The hardship patients went through during emergency transportation continued to concern him until he met a friend who shared the same view. The two decided to form Tri Duc Service Joint Stock Company in 2009 with the mission: ‘Enhancing the quality of life and chance of living for patients – sharing hands to share the burden of the poor and ethnic minority people – creating jobs and helping people benefit from socialised, humane healthcare.’



*Medical staff at emergency transportation hub 115 preparing emergency kits after each trip*

### Effective and neat management

With initial capital of 2bn VND (approximately \$90,000), Hiep and his friend decided to buy two cars and train health workers and drivers. The two expected that was all that was needed to start the business smoothly but there was much more. Calls to Tri Duc hotline were few and far between, despite real demand in Yen Bai.

‘It turned out that people thought they couldn’t afford our services because they were too good,’ said Hiep.

Tri Duc is different from other public and private ambulance services in both format and quality. It requires its drivers, nurses and health workers to wear uniforms and the company prioritises staff training in both medical expertise and attitude. It also transports patients first and collects payments later<sup>1</sup>.

While Tran Tuan Hiep was looking for ways to attract more customers, the Spark Centre for Social Entrepreneurship Development, or SPARK,<sup>2</sup> heard of his company and soon initiated a project to support Tri Duc in training its drivers and accountants. It also helped Tri Duc collect data, receive customer feedback and improve communication and marketing. It only took a few months until consumers became aware of the price and quality Tri Duc offered and requests for their services increased. As a result, between 2013 and 2014, the number of service users increased by 60%, and profits by 30%.

SPARK<sup>2</sup> also assisted the company in managing its internal training, and expansion of its service in Yen Bai. The company’s staff and ambulance technicians improved their skills in both transporting patients and providing emergency care. In addition, a patient information system was established.

To monitor the process of transporting patients, Tri Duc uses a mobile phone-based GPS. Hiep explained:

“Before leaving and on the way back, a driver texts me to inform where he is going and how he will collect the payment. I compare that information to the GPS to know if the driver is doing his job or not.”

<sup>1</sup> <http://spark.org.vn/wp-content/uploads/2015/01/Newsletter-4-VN.pdf>

<sup>2</sup> SPARK is a non-governmental organisation in Vietnam specialising in supporting enterprise sustainable development through innovative business solutions and targeting low-income people, thus contributing to the solution of social problems in Vietnam (<http://spark.org.vn/>).

In addition, regular cash flow reports help Hiep manage the company's financial situation.

The business has been running smoothly and now Tri Duc manages five cars with ten full-time drivers and one back up. Hiep assigns two drivers to each car so they can take turns to drive. The 11th driver can replace any of the regulars when needed, and is in charge of maintaining the fleet. Hiep said:

“Once we had a customer who was Chinese and needed to be taken back to China overnight. We had to send two drivers who took turns driving, and one nurse to operate an oxygen pump and hand over the patient's medical records to Chinese doctors.”

Hiep himself is in charge of one of the three hotline numbers to process patients' requests as quickly as possible.

## Patients first

According to Tri Duc, the company's strength is in its ability to gather people who share the same compassion for patients, and do not focus solely on profit. It is this characteristic that has helped Tri Duc bring thousands of patients to different medical centres in the province and as far away as Hanoi. No matter where the call is from, Hiep always tries his best to send a car.

His clients are not only those living in Yen Bai province but also adjacent districts in the neighboring provinces of Lai Chau, Tuyen Quang, Phu Tho, Lao Cai and Son La.

Hiep said:

“There were patients who were crushed by wood and suffered from broken neck bones. The roads were rough. But we tried our best to take patients safely to hospital.”

“Once we had to transport a pregnant woman with labour complications to Hanoi. But only 50km away from Yen Bai, we had to stop at the nearest clinic. That clinic had never managed a delivery before. Eventually the staff there, together with our driver and health worker, helped the mother deliver the baby successfully.”

“What I'm most proud of is that Tri Duc has never experienced any casualties while transporting patients.”



*Professional emergency practical training*



*Staff of Tri Duc Joint stock company visiting patients*

Naturally, like all other enterprises, Tri Duc has to make sure it has profits in order to sustain service quality. Meanwhile, it still gives special discounts to poor patients of up to 30%.

Where does it get money from to maintain its operation? Hiep explains:

“Many families who are better off are charged at normal market prices. We are lucky to have a contract with Vietnam Express Corporation and have just signed another one with Phu Tho Hospital. All of our profits are from such sources because other activities alone cannot break even.”

## Eliminating the bad impression of socialised healthcare

As the first private company investing in ambulance services, particularly with a social mission rather than profit making, running Tri Duc is not without its challenges. Most importantly, people are wary of quality services for fear of high prices. Meanwhile many have a negative impression of socialised healthcare services. However, through consistency and timely support from SPARK, Tri Duc has managed to overcome those challenges to continue to deliver quality services to patients.



*Tri Duc Joint Stock company office since its first establishment*

Nguyen Hoang Van, 33, who once had his family member brought to hospital by Tri Duc ambulance service, said:

“The drivers and nurses were really helpful and professional. But if the company could have newer, better cars, it would be a great help for patients. The cars are now quite old, which makes traveling harder.”

The company’s business results have improved. In the first year, 2009, revenue was less than 1bn VND (approximately \$45,000). In 2015, it tripled. The staff’s monthly salary is around 5 million VND (\$224) per person. Also in 2015, more than 3,000 patients and over 6,000 members of their families used Tri Duc services. The company also regularly updates customer information and receives feedback on its services. This gives it a precise picture of its social impact and helps improve quality as well as expanding access to new customers.

Yet, in order to improve further, enterprises like Tri Duc are in need of support from the state and foreign donors. According to Hiep, Tri Duc is confident in its medical and management capacity but is far from being able to invest in new cars and equipment. He said:

“I only hope that more national and international organisations can support us in taking care of people’s health in Yen Bai and nearby provinces, such as by funding or importing good used ambulances. Doing so would benefit patients and save investment costs so we can continue to provide quality service at affordable prices for poor people.”

Photo: (Source: <http://spark.org.vn>)



*One of Tri Duc’s ambulances:*



# VietED



**VIETED CENTRE FOR RURAL  
DEVELOPMENT -  
FOR A VIETNAM WITHOUT POVERTY**



**VietED Network has provided thousands of farmers across three Vietnamese regions with micro-finance in order to help them reduce poverty in a sustainable manner.**

### **“From a cow”**

At the age of 51, Nguyen Minh Duc remains optimistic about his future. Sitting in his new well-constructed house located at Dong Xuan hamlet, Quynh Thang commune, Quynh Luu district, Nghe An province, he says slowly, with a confident smile: ‘I will continue raising more cows, calves and planting more pineapples. This is the only way to make our lives better.’

The plan might seem simple to many people but it is a really ambitious for farmers like Duc. In such a remote mountainous area, most people lack funds, knowledge and even production materials. However, Duc has good reason for his confidence – he knows how to access financial support and the skills required to improve his livelihood. He adds: ‘If I do not have sufficient funds, I will continue taking loans from VietED’.

In late 2011, Duc was among the first in his area to take a loan of around 15 million VND from a microfinance program operated by VietED (part of the VietED MFI programme). With this loan, he spent 10 million VND on buying a cow, and 5 million VND on buying fertiliser for his Cayenne pineapple plantation. He was lucky. The cow produced two calves in the following years. At the current market price, his three cows are worth 35 million VND. The income earned from his Cayenne pineapple plantation was nearly 30 million. After only 15 months, he was able to pay back 100% of the loan.

The number of people benefiting from VietED MFI like Duc has increased rapidly. They have used loans to invest in livestock development, pineapple plantations or growing vegetables .

‘In the area, there are many poor people who wish to take loans but do not have assets. These households lack capital, skills and market information. VietED is helping address these challenges,’ said Dinh Thi Anh Tuyet, President and Founder of VietED<sup>1</sup> .

### **The VietED Group – ‘A network of socially responsible organisations and community projects’.**

After obtaining a bachelor degree in accounting and finance from the National University of Economics (Hanoi), and a Master of Business Administration degree in finance from the Leipzig University, Germany, Tuyet Dinh took her chance to work for an International NGO.

With her confidence and growing commitment to the field of social and community development, Tuyet worked with experienced colleagues to establish the member organisations of the VietED network namely:

#### **Some Key Milestones**

- 08/2010: Establishment of VietED Centre
- 12/2010: Establishment of VietED MFI Quynh Luu
- 04/2011: Establishment of VietED Fund (VietED MFI program)
- 03/2011: Establishment of D & TPlus, commencement of brand development program VietBrand
- 07/2014: Establishment of VietED MFI Hiep Hoa
- 10/2014: Cooperation with the Vietnam Banking Academy and MicroSave India in developing project on co-branding development training - MFCoB
- 03/2015: Establishment of Phu Tho VietED MFI (MF4SR Social Responsibility)
- 10/2015: Establishment of VietHarvest Model -79R (Market Link)
- 03/2016: Establishment of VietED MFI Hanoi (Products: Joining hands for Poverty Reduction)

<sup>1</sup> VietED network consists of: VietED Center/ VietED Fund / D&T Plus  
Operational fields: Micro finance / Agricultural value chain / Community Enterprise

- VietED Centre – the first member organisation of VietED which later became the cradle of VietED Group
- VietED Fund – specialising in microfinance activities
- D & TPlus Vietnam Company – specialising in value chain development and market links.

Their aim was to reach and support a growing number of low-income households and micro enterprises in Vietnam through three main microfinance-centered strategies: financial connection, knowledge and market.

Since the date it was established on May 8, 2010, VietED has been strongly committed to its mission of ‘working towards a Vietnam with no one living in poverty.’ After six years, VietED projects have operated in the north, centre and south of the country. This includes Son La, Yen Bai, Cao Bang, Ha Giang, Bac Giang, Phu Tho, Hanoi, Ninh Binh, Nam Dinh, Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Phu Yen, Binh Thuan, Dak Lak, Can Tho, Soc Trang and Ben Tre provinces.

## The main direction

VietED’s activities are targeted at low-income households. These micro businesses are trying to reduce poverty and develop the economy in a sustainable manner.

### Financial connection strategy:

Microfinance activities (VietED MFI) and a fund raising portal (VietGiving) are run by the VietED Fund<sup>2</sup>. VietGiving ([www.vietgiving.org.vn](http://www.vietgiving.org.vn)) is a crowdfunding portal calling for community contributions. It is developed from the traditional offline fundraising activity entitled ‘Joining Hands for Poverty Reduction’ and started on March 7, 2012. One hundred percent of funds raised are given to partners and beneficiaries – VietGiving does not make any deductions.

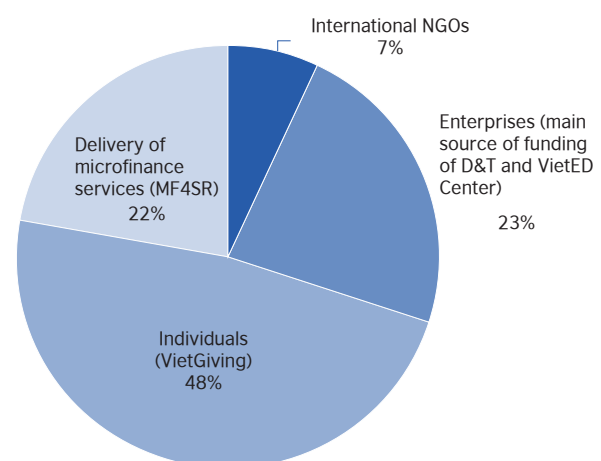


Annual customer conference at branches

### Knowledge Connection Strategy:

VietLuck<sup>3</sup> practical training and co-branding training programs are provided by the VietED centre.

VietLuck<sup>4</sup> (Living University for micro-finance and business sKills) is a practical training programme on microfinance and business skills development organised by the VietED Centre. VietLuck provides training to target groups including: internal clients of the VietED Group, external customers including individuals (students and office staff) and institutions (financial institutions and social enterprises).



VietEd's revenue structure

### Market Connection Strategy:

The community-based enterprise model is the input and its social responsibility retail system (VietHarvest) is the output – both are managed

2 See more at: [www.vieted.org.vn/](http://www.vieted.org.vn/) [www.chungsucgiamngheo.vn](http://www.chungsucgiamngheo.vn)

3 See more at: [www.vieted.com.vn](http://www.vieted.com.vn)

4 Website: [www/vietluck.edu.vn/](http://www.vietluck.edu.vn/); Facebook: <https://www.facebook.com/vietluck.edu/?fref=ts>

by D & TPlus<sup>5</sup>. The community-based enterprise reflects the network enterprises of D & TPlus. It was first piloted in 2013 in Quynh Luu district, Nghe An province with the aim of improving the sustainable agricultural value chain through a cooperative model. It is responsible for working with farmers to develop sustainable material production areas and also adheres to the fair-trade model. Between them the aim is to introduce products to supermarkets in Vietnam and export products to foreign markets.

Social responsibility retail system **VietHarvest**<sup>6</sup> helps guarantee a good market share for Vietnamese agricultural produce chains in urban areas within Vietnam and the wider world. VietHarvest commenced in Oct 2015 with a commitment to provide products that are 'natural, safe and traditional', guaranteeing that they are produced by farming groups, directly connected with community-based enterprise networks. Within this strategy, VietHarvest focuses on fresh and cooked foods provided through a chain of affordable stores.

The year 2015 was VietEd's turning point with a new strategic direction set in place for the next five years. The offline programme 'Joining Hands for Poverty Reduction' has contributed to a 50% increase in loans compared to 2014. This will be further developed by the online VietGiving project. VietED has launched a microfinance training project in cooperation with the International Consulting Organisation MicroSave and the Banking Academy of Vietnam, as well as the 'Capacity Building for the Microfinance Sector in Vietnam' project for the State Bank with financial support from the Asian Development Bank (ADB).

## Organisational structure

VietED has a typical structure of a non-profit organisation with 25 employees:

- board members consist of five people who are tasked to develop strategy
- the advisory council consists of three members supporting the board members and board of directors in the process of strategic planning, partnership building and exploiting financial and non-financial resources
- the control board has a responsibility to support the board of members to inspect and supervise the observance of financial discipline and operational processes
- the board of directors consists of three members
- four functional departments – operation and projects, human resources, finance and accounting and IT-communications.



*Customer conference, capacity building training for human resources staff*

<sup>5</sup> See more at [www.dtplus.com.vn](http://www.dtplus.com.vn)

<sup>6</sup> Website: [www/VietHarvest79.vn](http://www/VietHarvest79.vn); Facebook: <https://www.facebook.com/SevenNineRestaurant/>

## How growing pineapples in Nghe An is changing with the climate

Changing weather patterns have effected the economic development of rural areas, and the production efficiency of semi-upland areas in Nghe An. Climate change has resulted in hotter and longer summers since 2003. This has badly affected agricultural production. Thousands of tons of pineapples, which would be soon harvested, were 'burnt' by high temperatures and damaged by strong south west winds. This has had a direct impact on pineapple farmers including those receiving investment support from the Nghe An Food Corporation – Nafoods. It left them unable to pay debts because they could not harvest enough produce. More than 50% of loan takers could not pay by the end of 2009.



*Drying using solar energy*

In 2019 VietED worked with Nafoods to establish VietNaf, a joint venture to apply the microfinance model. Since January 2011, the VietED MFI program, operated by VietNaf, has offered a series of new products and put in place a number of agricultural measures to better address the problem of climate change including:

- Preparing plans on growing pineapples and intensifying pineapple cultivation in accordance with the technical procedures and norms and applying a new 'flower boosting' technique to ensure Cayenne pineapples can be harvested earlier in order to avoid hot periods.
- Instead of paying loans at the end of their terms, the branch has offered a loan where borrowers can pay on a monthly basis. There are also loans which can be delivered at a time appropriate to each stage of growth and development of the pineapples. There are also small loans for the purchase of plant protection products, diversification of income generation activities and loans for the between-crop periods of 18 months, 14 months and 10 months.

In addition, the branch worked with local people to develop a plan to cope with the heat in high season. This made equipment available to cover and prevent pineapples from being burnt as well harvesting pineapples before the hot period where possible. VietED established connections with pineapple processing factories in other provinces in Vietnam. Training activities were organised on business skills, techniques for tree planting and the protection of pineapples – all of which was integrated into monthly meetings of customer groups.

Initial changes had a positive impact, 40% of pineapple plantations produced off-season flowering thus avoiding the heat, 40% of the pineapple plantations yielded in the main crop season and 90% of the product volume enjoyed a good market. This was great news for pineapple growers because they did not lose much of their produce. The diversification of income and monthly installments helped borrowers avoid the burden of a larger payment at the end of the loan term. The payback rate since early 2011 has been recorded by the Branch VietNaf at 100% and the number of borrowers has steadily increased.

## The founding members

### **Dinh Thi Anh Tuyet : Microfinance and Value Chain Specialist**

Position: Chair of organisation members of VietED Group and CEO VietED Centre

Key role: strategic management and external relations

Tuyet: 'VietED is always committed to social goals, but strictly respects the "market approach"'.

Tuyet has over 17 years of experience in the field of community development, microfinance and sustainable livelihoods. She is the pioneer and developer of VietED's connected organisation model which creates a sustainable ecosystem by working with the local people.



### **Nguyen Thanh Ha : Microfinance and Information Technology Specialist**

Position: Deputy Chairman of the organisation members of VietED Group, CEO of VietED Fund

Key role: management of microfinance and information technology activities.

Ha Nguyen: 'I believe that microfinance is an effective solution for poverty reduction and direct support to households in Vietnam'.

Ha Nguyen has over 12 years of experience working in microfinance and development. He majored in law and information technology and worked for many years as a trainer for MFI and the network of people's credit funds in Vietnam. He has also taken part in many courses on development in Vietnam and in other countries such as Italy, India, the Philippines and Indonesia.

### **Raj Kumar : Microfinance Finance and Banking Specialist**

Position: Deputy Chairman of the member organisations of the VietED Group; fundraising and risk management director of VietED Fund

Key role: management of fundraising, risk management and strategic orientation

Raj Kumar: 'I share the vision and mission of VietED and its strong commitment to the tripod strategy taking households and micro enterprises as the core.'

Before joining VietED Group, Raj was the senior manager in Asia and Africa in the field of microfinance and banking for MicroSave International. Raj has over 17 years consulting in finance and banking through projects in Asia and Africa. Raj attended a masters degree course on finance and banking and agricultural development in India and the Netherlands.

### **Tran Thi Thu Hien : Financial Management Specialist for MFI**

Position: Deputy Chairperson of the member organisation of the VietED Group, CFO of VietED Fund and the system, CEO of D & TPlus

Key role: finance and accounting management of the whole system

Hien: 'VietED Group is committed to ensuring the value of its social impact with assessment tools that help people understand how the environment and their surrounding communities are affected by what they're doing.'

Hien has worked for over 17 years in the field of microfinance and community development. She has many years of experience in consulting, doing research and training for NGOs and international organisations in Vietnam and Asia.

### **Duong Thi Kieu Huong : HR Management and Administration Specialist**

Position: member of the board of VietED Group; Personnel and Administration Manager of VietED and the system

Key role: HR management and administration

Huong: 'The VietED Group considers personnel of core importance and we try to equip people with essential skills so they can start up a career from their own work.'

Huong has worked for 10 years in the fields of microfinance and community development. Huong has many years of experience in consulting and building personnel management and administrative systems for microfinance institutions in Vietnam.



## **PART 3**

# **SOCIAL ENTERPRISES IN THE WORLD**



# A CASE OF SOCIAL ENTERPRISE IN KOREA EASY LIFE ASSOCIATION, INC.

Cho, Young Bohk (Professor, Pusan National University)



*Employees' award*

In 2007 when Social Enterprise Promotion Act was legislated in Korea, Easy Life Association, Inc. was one of the first thirty-six social enterprises accredited by the Ministry of Employment and Labor in October that year. Easy Life was the largest of its kind to have created 260 social jobs at the time, and it has further employed 60 new employees in early 2008.

At the time of its launch, Easy Life received great attention for its three-party coordination of the local government and private enterprise cooperating with its social enterprise, where professional private organization and social service participants were selected while the Busan Metropolitan City (local government) provided financial and administrative support

and Hyundai Motors (private enterprise) provided managerial and technical support including facilities and finances. It is important to take note of its continued growth and success as a solid social enterprise through the win-win cooperation between the various parties.

Easy Life provides four social services, first of which is transportation support service. Wheelchair Accessible Vehicles are utilized to support safe and convenient transportation for the elderly and the disabled to visit hospitals and travel outside. Second service provided by Easy Life is home visit care and bath services, where certified caregivers visit individual homes to provide support for physical exercises, household chores and daily activities from five branches in Busan, Gyeongnam area. In addition, Easy Life operates sale/rental services of welfare toolkits for the elderly and four elderly daycare centers in Busan, Gyeongnam area.

Easy Life was awarded the grand first prize in Public Private Partnership Forum (by the Minister of Interior), certified Excellent Service Quality (Korean Agency for Technology and Standards No. 11-245), selected Excellent Employer by Busan Metropolitan City in 2012, received Presidential Award for Job Creation sphere in 2012, and awarded Presidential Award for Excellent Social Enterprise in 2016. In particular, Easy Life was the only social enterprise to have received citation awards in the Jobs Creation sphere.

Over 60% of labor employed by Easy Life are middle and older-aged women more than 50 years-old who have little opportunity for reemployment. Those women who had their career severed due to giving birth and raising children are given renewed joy and opportunity for self-realization through stable jobs.

Despite concerns and worries about social enterprises' self-sustenance after initial government support ends, Easy Life has continued since social enterprise accreditation in 2007 and after government funds have ceased, to service one hundred fifty-six thousand beneficiaries a year and employ 80 personnel from vulnerable social group out of 230 total employees as of 2015. More recently, Easy Life has implemented the social franchise system to continue to maximize enterprise growth and diffuse social values.

Due to low entry barriers for establishment of care centers in the senior care market, privately owned facilities and institutions have boomed resulting in excessive competition and decline in employment quality due to reduced labor cost. This in turn led to decline in the quality of service provided. As a leading social enterprise in the field of senior care, Easy Life perceived the need to assist small-scale care centers in self-sustenance through its social franchise system to maintain sustainable job creation and quality management. Easy Life also seeks to standardize the quality of service to maintain the high quality of service provided to the elderly.

According to the CEO of Easy Life, Kim Jung-soon, "social franchise is the application of commercial franchise system to create social values and maximize social impact", and unlike the commercial franchise which burdens the franchisee with investment risks and commission charges, social franchise headquarters bears the investment risks while sharing information and vision for the purpose of diffusing social values.



In an effort to play a responsible role in the social enterprise ecosystem, Easy Life established an online store (<http://www.theansimmall.com>) in 2016 to promote social enterprise product sales, where opportunities for shared procurement is expanded and competitiveness of social enterprise is enhanced through group purchase of its general products.

Homepage: <http://www.ansim.org/>



*A conference at social enterprise Ansim*



# BAYANI BREW: BREWING A NEW BREED OF FILIPINOS CRAZY IN LOVE WITH THE PHILIPPINES

Associate professor, Ph.D Raymund B. Habaradas and Patrick Adriel H. Aure, De La Salle University, Philippines

Bayani Brew<sup>1</sup> (literally “Hero’s Brew”) is a social enterprise initially set up in the Gawad Kalinga (GK) Enchanted Farm, in Angat, Bulacan, Philippines. It produces iced tea drinks that trace their origins from the brews of native leaves of the nanays (mothers) residing at the GK community. Promoting indigenous ingredients such as tanglad (lemongrass), pandan, and talbos ng kamote (purple leaves of sweet potato tops), Bayani Brew provides an “exciting and healthier alternative” to the usual sweetened ready - to-drink iced teas and fruit juices. The enterprise sells these “curiously yummy, ridiculously healthy, proudly homegrown iced infusions”, which retails at approximately Php50.00 (approx. USD1.00) per bottle. These ready-to-drink beverages, which come in two variants - Kickass Lemongrass and Camotea Commotion - are sold in some restaurants, cafes, and social enterprise stores across the Philippines.

## The birth of Bayani Brew at the GK Enchanted Farm

The GK Enchanted Farm, which is a “platform to raise to raise social entrepreneurs, help our local farmers and create wealth in the countryside”<sup>2</sup>, helps incubate social enterprises involved in various agriculture-based products, such as peanut spreads, cheese, ice cream, mushrooms, chocolates, plush toys, and various organic food items. Aiming to be the “Silicon Valley of social entrepreneurship”, the Farm encourages aspiring social entrepreneurs to unleash their creativity and combine business solutions to solve poverty in the Philippines.



*Superman drink product*

Before the Bayani Brew brand was born, a traditional brew was introduced by one of the nanays (mothers) of the GK Community, Linda Maningas, who served hot-off - the-casserole “tsaang bukid” (native tea) to GK volunteers. These traditional heirloom recipes were actually passed on from generation to generation. Little did everyone know that this traditional brew, which their ancestors drank to combat all sorts of diseases and to ensure long life, would be transformed into a new and exciting beverage.

Antonio “Tony” Meloto, the founder of Gawad Kalinga and recipient of the 2012 Skoll Award for Social Entrepreneurship, saw massive potential for native tea to be packaged as a cold bottled drink. He thought that this could revitalize a saturated beverage industry in the Philippines, while fulfilling the mission of developing the countryside and uplifting the plight of the farmers.

Endeavoring to turn this vision into reality, Ron Dizon, Shanon Khadka and Xilca Alvarez officially co-founded Bayani Brew in October 2012. Driven by the mission of alleviating poverty and seeing the opportunity from the fact that almost all iced tea ingredients were imported from China or Taiwan, the so-called “Brew Crew” got to work. What they lacked in terms of experience in the fast-moving consumer goods (FMCG) sector they compensated with guts and excitement - crafting a proudly Filipino beverage that can eventually compete in the global market.

## Validating Bayani Brew’s market potential

Even prior to incorporating their business, the Brew Crew decided to validate the market potential of Bayani Brew among foodies outside of the confines of the GK Enchanted Farm. Thus, on September 15, 2012, Bayani Brew joined the Ultimate Taste Test in Rockwell, Makati City. Bayani Brew was voted Best Beverage by over 1,000 food critics that attended the event, and placed second over - all with an average rating of 4.22/5, trumped only by ice cream. It was consequently featured in different food blogs, including the popular Our Awesome Planet.<sup>3</sup>

1 By Raymund B. Habaradas and Patrick Adriel H. Aure, De La Salle University, Adapted from Habaradas, R. B., & Aure, P. H. (2016). Managing social enterprises in the Philippines: Challenges and strategies. Manuscript submitted for publication, De La Salle University, Metro Manila, Philippines”.

2 [www.gk1world.com/gkenchantedfarm](http://www.gk1world.com/gkenchantedfarm)

3 <http://www.ourawesomeplanet.com/awesome/2012/11/bayani-brew.html>

When Bayani Brew was formally launched, one of its first clients outside of the GK Enchanted Farm's Souvenir Shop and Grassroots Kitchen was Human Nature, the foremost established social enterprise in the country that had its army of dedicated dealers of natural care products. Soon after, a new brew from the purple leaves of sweet potatoes (talbos ng camote) was made available but in smaller batches and limited circulation, since it had a more limited shelf-life (only 30 days) compared to the 2 months of the Kick-ass Lemongrass. This particular formulation was introduced by yet another nanay, Tita Yolly, one day during a volunteers' planning session at the GK Enchanted Farm.

Bayani Brew's target market features those who are looking for a healthier and more accessible alternative to sugary beverages and the socially-conscientious and mindful consumers<sup>4</sup>. Customers of the brand include parents purchasing the drink for their kids and consumers who want products that they truly believe to be good for them, good for the community, and good for the country.

Aside from its efforts to promote its products through social media and guerilla marketing tactics, Bayani Brew got the attention of traditional media. The brand was featured in a segment of local media giant ABS-CBN's "Kris TV", a prime-time features-oriented segment hosted by popular celebrity Kris Aquino. After this exposure, the demand for Bayani Brew increased substantially or three-fold, from sheer inquiries of establishments alone. Retailers who initially did not know Bayani Brew became aware of the product after seeing it was endorsed by Kris Aquino as her "new favorite drink."

Bayani Brew also began exploring different distribution channels. It initially started with independent restaurants and cafes like Wrong Ramen and Juju Eats. One of its earlier proudly homegrown partners, Bo's Coffee, likewise made Bayani Brew available in its more than 60 branches in Metro Manila and Cebu. What Bayani Brew credits for its growth in 2014 was its penetration of an established wholesale membership club known for selling only imported goods, S&R. Bayani Brew 4packs are now available in all other S&R branches and has shown that an unabashedly local brand can compete side-by-side with highly-touted imported brands. Bayani Brew is now also available in Family Mart outlets, which are rapidly expanding in the central business districts of the country.

More recently, AirAsia's regional flights have been carrying Bayani Brew's Kick-ass Lemongrass. To date, it has been featured in almost all foodie magazines (like Yummy, FOOD and Appetite), including Entrepreneur, Esquire, several food blogs like pepper.ph (ranked by Google as best food site), spot.ph, ANC, Bloomberg, to name a few.

Admittedly, massive penetration and distribution is still a challenge given its limited shelf-life (2.5 months for Kick-ass Lemongrass and 30 days for Camotea Commotion). Its upcoming seasonal variants have limited shelf-life as well).

## What is the social problem?

The United Nations Sustainable Development Goals (SDGs) mirror the issues that are very relevant in the Philippines. The Brew Crew and the rest of the social enterprise's team are intimately familiar with the problems on poverty and providing decent work for Filipino farmers. This is aligned with the first SDG ("Ending poverty in all its forms") and the eighth SDG ("Promote inclusive and sustainable economic growth, employment and decent work for all") - showing Bayani Brew's social enterprise activities is an attempt to answer the call for true sustainable development.

As such, Bayani Brew prides itself in these key characteristics: all-natural, all-delicious, and all-Filipino<sup>5</sup>. Bayani Brew does not use any artificial flavoring and chemicals, ensuring a safe and healthy product. It also puts a premium on the taste of its bottled drinks, which explains why food critics place them in high regard. Bayani Brew's impetus behind selling more and more beverages is its core mission of making subsistence farmers' and their kin's hand-to-mouth existence a thing of the past. This social goal is in tandem with its cultural revolutionary mission of "brewing a new breed of Filipinos crazy in love with our country"<sup>6</sup>.

4 <http://www.rappler.com/business/economy-watch/60822-filipino-consumers-social-consciousness>; <http://www.rappler.com/business/35823-corporate-social-responsibility-filipino-consumers-nielsen-survey>

5 <https://www.facebook.com/BayaniBrew>

6 <https://www.bayanibrew.com>



Beyond this however, at its core, is its social objective of not just creating sustainable livelihood opportunities for the residents of the GK Enchanted Farm community, but more importantly, the Farm's very social mission - lifting Filipino farmers out of poverty. Bayani Brew believes that it can already pursue these objectives without waiting to be immediately profitable.

### **The Bayani Brew solution - Filipino farmers at the core of its supply chain**

Consistent with its commitment to being all-Filipino, the company sources all its raw materials locally, helps train farmer-suppliers and ensures that all production inputs are organically-grown. While they started with the GK Enchanted Farm, they have begun sourcing from other subsistence farmers and agrarian reform beneficiaries in nearby barangays in Bulacan and as far as communities in Tarlac province in Central Luzon. The company promotes the planting of these climate-resilient, fast-growing, indigenous crops (i.e., tanglad, pandan and talbos ng camote) which are directly sourced from these farming communities, and at a guaranteed above-market price. According to Ron Dizon, this is the company's way of "securing the supply chain".



*Material procurement activities from farmers at Bulacan*

Also worth noting is how Bayani Brew builds a culture that greatly values the people involved in the company. This is attested to by the employees, who appreciate the importance the company gives to work-life balance. Since their production facility is located very close to the community, this allows their community-based staff to go home to their families whenever there is a need to do so. Mothers who live in the community can also easily monitor their children even while working.

Beyond simply giving compensation, Bayani Brew also conducts seminars and workshops for its employees. The production crew for instance have attended Good Manufacturing Practices seminars. Other talks on professionalism, and personal responsibility, including hard skills on computer literacy and basic spreadsheet functions, are regularly conducted within the company. Elmar Baluyot, one of the employees based in the farm, mentioned how the staff has become more mature and business-minded individuals as a result. He also likes the neighborly atmosphere in the workplace.

Bayani Brew also offers a scholarship program for two of its community-based employees – Baluyot and Dianne Maningas. The founders believe that education and training are still the best social investment. Prior to their becoming part of the Bayani Brew production crew, they were out-of-school youths for a few years from high school but had always wanted to pursue their dreams of continuing their studies. Bayani Brew gave them this opportunity by paying for their tuition and fees and by giving them flexible work hours, so they can still make a living and contribute to their families. Under this program, the two scholars each receive a weekly allowance of P750.00 to P1,350, which they use for school allowances and help with their elderly parents.

The rest of the staff (to date, 22) who have children that are enrolled in public schools from preschool to elementary level are offered an additional de minimis allowance of P5,000 come school enrollment. This is another program the Brew Crew initiated as staff members with children

would usually seek salary advances come early June for school supplies in 2013. So the following year, the managers realized educational assistance should be a component of additional benefits so they no longer need to obtain salary advances just for their children's school needs.

Consistent with its aforementioned social mission of lifting farmers out of poverty (Bayani Brew's target is to augment the PhP 24,000 annual income of 1,500 farmers by 100% in 5 years) Bayani Brew provides more end-to-end services to their partner suppliers (not just directly sourcing from them to bypass the menacing middlemen and purchasing from the farming communities regularly at guaranteed above-market prices), which entails a more holistic approach in dealing with their suppliers.



*Bayani Brew products are favoured by consumers*

Bayani Brew taps organizations with expertise to provide agrarian reform beneficiaries (free) organic farming training, if they are not yet natural farm growers but want to become part of the supply chain. To consumers, going natural is easily about health and wellness, but to farmers, this necessity and value is not immediately comprehended. Most subsistence farmers are also terribly in debt because of the costlier chemical fertilizers and pesticides that their local government units make more accessible to them and have them purchase (thereby creating the false need to borrow at loanshark rates, hoping to pay off come harvest season). Since Bayani Brew knows it must secure its supply chain for organically grown crops, it

is deemed an investment, and not merely charitable practice, to provide this intensive training, vermicomposting etc. free-of-charge. The farmers themselves can utilize this knowledge for their other crops, and thereby create higher value to their existing crops. They likewise realize that this is not only good for them financially. They also benefit in the long term, given the better conditions of the soil they till, and given that their over-all well-being is protected by the removal of carcinogens and chemicals that are harmful to the body.

On top of this, for other farm implements that the suppliers may need, Bayani Brew offers (interest-free) micro financing (as in payable over 24 months, though more often than not, this has been paid off within the next 5 harvests or within 3 months from “borrowing” because of the extra income they make from the hundreds of kilos of tanglad that are purchased from them). Examples of these would be simple loans that were utilized for sidecars so they can deliver with ease, to dams for irrigation.

In addition to this, Bayani Brew is starting a financial literacy and savings program, also to ensure that when the farmers do get wealthy, it won't all go to booze and vices but to actual fulfilment of dreams for themselves and their families.

Essentially, the Brew Crew aspires for a transformative mindset, behavior and lifestyle for our country's subsistence farmers into thriving “agri-preneurs.”

In conjunction with this, Bayani Brew offers agribusiness college scholarships to deserving coeds and farmers' children. Previous to their dealings with farmers, none of them before ever desired that their kids would become farmers themselves because it's a harsh, hungry life under the scorching heat, feeling trapped in a vicious cycle of poverty. Farmers' children believe that their only ticket out of it is perhaps becoming a domestic helper abroad or even making do as an informal settler in the city looking for factory work with some mistaken notion that the grass is greener in the overpopulated metropolis. This, however, poses a very bleak future for the country's supposedly agri-based economy.

Bayani Brew nonetheless sees the vast potential in agribusiness. Through education and partnership, the Brew Crew believes they too can help prepare the next generation of farmers see this potential of wealth in our land and in our people. As of school year 2015, they only have two agribusiness scholars. However, they hope to entice more young people to take up agribusiness.

Unlike other charitable projects of companies' CSR that are able to allocate a percentage of their profits for their "programs", Bayani Brew's social impact is directly and deeply integrated in its supply chain. Bayani Brew believes that by placing Filipino farmers at the core of its business model, it can concoct brews that are native yet exciting - infusing the ingredients that can help alleviate the poverty of farmers in the Philippines.

## Reference

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# EIGHTEEN CHEFS: RECIPE FOR DOING GOOD

The case study was permitted to get translation from the book “Getting to the heart of social business” of the Ministry of Social Development and Family Singapore, published in 2014



## 18 chefs restaurant: where to create new life for former prisoners

“Please don’t come to Eighteen Chefs because Benny is a nice guy!” Owner-chef Benny Se Teo says this out of confidence in his offerings”



*Busy view at 18 chefs restaurant*

Come because you like the food, because the price is right, and because of the service and ambience.” Benny runs not one, but three outlets, which offer a staggering array of innovative and mouth watering food choices which allows customers to mix and match dishes and sauces. He even allows customers to “legally vandalise” the cafes, and there is always a cacophony of noise and chatter from a predominantly younger crowd. Benny’s Eighteen Chefs is certainly no ordinary business. There again, Benny is no ordinary chef and entrepreneur. In fact, Benny is a man in a hurry, having wasted many of his prime years behind bars. Between 1983 and 1993, he was in and out of prison four times for a heroin addiction. His first job in the F&B industry was as a cook for the prison superintendant. “It was a prestigious job - it meant I did not have to eat prisoners’ food,” he says. Standing strong at 52 years of age, Benny is a forerunner in the social enterprise scene in Singapore. If it was passion that got him started, it must be perseverance that has kept him going. He simply refused to give up despite several failed business ventures which included a courier business in hiring ex-offenders. With sheer determination, Benny set up Eighteen Chefs in 2007, after his stint in London, where he became the first Asian to be trained in Jamie Oliver’s restaurant, Fifteen.

### New lease of life

From the day he opened his first Eastpoint mall outlet, Benny has been committed to giving ex-offenders and delinquents a new lease on life, by equipping them with life-long culinary skills and a career in the food business. With this initial success, Benny was able to attract savvy investors who saw potential in his business model. This led to the set-up of two other outlets in Tiong Bahru Plaza and Fusionopolis, with a fourth outlet due to open this year. Benny is not resting on his laurels. He is always on the lookout for more suitable locations in Singapore and even franchising offers in Malaysia.

Even in the midst of expansion, hiring people on the fringe still remains his topmost priority. His dedication is rooted in a promise Benny made to himself: “After six interviews, I couldn’t get a job because of my past. I vowed that if I ever became a boss, I’d hire ex-convicts.” Of a total staff

strength of 50, almost 20 of them are reformed delinquents and ex-convicts, who serve as chefs and service crew. His greatest desire is to see more delinquents and ex-offenders regain their self-esteem and embrace the vast opportunities in life. One ex-offender worked for him as a supervisor for 18 months, before moving on to be the regional general manager of an international F&B chain. Another manages his Tiong Bahru outlet, whom he praises to be “so trustworthy”, he “can sleep peacefully at night.”

## New Identity

Gary Lau, the resident “Punk Rock Chef” at Eighteen Chefs, experienced the turning point of his life when his school sent him to the cafe for an attachment. The reformed delinquent was offered a job, and he has done so well that Benny promoted him to Supervisor, overseeing seven people. The 21-year-old now has a completely different outlook on life. He says: “Benny helped me a lot and taught me to have a good attitude. He even gave me my own name card!” The job title on this Supervisor’s name card? Punk Rock Chef, of course.

## Work to maximise profits

Benny is clear about what sustains his business. His maxim is that social enterprises still have to “work to maximise profit” while keeping the social mission alive. “Before you can help others, you need to make sure the business is sustainable. You can’t afford to delay paying rent. How can you do good when you don’t feel good?” Benny also advises: Provide quality food and services, and have differentiated product offerings. “At the end of the day, customers will come back only if the food is good and not just because they support our social cause,” he says.

Website: <http://www.eightenchefs.com/>



*Benny and staffs*



# Hackney Co-operative Developments CIC

The case study was written by HCD and compiled by the team



## Company Overview

Hackney Co-operative Developments CIC (HCD) incorporated in 1982 as a grass-roots business support agency supporting local people into social and community business. Today, HCD are a Community Interest Company with an annual turnover of over £650,000 and an open-membership of 300 local people and organisations, collectively democratically controlling HCD, electing their voluntary board. HCD is widely recognized as a leading community-led economic development agency promoting regeneration in the borough of Hackney and the fair distribution of the benefits that this renewal and growth brings.

HCD support the creation and growth of co-operatives and social enterprises through expert professional advisers who work directly with clients to support their establishment and growth in all areas of business development including planning, governance, finance, environmental sustainability, fundraising, legal advice, marketing, property management, investment readiness, decision-making and social return on investment. HCD use their agency role to network and connect organisations so that the movement can work together to grow the locally-owned social economy in Hackney.

HCD has been a leading Affordable Workspace Provider for over 25 years, playing an important role in Hackney's business ecosystem and ongoing urban regeneration. HCD have to date developed a property portfolio of over 3,200sqm which is valued at around £5m.

HCD run Gillett Square as a unique community-led public space in the heart of Dalston, Hackney, where an incredibly diverse range of people can meet on common ground. Their programming of community and cultural events plays a key role in the socially cohesive regeneration of this rapidly changing area of Dalston, and at the same time works to retain its diversity and showcase its creativity.

HCD is an accredited training centre providing into-work skills and support to those furthest from employment in Hackney. As well as basic English Language Skills, the learners referred to HCD by Job Centre Plus, Hackney Council and Hackney Learning Trust receive support in personal budgeting, job hunting, interview skills, career development, banking online, engaging with statutory services online, online safety and many more key skills for navigating contemporary life in London.

HCD have an annual turnover of £650,000 which is projected to rise significantly due to substantial property development activity in 2016-18 to vastly increase the portfolio of affordable workspace they offer. HCD have a small professional team of 11 employees.



*The audiences at an event of HCD*

## HCD and Hackney Ward

HCD's operations are primarily targeted within their home borough of Hackney. Hackney's economy has grown rapidly over the past decade. The number of active businesses has increased by 40%, median salaries by 33% and average house prices by 201%. Nevertheless, many Hackney residents have not participated in this growth. The London Poverty Profile 2015 demonstrates Hackney is still performing poorly with unemployment above the London Average and average rent accounting for 76% of lower quartile monthly earnings.

HCD's property portfolio is largely concentrated in Hackney's primary town centre, Dalston. Dalston is a place of rapid change and extremes: within two years of the Greater London Authority (GLA) ranking Dalston in the top 3% of deprived wards in London, Italian Vogue called it the 'Coolest Place in Britain'. In the last five years significant investment in transport infrastructure has increased entries and exits in Dalston Town Centre to 10 million annually (TFL 2014). In the same time period the average house price in Hackney has almost doubled (Land Registry 2014). Despite this the borough of Hackney remains the 2nd most deprived local authority in England. Dalston's economic



and social profiles show qualification levels are higher, unemployment and long-term disability lower than in Hackney overall. Dalston residents experience generally better health than the rest of the borough. Dalston's ward profile 2014 underpins the key role this major town centre has as an economic engine for the rest of Hackney.

Dalston is one of London's key hot-spots for start-ups in particular for makers, creatives and social enterprises. The London Workspace map created by the GLA shows clearly that Hackney has more open workspaces than any other area in London however frequent feedback from business leaders in the SME, voluntary and creative sectors in Dalston fits with the London-wide experience that available workspace is often unaffordable or lacks the flexibility and accessibility necessary for success.

## Gillett Square

The Dalston Town Centre Area Action Plan recognises the need to Manage development pressures and other changes whilst retaining Dalston's unique character and heritage and that a significant weakness of Dalston Town Centre is the lack of public open space. HCD was at the forefront of the partnership that developed Gillett Square as a unique public space in the heart of Dalston providing a vital piece of public realm where it is needed most. HCD continue to manage and programme Gillett Square as an open community resource and events venue and work with the community to empower small and large groups to participate in the programming and management of Gillett Square, as well as providing a great many volunteering opportunities. The character of the square is strongly influenced by the blend of contemporary urban architecture and landscape design with building forms more traditional to Hackney.



*Dalston Culture House*

## Dalston Culture House

Dalston has a long and developed history as a cultural and creative hub, with organisations working in these sectors making a significant contribution both to the town centre's economy and the character, identity and urban life of Dalston. As such Hackney Council have adopted a Community, Cultural and Creative Quarter in the planning policy to further encourage appropriate locations to achieve the regeneration vision that is unique to Dalston, noting in the Area Action Plan that 'Gillett Square provides a focus for the cultural, creative and community sector including a setting for various events. Fronting the Square, the Dalston Culture House accommodates the Vortex Jazz Club as well as being a lively hub of micro-businesses, small social/cultural enterprises, community groups and other voluntary sector organisations'.

## HCD and its Role in Social Enterprise Development



*Mr Dominic Ellison – CEO of HCD*

Government statistics identify around 70,000 social enterprises in the UK, contributing £24 billion to the economy and employing nearly a million people. In the 10 years since the creation of the Community Interest Company legal form, over 11,000 CICs have been founded. The last five years have seen significant development of social investment to support the growth of our movement. There are, in 2016, nearly 7,000 independent co-operative businesses in the UK, contributing £37bn a year to our economy - up 15% since 2010.

HCD are committed to inspiring the next generation of Hackney's Social Enterprise pioneers and to arm them with the necessary skills and knowledge to grow their enterprise, in turn growing the local economy and the socially-owned share of the wider economy. HCD's work demonstrates that Social Enterprise in its many forms offers communities the opportunity to create businesses that are better for them and society. HCD is a widely-recognised market leader in expert Social Enterprise Development advice and support, with over 30 years experience of delivering Social Enterprises in Hackney the very best free advice, training and consultancy on how to set up, run and grow a sustainable, social business and achieve great things.

By supporting the growth of Social Enterprises specifically, HCD are targeting support on the sector that provides greatest proportional job creation to the local economy. Social Enterprises are heavily concentrated in areas of multiple deprivation such as Hackney, with 38% operating within the top 20% most deprived, that is three times the proportion of SMEs creating jobs and contributing to the economy where it is needed most. Statistically, Social Enterprises recruit far more employees from the local area. Social Enterprises in the most deprived communities are more likely to focus on creating employment and addressing social and financial exclusion, 52% of Social Enterprises also actively employ people who are disadvantaged in the labour market.

HCD's support has targeted the key areas of need for the local social enterprise market, particularly Business planning; Employment and Staffing; Financial planning and management; Legal and Governance and Growth. HCD's recent work has included establishing new social enterprises over many different forms (Community Interest Companies, Worker Co-operatives, Community Benefit Societies and more) and enabling social enterprises to successfully start trading, grow, access finance or funding or move to improved premises.

## **Governance Structure**

HCD was launched in 1982 by tenants of a number of Hackney-based Housing Co-operatives as a business support agency for local people, especially those that lived in housing co-operatives, to establish new co-operative businesses.

HCD is a not-for-profit organisation, they do not have shareholders, they have members. Membership is open to anyone in Hackney who shares HCD's goals, ethos and approach to community-led economic regeneration. In a period of over 30 years HCD's membership has grown to over 300 individuals and organisations. HCD members are able to vote and are eligible to stand in the annual election of General Council members, who are the company's Board of Directors. Their services in that role are unpaid. The board, to which HCD's paid staff are accountable, meets every two months. HCD's membership is divided into the following categories;

- a) Worker co-operatives, common ownership enterprises and small businesses benefiting the local economy of Hackney;
- b) Trade Union organisations;
- c) Community and voluntary organisations;
- d) Other organisations - including ethical businesses, green businesses, local democracy organisations, social enterprises, fair trade firms, and other co-operatives - which do not qualify to be placed in any of the above Interest Groups;
- e) Employees of the Company; and Individual members not being employees of the Company
- f) The majority of the members fall under categories (a), (c) and (d) and will have initially engaged with HCD as a development client or tenant. A minimum number of board places are reserved for each category.

**Table 1.HCD's Board of Directors**

Chair	Rod Campbell-Taylor	Category (a)	(HCD Tenant, Rod Campbell-Taylor Solicitors)
Vice Chair	Rod Campbell-Taylor	(a)	(HCD Tenant, Rod Campbell-Taylor Solicitors)
Vice Chair	Rob Devoy	(e)	(HCD Staff)
Treasurer	Emmanuel Oloyede	(a)	(HCD Tenant, Emmanuel Stephens Chartered Accountants)
	Peter Ottino	(d)	(Co-operative Group)
	Robin Grey	(c)	(Three Acres and a Cow)
	Andrew Clough	(d)	(The Brew Co-working Space)
	Claudette Spencer	(e)	(HCD Staff)
	Eric Cato	(c)	(Co-operative Party)
	Clarissa Carlyon	(f)	(Gillett Square Creative Producer)
	Jeremy Somers	(d)	(HCD Tenant, Circleline)
	Oliver Weindling	(d)	(HCD Tenant, Vortex Jazz Club)
	Nigel Caleb	(c)	(HCD Tenant, Detention Advice Service)
	Dolly Ryall	(d)	(HCD Tenant, Working With Voice)
	Olufunmike Oyewola	(f)	(Individual Member)
	Yared Marcos	(d)	(HCD Tenant, Kaffa Coffee)

**HCD's Executive Team consists of**

Chief Executive Officer	Dominic Ellison	(Director - Value Structures Co-Housing Co-operative Ltd; Locality (UK); Development Co-op Ltd.; Co-operatives London; London Co-op Development; Hackney CVS; City & Hackney Together; HCD & London; NTS Radio CIC)
Chief Financial Officer	Anthonia Onigbode	(Director - Healthwatch Hackney. Secretary - HCD Trust; HCD & London Ltd.; Rise & Shine ASC)
Administrator & Accounts Assistant	Claudette Spencer	

**Business Development Team**

Business Development Manager	Bekele Teklu	(Director - Knowledge Quarter Co-op; Action Group for Ethiopians; Solidarity Committee for Ethiopian Political Prisoners; Deans London)
Social Enterprise Development Manager	Brian Millington	(Director - Greenmarque; London Co-op Development)
Social Enterprise Development Adviser	Olivia Katis	

**Property Team**

Property Manager	Leah Keene	
Tenants Support Officer	Rob Devoy	

Cultural Programming and Community Events				
Gillett Square Creative Producer	Clarissa Carlyon	(Director - Beespoke Tours)		
Community Organiser	Anja Beinroth	(Director - Living Under One Sun)		
Playworker and Volunteer Co-ordinator	Keyo Yendi			

## Funding sources

HCD's property income accounts for around 74% of revenue. HCD's dedicated property management team and senior managers have significant property development experience as do members of the board. HCD are listed on LB Hackney's Approved Affordable Workspace Provider Register. As a not-for-profit CIC (Limited by Guarantee) HCD have constitutional articles and strong legal asset lock that guarantee their property portfolio is a protected local community asset that cannot be broken up for private gain, but will be preserved to support local economic activity. 100% of surpluses are reinvested into HCD's social objectives.



*An impressive drum performance of HCD at Gillett Square*

HCD properties include office spaces, shops, restaurants, bars and performance venues; incubating over 80 social enterprises and SMEs. HCD have to date developed a property portfolio of over 3,200sqm which is valued at around £5m. HCD are growing this, including a current £2.1m redevelopment of one of their oldest sites and an additional development of 444sqm of new space. Though some funding has been involved in HCD's property development, each project has been primarily capitalised by traditional finance arrangements. HCD have strong relationships with social finance organisations - for example Triodos Bank have been their chief capital supporter. Triodos are a bank which only lend money to organisations that make a difference to people and the planet. Without exception, every single organisation they finance is making a positive difference - socially, culturally or environmentally.

HCD have however just secured a grant of £1,000,000 from the Greater London Authority towards the redevelopment of their largest concentration of workspace, which represents approximately half of the budget of the development - the shortfall being met through finance from Triodos.

The income from HCD's properties fund their core costs and contribute to the costs of the programmes that they run, though further external grant funding is also sought to contribute to their programmes. HCD are in the third year of a partnership with UBS bank, who fund HCD's flagship social enterprise development programme (£57,305pa) Pioneering Social Enterprise in Hackney. The funding from UBS contributes to the salary costs of the team of accredited business development advisers.

HCD's employability training programmes are funded by a range of trusts - for example the British Council-backed Tinder Foundation who fund HCD's Learn My Way programmes; government departments such as DWP and through the delivery of statutory contracts.

HCD developed Gillett Square as a unique community-led urban public space. HCD's programming of community and cultural events plays a key role in regeneration of Dalston and its environs. The events programme attracts external funding and HCD has contributed significant revenue from their annual surpluses to this project since it began over 10 years ago.



**Table 2. Income Snapshot:**

Income	Earned	Grant	Total	% of Total
Property Management	£ 484,995		£ 484,995	74.11%
Grants Receivable		£ 120,028	£ 120,028	18.34%
Income from Contracts Delivered	£ 49,373		£ 49,373	7.54%
Total	£ 534,368	£ 120,028	£ 654,396	
% of Total	81.66%	18.34%		

## Future Perspectives

HCD are currently focusing on the expansion and improvement of their property portfolio. The Dalston Town Centre Area Action Plan establishes a need for 65,000sqm of new commercial, retail and community uses by 2024. Hackney's business community is under pressure through the lack of available affordable workspace.

The pressure on price is acute in property hotspots such as Dalston where commercial rents are rising to match central and west London prices. Higher rents are within reach of larger companies, financial and professional services but risk squeezing out creative industries, smaller firms and local entrepreneurs who are not always able to carry these overheads.

HCD's existing property portfolio of 3,201sqm (34,456sft) is primarily concentrated in off-high street locations in Central Dalston, with the exception of 443.5sqm located in HCD's most recent development in Hackney Central, which opened in 2016. Most of HCD's portfolio was amassed during a period when HCD was buying property cheaply in an inactive market. The task facing HCD is no longer to stimulate economic activity in an area where there is very little, but to ensure that the benefits of sharply-rising economic growth are fairly distributed.

To this end HCD and other workspace providers have been very active in campaigning Hackney Council to ensure that space is made within regeneration for employment space which is accessible to local entrepreneurs. This has resulted in Planning Policies that require a proportion of workspace in all building developments over a certain scale to be made available as Affordable Workspace as part of the developers' S106 agreement. This is the process through which HCD, using their inclusion as on LB Hackney Approved Affordable Workspace Provider Register acquired the 443.5sqm property in Hackney Central and through this process HCD are aiming to acquire many other pockets of property around the borough.

Another approach being taken by HCD in this new local financial climate is the demolition, currently, of 295.34sqm of existing workspace to make way for a new development. 25 Downham Road is the example of this new approach. Three complimentary reports testify to the non-viability of the site as a commercial proposition, due to the poor condition both structurally and internally. Work to ensure the modernisation of the building would require the reduction of useable floorspace and the costs of the work would outweigh the value of the property.

It is the first time that HCD have developed residential property. HCD do not have a strategic interest in moving into residential property, it is simply being used as a model to resource the creation of the new workspace. The sale of residential units to higher-earning new entrants to the area to fund the creation of the highest quality workspace to be let as affordable is viewed by HCD as a new way to use their agency role to redistribute the new wealth coming into the borough to all.

Each of these new developments will also have a very positive impact on HCD's sustainability as property management makes up the vast majority (currently 81%) of HCD's income, which underpins each other activity that HCD delivers. The 473 sqM (5,091 sq Ft) of additional Commercial Space

created in the GLA-funded project will generate £106,911 per annum of rental income. The 345.5 sqM (3,719 sq Ft) of Commercial Space created in HCD's Downham Road development will generate £78,098 per annum of rental income.

This type of additional income will enable HCD to secure jobs of employees in roles that are currently funded by external grants (e.g. the Social Enterprise Development Manager & Worker, who are funded by a grant) and enable greater independence when developing future schemes than is afforded when seeking grants for projects.



*A sublease studio space at Dalston Culture House*



# SOAP CYCLING: TRANSFORMING SOAP INTO HOPE

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Pneumonia and diarrhea are the two leading causes of childhood death for children under the age of five in most developing countries. According to the Pneumonia & Diarrhea Progress Report in 2015 (International Vaccine Access Center, 2015), pneumonia and diarrhea were responsible for nearly 1.5 million deaths of children in a single year, and these diseases will continue to cause significant morbidity and mortality in young children around the world, especially in Asian and African countries.

[illegible]

## The Rise of Soap Cycling Social Enterprise

Mr Bishop's original idea about Soap Cycling is well illustrated in his remark below:

“University students [in Hong Kong and elsewhere] need to have real life work experience before they graduate ...They need to know how the real world works, what they are good and not good at honestly... and listen to what the boss tell them where they need to improve. They need to learn how to deal with setbacks in life. You can't learn these things in the classroom ... They need hands on learning experience by managing an enterprise ... They can learn many things by managing our Soap Cycling [than directly join large investment banks] ...In Soap Cycling they learn to be an all-rounded entrepreneur”

Today, a team of four directors manages Soap Cycling: MrBaniel Chung (an engineer and marketing expert), Mr Beau Lefler and Dr. Chad Lykins (both law professors at the University of Hong Kong) and Mr David Bishop as the Chairman, mentor and advisor. The social enterprise operates without



paid staffs (Chiu, 2012) and is mainly operated by student volunteers from the University of Hong Kong. Soap Cycling collaborates with student volunteers who hold various managerial positions and handle all operational aspects at Soap Cycling as a part of their 13-week internships in the University of Hong Kong. Student volunteers normally work for Soap Cycling for 13 weeks on a semester basis, during which they need to submit an action plan and a general manager evaluates their reports and performance. Students work in different departments, from “strategy” (in charge of developing growth and expansion strategy), marketing (in charge of formulating marketing strategies), manufacturing and delivery, to accounting, human resources, and law. Recalling his experience about the student functional teams, Mr. Bishop said “the strategy and marketing teams face the most challenges because of the difficulties of thinking about expanding and marketing the recycled soaps... while the other teams tend to have a more fixed type of activities”.

The social enterprise also receives significant support from professional volunteers in Hong Kong including pro bono legal and accounting services, trademark and web design, and public relations support.

Today, Soap Cycling remains to be the first soap recycling and distribution social enterprise in Asia.

### The Soap Reprocessing Model

The social enterprise collects any shape, color and fragrant of unused soaps from its partners mainly hotels and non-governmental organizations. The unused soaps are put together in a warehouse in Kwai Hing area of Hong Kong. Students wear plastic gloves and use a tool to scrap any dirt on the unused soap’s outer surface gently and rely on visual inspection to ensure that each soap is clean. Figure 1a and b shows the used soaps and students scraping used soaps before they are reprocessed.

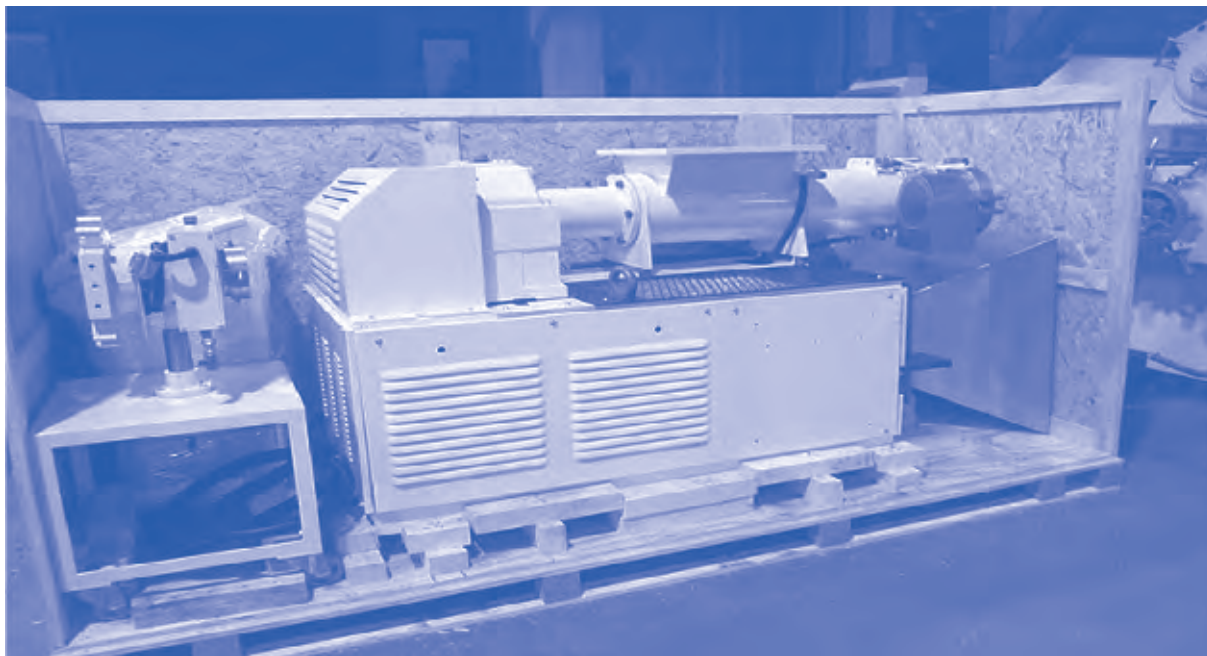
In the next step, the scraped soaps are put inside a machine called “plodder” that grinds the soaps, and after mixing it with some oil, the process turns the ground materials into standardized soap bars that look like long “bricks”. The long soap bars are then cut into smaller pieces of soaps with the size of palms. Students wear mask and gloves to scrap the unused soap bars to protect themselves from the strong smell and dust during the reprocessing process. Figure 2 shows the plodder machine used in Soap Cycling.



*Figure 1a: Used soaps were collected, be preliminary for the processing and recycling stages*



*Figure 1b: Student volunteers are “sharpening” the soaps to remove the outer layer of dirt clung*



*Figure 2: Crusher is used to recycle the used soap*

### **Soap Cycling's Social Business Model**

Soap Cycling has a unique business model. It does not sell recycled soaps to end - users. Rather, it receives philanthropic funds as its main source of income. These funds come from various charitable foundation and for - profit organizations in Hong Kong, such as the Chow Tai Fook Charity Foundation, the New World Development, and Compass Offices. Second, it attracts various volunteering groups from large companies, such as PwC, National Australia Bank, and Abacus Company. These companies pay fees to let Soap Cycling organize the volunteering sessions. Approximately 1000 corporate volunteers join Soap Cycling annually.

Partnership is critical to the operations and sustainability of Soap Cycling. It is a means for the social enterprise to collect unused soaps and distribute recycled soaps as well as secure philanthropic funds to support its operations. Today, this social enterprise has attracted many partners mainly from hospitality (as they are heavy users of soaps), including Conrad Centennial Singapore, Marco Polo Hong Kong Hotel, Four Seasons Hotel, Hyatt Regency Sha Tin and other 41 hotels in Hong Kong, Japan, South Korea, Mainland China and Singapore. Soap Cycling rents a van one day per month to collect used soaps from local hotels, while overseas hotels ship their soaps to Hong Kong every three months.

To distribute recycled soaps, Soap Cycling partners with a variety of non-governmental organizations and charities, such as UNICEF, Society for Community Organization (HK) and Planet Water Foundation. After Soap Cycling reprocesses the soap, these NGOs will then transport the soap to the underprivileged regions across Asia to countries like the Philippines, Cambodia, and Thailand. The Philippines remain as the largest market for Soap Cycling's recycled soaps. It ships the recycled soaps in large carton boxes to a partner NGO organization, who distribute them to end-users. An operational model of Soap Cycling is shown in the Figure 3 below.

The Soap Cycling experience enabled Mr. Bishop and co-founders to see new opportunities. As Soap Cycling has stabilized in its operations and management, Mr Bishop has begun working on other student - run social enterprises. In 2016, Mr Bishop and three other co-founders established Fair Employment Agency, a social enterprise that aims to help domestic helpers from loan sharks and debt bondage by cutting out middlemen creditors (Karacs, 2016). As of August 2016, Fair Employment Agency embraces a strong social business model, like most social enterprises, where it generates revenues from clients and re-invests its profits to the organization to serve more beneficiaries.

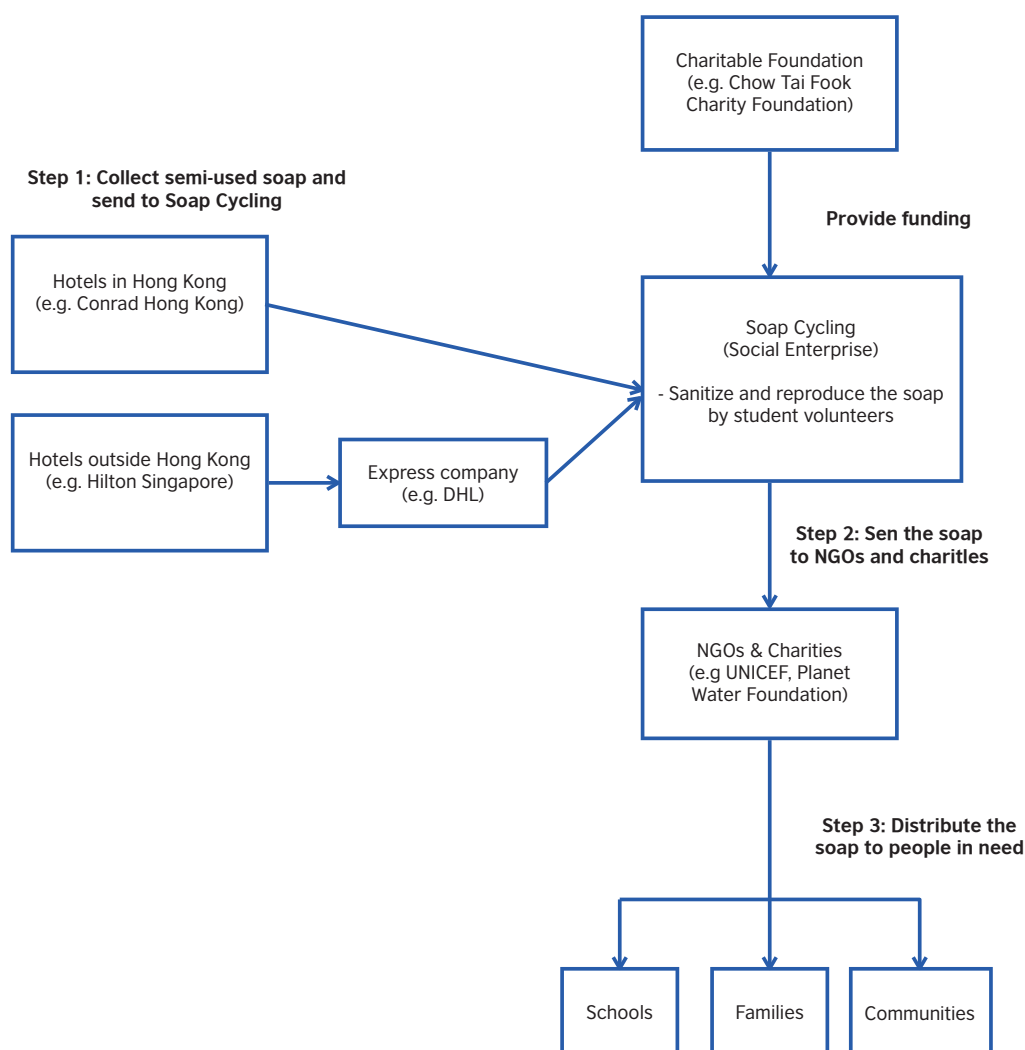


Figure 3: An operational model of Soap Cycling

## The Social Impact

One of the obvious social impacts that Soap Cycling creates is the educational benefit to young people. Soap Cycling provides students with the opportunities to gain first-hand leadership experience and to give back to society. The students learn by contacting hotels, applying for funding, approaching donors, designing strategies for future growth, collecting and reprocessing the soaps and working with other NGOs to distribute the soap. Foreign universities including Vlerick Business School in Belgium has also expressed interests and have their students participated in this programme. It is expected that more students in Hong Kong and outside Hong Kong will join and benefit from the Soap Cycling project (The University of Hong Kong, 2012).

Soap Cycling has received a substantial increase in interests from hotels ever since its establishment. In three years after its inception, more than 40 hotels have joined the initiative. It has created a sizable soap recycling movement in Hong Kong and some parts of Asia. The enterprise has also set up a factory in Shenzhen, Mainland China to recycle and reprocess soaps and partner with other NGOs to distribute soaps to poor villages in China. For instance, Soap Cycling partners with World Toilet Organization (WTO) to ensure the access to sanitation facilities for rural children in Luoyang. To eliminate the toilet taboo, WTO builds toilets in rural schools, while Soap Cycling provides recycled soaps to improve sanitation and hygiene of school children.

Currently, Soap Cycling distributes more than 25,000 KGs of soaps to South Asian and African countries each year, which contributes to the reduction of child mortality by improving sanitation and hygiene in underprivileged areas and also by educating children about the importance of

hygiene and appropriate ways of preventing from diseases. By recycling used soap, Soap Cycling also helps reduce thousands of pounds of chemical waste from landfills each month and keeps resources sustainable.

## The Future of Soap Cycling

Soap Cycling's main uniqueness compared to other soap recycling organizations is that it focuses on student engagement. Soap Cycling's work is largely carried out by a group of dedicated student volunteers from the University of Hong Kong. The organization provides valuable work experience but also keeps operational costs low (or bricolage principle; Baker and Nelson, 2005), which is vital to resource-stricken social enterprises. The success of Soap Cycling model offers new opportunities for any universities that seek to offer "real life" experience to students by setting up social enterprises that are operated by students, where the leadership and management of the enterprise are passed down to different groups or cohorts of students. This offers a novel model of social entrepreneurship learning experience beyond the traditional classroom learning model (Wong and Chandra, 2016).



*Volunteer Group of the American International School at the business*

The concept of soap recycling has received a lot of attentions from diverse sectors worldwide in recent years. In Hong Kong, the tourism industry has been a major pillar of the local economy. Two to three million bars of soap are simply thrown away by hotels in Hong Kong every single year and end up in landfills, while thousands of children die from diseases that can be prevented by simply washing hands with soap. Since the launch of Soap Cycling, more than 60 hotels in Hong Kong have applied to join the programme, and even hotels in other countries have shown interests. As the chairman of Hong Kong Hotels Association Victor Chan said, *"I urge our industry counterparts - not just in Hong Kong but around the world - to support this remarkable programme."* The success of Soap Cycling suggests that social enterprises can play an important role in dealing with waste and ensuring environmental sustainability. What we do not know is to what extent a sustainability mindset influences social enterprises' operations; or alternatively, how social entrepreneurs' view of their social enterprise's goals influence sustainability practices.

One of the key issues facing any social enterprise is long-term financial sustainability. It appears that Soap Cycling has a stronger social welfare logic than the commercial logic (Battilana et al., 2015). It remains unclear how the social enterprise may generate future revenues to cover its costs. Marketing brand new soaps is challenging but marketing recycled soaps may be even more challenging because nobody knows whether or how to persuade target users to pay for the recycled soaps. This speaks to the importance of considering the nature of products/services (i.e., personal care products in this case) in understanding the growth potential and social impact measurement of social enterprises. As Mr. Bishop lamented, selling (instead of donating) recycled soaps require a variety of permissions and licenses, and therefore marketing recycled soaps is "terribly difficult". Mr. Bishop also believes that "relying on charity-like model is the most sustainable business model, and [the secret to successfully running Soap Cycling is] to stay operationally lean". This explains why the social enterprise remains reliant on philanthropic funds and fees paid from companies for voluntary sessions to support its operational costs. These constraints suggest that the social enterprise needs to find creative ways to generate future revenue streams. This is why Soap Cycling is exploring new opportunities on "more marketable" used products, including used mineral water bottles collected from hotels. It will be interesting to see what other new business models that the social enterprise will employ in the future.

Secondly, there is a question about capacity. Scaling up is a critical issue for most social enterprises but for Soap Cycling, the founders seek to use the social enterprise as a platform for youth engagement and learning. This may suggest that the performance criteria for this social enterprise cannot be measured using traditional impact measures including growth and revenue because a key dimension of its performance hinges on its success in improving the leadership and well-being of student volunteers rather than scale and scope of operations. As a recycling operation, the social



enterprise faces unique capacity expansion challenges. For instance, Soap Cycling initially planned to open a manufacturing facility in Shanghai (China) but the plan was abandoned because it had to go through various strict environmental assessment tests. As an alternative, it finally chose to open a manufacturing facility in Shenzhen, China's manufacturing center, due to more lax regulations on factory establishment in this region.

Thirdly, all social enterprises will need to deal with some form of risks. So far there are no reports on any issues caused by the use of recycled soaps. However, from a risk management perspective, all social enterprises need to think about ways to handle and anticipate risks in its operations as well as reputational risk. This opens up future research opportunities and questions to social entrepreneurs to understand how social enterprises working in various product/service categories (e.g., food and beverages, personal care products) need to manage risks. Because there are no special law and regulations in place in Hong Kong to protect social enterprises from operational and reputational risks, this offers an opportunity for policymakers to think about creating regulatory institutions to manage risks in social entrepreneurship.

### **Acknowledgement**

This case was written based on an interview with Mr. David Bishop in his office at the University of Hong Kong on the 5th of August 2016, and supported by secondary data analyses from news articles, YouTube, and other online sources. We thanked Mr. David Bishop for sharing his thoughts about Soap Cycling and his sharp insights on the nature and challenges of running purpose-driven organizations. The images in Figure 1 and 2 are courtesy of Soap Cycling.

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# SOCIAL CAPITAL VENTURES: WATER FOR LIFE IN THE CAMBODIAN COUNTRYSIDE<sup>1</sup>

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Author and playwright George Bernard Shaw famously said, “The reasonable man adapts himself to the world, the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.” Christopher Wilson and KyohBoun Chhay, co-founders of Social Capital Ventures (SCVD) certainly agreed with Shaw. In 2008, the British and Cambodian partners set up SCVD with the aim of improving “the lives and conditions of disadvantaged people in developing countries, through impact investment and dedication to sustainable and scalable projects, in the field of health, education, and farming.”<sup>2</sup> Wilson commented,



*a water filtration system of SCVD*

“As a result of coming together, we discussed the idea of how Cambodia was going to grow, long term. 75% of the population still makes their living from agriculture, and live outside of big cities. There were many problems, of which the key ones were health, education and archaic farming methods. Kyoh and I decided we would set up a venture - not a foundation, not a charity, but a venture - to do something that would get to the core problems. And we said, let’s go in and do it properly, let us commit long term and not just step in and out.”

The partners knew their objective of improving the lives of the Cambodians would only be attainable and sustainable if it were tackled incrementally, and they decided to start with providing clean water to rural communities in Cambodia. They saw clean water as an essential starting point.

“The venture had spent one year researching core problems, and why millions of Cambodians lead a miserable life with little or no hope of improvement in their situation. Our aim was to find the main areas where impact would be the greatest, and we decided that bringing health to communities was a priority. Once communities become healthy, they work harder, are happier, and improve their businesses, farms and ventures. SCVD calls this methodology “joining the dots”. There is no point in teaching basket-weaving when the people are sick and in need of medical care, primarily because they have no access to clean water or good hygiene.”

The results were encouraging. In less than two years, the social enterprise had successfully brought clean water to over 200,000 people in rural communities at a cost of less than half a cent per litre. This had been achieved through partnering with a water filtration company and developing a local solution that was both inexpensive and sustainable.

November 2011, however, proved to be a challenging month for the founders. Cambodia was experiencing its worst flood in years. Most health centres, flooded by the rising river waters, were forced to close. Likewise, Wilson was forced to shut down all his water filters to protect them from the deluge. What had appeared until then as a sustainable solution was suddenly jeopardised by the very element it strove to provide. Wilson reflected on his venture, and thought to himself that he was sure that it would survive. He reflected on the key factors that had ensured its sustainability.

## **Cambodia: A History of Struggle, A Destiny of Economic Challenges**

The kingdom of Cambodia, located in South East Asia, shared borders with Thailand, Laos and Vietnam. The majority of its 14.8 million inhabitants considered themselves Khmer, descendants of the Angkor Empire whose majestic ruins graced the countryside outside Siem Reap. 96% of

<sup>2</sup> Company documentation.



the population was Buddhist, with the Muslim population making up a majority of the remaining four percent. Having gained its independence from France in 1953, Cambodia functioned as a multiparty democracy under constitutional monarchy. The office of prime minister was held by Hun Sen, who as at November 2013 was the longest serving head of state in South East Asia, having served since 1985.

In the late 1960s, the Vietnam War spilled over into Cambodia, leading to the rise of the Khmer Rouge, who took control of the country in 1975. The following years were dark years, with almost 1.5 million Cambodians dying under the Khmer regime. The civil war which followed the Vietnamese invasion of 1978 was brought to an end by a ceasefire negotiated during the 1991 Paris Peace Accord. However, the Khmer Rouge refused to respect the agreement, leading to more fighting across the country. The country became politically stable only in 1998, following the demise of the Khmer and countrywide elections. The remaining Khmer Rouge leaders surrendered in early 1999. Since then, the country had remained peaceful, if somewhat unstable politically. In 2000, Cambodia had announced the decentralisation of political authority, with province and commune heads taking on greater roles and responsibilities. Traditionally, Khmer society included kinship-based social relations and patronage ties and a respect for seniority and hierarchy. This culture remained intact in rural settings and was the basis on which decentralisation attached itself.<sup>3</sup>

Between 2004 and 2008, the Cambodian economy had an annual growth of ten percent, primarily due to the booming textile, construction, agriculture and tourist industries. While the economy contracted as a result of the financial crisis of 2008/2009, it grew again by 6% in 2010 and 6.7% in 2011; this was largely due to the growth in the tourism industry. But the textile and clothing industry still continued to represent over 70% of the country's exports.

It was expected that the revenues from oil and natural gas, discovered off the shore of Cambodia in 2005, may significantly change the nature of the economy once commercial extraction commenced in 2014. Beyond issues related to basic infrastructure and education, Cambodia's biggest challenge was its demographic profile: over 50% of its population was less than 25 years old.

## Not Just Another Social Enterprise

Social enterprises had been present in Asia since the early 1990s. In Cambodia, the majority of social enterprises focused on the textile and weaving industry, providing work to the poorer rural communities, as well as individuals who were disabled during the recent wars. There were also a significant number of private donor initiatives and non-governmental organisations (NGOs), and unofficial data placed the number of the organisations at almost 8,000, with many originating from countries such as Singapore. An impact of this proliferation was rising competition for donor funding. In early 2011, in an attempt to regulate the fierce competition, the Cambodian government released a draft law on the management of NGOs.

Wilson and Kyoh met in Hong Kong in 1993. In his capacity as a private banker, Wilson had helped Kyoh to set up a bank in Cambodia. In the course of due diligence and continued monitoring of this investment, Wilson began travelling extensively to the country. In his words, "Cambodia became a passion".

In 2008, Wilson decided to leave the banking industry. By 2009, the pair had established a business to help companies set up in Cambodia and Indochina. The business included private equity, consultancy and philanthropy, and represented the anchor point for social enterprise. Clients included a large cadre of accountants, lawyers, and agricultural companies that saw great potential in the growing Cambodian economy, but were unsure of the processes and legalities associated with setting up a business there. With their local knowledge and network, Wilson and Kyoh were well-positioned to help. But they wanted to go further and support the development of the economy as a whole.

3 Social Capital Venture Development, 'Education Programs,' <http://socialcapitalventure.net/education-programs/>, accessed December 2012.

## Defining the Need: Clean water as the First Step Towards a Healthy Society

Wilson noted,

“What we felt was that the major problem was the fact that people were not healthy, generally. And people were not healthy for two main reasons: water and sanitation. And they are both linked. So we decided we want to join the dots, and these dots are: improve health, improve education, and once people are healthy and educated, then help them with their cottage industry, in ways that happen naturally when people are healthy. So we decided to hit water, not because our whole venture would be about water, but because water was such an essential part of it.”

Children, older people and adults with a weak immune system were most likely to be affected by poor water quality. In Cambodia, eight percent of children under the age of five years died mainly as a direct result of unclean water and lack of sanitation<sup>4</sup>. Contamination factors included water of a poor microbial quality (the most common form of water contamination, especially in farming communities), no access to clean water close to home, no access to latrines, and lack of awareness and practice of simple hygiene.



*A training of how to use fresh water of SCVD*

The first step was therefore to provide clean water to rural, farming communities. The next step was to combine this with basic health education, so that beneficiaries understood the importance of drinking clean water and of sanitation and the impact of microbial infections on overall health and well-being. Third, it was to push for better education, including better schools and better training for teachers. “The venture” would finally move on to change the farmer’s archaic farming methods as well as encourage the development of “cottage” industries. Wilson acknowledged, ‘It’s a long journey but as Kyoh tells me, don’t set up a weaving cottage industry in a village where people are dying of dirty water. Get people healthy first.’

<sup>4</sup> Melissa Gail, « Christopher Wilson’s Quest for Clean Water, » Social Capital Venture Development, March 26, 2012, <http://socialcapitalventure.net/article-on-background-and-progress-of-scv-since-inception/>, accessed December 2012.

The team knew what the problem was, but not necessarily what the solution would be. And they were determined to get it right. They wanted a solution that was 100% fail-proof.

## Finding the Right Solution

Through research, Wilson determined that the requirements for any water filtering system should be 1) durable enough to avoid costly replacements, 2) portable, as it would need to be set up in remote locations, and 3) capable of producing at least 60 litres an hour, thereby covering basic cooking and grooming needs for roughly 700 people (representing two litres of clean water per person per day). As Wilson shopped around for a solution that would meet these specifications, as well as eliminate all bacterial and viral contamination, he had a lucky break:

“I coincidentally sat next to Olivia Lum, chairman of Hyflux, at a dinner. I told her what we wanted to do. Lum was very happy that we were doing this, and wanted to help as part of their CSR (corporate social responsibility) efforts.”

Hyflux, a Singaporean-based company, was founded in 1989 and provided integrated water management and environmental solutions. As at 2011, the company had recorded revenues of US\$372 million (SGD480 million)<sup>5</sup>, and owned offices in Singapore, Southeast Asia, China, India, Algeria, the Middle East and North Africa. Hyflux was well known for its expertise in membrane technology which could be used to remove impurities from water.

Lum suggested that rather than giving the social enterprise money, Hyflux would lend them their research department for them to come up with the ideal filtration solution. In early 2009, Wilson and his team met with the research team at Hyflux to share their requirements with them. Two specifications were particularly important. The first was the thinness of the filter membrane. To effectively eliminate bacteria and viruses, the membrane had to be extremely fine. The second requirement was the number of litres of water which the filter could process per hour. Both were critical if the filter were to work successfully.

Six months after the meeting, Wilson went to Hyflux to see the prototype (refer to Exhibit 1 for the specifics of the solution). The team had met all of Wilson's requirements, designing a filter 0.01 microns thin (for comparison, human hair thickness was 20 microns, the smallest bacteria was 2 microns and the smallest virus was 0.02 microns) that could deliver the required 60 litres/hour.

The next step was to test the filter in a robust situation. The biggest risk with such a thin membrane was turbidity or, in lay terms, clogging with sand and other particles. Wilson and his team flew to Cambodia and tested the filter in the countryside, in conditions mirroring those of the villages they intended to implement the solution in. The filter was left in place for a period of six months and was found to be fully operational.

It was crucial to “the venture” that all the parts of the system and the structure were built in Cambodia, preferably within the communities where the filters were implemented. With the solution co-designed with Hyflux, only the membranes would come from outside the country. SCVD owned a water tank company in Phnom Penh, which could provide the water tanks which were an integral part of the filtration system and could store the water without contamination. The company, called Cambox, pre-existed the launch of the social enterprise, and was one of the investments of the private equity arm of the company. This did not mean the social enterprise received the tanks for free. It bought each element of the solution, and often shopped around for the cheapest and most practical solution. Wilson described the process:

“Let's be clear - we buy everything. So for example, we buy the filters from Hyflux. What they did was set up the mould, the research, the production, and we buy them. Including the water tanks, the drains and stands, the cost of the total system is around US\$400.

When we started, we had these huge drains on which we placed the filters. But they were very heavy. And we realised that it took about two days to put these up, without machinery. Then we found a company that makes really nice stands. They take two weeks to set up, because you have to dry the cement etc. and now we have two teams making stands. The stands take more time than anything else. To set up the system only takes a day (the filter, the tank, the pipes), but the stands take time.

4 Oanda.com, average rate for month of February 2011, SGD1=USD0.7741, accessed February 2014.

To lower installation costs we even carry the filters in our suitcases every time we travel up country. Everything else is made locally, even within the local communities.”

## Finding the Right Place and the Right People

The desire to build the solution locally had to go hand in hand with finding and working with a group of dedicated locals who would ensure the continued sustainability of the venture. Working with a local team had a number of clear benefits, as Wilson noted,

“This is very, very important: one of the key themes for success is that you must have on the ground and local knowledge. You have to understand the people, the fabric. It’s one of the keys to success and sustainability. Systems are important, but unless you have the knowledge on the ground you can’t do it properly... The only way to have real success, empowerment, commitment and dedication from the locals is to be on the ground, humble, meet the people and have meaningful discussions about the problems they face.”

SCVD had to choose a village to implement the first filter solution. In 2009, as Wilson began researching solutions on the ground, he met a young man, San Yu. This serendipitous meeting, would provide Wilson with a strong man on the ground. Wilson said:

“San Yu wanted to go into politics but I convinced him that if we got this right, it would have a much greater impact than anything else he could do. I told him, “What you can do for your people would outweigh anything you could do being a junior politician.”

Yu was born and raised in Kampong Chhnang, a province with a 25% Muslim population, situated along the Tonle Sap river. In June 2010, almost a year after the idea was hatched, the first clean water system was installed in Yu’s village, and he became SCVD’s general manager in Cambodia, with a salary of US\$900 a month. The choice of Yu as manager reflected the team’s commitment to working locally and ensuring villagers became partners and worked with SCVD towards a sustainable solution. One example of how this partnership worked was with the fuel for the generators. SCVD asked villages in which they implemented the solutions to provide the generator and the fuel needed to make it work. Wilson explained:

“Some communes have the money. You can go to one village and it’s just shacks, but the next village has a big concrete house. So there is money. In fact sometimes you go to a commune meeting and a member will say “I will buy a tank”. They can at least contribute. They need to get together as a commune and do it. For example, we will not buy their next filters for them. They will buy them. And the numbers are not huge. Think about it: you have a community, even a school, and you have a filter worth US\$150 that you need to change every five years. And there are 300 school children at the school. So it’s about a dollar per family every five years.”

At the very least, the local partners had to ensure access to water and the means of getting the water to the system. Over time, SCVD changed this approach slightly, setting up a water pump company to provide the basic infrastructure locally. But they continued to request that a local person maintain the system. In Wilson’s words:

“They must take care of the system. The reason why this is so critical is not just to get them to contribute something. It’s about empowerment. As soon as they have a stake in the game, interest goes up, empowerment happens, and dignity goes up. Suddenly it’s not the big brother, but rather “we want you to be our partner”. There is respect, humility, and we are not seen as an aggressor. We do it in a way no one else does over there.”

## Developing Standard Operating Procedures

With his background in the military, Wilson was keen to follow strict standard operating procedures.

“When we started, I was warned by Boun Chhay that when in Cambodia, we must do everything by the book. Do it well. Don’t let anyone side track you. This is why we never went into a partnership with anybody. Because you never know with a partnership. We will do it our way, low key. We didn’t know if it would work, if we would be successful. So we wanted it to be bulletproof.



At the beginning I told San Yu: I've been studying this for two years, I know what I am doing. I may be wrong, but we are going to do it my way. So there is no doing things another way, or doing things off mark."

This included putting together precise documentation of processes as well as for tracking progress through impact forms. As soon as the team reached a village, they documented sources of water, number of families, children per families, number of schools and school attendance. Wilson recalled,

"It was important for us to talk to people and record agreements and conversations on forms. The main documents were the joint-venture and the impact documents. We have a ledger also on the cleaning of the filters etc. So it was about setting up processes, like any business."

Following the implementation of the water filtration system in a village, SCVD tracked whether the children were ill less frequently, and in particular whether incidences of diarrhoea dropped. With time, it became easier as the team knew what to look for and their ability to quickly summarise the situation and the impact of their intervention improved. In some cases, they financed operations that were not part of the original plan, so as to gain greater local support.

"In one instance we had to put a well into one of the schools. This village was extremely poor and could not afford a generator. The day we put in the well, the headmaster just came and stared at the well for a day - he had been waiting seven years for the government to give him a well."

In addition, Wilson and his team were insistent on education. At each meeting, they gave away booklets and posters that the children could take home. With clear graphics and simple words, the booklets and posters explained the basics of hygiene.

"While we were installing, we decided we would do simple health education programs. This was three or four months into the first stage. We had thought about it, but not concretely, until 2010. We tried to produce for all ages, so that kids and old people would see it as interesting. We had pictures and words for those who could not read. The booklets were also meant as a teaching tool for teachers, and village heads. We distributed them in schools, villages, and orphanages. We handed out our posters as well as the brochures and gave seminars. We brought whole villages together. Sometimes 200 people would show up and we would do it town hall style, with a loud speaker and so on. And we would do training at the leadership level. We would get the leaders of the community: village heads, teachers, religious leaders, commune committees, together."



*People are collecting fresh water*

## Rollout: June 2010 to June 2012

The team planned a three - phase approach for the rollout of the water sanitation system across Cambodia.

### **Phase 1 - Testing**

The first phase was intended to run from June to December 2010.

“Year 1 would comprise the first phase. We decided not to go for the worst area, along the Tonle Sap river, mainly because of logistics such as transporting cement and equipment over to these locations would be challenging. Also, the water quality is a lot worse there. We had a brand new system, so we wanted to go for the low hanging fruit, and test it somewhere where we would have the results quickly and we could trouble shoot some of the potential early implementation problems. So we chose seven schools, an orphanage, 11 health centres, one hospital and three places of worship (one pagoda, two mosques), one village (250 families). These became our test cases. Some schools were very poor, some slightly better off, but they were not the worst areas. We wanted to test, learn, and improve in the first phase.”

Yu's village helped the school buy a generator and appointed a person in charge of the system. Since the village was close to the main road, the filters were easy to install, and easy to reach and monitor. This first phase was completed within the deadline the team had set for themselves.

### **Phase 2 - Changing Mind sets**

Phase Two focused on changing behaviours towards water. The team decided to work with two communes, representing 20 villages, along the Tonle Sap river. Wilson was determined that these communes were successful. In addition to being a great laboratory to learn what implementation hurdles would need to be overcome, these communes would serve as role models for other communes. But working across 20 locations created both logistical as well as political issues:

“What I found was that in some villages only 40-50% of the people were using the water. That means they hadn't understood the importance of this clean water. Part of the reason was that some of these villages stretch on for four kilometres. So we put in a rule that there mustn't be a house further than one kilometre away from a stand. But that is also quite a distance when you have to carry a 20-litre container of water. So that taught me two things. First, they are not prepared to go to the effort to walk a little bit further - if you think about the distance people are willing to walk to get to the well in Africa, this is not happening here, because here they can go to the river. And second, the other big lesson was not just relying on top-down. You need a two phase approach: you need to start with top-down to get the empowerment of the commune and leaders, to get their approval, but don't think that empowerment will be 100%; don't think they will be concerned that the 40% that live at the far reaches of the villages will get the water or not. They will not start monitoring whether people drink the clean water or not.”

The team quickly learned that both a top-down and bottom-up approach were critical to the success of the venture. They needed to involve the commune heads as well as the families in the village. Wilson's association with Kyoh was critical in understanding the subtleties of how to implement long-term solutions in what was essentially a political minefield. Wilson elaborated:

“At first, I didn't understand the impact of the decentralisation of power from central to the districts, which created a completely new political and socio-economic set-up in the countryside. Now the control is at a provincial level (there are 23 provinces) and then each province has about 8 districts and each district has about 100 villages, gathered under communes (10 villages per communes) - which means that when you navigate the political landscape, you have religious leaders, commune leaders, ex-military leaders, provincial leaders, village leaders, and district leaders. And then you have businessmen who come into the equation.”

For the commune heads, being perceived as caring for one's constituency was critical to re-election, and water was recognised as critical to the future economic welfare of the country. But commune heads would not oversee implementation in far-flung and difficult to reach villages. This made commitment from the village itself critical. As a result, Phase Two became an on-going project: after the phase was completed in terms of access to clean water, the team continued to work on improvements, including setting up local cottage industries to embed the change in the communities.

### **Phase 3 - Centres and Schools**

Phase Three, launched in January 2012, ran in parallel to Phase Two. This phase did not include villages and communes but focused on centres and schools. Schools were good starting points as children brought awareness back to their homes, and carried water back from the schools for the families to use. This phase included 48 schools, 28 health centres, one orphanage and two hospitals, all situated in the district of TrahLak and covering over 500,000 people. By the end of July 2012, every school and health centre hospital in the province had access to clean water.

### **Building A Sustainable Venture**

"When I talk about sustainability, I mean something different from most people. People always talk about the sustainability of the venture but I want to talk about the sustainability of the solution. If it wasn't sustainable I wouldn't have started. But I want people to ask whether the project on the ground is sustainable! !"

Helping to support local businesses was one of the issues "the venture" was keen to look into, as a means of ensuring the sustainability of the project and of the local communities. Since transporting water was problematic, SCVD began to explore businesses that might benefit the villages in which the water systems were implemented. One idea was to have the stand manager (who typically lived next door to the stand, and was allocated the position by village members) transport the water to different homes with a cart. So SCVD experimented with one stand manager in one village, who began transporting the water to houses further away from the centre and charged a nominal sum. Wilson found 20 litre water tanks with taps which were easy to transport, much in the way milk bottles were once delivered in the West. This led to another small business: the making of panniers for motorbikes and bicycles, in which the tanks could be transported. Both businesses solved the issue of distance and got water to individual homes. Besides, it generated income for the people involved in the weaving of the panniers. These collaborations stood in place of partnerships, which the founders were not keen to explore, even though they knew these would be critical for "the venture" to progress:

"Collaborations are key to our venture. We didn't want to do partnerships because we want to be in control of what we do and do it our way. We didn't want to "decide together". I stopped going to anything where people spend three days discussing. Our philosophy is "Just do what we think is right, is best. Make mistakes and learn from them."

However, as the business grew, the team entered into one partnership that would change the future of the venture. In the fall of 2012, Wilson met Annette Jacobsen, the Associate Dean of Singapore's KK hospital. Jacobsen, in addition to her work as a surgeon, was working on the Millennium Development Goals for KK. Together with her colleague Kenneth Qwak (CEO of KK), Jacobsen was keen on doing something in Cambodia. Wilson approached them with the following proposition:

"We have a platform, and at the moment this platform is concentrated on clean water which includes hospitals and health centres. Would you like to look at giving training to the doctors and nurses in these hospitals and health centres to improve the quality of health in this province of Kampong Chhnang in Cambodia. The mortality rate of mothers and babies in that province is 450 per 100,000, which is way above what it should be."

KK Hospital quickly agreed to support SCVD with training for nurses and midwives. The hospital was already heavily involved in the region, including Thailand, Burma and Laos.

## What Next?

Wilson was adamant that the set-back associated with the floods would not stop them from moving forward. He stated:

“This is hugely more fulfilling than anything else I’ve done. It’s fulfilling because I feel it is going in the right direction, it is working, it has impact.

I didn’t think about expected returns in financial terms. We started because we knew we could make a massive impact. Our expected impact was to make a huge impact. We want to control growth but let’s take Kampong Chhnang for example: we now have water systems in all the health centres of a region, that is 500,000 people. We affect 70 schools. And children are healthier, get a better education. We looked at impact on society in the longer term. It wasn’t just water or just health. It was giving people a better opportunity in life and a better life style by giving them a better health. It was about joining the dots. It wasn’t even a big impact around the world, but in the area we are.

I just followed my heart. It’s a lifetime commitment. You can’t just leave it.”

Wilson knew that having a significant impact would call for resources and partnerships which the small venture had not yet pursued. He needed the venture to survive the flood season to demonstrate that the filters provided a sustainable answer to the pursuit of clean water. He hoped too, that the success of this venture could be replicated in other countries across Asia. As he thought back to his decision to launch SCDV in 2008, and the road travelled so far, he realised that launching this venture had not been very different from launching any other commercial venture. In both cases, success and sustainability were key factors!

### EXHIBIT 1: THE HYFLUX SOLUTION

The system was a gravity flow ultra-filtration system that worked by connecting a feed water tank at 1 - 2 metres above the module. The pressure difference created by gravity was sufficient to filter suspected particles, water-borne bacteria, cysts (e.g. Cryptosporidium and Gardia) and viruses from the feed water. The system could be used for at least six months without changing the membrane, allowing for up to 250,000 litres of clean water. It did not require an electrical supply. The cost for these filters was US\$140 and they could last approximately five years.

Wilson commented,

“We created low cost methods to stop the grains of sand and dirt from getting into the filter, including the way the pipe went into the tank, so that it comes in at such an angle that the dirt does not come down into the filter from the pipe. Works as a natural filtration method. We learnt a lot about that. But we also found that our system worked.”

### EXHIBIT 2: Pictures of the clean water solution in Cambodia



*SCVD clean water system in hospital lobby for use by patients, doctors and families.*





*Cartoon used in SCVD “Happy Hands” education booklet on the benefits of handwashing and good hygiene.*



*Woman collecting daily clean water supply from a SCVD water site.*

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