



# **How can social enterprises contribute to the future development of Non-Governmental Organizations in Viet Nam?**

By

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## ABSTRACT

The Non-Governmental Organizations (NGOs) in Viet Nam have played a significant role in working alongside the donors and recipient governments. However, there is concern about the funding of resources for these NGOs because Viet Nam has transformed into a lower middle-income country since 2010, and consequently, there has been a decrease of financing from donor countries or agencies. Therefore, to continue developing, NGOs should take feasible actions by shifting their activities to create income. Within this context, social enterprises can be regarded as an alternative. The primary purpose of the current thesis is to access how social enterprises' activities can contribute to the future of development NGOs in Viet Nam. There are three fundamental findings from this research. First, one of the more significant findings to emerge from this study is that embracing two models of social enterprises (social business, entrepreneurial non-profit) can help development NGOs to fulfill their social mission. Second, this study has shown that beneficiaries can contribute to the development of social enterprises by being employed or becoming stakeholders. Finally, this thesis has identified that there is an interrelation between the background of social enterprise founders and target groups. There has been minimal research examining the relationship between these two components in the social enterprise literature. Therefore, this research finding will respond to this insufficiency.

**Key words:** Social enterprises, development NGOs, neoliberal, social mission, sustainable development, models of social enterprises, Viet Nam.

# DECLARATION

I certify that this thesis:

- Does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and
- To the best of my knowledge and belief, does not contain any material previously published or written by another person except where due reference is made in the text.

Signed:

A handwritten signature in black ink, appearing to read 'Thi Rat Phan', with a long horizontal flourish extending to the right.

Full name: Thi Rat Phan

Date: 23 July 2021

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## LIST OF ABBREVIATIONS

<b>CSIP</b>	Centre for Social Initiatives Promotion
<b>CSOs</b>	Civil Society Organizations
<b>CSR</b>	Corporate Social Responsibility
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>ICSEM</b>	International Comparative Social Enterprise Models
<b>IDA</b>	International Development Association
<b>KOTO</b>	Know One Teach One
<b>LGBTIQ</b>	Lesbian, Gay, Bisexual, Transgender, Intersex, and Questioning
<b>LMICs</b>	Lower-Middle-Income Countries
<b>MDGs</b>	Millennium Development Goals (MDGs)
<b>MICs</b>	Middle-income Countries
<b>NGOs</b>	Non-Governmental Organizations
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PWDs</b>	People with Disabilities
<b>SDGs</b>	Sustainable Development Goals
<b>SE</b>	Social Enterprise
<b>UMICs</b>	Upper-Middle-Income Countries
<b>UNs</b>	United Nations

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# CHAPTER 1: INTRODUCTION

## 1.1. Background information

In the contemporary world, the role of foreign aid is recognized as an important way to support developing countries in their efforts to reduce poverty and address inequality (Oya 2006, p. 5). However, it is increasingly acknowledged that this cannot be done without the presence of Non-Governmental Organizations (NGOs). NGOs see themselves as partners who work on development projects alongside, and together with, donor and recipient governments (Makoba 2002, p. 60). Moreover, NGOs represent the interests of marginalized groups within 'the wider public arena, campaign on their behalf, and seek to influence public policy' (Mercer 2002, p. 8). However, in the post-aid condition, a significant number of developing nations have transitioned into middle-income countries (MICs). This has led to a reduction or withdrawal of funding from international donors, which in turn impacts on the progress of addressing social constraints, such as poverty and inequality. Reducing the funding from donor institutions also poses an existential threat to NGOs, which in many developing countries have relied on foreign aid to provide social services to marginalized and underprivileged groups in society.

In the neoliberal era, the private sector is considered to be the main driver of economic growth, and increasingly also social development. This has led to the rise of social enterprises. The concept of social enterprise has been articulated in many works of literature. It was first launched in the 1970s to deal with social issues sustainably (Barraket et al. 2017, p. 346; El Ebrashi 2013, p. 188; Kerlin 2006, p. 251). Additionally, although the movement of social enterprise has been developed and supported around the world, the different places in which social enterprise operate appears to be explained by the diversity of regional socio-economic contexts, such as addressing unemployment and social constraints. This thesis supports the argument that social enterprises can bring social impact in 'a sustainable way' (Rhoden 2014, p. 4). In the context of reducing international funding, social enterprises can become one of the alternatives and efficient ways for sustaining NGOs in developing countries.

In the context of Viet Nam, NGOs play an active role in supporting marginalized communities and doing advocacy. Nicholls (2006, p. 253) states that ‘to implement their specific activities, the majority of NGOs need grants from various sponsors such as philanthropists, companies, and international charitable organizations’. However, from being one of the world’s poorest countries, Viet Nam has transformed into a lower middle-income country since 2010 (World Bank 2021). This has resulted in a decrease of funding from donor institutions because these organizations change their target recipient countries, which means that they prioritize their grants to support lower-income countries, such as those in Africa (Pham, Nguyen & Nguyen 2016, p. 5; Smith & Darko 2014, p. 10). This is a big challenge to the survival of many NGOs. There is necessity to take action to change their activities and mindset, leading to generating income and then contributing to society. It is argued that social enterprise can be regarded as an option to deal with NGOs’ challenges because it is a hybrid model between non-profit organizations and businesses (British Council 2019, p. 22; Smith & Darko 2014, p. 8). As acknowledged by Nicholls, ‘the primary purpose of social enterprise is to create income to be independent financially and then reinvest social activities’ (2006, p. 208). By applying business models to generate their income, organizations will no longer rely on their sponsors or government funding. Social enterprises enable non-profits to achieve financial sustainability in innovative approaches (Centre for Social Initiatives Promotion 2019, p. 8). Therefore, it is proposed that local NGOs in Viet Nam should develop social enterprises due to the purpose of sustainable development. The major focus of this thesis is to discuss how social enterprises’ activities can contribute to the future of development NGOs in Viet Nam. It will further examine whether social enterprises’ activities help NGOs in Viet Nam pursue their social missions and create social impacts.

## **1.2. Goals and objectives**

### **1.2.1. The goal of the thesis**

The broad goal of this thesis is to discuss how social enterprises’ activities can contribute to the future of development NGOs in Viet Nam. To achieve this goal, this thesis addresses three primary questions. The first question is: What are the social enterprises’ models? To answer this question, the research will outline the social enterprises’ models by drawing from Defourny and Nyssens’s (2017) research.

The second question is: What is the current situation of development NGOs and the context of social enterprises (SE) in Viet Nam? To respond to this question, the study will discuss the growth of NGOs with their types, features, and current challenges. Also, a brief overview of the development of social enterprises will be explored. The secondary research method is applied using review articles and a wide range of grey literature reviews, such as reports, government documents, and websites. The third question is: Embracing social enterprises' models: Can development NGOs in Viet Nam fulfil their social mission? To address this question, the study has examined seven social enterprises in Viet Nam. These were chosen from a British Council report (2016) and available information from web pages of well-known organizations. The websites and the British Council report published in 2016 are used as the primary source for responding this question.

### **1.2.2. The objectives of the thesis**

There are two objectives of this research, including:

1. To describe and assess the current challenges of development NGOs and movement of social enterprises in Viet Nam; and
2. To describe and discuss the case studies regarding their application of social enterprise's models to fulfill social missions as well as contribute to sustainable development.

### **1.3. Structure of the thesis**

Logically, this thesis is structured into six chapters. The remaining chapters are outlined below.

Chapter two critically discusses the existing literature about the patterns of foreign aid in the neoliberal era since the 1980s. This chapter also provides an overview of the growth of MICs, what challenges remain in these countries, and the current status of Viet Nam during the post-aid condition.

Chapter three comprises two main sections. First, it defines the concept of social enterprise, provides a brief overview of the emergence of social enterprises, integrates its characteristics, and identifies the challenges of social enterprises. Also, this section indicates the models of social enterprises which are

applied in this thesis by using the result of Defourny and Nyssens's research in 2017. The second section of this chapter conceptualizes what sustainability means in the context of development NGOs.

Chapter four has two purposes. First, it aims to better understand the current situation of NGOs in Viet Nam, the section focuses on the growth of NGOs in Viet Nam giving the definition, typologies, features, and challenges. The second section examines the development of social enterprises in the context of Viet Nam regarding SE's development stages, types of SEs, legal status, and comparison with NGOs and traditional businesses.

Chapter five explores the thesis question through a number of case studies. There are three parts to this chapter. Firstly, using the typology of social enterprises discussed in chapter three, the section applies a set of questions to assess the case studies. These questions ask about the history of the SE and what social mission and business goals it aims to pursue. Secondly, the section drills into the case studies to answer how social enterprise activity enables the organization to fulfill its social mission. This includes examining how it operates to generate income/sources of income, how it redistributes profit, whom it is serving, and in what ways it is helping a marginalized community. Finally, the third section discusses sustainability and evidence to answer whether or not the two SE models can ensure the future development of NGOs in Viet Nam.

Chapter six (the conclusion chapter) gives the readers a summary of the primary findings of the thesis chapters, identify the limitations of this study, and suggestions for further research.



## **CHAPTER 2: THE AID WORLD IN THE NEOLIBERAL ERA**

### **Introduction**

The concept of neoliberalism has played an active role in social well-being and economic gains since the 1980s (Harvey 2007, p. 2). As articulated by Peet and Hartwick (2015, pp. 98-9), there are some fundamental points of the neoliberal approach. The first is that neoliberalism strives for economic growth with a market-led approach and maximization of the rights of individuals. The second point is that this ideology encourages individuals to make decision, innovation, and ideas to improve efficiency and productivity. The third characteristic of neoliberal systems is deregulating policies to enhance investment and focus on privatization. The final feature is that the government plays a central role in supporting people to enter the free market by ensuring appropriate policies and legal support. Therefore, institutional leaders secure property rights and create an enabling environment rather than strengthening the control of the state in the economic sphere. Development aid still remains significant in terms of offering support to solve diverse problems around developing countries, such as poverty, lack of education, lack of economic opportunities, poor healthcare, and inequality (Oya 2006, p. 5). However, embracing the neoliberal perspectives can show how aid approaches have been shifting since the 1980s (Oya 2006, p. 5). This chapter will highlight the shifting approaches to aid in the age of neoliberalism. Furthermore, the chapter will discuss the rise of Non-Governmental Organizations (NGOs) in the neoliberal era. Finally, in the post-aid condition, the growth of MICs has raised a concern about sustainable development. Many poor people with inequality issues live in MICs, and this thesis will take Viet Nam as an example.

### **2.1. Features of aid in the neoliberal era since the 1980s**

In the era of neoliberalism, there have been some notable shifts in approaching foreign aid in the context of development. The first feature is promoting aid effectiveness by increasing the ownership of recipient countries and establishing multi-stakeholder partnerships to work towards meeting the Millennium Development Goals (MDGs) (Keijzer & Black 2020, p. 05; Mawdsley, Kim & Savage 2014, p.

28). Ownership by recipient countries means promoting greater responsibility for their own poverty reduction and development strategies, and evidence of this is the formation of Poverty Reduction Strategy Papers created by the recipient countries (Mawdsley, Kim & Savage 2014, p. 28). The reason for benefitting the country ownership of development goals is to increase aid effectiveness because the recipient countries know their problems and the solution, which is important to bring mutual respect of 'rights and obligations of donors and recipients' (Del Biondo 2017, cited in Keijzer & Black 2020, p. 05). Rather than using a top-down approach, donor countries should make an agreement with recipient countries. Therefore, donor countries can monitor and evaluate the funding activities based on outcome-based measures (Mawdsley, Kim & Savage 2014, p. 28). Besides the ownership of projects, Riddell (2008) claims that enhancing aid effectiveness can be based on 'the recipient country's characteristics in terms of governance, commitment, and institutional capacity' (Riddell 2008, cited in Mahembe & Read 2019, p. 2). As a result, aid effectiveness may increase considerably to improve development performance of the partner country (OECD 2005, p. 4). Moreover, Keijzer et al. (2018) highlight that ownership should focus on the pattern of interconnections between diverse actors which are involved in 'development co-operation' (cited in Keijzer & Black 2020, p. 05). Finally, involving the private sector in the set of development actors approaches broader financial instruments (Mawdsley et al. 2014, cited in Appe 2018, p. 271). This means widening the concept of development financing with further sustainability. As Mawdsley, Kim and Savage (2014, p. 34) acknowledge, the private sector changes powers from development actors to development drivers because the private sector would impact on the aid effectiveness agenda and offer development solutions for better successful outcomes (Mawdsley, Kim & Savage 2014, p. 34). For example, private enterprises have created many job opportunities for local people, which helps them earn money and consequently, this leads to poverty reduction. However, Hudson and Mosley (2008, p. 2084) emphasize that the volatility will pose a threat to aid effectiveness, and each particular country will be impacted differently. The volatile inflows can be perceived as unstable expenditure disbursements, or discontinuity of technical assistance between donor and recipient countries.

Related to this, the second notable change concerns in the relationships in 'global development cooperation' (Lensin and White 2011, cited in Mawdsley, Kim & Savage 2014, p. 28). The use of language

regarding 'donors', 'givers', or 'recipients' changed, with recipient countries now often called 'partner' countries (McEwan and Mawdsley 2012, cited in Appe 2018, p. 275). This change suggests a repositioning of recipient countries in the international domain. Moreover, Appe (2018, p. 271) acknowledges that 'a post-aid world widens the understanding of international aid by expanding the set of development actors'. This now includes civil society organizations (CSOs), authorities, philanthropists, and private business. Furthermore, the rise of donors who used to receive aid, such as China, Korea, India, and Brazil (Mawdsley, Kim & Savage 2014, p. 29), has promoted the 'mutual sharing and exchange development solutions' in terms of 'knowledge, experiences, good practices, policies, technology and resources among nations in the South' (Appe 2018, pp. 271-2). This is framed as South-South Cooperation. Morvaridi and Hughes (2018, p. 870) highlight that there is a shift from traditional patterns of foreign aid flows from North to South, to new forms of cooperation within the global South. The increased significance of Southern donors plays a vital role in producing innovative approaches to marketization, which is stimulated by neoliberal ideals to expand more effective products from the global South into the global economy (Morvaridi & Hughes 2018, p. 868).

The third change is the promotion of the economic opportunities. In terms of the potential of aid, some observers argue that aid development has led to attention on strengthening industrial productivity and economic growth rather than poverty reduction (Mawdsley, Kim & Savage 2014, p. 30). This is because foreign aid is often given to stimulate the economy on trade policy, migration, exchange technology, and investment (Collier & Dollar 2002, p. 1475; Mawdsley, Kim & Savage 2014, p. 30). As Askarov and Doucouliagos (2015, p. 384) point out, 'aid can increase public investment, especially in infrastructure'. Adopting the neoliberal approach to aid investment into freeing up markets, trade, and deregulation, aims to promote economic opportunities. As evidenced by Yiew and Lau (2018, p. 27), there are a number of recipient countries having economic growth when opening the market with foreign direct investment. In this way, aid is linked to 'policies designed to attract foreign direct investment as a key driver of growth' (Morvaridi & Hughes 2018, p. 875). Accepting the principles of open markets means more foreign direct inflows investing in human resources or transfer of technical knowledge.

The last shift concerns about what aid focuses on in the era of Sustainable Development Goals (SDGs) after achieving MDGs. Aid development has diverse motives to focus on, including assisting

humanitarian needs, reducing poverty, promoting economic growth, showing solidarity, enhancing human rights, securing political interests, and fighting the war on terror (Riddell 2008, cited in Mahembe & Read 2019, p. 4). Moreover, Bickenbach, Mbelu and Nunnenkamp (2019, p. 6) argue that poverty reduction still plays a role in the share of all donors' aid allocated to the relatively poorer recipients which increased from 65.5 per cent to 71.1 per cent in 2006 to 2015. Poverty reduction is one core target of social aid programs (Collier & Dollar 2002, p. 1475). According to Suominen (2018, p. 13), in the era of MDGs, 'the focus of development policy was strongly concentrated on the themes of poverty and poverty reduction'. However, in the SDGs era, there is a shift with aid focusing more on human rights, decent work, social justice, gender equality, and environmental sustainability paying increasing attention to outcome-orientation (Mawdsley, Kim & Savage 2014, p. 33). Particularly, donors in the private sector in Viet Nam are now interested in 'global public goods, such as forests and climate change adaptation', but the overall amounts of funding are expected to decrease (OpenDevelopment Viet Nam 2018).

## **2.2. The rise of NGOs in a neoliberal era**

The role of NGOs has been recognized as a 'New Policy Agenda' by many bilateral and multilateral donor agencies since the 1980s (Edwards & Hulme 1996, p. 961). NGOs work with diverse objectives, from the states, donors, development projects and programs funded by the World Bank, grassroots organizations, to marginalized groups of society, such as poor women, persons with disabilities, and children (Mercer 2002, pp. 6-8). As acknowledged by Gideon, 'NGOs have become harnessed by the state and have been used as a tool to implement the neoliberal model' (cited in Mercer 2002, p. 17). Moreover, Kamat (2003, p. 89) emphasizes that NGOs have been essential to the state and the international donor institutions regarding 'structural adjustment programs and neoliberal economic policies in Africa, Latin America, and South Asia' (Kamat 2003, p. 89). This is because structural adjustment policies might be too detailed stretching the implementation capacity of some countries. Therefore, NGOs are involved domestically in the assessment of the need for, and the increase in, the impact of structural reforms (Larsen 2000). Moreover, the funding availability is one of the core factors driving the growth of NGOs. Mercer (2002, p. 14) recognizes that 'the ability of NGOs to accomplish

democratic roles of civil society is developed by the forces of political and economic neoliberalism as mediation through donors, international financial institutions, and states'. According to the reports from the Organisation for Economic Co-operation and Development (OECD) in 1988, 1994, and 1995, the percentage of aid channelled through NGOs increased significantly, from 0.7 per cent in 1975 to 3.6 per cent in 1985, and at least 5 per cent in 1993 (OECD 1988; 1994; 1995, cited in Edwards & Hulme 1996, p. 962). Recently, according to the report of the OECD in 2020, the proportion of aid allocation to and through CSOs accounted for 15 per cent in 2018 (OECD 2020b, p. 8). NGOs are significantly developed under neoliberalism because NGOs and neoliberal both of them promote individual's rights (Edwards and Hulme 1996, cited in Klees 1998, p. 49). NGOs have strived for equal rights when everyone has the same opportunities and their capacity is recognized. Similarly, the neoliberal approach pays attention to the 'individual capacities and the needs of the poor' (Kamat 2004, p. 169).

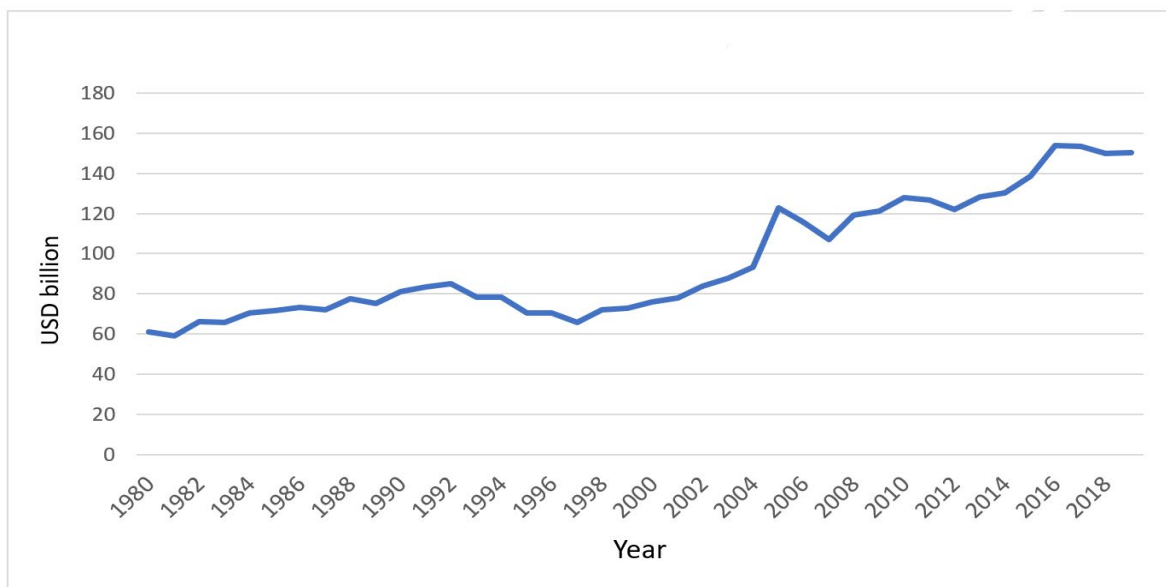
The presence of CSOs in the foreign aid system is due to their focus on social development by provisioning and promoting public goods and services (Appel 2017, p. 122). NGOs are characterized as the providers with efficiency and cost-effectiveness compared to the governments (Meyer 1992; Sollis 1992; Vivian 1994, cited in Edwards & Hulme 1996, p. 961). Consequently, it is argued that this pattern will increase aid effectiveness. Additionally, Niyonkuru (2016, p. 6) argues that NGOs can bridge the gap between donors and the state to improve poverty reduction programs. In developing countries, NGOs are able to understand the needs of disadvantaged community, so with donor support, NGOs can help the state to focus group's interests (Banks et al. 2015, cited in Appel 2018, p. 280). NGOs have been implementing development programs, including providing social services, building capacity and empowerment, and improving health and education. In addition to this, NGOs have been promoting good governance with a wide range of actions, such as environmental protection, advocacy for human rights, sustainability, and 'engagement with the participation of the population into the policy planning and development initiatives' (Klees 1998, p. 49; Mercer 2002, p. 6). Kamat (2004, p. 155) highlights that 'the dynamic rise of the NGO sector is seen as clear evidence of the evolution of civil society to be able to self-regulate and self-manage its own interests'.

## 2.3. Post-aid countries

### 2.3.1. Changing aid flows

According to OECD (2020c), there has been an increase in the total net Official Development Assistance (ODA) giving by member countries from DAC during the 39 year period, between 1980 and 2019. As seen in Figure 1, net ODA totalled over 60 USD billion in 1980, but this rose significantly to roughly 150 USD billion in 2019 showing that development issues, such as poverty, inequality, and poor health, are still paid close attention to by the rich countries.

**Figure 1: Trends in Net ODA Flows by DAC Countries, from 1980 – 2019**



Source: OECD 2020c

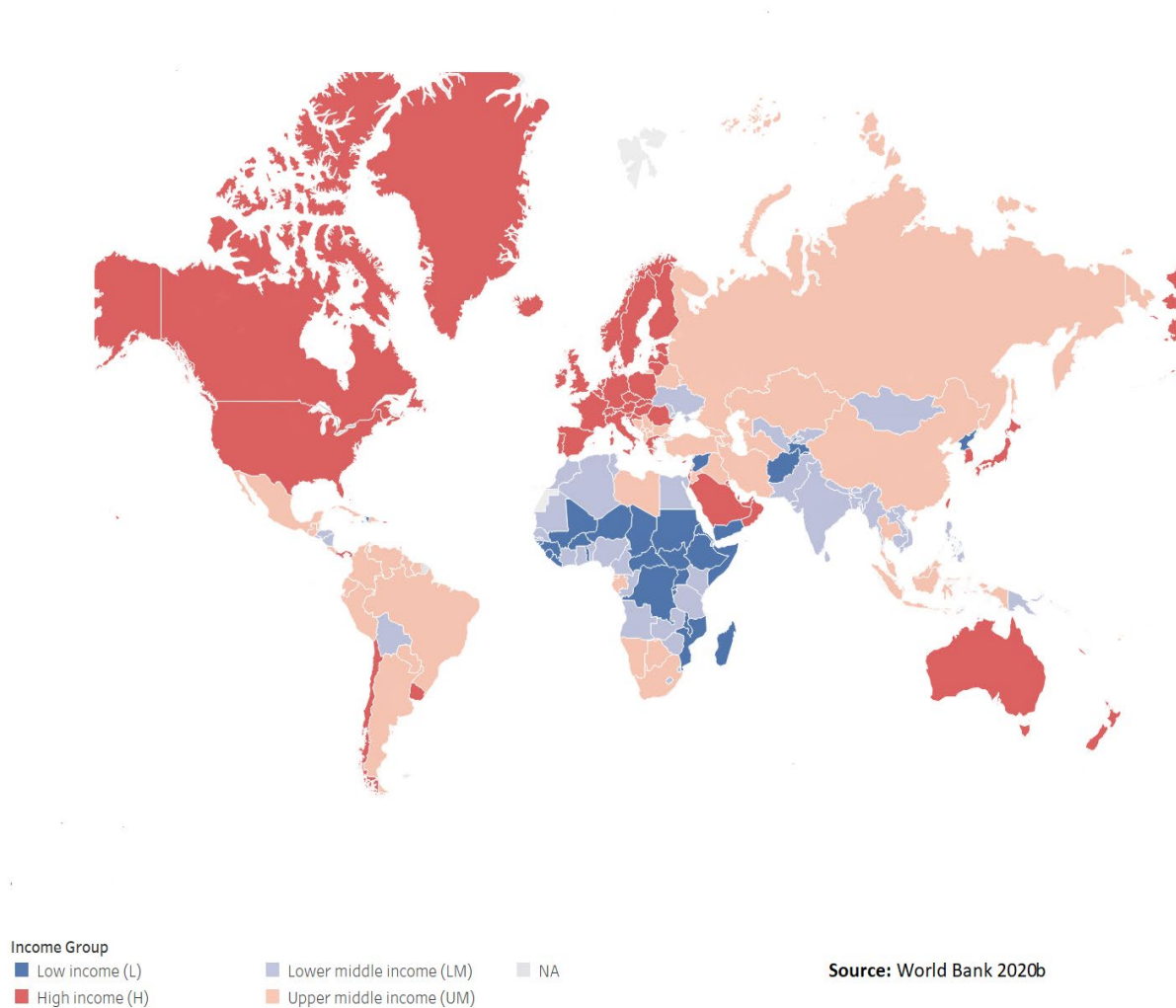
There is debate about who benefits in the post-aid world. Firstly, aid allocation is still affected by colonial pasts and political coalition. According to the study of Neumayer (2003, p. 101), bilateral donors, such as the United Kingdom or France, would give more aid to their former colonies in Africa and Asia. Another reason for receiving aid funding is political alliances with strategic interests (Alesina & Dollar 2000, p. 33). However, aid flows also decrease in some recipient countries because donor countries do not see good reasons to give further continuing aid. One of the main reasons for this might

be aid ineffectiveness. Additionally, foreign aid lacks demonstrations as to whether or not it brings benefits to the donor countries (Jakupec 2018, pp. 3-4).

### 2.3.2. Middle-income countries in the post-aid condition

As articulated by the World Population Review (2020), ‘there are a total of 109 middle income countries (MICs) – 53 lower-middle-income countries and 56 upper-middle-income countries’. Figure 2 shows the examples of MICs, including China, Brazil, India, Indonesia, Viet Nam, Pakistan, Nigeria, Philippines, Egypt, and so on (World Bank 2020b).

Figure 2: The World by Income in 2020



The world's MICs include many various groups regarding population, income level, and size (Fallon et al. 2001, p. 2; Suominen 2018, p. 14; World Bank 2020a). Therefore, MICs are divided into two groups, including 'lower-middle-income countries (LMICs) and upper-middle-income countries (UMICs)' by using the indicator of Gross national income (GNI) per capita in USD (Suominen 2018, p. 14). LMICs are grouped with a GNI per capita between \$1,036 and \$4,045, and UMICs are classified with a GNI per capita between \$4,046 and \$12,535 (World Bank 2020a). Viet Nam has been identified in group of LMICs, because the Gross domestic product (GDP) per capita in Viet Nam was around \$3,400 US in 2019 (O'Neill 2020).

Approximately five billion people live in MICs. It means that MICs are 'home to 75 per cent of the world's population and 62 per cent of the world's poor' (World Bank 2020a). While national per capita income as a main criterion decides the amount and structure of aid flows, even UMICs are home to large numbers of poor people (Kanbur & Sumner 2012, p. 686). As donor countries use GDP or GNI as criteria to make decision on funding the foreign aid to MICs has decreased because they assume that MICs can use the increased domestic taxes from their wealthy citizens to take care of their poorer citizens, without external assistance (Greenhill et al. 2013, cited in Suominen 2018, p. 25). However, Sumner (2011, p. 2) argues that domestic taxes are not yet enough to influence poverty reduction in MICs, because there is a small number of the rich compared to the vast majority number of the poor, and the redistribution of wealth relies on the taxation system. Therefore, categorizing MICs by using GDP or GNI as a metric can be problematic (Sumner 2011, p. 4). The main reason for that is it that it does not reflect the 'whole reality of aid and how it is allocated' (Suominen 2018, p. 15).

Additionally, from developmental perspectives, White and McGillivray (1995) claim that GDP measures do not consider social constraints, such as inequality (cited in Suominen 2018, p. 15). While many MICs could in theory support their poor, inequality, such as gender inequality or income inequality, remains a vital problem (Sumner 2011, p. 3). For example, in India and Pakistan, illiteracy remains a problem, particularly among females (Fallon et al. 2001, p. 6). Poverty is caused by many reasons. Chatter (2005, p. 272) reveals that 'poverty is not just about incomes, but it is about power, self-esteem, and social



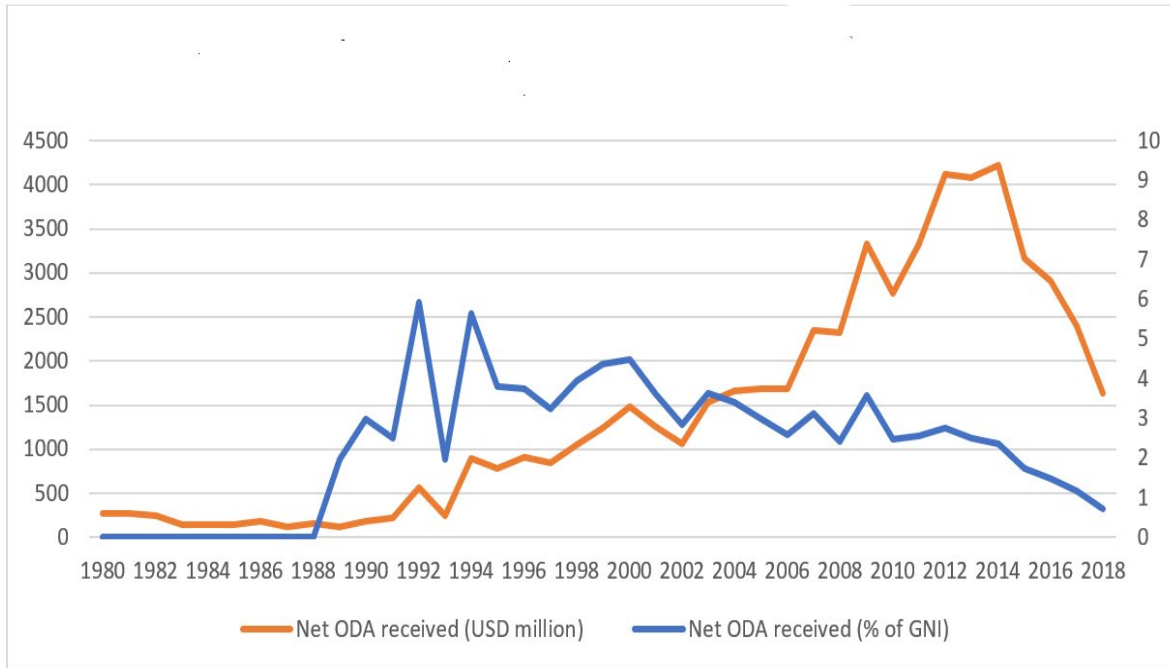
legitimacy'. Moreover, Sen (1999, p. 108) highlights that 'unemployment, ill-health, lack of education, and social exclusion' are the dimensions of poverty.

### **2.3.3. Viet Nam as an example of the post-aid condition**

From the time of launching and implementing the economic reform – 'Doi Moi' in 1986, the socio-economic conditions in Viet Nam have changed rapidly. The innovation reforms have transformed Viet Nam from one of the poorest countries in the world to a country with lower-middle-income status in 2010 and a per capita annual income of 2,400 USD by the end of 2018 (OECD 2020a), and increased significantly to approximately 3,400 USD in 2019 (O'Neill 2020). This outstanding result has been achieved in various ways. One of these factors is the support from ODA. ODA has driven the economic growth and brought social impacts to Viet Nam in terms of poverty reduction (UN Agencies 2014, p. v). According to the World Bank in 2013, the proportion of Vietnamese people living in extreme poverty decreased considerably from 60 per cent in 1990 to 10 per cent in 2010 (Prizzon, Greenhill & Mustapha 2016, p. 9).

Although ODA to Viet Nam has increased since 1980, it has significantly decreased in relation to Viet Nam's GDP, and this shows its declining importance to the economy. As shown in Figure 3, the amount of ODA received annually in Viet Nam increased significantly from around 270 USD million in 1980 to over 1.6 USD billion in 2018. Meanwhile, the percentage of net ODA by GNI fluctuated from 1988 to 2010, with a peak around 6 per cent in the early 1990s, and then decreased to roughly 0.7 per cent in 2018. The amount of ODA peaked at nearly 4.1 USD billion in 2014 (around 2.5 per cent of GNI), just before the deadline of MDGs. However, since then it fell sharply to approximately 1.6 USD billion in 2018 (World Bank 2020c). There is a projection of the aid decline in the following years. Viet Nam has received ODA as grants, concessional loans, and a mix of these. The total ODA from bilateral donor commitments accounts for roughly 60 per cent compared to approximately 40 per cent of multilateral ODA commitments from 1980 to 2018.

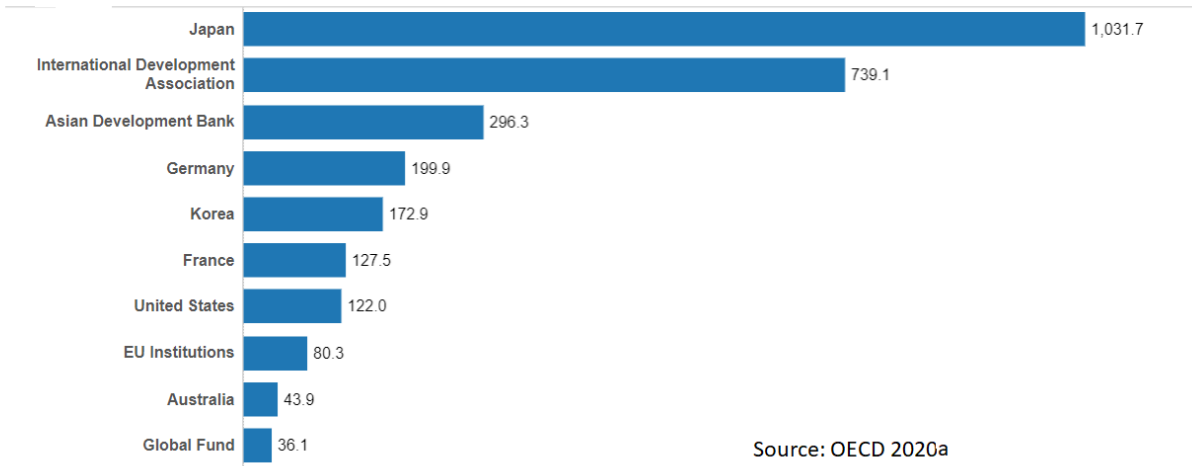
**Figure 3: Net ODA (USD million) and Net ODA (% of GNI) Received in Viet Nam from 1980 - 2018**



Source: World Bank Data 2020c

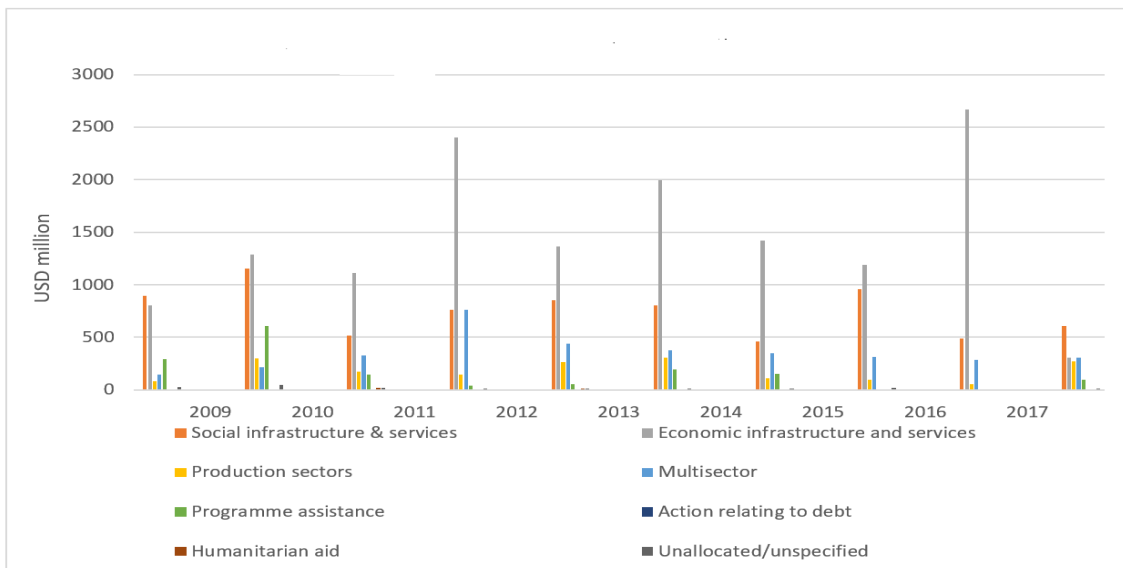
In terms of main donors, ODA for Viet Nam has come from various countries and multilateral donors, with Japan the largest ODA donor with more than one USD billion in 2018 (see Figure 4) (OECD 2020a). In the same year, IDA and the Asian Development Bank placed in second and third position respectively. One of the crucial reasons that Japan is the top donor is the economic benefits relating to exports. Among the donors, Japan has been the largest export country to Viet Nam since 2008. It is obvious that there is a relationship between exports and the foreign aid because the bilateral aid programs are connected with exports from the donor to the recipient country (Le 2015, p. 6).

**Figure 4: Top Ten Donors of Gross ODA for Viet Nam, 2017 - 2018 Average, USD Million**



ODA has been allocated to various sectors in Viet Nam. According to the OECD (2020d), between 2008 and 2017, economic infrastructure and services were the main focus of aid allocations, with more than 50 per cent ODA spending compared to other sectors (see Figure 5). The emphasis on economic infrastructure, industry projects, and services related to energy, urban development and transport, is in line with neoliberal arguments about effective aid investments to help ‘restructure the economy through the use of modern production methods’ (OpenDevelopment Viet Nam 2018).

**Figure 5: ODA by Sectors in Viet Nam from 2008 – 2017**



Source: OECD statistics 2020d

Viet Nam attained lower-middle-income country status in 2010. This led to its development landscape changing rapidly. However, ODA flows have decreased because donor countries will target other poor countries where aid is needed to improve their living conditions (UN Agencies 2014, p. v). Although Viet Nam achieved the target of poverty reduction, a threat to development Viet Nam continues because the issues of inequality in income among different marginalized groups still exists in the Viet Nam context. That is why Viet Nam needs to change to better sustainable development in finance to deal with the problems existing and arising.

## **2.4. Conclusion**

Chapter two presented the features of aid in relation to the neoliberal approach, the rise of NGOs, and the growth of MICs. Regarding foreign aid development, neoliberalism has been widely adopted along with its features including aid effectiveness, the engagement in global development cooperation, the creation of economic opportunities, and aid allocation under the SDGs era. While the main focus of aid is still on poverty reduction, its attention has shifted to decent work, social justice, gender equality, and environmental sustainability. NGOs still play an active role in efficiency and the cost-effectiveness of aid and the percentage of aid through NGOs increased considerably. The third part of the chapter reviewed the evidence of the increase in ODA from 1980 to 2019 and the rise of MICs in the post-aid condition. One of the interesting points is that aid shifts away from countries that are classified as middle income; however, it is argued that many poor people are still living in MICs. In the case of Viet Nam, thanks to the economic reform and ODA support, Vietnam has changed positively in terms of growth economy and poverty reduction. Consequently, in 2010, Viet Nam was categorized as LMICs and this has led to the foreign aid decline since 2014 even though social inequalities and poverty still exist. Therefore, to deal with social issues, there is a need for Vietnamese civil organizations to develop sustainability by adopting social enterprise activities. The next chapter will focus on the literature review of features, models, and challenges of social enterprises and the concept of sustainability in development NGOs.

# CHAPTER 3: MODELS, FEATURES, AND CHALLENGES OF SOCIAL ENTERPRISE

## Introduction

In the contemporary world, we have been witnessing the rise of social enterprises. The term social entrepreneurship or social enterprise was first presented and launched in the 1970s to solve social issues sustainably (Barraket et al. 2017, p. 346; El Ebrashi 2013, p. 188; Kerlin 2006, p. 251). Some schools of thought have defined the concept of social enterprise. Mair, Robinson and Hockerts (2006, p. i) contend that 'social enterprises are non-profit, for-profit, or hybrid organizations that use business methods to create social change'. The aim of social enterprises is to support vulnerable groups without relying on traditional philanthropic or non-profit funding models. Moreover, Mair and Marti (2006) highlight that 'social enterprise as a program... including innovation resources in search of possibilities for social reforms and for a solution to social needs' (cited in Nguyen 2019, p. 23). In summary, in this thesis, the term social enterprise is described as the channel for organizations to develop social values by implementing creative business activities and programs. In the context of uncertainty from traditional funding sources, therefore, social enterprise is regarded as a response to keep many organizations operating (Patten 2017, p. 49).

Additionally, although the movement of social enterprise has been developed and supported around the world since the 1970s, different types of social enterprise appear to be explained by the diversity of regional socioeconomic contexts, such as addressing unemployment and social constraints. Kerlin (2009) maps the factors triggering 'the emergence of social enterprise' around the world which differ from one country to another. As she notes, in the United States, to government, the reason for the beginning of the contemporary social enterprise movement is the reduction in funding for the non-profit sector under the neoliberal Reagan administration. In Western Europe, the social enterprise movement rose due to the failure of the government employment programs. Hence, social enterprise as a way to respond to the unemployment issue, or as one of its primary initiatives was 'work integration of the unemployed, often through social cooperatives' (Kerlin 2009, p. 168). The same push

factor is evident in Argentina, where social enterprises highlight social issues problems related to income inequalities, production conditions, and poverty that were no longer being addressed by the market economy and the government sector. In response, social enterprise cooperated with a wide range of mutual benefit societies to create employment and address social exclusion. In the Southeast Asian region, the high incidence of poverty and unemployment has not been adequately addressed by government welfare programs. Therefore, from the 1990s onwards, social enterprise has been adopted as a simultaneous solution for addressing unemployment, providing needed services, and protecting the environment in the way of sustainable development (Kerlin 2009, pp. 167-8). The rest of this chapter will draw attention to the models, characteristics, and challenges of social enterprises, and the concept of development sustainability.

### **3.1. Identifying social enterprise models**

The description and analysis of social enterprise models in this thesis are adopted from Defourny and Nyssens's research, which was released in 2017. Their models are based on the 'International Comparative Social Enterprise Models' (ICSEM) project in which 230 researchers from over 50 countries all over the world participated. Based on these researchers' experience, social enterprises have been categorised into four fundamental models (Defourny & Nyssens 2017, pp. 323-5):

1. Firstly, the social cooperative model consists of the mutual interests of members as well as the interests of community. This can be focused on specific targeted groups through the social mission. The model also indicates the traditional cooperatives. However, it aims to operate forms of democratic governance, and it often responds to multi-stakeholder organizations. For example, in South Korea, SEs with cooperative models operate with regard to 'democratic principles and implementing stakeholder participation mechanisms' (Defourny & Nyssens 2017, p. 324). Diverse social missions frame these organizations for diverse activities, including integrating work, meeting unmet consumers of excluded groups, and providing social services.
2. Secondly, the social business model which originates from shareholders' interest is business model driven. However, there is a dual goal in terms of balance of the economic integration

and social purposes. In this model, a primary problem is connected to social business with actual practices. The social business model operates in a wide range of industries, such as environmental protection, economic development, education for women, youth, and children. In Rwanda, for instance, the purpose of social business launched by individual social entrepreneurs is to deal with social problems relating to education and health.

3. Thirdly, the entrepreneurial non-profit model includes all non-profit organizations. Most interested associations or organizations are involved in developing any types of generated-income activities to assist their social mission. Clearly, this model distinctly harmonizes with a widespread conception of social enterprise, which refers to the 'commercial non-profit approach within the broader earned-income to contribute to the organizations' sustainable development' (Defourny & Nyssens 2017, p. 325). For example, in Rwanda, NGOs apply microfinance as their trading activities, and this are ranked first among social enterprise model.
4. Finally, the public sector social enterprise model is managed by public organizations, however, they work as independent organisations to provide public services by using business activities. According to Defourny and Nyssens (2017, p. 325), these social enterprises are operated as 'separate entities, legally registered as commercial establishments, with the state as their sole owner'.

From these four social enterprise models described in Defourny and Nyssens's research, this thesis will examine two. They are the social business model and the entrepreneurial non-profit model. The fundamental reason for selecting these two social enterprise models is that they are suitable for the context development in Viet Nam which will be explained more in chapter five through case studies.

### **3.2. Typical characteristics of social enterprises**

Social enterprises are characterised by four defining features, including doing business to create profits, redistributing the profit, achieving social missions, and using a bottom-up approach (Balan-Vnuk 2013; Barraket et al. 2017; Cho 2006; Kerlin 2006; Patten 2017). The first characteristic of social enterprises

is to create their income by trading activities, such as 'producing goods, and/or selling services' (Kerlin 2006, p. 249). Moreover, according to Balan-Vnuk (2013, p. 37), generating revenue from non-profit organizations can come from shifting activities or adding business activities. This means they pursue their dual social and economic goals through applying commercial or strategic intent to grow their business (Jenner 2016, p. 43). For example, at the beginning, the Center for Disability provides free employment consultations for employers who are seeking employees with physical disabilities, but these employers do not know how to change their workplace to become an accessible environment. Then, this center changed these activities to professional services and got paid by the employers. In doing so, non-profit organizations with a business mindset can ensure financial sustainability. Therefore, 'the trading activities of social enterprises are managed by qualified staff with the relevant experience' (Balan-Vnuk 2013, p. 57). Additionally, it is essential that social enterprises should capture 'a process of continuous innovation, adaptation and learning' (Cho 2006, p. 35).

The second feature of social enterprise is to do with the way profit distribution is handled. Grove and Berg (2014, p. v) point out that 'a social business makes income, but the investors or owners do not take a profit because the whole company is created to solve a social problem'. This means that the company uses their profit to reinvest in the company with the purpose of tackling social issues. Therefore, if enterprises can create a business to do the same job, the money circulates and recycles, and the enterprises can continue addressing the social problem again and again with the same money.

The third feature, which is key to social enterprises, is the focus on social values and on delivering social benefits (David 2015, cited in Nguyen 2019, p. 26). As articulated by Defourny and Nyssens (2008, p. 205), 'social enterprises can tackle a wide range of social and environmental issues and operate in all parts of the economy'. These include reducing unemployment, improving access to social services like healthcare, providing low cost housing, alleviating deprivation, addressing social exclusion, and protecting the environment as well as enhancing ecosystem services (Nguyen 2019, p. 49). This means that addressing social issues can be done by social enterprises through their revenue, or services or goods production.



Fourthly, social enterprises are successful social interventions when using a participatory approach to engage the target groups they aim to help or collaborate with (Sengupta & Sahay 2017, p. 20). The groups, traditionally called beneficiaries or target groups, might be people with disabilities, poor women and children, the community of Lesbian, Gay, Bisexual, Transgender, Intersex, and Questioning (LGBTIQ), or disadvantaged youth. The founders may be a part of a marginalized community, which enables them to understand the existing problems or difficulties and find appropriate business activities to tackle them. As a result, this creates 'good decision-making' (Sofoulis 2013, cited in Sengupta & Sahay 2017, p. 20). Additionally, by using a participatory approach and building coalitions, social enterprises can connect various stakeholders with clients and generate more focused activities (Defourny 2001, cited in Kerlin 2006, p. 249). Due to scaling and creating social impact, social enterprises establish a wide range of relationships including with 'other social enterprises, public bodies, third-sector and civic actors, and for-profit enterprises' (Galitopoulou & Noya 2016, p. 4). When social enterprises develop these collaborative relationships, this allows social enterprises to extend their knowledge and skills, take advantages of resources effectively, and overcome entry barriers to novel markets.

### **3.3. Challenges for social enterprises**

There are some limitations of social enterprises which vary according to their context, but typically relate to lack of business management skills, lack of supportive policies, and market competition. The first challenge of social enterprise is the lack of business skills, such as transitional skills, human resources, or marketing skills. Smith and Darko (2014, p. 21) state that 'hybrid institutions do require people with hybrid skills which are often hard to find in combination'. Because many social enterprises are founded by social workers, or have their origins in development or social projects, they lack competencies related to business management, such as capital management skills and organisational techniques, and how to identify niche markets to create profits and fulfil social services (Jenner 2016, p. 46). This might be a problem for social enterprises established by NGOs to create a new income stream. It is claimed that a traditional management mindset of social activities transforms into planning trade and making profits, which involves acceptance of competition in the marketplace and at-risk relating to business operations. Furthermore, Jenner (2016, p. 45) identifies marketing capacity as a

weakness within social enterprise. Therefore, the initial phase of a social enterprise may involve effort, time, hands-on practices, trial and error, and may require useful support by bodies like marketing teams and board management.

The second constraint is the 'lack of clearly defined legal frameworks' for social enterprises in many countries (Kerlin 2006, p. 259). This is an issue in both developed and developing countries, and Viet Nam is no exception. Although social enterprises are ratified or recognized in some countries, there have been calls for strict regulations that should provide for the guidance of their legal recognition and policy. This would take into consideration their potential to address social exclusion, unemployment, and a wide range of services. The final challenge of social enterprise is how to survive in a neoliberal business environment based on competition. Since social enterprises are businesses, they also face constant changes in the market. Furthermore, their products are often less diverse due to limited resources (labour, capital, technology) (Nguyen 2019, p. 27). If the market changes or an idea does not work out, they may fail. In addition, they have a double responsibility, in contrast to private sector businesses, because they must create profits and simultaneously have a mission to make a social contribution to society. Therefore, it can be difficult to set up a sustainable social enterprise that both makes money and has a beneficial impact on the community.

### **3.4. The concept of sustainability**

In the context of the development NGOs, sustainability is perceived as the way to survive so that the organization or institution can ensure it will continue and achieve its commitments to the target groups within which it operates (Rhoden 2014, p. 7). The dimensions of sustainability which are examined in this thesis can be categorized into four types, including benefit, organizational, financial, and community sustainability (Hailey & Salway 2016, p. 582). Firstly, benefit sustainability refers to the 'continuation of the benefits that result from certain activities' (Cannon 2002, p. 363), which is with or without the presence of programs or organizations. The resources of the benefits may shift, but the benefit is still available because the need is strong (Jordan 1996, cited in Cannon 2002, p. 363). Secondly, organizational sustainability is also called institutional sustainability. This is regarded as the 'the ability of an organisation to secure and manage sufficient resources to enable it to fulfil its mission

effectively and consistently over time' (Cannon 2002, cited in Salvado 2011, p. 81). The assessment of organizational sustainability is identified through leadership capacities and management skills, 'the capacity to deliver the specific services, and the ability to pay salaries and cover running costs' (Hailey & Salway 2016, p. 582). Organizational sustainability also involves the component of financial sustainability (Cannon 2002, p. 363). Furthermore, Cannon (2002, p. 363) states that financial sustainability refers to the ability to raise resources from a wide range of sources in the local, national, international, or private and public sector. Consequently, those resources enable the continuation of the organizational existence (Salvado 2011, p. 82). Also, the mix of resources can include the income generation of the organizations, which helps to shift away from dependency on donors to self-financing. Finally, community sustainability refers to being empowered and no longer relying on the provision of services. This means that target groups are enabled to develop with the knowledge and skills acquired and to some extent they can return to contribute to the development's organizations. Sustainability is not just about money. Various aspects of sustainability include the provision of services and the way that this can interact with communities. Cannon (2002, p. 364) highlights that 'even if an organization is financially sustainable, it will not survive unless other fundamental sustainability issues are sorted out'. Therefore, when evaluating how the organizations exists and contributes, it is necessary to understand the various dimensions of sustainability and links between these aspects.

### **3.5. Conclusion**

The concept of social enterprises emerged around the world since the 1970s. Social enterprise is defined as an attempt to fulfill social missions through market based economic activities. Social enterprises are also viewed as offering an innovative approach to community regeneration, employment opportunities for marginalized groups, environmental sustainability, and social inclusion. Drawing from the broader academic literature, this chapter emphasized several main points through each section. Firstly, based on Defourny and Nyssens's research, this chapter identified four models of social enterprises: cooperatives, social business, entrepreneurial non-profit, and public sector social enterprise. Social business and entrepreneurial non-profit models are applied to chapter five with more discussion. Secondly, besides the social enterprise models, the chapter also presented four defining

features of social enterprises: doing business activities, reinvesting profit, participatory approach, and tackling social problems. Thirdly, there remain some challenges for social enterprises related to the lack of supportive regulations, lack of business skills, and market competition. Finally, the dimensions of sustainability are examined, which include benefit, organizational, financial, and community sustainability. The concept of sustainability is not just limited by finance; each dimension can be linked together. In the context of Viet Nam, how the development NGOs and social enterprises emerge and embrace to fulfill social missions will be discussed in the next chapter.

# CHAPTER 4: DEVELOPMENT NGOS AND SOCIAL ENTERPRISES IN THE CONTEXT OF VIET NAM

## Introduction

Viet Nam is officially called the Socialist Republic of Viet Nam. The country is located on the Indochinese Peninsula of Southeast Asia (Central Intelligence Agency 2021). Viet Nam shares mainland borders with China, Laos, and Cambodia (Buttinger, Hickey & Osborne 2020). It is a one-party state governed by the Communist Party. Viet Nam is experiencing increasing demographic and social change. Its population grew from 60 million people in 1986 to around 98 million people in 2020, and is projected to expand to 120 million by 2050 (World Bank 2021). According to the Central Intelligence Agency (2021), roughly 72 per cent of the Vietnamese population live in rural areas. Moreover, Viet Nam has various ethnic minority groups.

After launching 'Doi Moi' reform in 1986, Viet Nam's development has been remarkable (World Bank 2021). The rapid economic growth has transformed 'from one of the world's poorest countries into a lower middle-income country since 2010' (World Bank 2021). According to the UN Viet Nam in 2015, although the country has made significant progress on poverty reduction, economic performance, healthcare improvement, and education enhancement, it still has problems in terms of 'inequality in income and socio-economic development between different geographic and ethnic groups' (UN Viet Nam 2015, p. 12). Therefore, it is vital for the Vietnamese government to promote civil society organizations and non-profit organizations to support the marginalized communities to boost economic growth and ensure achievement of the SDGs 2030 (UN Viet Nam 2015, p. 12). This chapter will discuss the growth of NGOs in Viet Nam and their definition, types, features, and challenges. Then, the chapter will also examine the development of social enterprises in the Viet Nam context including SE's development stages, types of SEs, legal status, and comparison with NGOs and traditional business.

#### **4.1. The growth of NGOs in Viet Nam context**

The Vietnamese government's 'Doi Moi' reform in the 1980s produced a number of profound effects on economic growth and social development. 'Doi Moi' economic reform is viewed as an innovative approach (Forbes et al. 1991). In essence, the reform shifted the country from a socialist economic model, where the government managed economic affairs, to a capitalist economic model based on private enterprise and international trade. 'Doi Moi' renovation approached the market economy within the government's political orientation. Instead of limiting foreign investment and controlling the market, the Vietnamese government has opened its economic system to the world and encouraged foreign investment (Nguyen 1991, p. 38). The commencement of new 'private business, shifting labour relations, the reform of mass organizations, and other political reforms have affected all individuals in all sectors of the country' (Gray 1999, p. 969; Nguyen 1991, p. 39). More importantly for this thesis, this reform has resulted in the proliferation of Non-Governmental Organizations (NGOs), which were legalized in 1991 (Mercer 2002, p. 15).

There are two factors explaining the rise of NGOs in Viet Nam. One major reason for the phenomenal growth of NGOs in terms of national and international levels is the shifting attitude of donor institutions and countries about assisting development, which led to 'the increased demand for NGO services in developing countries' (Makoba 2002, p. 53). Due to cost effectiveness and sustainability, donor countries are likely to channel a rising share of their ODA through NGOs. For instance, 'in 1980, funding from the international donor community accounted for less than 10 per cent of NGO budgets, but by the 1990s their share had increased to 35 per cent' (Makoba 2002, p. 55). This means that financial assistance support from donors would provide the opportunity for the rise of NGOs, not only in the Third world countries, but also in Viet Nam. The Asian Development Bank (2011, p. 1) reports that 'during the 1990s, a substantial number of international NGOs began operations in the country, alongside increased foreign investment'.

The second factor is the consequences of the industrialization and modernization process in the mid-1990s, which made the gap between rich people and poor people widen further. Poverty and social inequality had generated issues hindering the government's distribution of social benefits to every

person. Therefore, international NGOs in Viet Nam emerged to fill the gaps which the Vietnamese authority and its local agencies did not have sufficient resources and capacity to fill (Gray 1999, p. 52). However, the development of NGOs in Viet Nam has not been accompanied by a broad-based mobilization of civil society. The main reason for this is because the donor agencies nurture the growth of NGO which are located in the country and the vast majority of Vietnamese NGOs are 'urban, elite-based organizations whose staff are often linked to the Communist party–state structure' (Mercer 2002, p. 15).

#### **4.2. Definition of NGOs in the thesis**

There are many schools of thought about what defines an NGO. According to the United Nations (UN) in 2003, the term 'non-profit organization' is used as follows:

*any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to governments, monitor policies, and encourage political participation at the community level. They provide analysis and expertise, serve as an early warning mechanism and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health (cited in Teegen, Doh & Vachani 2004, p. 466).*

This quote identifies several key features of an NGO. One feature is that it is a civil society organization initiated and run by groups of citizens with shared interests, and secondly, it is distinct from government organizations. Thirdly, NGOs can operate in a wide range of social development areas where they deliver services, advocate for better policies and interests of marginalized communities, or provide research-based information.

In the US context, Anheier (2005, p. 39) points out that NGOs capture 'these organizations in the developing world and in international relations, particularly in engagement in the promotion of economic and social development at the grassroots level'. This means that NGOs, in Anheier's definition, are more specific types of non-profit organization which implies they are in the development context. In this research, NGO refers broadly to a non-profit corporation, socio-cultural commission, organization, association, charitable agency, or other legal entity that by law is outside the Vietnamese

government and not operating for profit. If these organizations have profits, they cannot be distributed as the profit distribution a business. This definition does not include profit-sharing cooperatives, churches, temples, unions, or political parties (Tang 2020).

### 4.3. Types of NGOs in Viet Nam

In Viet Nam, the government defines and recognizes an organisation as an NGO based on its operating objectives. As articulated by Dang (2009, p. 19), there are three types of NGOs as seen in Table 1. This thesis is concerned with national Non-Governmental Organizations (NNGO).

**Table 1: Types of NGOs Working in Viet Nam**

No.	Types of NGOs	Definition and examples
1	National Non-governmental Organization (NNGO)	The majority of Non-Governmental Organizations are NNGOs, defined by the nationality of their membership, and they are sometimes also called ‘local NGOs’. NNGOs are growing in number and work in many locations across Viet Nam. Examples include the Viet Nam Red Cross Society, Mekong Plus, or Habitat Humanity in Viet Nam.
2	International Non-governmental Organization (INGO)	INGOs are NGOs that operate across national boundaries, and some operate all over the world. Many INGOs have their origin in developed countries. INGOs that have worked in Viet Nam include the Ford Foundation, Oxfam, Catholic Relief Services, CARE Foundation, Save the children, or Habitat for Humanity International in Viet Nam. INGO must work in



		compliance with laws and regulations in the countries where they operate.
3	Governmental Non-governmental Organization (GNGO)	GNGOs are established by the government. Their operation relies on the governmental budget. There are some examples, such as the Viet Nam Union of Friendship Organization (VUFO) and the Viet Nam Union of Science and Technology Associations (VUSTA). They are both controlling umbrella organizations. These GNGOs report directly to the Vietnamese government.

Source: Dang 2009, page 19.

#### 4.4. The features of NGOs in Viet Nam

NNGOs in Viet Nam present characteristics that distinguish them from the broader NGO literature regarding their organizational structure, different areas of working, flexibility and diversity, and dependence on donor funding. The first feature is flexibility in regard to mobilization. According to Makoba (2002, p. 56), NGOs can adopt 'new and innovative strategies because of their small scale, flexibility and wide-ranging capacity to mobilize resources and organize people to solve their own problems'. These strategies include important activities, such as mutual assistance, self-help, self-expression promoting equity, empowerment, and participation. The second characteristic is the organisational structures. The trustees and or executive board of directors often manage NGOs. They are taking charge of implementing, planning, and developing organizational strategies applying their well-educated status and experience (Rhoden 2014, p. 10). Moreover, the NGOs with human resources involve individuals who are capable and have experienced social development backgrounds. The third feature is the diversity of players and advocacy strategies: they consist of individuals who volunteer

their time, efforts, or resources to the organization. Teegen, Doh and Vachani (2004, p. 466) highlight that 'NGO staff, management, and board members who direct and monitor the organization's activities; and individuals, private foundations, governments, media, and multilateral donor institutions that provide funding support'. In terms of the diverse advocacy strategies, NGOs in Viet Nam have applied a wide range of strategies and policies to advocacy, which are published by the research or organized workshops. Moreover, using the media, print to internet, and films and video is considered to be a strong way to convey messages and to 'document their work for policy advocacy purposes' (William et al. 2012, p. 21).

The fourth feature is different sectors of working: equity, education, health, cultural preservation, analysis, research, information provision, environmental protection, and human rights (Akingbola, Rogers & Baluch 2019, p. 2; Schwenger, Straub & Borzillo 2014, p. 11). In terms of education, NGOs which are located in the north of Viet Nam focus on 'development education – through activities to educate people living in developed countries to understand the poverty that developing countries are facing' (Dang 2009, p. 27). National NGOs include examples of community-based organizations including target community groups (women, children, farmers, the poor, and those with a disability), farmers cooperatives, small savings and credit associations, water user groups, other special purpose cooperatives, village development committees and committees for the protection of street children, medical volunteers, and disability employment. The final aspect is the dependency on donor funding (Makoba 2002, p. 54). Because NGOs are assisted with funding from many sources, such as governmental agencies, foreign NGOs, and international institution donors, their goals and missions are still dependent on 'the will of their donors' (Dang 2009, p. 26). Therefore, NNGOs cannot perform well to fulfill their social mission in the way of development sustainability.

#### **4.5. The challenges for NGOs in Viet Nam**

Running an NGO in Viet Nam has not been an easy job. There are three primary challenges which pose a threat to an NGO's existence, in relation to funding and international donors, civil society involvement, and the state dominance. With reference to funding and international donors, as chapter two mentioned, when Viet Nam became a lower-middle income country, international institutions

started to withdraw funding, which means less aid for running the activities (Asian Development Bank 2011, p. 5). Therefore, NNGOs had to seek innovative and sustainable methods to access financial streams, concerning working closely with the private sector and becoming a social enterprise. Moreover, NNGOs were limited in their capacity since they relied on 'the requirements and strategic themes of international partners and sponsors' (Nguyen, Bush & Mol 2016, p. 199). To get funding from donors, some NNGOs do not follow their driven missions of organization and try to change to make donors satisfied.

The second challenge remains how to encourage all stakeholders to get involved with development projects and NGO activities (Dang 2009, p. 39). Stakeholders can be authorities, media agencies, grassroots levels, service providers, local community, donors, and other NGOs and institutions. If the level of stakeholder participation is high, then there will be more support for the projects of the NNGO, which demonstrates people's approval of project activities. However, if participation is low, it indicates that strategies and activities are not suitable to reach project objectives, especially in long term and sustainable benefits. The last challenge is the state dominance. Non-profit organizations in Viet Nam are constructed and managed with state control. The state has created the framework within which NGOs operate (Gray 1999, p. 694).

## **4.6. An overview of social enterprises in Viet Nam**

### **4.6.1. The development of social enterprises in Viet Nam**

Social enterprises in Viet Nam have been developed significantly during three main phases: before 'Doi Moi' reform, 1986 to 2010, and from 2010 (British Council 2012, p. 19; 2019, p. 22; Pham, Nguyen & Nguyen 2016, pp. 4-5). Firstly, in the period before 'Doi Moi' innovation, Viet Nam had a wide range of models that might be considered as social enterprises. They were collective ownership through co-operatives serving the needs of vulnerable or disadvantaged communities, such as people with disabilities and marginalized groups, by providing job opportunities. Cooperatives were founded to meet some special needs within the members and based on community spirit, such as sharing, mutual benefits, and collaboration. Pham, Nguyen and Nguyen (2016, p. 8) emphasize that cooperatives were

dominated by state-led market economy without the presence of the private sector. This is understandable because at this stage, the communist party played a governing role in economic attainments, therefore the social enterprise model as cooperatives developed well. By applying the achievements of sharing mutual benefits for all members in society, cooperatives became popular. Mainly these cooperatives worked in cottage industry and hand-made products, including embroidery, knitting, rattan, bamboo, and garments.

Secondly, after 1986, the government facilitated the open economic policy to encourage enterprises in various economic sectors, community development, and charities within and outside the country. In this phase, with the emergence of private sectors, enterprises evolved to be more autonomous in making decision and profit distribution (Pham, Nguyen & Nguyen 2016, p. 8). From the middle years of the 1990s, some social enterprises emerged including Mai Handicrafts in Ho Chi Minh city and Koto restaurant in Hanoi. At this time, social enterprises using a social business model initially developed. However, the Vietnamese public has been used to dealing with the issue of separation between non-profit NGOs and for-profit businesses, therefore social enterprise development has been very modest and at a small scale. Thirdly, since Viet Nam became a low-income country in 2010, foreign aid gradually reduced, many NGOs have been forced to transform into social enterprises or develop a trade arm to pursue their social missions. These NGOs have applied the model of entrepreneurial non-profit to develop independent revenue streams through selling products or services. At the same time, the concept of social enterprises has been enhanced and widely spread in Viet Nam by some organizations, such as the Centre for Social Initiatives Promotion (CSIP) and the British Council Viet Nam. In late 2014, the first Vietnamese law on social enterprise became effective as a response to this expansion. Social enterprises are identified in part of the Enterprise Law 2014 which is a great milestone on the development process of the social enterprises concept.

#### **4.6.2. Groups of social enterprises in Viet Nam**

In Viet Nam, social enterprises have engaged in various sectors such as health care, education, agriculture and environmental protection, community media, and arts and crafts (British Council 2016, p. 16). According to the Centre for Social Initiatives Promotion (CSIP), the British Council, and the Central

Institute for Economic Management in 2012, 'social enterprises in Viet Nam can be categorized into three main groups', mainly based on their legal status, objectives, and social impact, including non-profit social enterprises, social business enterprises, and socially responsive business (British Council 2012, p. xii; Pham, Nguyen & Nguyen 2016, p. 7):

- The non-profit social enterprises often are transformed from NGO activities by creating a business unit or a new enterprise to enhance the sustainability of the organizations. Also, the non-profit social enterprises operate in the form of association, voluntary organization, centre, or groups of people with disabilities. These social enterprises have the capacity to mobilize the resources for the life of marginalized groups and provide effective products and services in an effort to solve social problems, such as addressing unemployment, and education opportunity.
- Social business enterprises are founded by social entrepreneurs. This type integrates social goals and economic activities with the purpose of generating income to reinvest or expand the social impact of the business.
- Socially responsive businesses are established with a goal to create powerful change in social or environmental protection. Using the profits to support groups with low-income, positions the social enterprises to be more accessible and beneficial to more people. This type also includes cooperatives.

#### **4.6.3. Legal environment for social enterprise**

According to the British Council (2019, p. 22), 'Enterprise Law No. 68/2014/QH13 and Decree 96/2015/NDCP' indicate a fundamental milestone in the movement of the social enterprise development. These legal documents officially legitimize social enterprise for the first time. Under the Article 10 - Enterprise Law 2014, the term of social enterprise is defined as follow:

*a registered enterprise under the Enterprise Law that meets core criteria: (1) its objectives are to solve social and environmental issues for community benefits, and (2) at least 51 per cent of annual surpluses are reinvested and used for registered social and environmental goals (British Council 2019, p. 22; Pham, Nguyen & Nguyen 2016, p. 6).*

Although social enterprises are ratified and recognized by the government’s law, supporting and supplementing the policies and regulations toward the sector’s operation remain very modest. For instance, the policy indicates that social enterprises are allowed to scale up and receive grants and funding; however, they are still passive and do not understand the beneficial process of tax exemption for their business activities. Moreover, as articulated by Pham, Nguyen and Nguyen (2016, p. 6), ‘the mechanism through which social enterprises receive government subsidies or preferential public contracts in providing social solutions is not clear’.

#### 4.6.4. A comparison between NGOs, traditional enterprises, and social enterprises

Social enterprises have been considered as ‘hybrid’ organizations with a combination between NGOs and normal businesses. According to the British Council’s report in 2012, social enterprises are positioned in relation to NGOs and traditional enterprises. The British Council (2012, p. 11) states that social enterprises are operating a dual goal of addressing a specific social issue (in the case of NGOs) and earning income (in the case of traditional business). As seen in Table 2, different social enterprise models which are defined at 4.6.2 (from British Council 2012) can be used at many levels of institutions or organizations with different legal situations, including shared company, cooperatives, limited company, and NGOs. Their impacts will be gained on both social and economic aspects.

**Table 2: Distinguishing between Social Enterprises, NGOs, and Traditional Enterprises**

Aspects	NGOs	Social Enterprises	Traditional Enterprises
Legal status	NGO, NPO, Charities	Organisations or Enterprises	Limited companies, Joint ventures, Collectives, Private companies
Mission	Solely for social benefit	Social mission as core	Maximisation of financial benefit

Solutions/tool	Voluntary /charity activities	Business activities	Business strategies
Impact	Creating social values	Creating both social and economic values	Creating economic value
Financial resources	Donation/aid/sponsorship	Combination of sponsorship and business revenues	Business revenues
Liabilities	Sponsors, beneficiaries and public	Social investors, customers, beneficiaries, communities	Shareholders, owners, customers, communities
Use of profit/funding	To directly deliver social activities	To reinvest into the organisation to scale up activities and contribution to the communities	Profit and dividends for owners and shareholders

Source: British Council 2012, page 10.

#### 4.7. Conclusion

This chapter has provided some contextual background on development NGOs and social enterprises in Viet Nam. Since ‘Doi Moi’ reform, society and economy status has been changing considerably, such as the growth of NGOs and the emergence of the private sector to pushing the independent process of production. In this research, NGOs refer to development organizations without state governing and not operating for profits. Although there are three main categories of NGOs, such as NNGOs, INGOs, and GNGOs, this thesis focusses on NNGOs with social enterprise transformations. NGOs in Viet Nam present some common characteristics with other countries regarding flexibility, diversity of stakeholders, organizational structure, variety of development working areas, and dependence on donor funding. However, there remain some crucial challenges for Vietnamese NGOs including the lack of funding and international sponsors, society involvement, and state domination. Therefore, it is clear that adopting social enterprise as a solution can address all NGO challenges mentioned above because

social enterprise can generate its income and impact on social missions simultaneously. Profits will be distributed for all social activity goals and involve more stakeholders.

The second part of this chapter displays the overview of SE development in the context of Viet Nam in terms of the development of SE stages, types of SEs, legal status, and comparison with NGOs and traditional business. It is clarified that there are three prominent stages of evolving SEs with main features. Prior to the 'Doi Moi' reform, cooperatives were significantly developed as the result of state-owned economic domination. Cooperatives used to operate with sharing and had mutual benefits for the community. When the Vietnamese economic policy changed to open trade and private enterprise, SEs emerged and developed with support from national and international institutions. When aid funding declined in the 2010s as a result of Viet Nam obtaining lower-middle income country status, many NGOs adopted social enterprise activities to cover their costs and expand. Currently, there are three types of SEs operating in Viet Nam, non-profit social enterprises, social business enterprises, and socially responsive business. Although the Vietnamese state acknowledged SE in the Enterprise law in 2014, supporting policies for implementation is still limited. In the next chapter, the typology of SE will be applied to case studies to gain a better understanding of SEs in regard to independence, efficiency, and sustainability.



# CHAPTER 5: DISCUSSION ON CASE STUDIES OF SOCIAL ENTERPRISES IN VIET NAM

## Introduction

Based on the literature review and context background regarding development NGOs and social enterprises in Viet Nam in the previous chapters, this chapter will describe and analyze selected case studies of social enterprises in Viet Nam in order to answer the thesis question: ‘Embracing social enterprises’ models: Can development NGOs in Viet Nam fulfil their social mission?’. There are three sections in this chapter. Firstly, using the typology of social enterprises discussed in chapter three, the chapter will apply a set of questions to assess the case studies. These questions ask about the history of the social enterprise (SE) and what social mission and business goals it claims to pursue. The second section will drill into the case studies to answer the question of how the social enterprise activity enables the organization to fulfill its social mission. This includes examining how it operates to generate income/sources of income, how it redistributes profit, who it is serving, and in what ways it is helping a marginalized community. Finally, the third section will discuss which SE model is more advanced and more sustainable and why.

Seven social enterprises have been examined in this chapter. They were selected from a British Council report (2016) and available information from webpages of well-known organizations. Selection criteria to choose the case studies include having an enterprise component; and serving disadvantaged groups, such as people with disabilities, women, LGBTIQ, children, ethnic minorities, and at-risk youth. Moreover, I selected these organizations based on their location to ensure that SEs from different regions in Viet Nam are included in the sample. Moreover, the organizations must have still existed for at least three years since establishment because it takes at least three years to turn a profit. The final criterion is that the organizations’ websites provided sufficient information. Although these cases were carefully collected, one concern is the credibility of the information contained on the website. The majority of these organizational websites display information about their introduction, history of development, services and goods, events, and how to contact the organization. Besides using the

websites as a main source, this chapter also uses the British Council report published in 2016, which used various research methods including interview and group discussions.

## **5.1. The description of the history of the social enterprise and its social mission**

### **5.1.1. The history of the social enterprise**

There is a range of historical features across the case studies. As seen in Table 3, the youngest organization was founded in 2016 while the oldest was established in 1999. The fact that SEs can be found in different locations in Viet Nam shows that the concept of social enterprises applies around the country. Each organization has its distinctive social focus, like disadvantaged young people, ethnic minority groups, or people with disabilities. For example, Kym Viet company was established by a group of people with disabilities (PWDs) in late 2013 (see appendix 1) (British Council 2016, p. 38). Initially, the purpose of the foundation was to create jobs for a group of three founders because no one would employ them or there was an inaccessible environment because they are PWDs (Tuoi Tre News 2019). Kym Viet hired people with hearing impairment and mobility impairment to make stuffed animals. The organization began to be profitable from 2017 and at this time had 15 staff, with a revenue of VND 2.5 billion (120,000 USD).

Turning to other stories, the Lighthouse Social Enterprise is a LGBTIQ and youth-led organization working towards a future of better health, equal rights, and sustainable development of the LGBTIQ in Viet Nam (see appendix 2). In 2016, it was set up by Doan Thanh Tung, who identified as gay. Another case is Sapa O'Chau Enterprise. The idea for this organization started when the founder was a local guide speaking English and taking tourists to explore the villages of the minority groups in rural areas in Sapa. She identified that 'responsible tourism' can provide job opportunities for the local communities (Tri Spirits n.d.). Therefore, Sapa O'Chau was founded in 2010 by an extraordinary entrepreneur – Tan Thi Shu, who is an ethnic minority girl.

KOTO stands for the terms 'Know One, Teach One', which means 'learning should be passed on; knowledge is meant to be shared by trainees' (KOTO 2019b). KOTO was initially a sandwich shop for at-risk street youth. While KOTO was found in 1999 by Vietnamese-Australian, Jimmy Pham,

IMAGTOR was found in 2016 by a founder who has a physical disability. The IMAGTOR company stemmed from the idea and action of the Will to Live center which operates as an NGO and provides free Information Technology (IT) vocational training and soft skills for PWDs (Nghi Luc Song Center 2021).

The next case is Mekong Quilts company, which has been a social enterprise since 2001. It has been implementing for sustainable jobs for disadvantaged women in Viet Nam, by producing high-quality products, respectful of the planet (see appendix 6). All direct economic benefit that are created by Mekong Quilts will be used by the parent organization Mekong Plus NGO (Mekong Quilts 2021). The final case is Dao's Care. Initially, Dao's Care operated as a charity organization, however the founders want to do more in terms of job creation for vulnerable people and maintain the culture of an ethnic minority (see appendix 7) (Tuoi Tre News 2019). Consequently, Dao's Care was founded as social enterprise in 2016.

### **5.1.2. The connection between the founder's background and target groups**

Drawing from these cases regarding their history, it is argued that there is a connection between the founder's background and the target groups of people that they try to support. As shown in Table 3 below, four out of seven social enterprises have been inspired by founders who are part of a marginalized community. Some of the organizations are founded by people who describe themselves as having had difficulties to find a job or to pursue a good life. Providing this information about who founded the SE helps to demonstrate the organization's trustworthiness and commitment to the social cause. It implies that the organization understands the problem it is addressing because the problem is shared by its founder. Consequently, the SE may have better ideas of how it can help and what is important to its target group of beneficiaries. This is quite different from normal NGOs, because a lot of people who found and work in NGOs are professionals, development experts, or disability experts.

The pattern of the relationship between target groups of people and each founder's background in SEs is a different starting point compared to NGOs which the academic literature does not mention. For example, the founders of Kym Viet and IMAGTOR are PWDs, so their beneficiaries are also PWDs. PWDs

have capacity and skills, but they have difficulties finding a job due to prejudice from employers or inaccessible workplaces. Understanding these problems, the founders of Kym Viet and IMAGTOR created employment opportunities for PWDs and increased their independence and confidence in society. As mentioned in chapter three, these are indicators of well-being, suggesting that these organizations are effective in reducing poverty among PWD. Another example is Sapa O'Chau enterprise whose founder is a poor ethnic girl who left school at an early age to become a street vendor (Galewska 2016). This experience made her aware that education for children is important to them and potentially changes their life course. In the case of the Lighthouse Social Enterprise, the founder identified as gay and its target group is LGBTIQ. Because of this shared identity he has a good understanding of the difficulties of the LGBTIQ community, such as lack of relevant health services and discrimination. Therefore, his enterprise can provide good health services for people in need.

**Table 3: A Short Summary about Case Studies**

<b>Name</b>	<b>Year of foundation</b>	<b>Location in Viet Nam</b>	<b>Social mission</b>	<b>Target group for serving</b>	<b>Background of founder</b>
<b>Kym Viet</b>	2013	Red River Delta	Creating employment opportunities (including for members).	People with hearing impairments, physical disabilities	Founded by groups of people with physical disabilities. Poor, but skilled in hand-made stuffed products.
<b>Lighthouse Social Enterprise</b>	2016	Southeast	Improving health and wellbeing among LGBTIQ people and promoting LGBTIQ rights.	LGBTIQ and their families	Founded by a gay activist, community health worker, and researcher on sexuality, sexual health and HIV/AIDS.
<b>Sapa O'Chau Travel</b>	2010	Northwest	Providing employment for local ethnic	Ethnic minority people	Founded by ethnic minority woman; worked as a street

Name	Year of foundation	Location in Viet Nam	Social mission	Target group for serving	Background of founder
<b>Social Enterprise</b>			minority people and promoting education for disadvantaged ethnic children.		handicraft vendor, then became a tour guide.
<b>KOTO</b>	1999	Red River Delta Southeast	Empowering disadvantaged youth to pursue a brighter life.	At-risk and disadvantaged youth	Founded by Vietnamese-Australian person with experience of tourism.
<b>IMAGTOR</b>	2016	Red River Delta	Providing employment opportunities and supporting finance to the Will to Live center.	Youth people with disabilities	Co-founder was born with severe disability and had difficulty obtaining a job.
<b>Mekong Quilts</b>	2001	Mekong River Delta	Creating jobs for Vietnamese poor women and supporting women and girls/gender equality.	Poor village women	Founded by journalist and development expert with high profile experience of working with poor community.
<b>Dao's Care</b>	2016	Red River Delta Northwest	Providing job creation to visually impaired therapists and the Red Dao ethnic minority in Sapa.	People with visual impairment and the Red Dao ethnic minority in Sapa	Founded by person with high experience of social understanding of the concept of social enterprise.

### 5.1.3. The social mission

All these social enterprises identify social problems that need to be solved. Most case studies address multiple problems in their business activities. For example, the main issue KOTO identified was lack of employment skills for at-risk and disadvantaged youth. Therefore, KOTO came up with a social value: empowering at-risk and disadvantaged youth to pursue a brighter life by providing training, life-skills, and job opportunities in the hospitality sector (see appendix 4). Consequently, at-risk and disadvantaged youth who acquire employment skills can 'break the poverty cycle by forging a better future for themselves, their families and their communities' (KOTO 2019a). Another case is the Kym Viet company. The founders of the Kym Viet company said that being PWDs they have difficulty finding a job, so they united together to create jobs for themselves and then they helped other PWDs by training and employing them developing handmade stuff. As a result, their social proposition is to create employment opportunities (including for members) to increase their independence (Nguyen 2020). Similarly, on IMAGTOR's website, they present themselves with the social mission which aims to provide 'equal employment opportunities and financial support to social initiatives' (support to the Will to Live center which is home of disadvantaged people with disabilities) (IMAGTOR 2021). Therefore, according to the IMAGTOR's website, IMAGTOR has a clear business mindset by providing and designing image-editing services, commercial video production, and IT solutions for customers all over the world (see appendix 5) (IMAGTOR 2021). In the other cases, Mekong Quilts describes on their webpage that they have a thoughtful value of creating jobs by taking the skilful advantages of Vietnamese women and increasing their standard of living (Mekong Quilts 2021), while the Lighthouse Social Enterprise present themselves with a clear social mission to improve health and wellbeing and to promote equal rights for the LGBTIQ community. (The Lighthouse Social Enterprise 2021). Differentiating social missions from Mekong Quilts and the Lighthouse Social Enterprise leads to diverse and different business activities. For example, business activities of Mekong Quilts focus on making and selling handmade goods, clothes, bags, hammocks, bamboo bikes, whereas the Lighthouse Social Enterprise provides good health services for the LGBTIQ community.

## **5.2. How the enterprise activity enables the organization to fulfill its social mission**

### **5.2.1. Social business model**

It is crucial to address the question as to how social enterprise activity can help an organization to fulfill its social mission. By embracing different social enterprise models, each organization has been impacting on society. The purpose of the social business model is to create a 'hybrid value' by integrating economic and social values. Moreover, this model inspires social entrepreneur or shareholder's interest. One good example is Sapa O'Chau. The revenue of Sapa O'Chau Travel Social Enterprise is generated from activities including homestay-based tours (main source of income), coffee shop, sale of Hmong handmade products, and hotels (Galewska 2016). Sapa O'Chau uses profits to fund the boarding facility supplied to those ethnic poor children and students with zero payment of accommodation, meals, English classes, vocational training, skills, and school fees (Galewska 2016; Tien Phong News 2018). Direct beneficiaries of Sapa O'Chau include women making handicraft items, homestay hosts, mountain guides, pupils, and volunteers (British Council 2016, p. 51). The activities of Sapa O'Chau are helping the marginalized community by building and developing the boarding facility, including classrooms, a learning library, a computer lab, and accommodation (see appendix 3). Sapa O'Chau helps children to go back to school at the boarding facility. This is a holistic approach because when children study at school, their parents have more time for their work, such as farming. As a result, this helps families increase financial resources. Therefore, if Sapa O'Chau can create jobs for the parents, their children will have more opportunities to study at higher levels and then they can have better jobs after graduating from higher education (Sapa O'Chau Social Enterprise 2021). According to the founder, Sapa O'Chau has reached its social mission successfully (Sapa O'Chau Social Enterprise 2021). The report conducted by the British Council in 2016, found that in terms of the capacity of trainees capacity who are participants of vocational training of tour guide or students, 100 per cent of the trainees acknowledge that Sapa O'Chau has assisted them to set their goals and commitments to pursue a good life; 86 per cent of trainees expect to go to university, and 80 per cent are the first people in their family to attempt to enrol in high school. Regarding the empowerment of employees, 98 per cent of trainees are satisfied with their job; 96 per cent state that Sapa O'Chau has provided them with

the chance to reach their goals in life; and 93 per cent agree that 'it is significantly easier to support their families since beginning work at Sapa O'Chau' (British Council 2016, p. 54).

Another good case of how embracing social enterprise can contribute to the social value accomplishment is KOTO. There are two divisions of KOTO's structure: the KOTO Foundation and the KOTO Enterprise. Income is generated by the KOTO Enterprise's activities, including restaurants, food and beverage, catering services, cooking classes, hospitality, and tourism (Sit 2019). All profits earned by the KOTO Enterprise will assist the operations of the KOTO Foundation. This is a vocational hospitality training program. The aim of the KOTO Foundation is to cover the cost of the education and vocational training, accommodation, full board, meals, and complete healthcare for the period of the 24-month program. Moreover, trainees receive a modest monthly training allowance. The direct beneficiaries are at-risk and disadvantaged youth who have a background of mental and physical abuse, sexualized and gender-based violence, trafficking, poverty and homelessness, and conflict with the law (Nguyen 2019). What KOTO has been doing is to give greater assistance for marginalized youth in streets, not only can they have a stable job, but they can also support their family. Up until now, there have been almost 1000 graduates who have become executive staff and chefs, business owners, hotel and resort general managers as well as university graduates. All graduates have been contributing to their families and society. According to the external report there was a 'high retention rate of 87 per cent of each student intake cohort and a 100 per cent job placement rate for graduates' (British Council 2016, p. 35). It is said that KOTO has shifted away from the perspective of being beneficiaries. Normally, beneficiaries are just passive receivers and make no more contribution to organizational development, however beneficiaries in KOTO as stakeholders have a vital role in maintaining KOTO's development. Some of the graduates come back to KOTO to be companions in their roles as chefs or managers. A recent report from KOTO revealed that 50 per cent of staff are alumni (KOTO 2019b).

### **5.2.2. Entrepreneurial non-profit model**

The purpose of the entrepreneurial non-profit model is to pursue any type of generated-income activities to support a social mission. This model is often employed by NGOs. For instance, the IMAGTOR company stemmed from the idea of the Will to Live center which operates as an NGO. According to



their website, the social activities of the Will to Live center are to provide free IT vocational training and soft skills for PWDs (Nghi Luc Song Center 2021). This center has difficulty accessing funding from sponsors, therefore, IMAGTOR is inspired by alumni, employees, and like-minded social entrepreneurs. IMAGTOR has a mission to accompany the Will to Live’s companion to provide sustainable financial assistance so that the Will to Live center can operate other social activities for the community in need and create job opportunities for people with disabilities in Viet Nam. Generating income comes from photo editing services and visual marketing by using technology is used to sustain this social mission. This market-oriented mindset is also reflected in its business operation. The enterprise is innovative and very active in finding new clients most of whom come from international markets (Centre for Social Initiatives Promotion 2019, p. 38). As a result, in 2018, IMAGTOR earned over 11 billion VND in revenue, with 51 per cent of profit committed to come back to the Will to Live center to continue its mission. Over 80 per cent of IMAGTOR’s employees are people with disabilities trained by the center (Centre for Social Initiatives Promotion 2019, p. 37).

### 5.3. The discussion on sustainability

Based on the criteria and models analysed in chapter three, seven cases are classified as seen in Table 4 below.

**Table 4: Criteria to Allocate the Case Studies into the Two Models of SEs**

<b>Criteria</b>	<b>The entrepreneurial non-profit model</b>	<b>The social business model</b>
Root of founding	From non-profit organizations	From social entrepreneurs or shareholder’s interest
Purpose	Approaching any type of earned-income activities to support the social missions.	Creating ‘hybrid value’ when integrating economic and social purposes.
	<b>CASES: IMAGTOR, Mekong Quilts.</b>	<b>CASES: Koto restaurant, Sapa O’Chau Travel Social Enterprise, Lighthouse Social Enterprise, Dao’s Care, and Kym Viet.</b>

Two SE models have been applied to case studies that create social values, such as employment provision and increased financial independence. It is argued that both SE models can sustain these organizations by fulfilling their social mission. The reason for that is the way they fit with literature review of dimensions of sustainability which are identified in chapter three. These dimensions include financial, organizational, community and benefit sustainability (Hailey & Salway 2016, p. 582). In order to assess financial sustainability, it is helpful to access financial reports in terms of business activity or donor funding resources, but none of them provides these reports through their own website. However, some of cases show that their organization is developing and expanding their service to attract more customers and support more target groups in the community. This means that applying the two models of social enterprise can be financial sustainability, so they can expand their service. For example, after two years running as a social enterprise, in 2011, KOTO launched another restaurant in Ho Chi Minh City which is located in the south of Viet Nam (KOTO 2020). Another example is the Kym Viet company. Initially, Kym Viet's business activity only produced hand-made stuffed animals, however, in 2019 Kym Viet opened one showroom to display more products and also cater for drinks and food in this showroom (Kym Viet n.d.). While visiting to buy products, customers can enjoy Vietnamese cultural traditions by way of cuisine service.

Regarding the organizational elements of sustainability, structurally, 'the business and social sections of the organization may share costs, an office, and operational staff' (Quak & Khieng 2013). All the cases still exist and create social values by generating income by themselves. The last dimension is to benefit sustainability. One of the major missions of social enterprises is to create job opportunities. Beneficiaries are equipped with the knowledge and hands-on activities professionally, then they are provided with employment, which is supported with 'sustainable income generating business that they can operate autonomously' (British Council 2012, p. 15). At Koto restaurant, for example, all trainees have two years of professional training and many of them now are working as chefs or staff in five-star hotels (British Council 2012, p. 15). In addition to the benefit of sustainability, beneficiaries can contribute to the development of social enterprises by becoming their employees or staff or stakeholders. This finding is important because it shows evidence of shifting away from beneficiaries of charity and assistance towards more commercial relations in a neoliberal market economy.

## 5.4. Conclusion

This chapter has found evidence to emphasize that by embracing social enterprise models, development NGOs in Viet Nam are enabled to fulfil their social mission. This is shown through discussion on dimensions of sustainability which are in line with the earlier chapter. Some of the case studies highlight that aspects of sustainability can be achieved, such as financial, organizational, community and benefit sustainability. This chapter has applied two SE models (social business and entrepreneurial non-profit) to Vietnamese organizations that create social value, such as employment integration and increased financial independence for the target groups. Moreover, drawing on the history of the case studies, a distinguishing feature of them is the connection between the founder's background and target groups. This is one of the unique findings concerning SEs in Viet Nam. When the founder's background is the same as the target groups, the organisation tends to have a better understanding of what the important problems are, and how they can be addressed through the social enterprise mission. Furthermore, SEs in Viet Nam focus on diverse target groups (women, children, disadvantaged youth, PWDs, and LGBTIQ) and address various social issues (lack of employment opportunities and lack of healthcare services and education) by doing business activities to create income.

## CHAPTER 6: CONCLUSION

### 6.1. Findings of the thesis

The main aim of the present research was to examine how social enterprises' activities can contribute to the future of development NGOs in Viet Nam. Throughout all chapters, this study addressed two objectives that were identified in the introduction chapter. First, it described and assessed the current challenges of development NGOs and in the social enterprise movement in Viet Nam; second, it discussed the case studies regarding application of social enterprise models to fulfill their social missions and contribute to sustainable development. Generally, this study has shown that applying two models of social enterprises (social business, entrepreneurial non-profit) can sustain development NGOs or organizations by fulfilling their social missions. With NGOs challenged by reduced funding from international donors, social enterprises appear to be a sustainable alternative when creating income and committing to social values. The research has also identified that beneficiaries can contribute to the development of social enterprises by being employed or becoming stakeholders. This shifts away from beneficiaries of charity and assistance towards more commercial relations in a neoliberal market economy. However, the study is limited by the lack of information on financial data so that it cannot fully evaluate financial sustainability. Further major findings of each chapter are presented below.

As the introduction outlined, there is a connection between the international development context of aid and Viet Nam. Thanks to foreign aid, NGOs have contributed to achieving development agendas to reduce poverty and address inequality. However, NGOs depend on donors while many donors stopped providing finance, therefore NGOs need to find a sustainable way and social enterprises came across as an alternative option to continue existence.

Chapter two provided an analysis of the literature on the shifting approaches of aid in the neoliberal era. These notable changes include aid effectiveness, global development cooperation, economic opportunities, and aid allocation under the SDGs era. Also, the rise of NGOs in the neoliberal era was

interpreted by recognizing the role of NGOs. Finally, the changing aid flows, the growth of MICs, and the current situation in Viet Nam in the post-aid condition was fully outlined.

Chapter three provided insight into the literature on the emergence of the concept of social enterprises. Through the lens of Defourny and Nyssens (2017), this chapter identified four models of social enterprises, including cooperatives, social business, entrepreneurial non-profit, and public sector social enterprise. Social business and entrepreneurial non-profit models are applied to chapter five with case studies. In addition, four features of social enterprises were examined, including doing business activities, reinvesting profit, participatory approach, and tackling social problems. Also, a discussion of the dimensions of sustainability was provided. These dimensions consist of benefit, organizational, financial, and community sustainability, which are used in chapter five.

Chapter four provided two main focuses on the contextual background of development NGOs and social enterprises in Viet Nam. Two sections interrelated regarding the relationship of the problem and solution. First, 'Doi Moi' reform impacted on the rapid development of society and economy, such as the growth of NGOs and the emergence of the private sector to pushing the independent process of production. There are three main categories of NGOs: NNGOs, INGOs, and GNGOs. This thesis is concerned with the NNGOs with social enterprise transformations. Among the challenges for Vietnamese NGOs discussed in this chapter are the lack of funding and international sponsors, society involvement, and state domination. Therefore, addressing these challenges requires NGOs to adopt social enterprises' activities to generate their income, and impact on social missions simultaneously. Second, the chapter offered an overview of SE development in the Vietnamese context in terms of development of SE stages, types of SEs, legal status, and comparison with NGOs and traditional business.

Chapter five applied the typology of social enterprises discussed in chapter three. This chapter responded to the thesis question that asked if by embracing social enterprise models, development NGOs in Viet Nam were enabled to fulfil social missions and achieve sustainability through all dimensions, including financial, organizational, community and benefit sustainability. This chapter identified one of the defining features of social enterprises in Viet Nam as being the connection

between the founder's background and target groups. The chapter argued that this connection helps to bridge the gap between the NGO and the people it aims to serve, and to reach development sustainability.

## **6.2. Thesis limitations**

While this thesis makes some contributions regarding the in-depth understanding of the concept of social enterprises and their models as well as the development NGOs in Viet Nam, there are two constraints of which the author is aware.

First, there remains a concern about the data in regard to availability, update, and translation. This study uses secondary data as a research method. The data might be collected by others for different purposes. Consequently, not all data required for assessing the questions of this thesis is available; specifically, there is an absence of financial data about NGOs which makes it impossible to assess their financial sustainability. While the existing data may be accurate, it may not be updated enough to accommodate recent timelines. Also, some policies, reports, or websites were in Vietnamese which presented challenges in translating the material and conveying the meaning of the data into English language. To study social enterprises in Viet Nam, a researcher needs to have the ability to translate these documents.

Second, there is a lack of detailed case studies of social enterprises in other countries. Therefore, this study cannot show the similarities, differences, and other emerging practices in different industries. This will limit the reader's perceptions of whether social enterprises in Viet Nam are unique or not.

## **6.3. Suggestions for further research**

As noted in the thesis limitation section, this research proposes two feasible suggestions for further studies. The first recommendation is to conduct primary research to get fresh and credible data if more time and resources are allowed for the research. These data should include financial reports and updated information from interviews and group discussions. The second suggestion is to examine the

similarities, differences, and other emerging practices in different countries to give a broad understanding. The findings of this research can help to frame such research in other countries.

The results of this study indicate that it is very important to continue this research as understanding these issues will enable people from many marginalized groups within society to be assisted to fulfil their potential and contribute to sustainable development.

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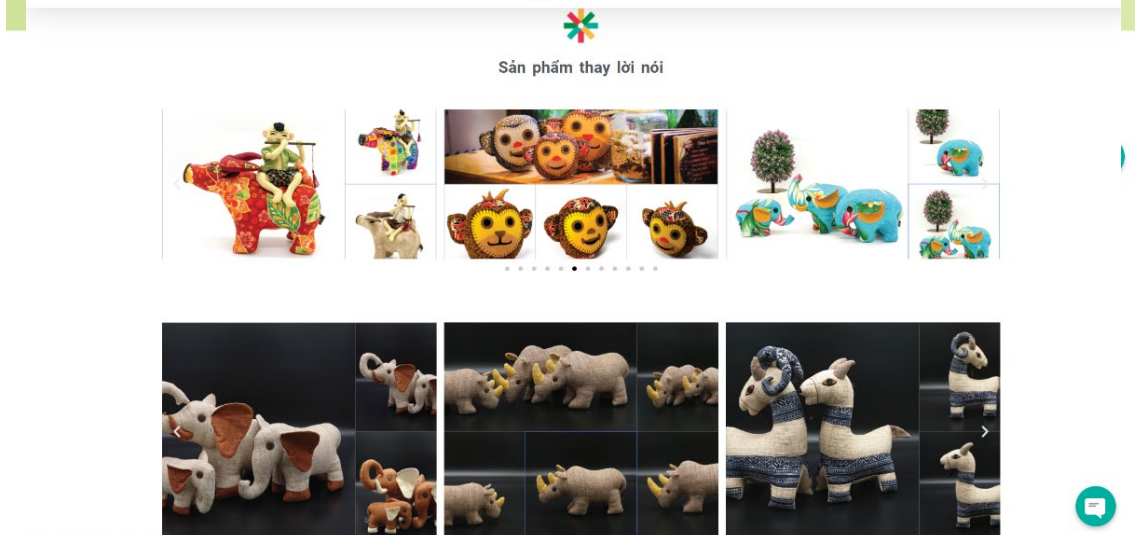
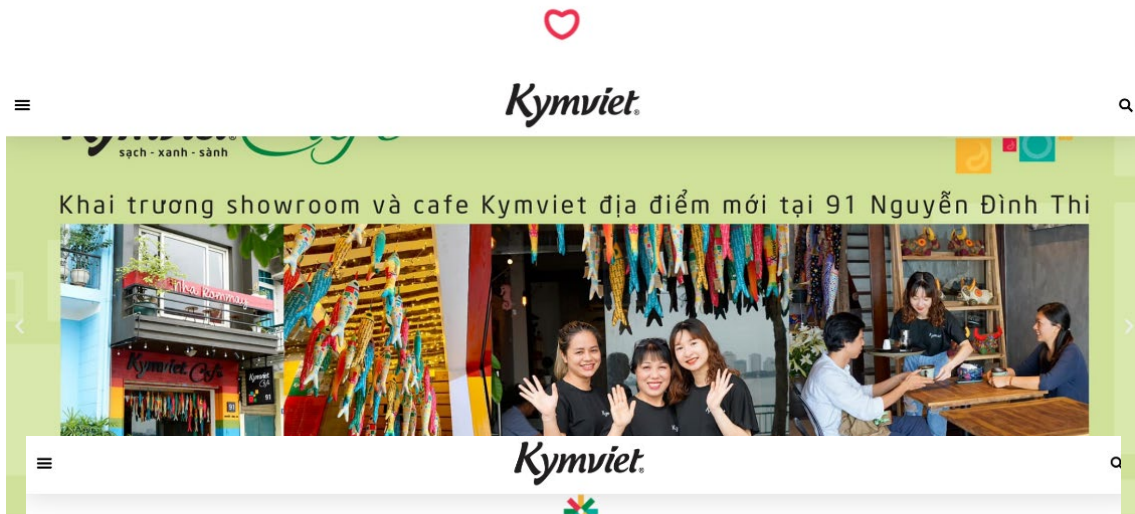
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# APPENDIX

## 1. Kym Viet





## 2. Lighthouse Social Enterprise

The image displays the Facebook profile and website of Lighthouse Social Enterprise - Trung tâm Hỗ trợ Cộng đồng Hải Đăng. The Facebook page features a profile picture with the Lighthouse logo and a rainbow 'PRIDE MONTH 2021' banner. The cover photo shows a man in a blue shirt. The 'About' section includes a map of the clinic at Số 15A Ngõ 98 Vũ Trọng Phụng, Thanh Xuân, Hà Nội, Vietnam 10000. A recent post from July 5, 2021, is a recruitment notice for a support center, with a link to a recruitment page. The website below has a blue header with navigation menus: Trang chủ, Giới thiệu, Dịch vụ, Bảng giá dịch vụ, Sản phẩm, Tin tức, Liên hệ, and Đặt lịch khám. The main banner shows two staff members, a woman and a man wearing a rainbow headband, holding a rainbow heart. Below the banner is a contact information section with the Lighthouse logo, address, and phone number. The second website screenshot features a large purple and pink banner for 'PrEP' (Pre-Exposure Prophylaxis) with the slogan 'Một viên mỗi ngày Đánh bay lo lắng' (One pill every day, get rid of worry). It includes an image of a couple embracing and a box of the medication. The banner also states 'MIỄN PHÍ' (Free) and provides a hotline number: 0247.308.3838 / 097.969.3436.

**Lighthouse Social Enterprise - Trung tâm Hỗ trợ Cộng đồng Hải Đăng**  
@lighthousesocialenterprise · Non-profit organisation

**About** See all

Số 15A Ngõ 98 Vũ Trọng Phụng, Thanh Xuân, Hà Nội, Vietnam 10000

Lighthouse Social Enterprise is a LGBTIQ & youth-led organization working towards a future of better HEALTH, equal RIGHTS and sustainable DEVELOPMENT o... See more

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**Lighthouse Social Enterprise - Trung tâm Hỗ trợ Cộng đồng Hải Đăng**  
5 July at 23:28 · 🌐

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**PHÒNG KHÁM HẢI ĐĂNG**  
**TUYỂN DỤNG**  
NHÂN VIÊN HỖ TRỢ SỨC KHỎE CỘNG ĐỒNG

Chào mừng bạn đến với Phòng Khám Hải Đăng!

**LIGHTHOUSE Hải Đăng** Địa chỉ phòng khám: số 15A/98, Vũ Trọng Phụng, P.Thanh Xuân Trung, Q.Thanh Xuân, Hà Nội, Vietnam. Giờ làm việc: 9h00 - 17h30, thứ 2 - thứ 7. Hotline tư vấn: 02473083838

Trang chủ Giới thiệu Dịch vụ Bảng giá dịch vụ Sản phẩm Tin tức Liên hệ Đặt lịch khám

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**PrEP**  
Điều trị dự phòng trước phơi nhiễm  
"Một viên mỗi ngày Đánh bay lo lắng"  
MIỄN PHÍ | HOTLINE: 0247.308.3838 / 097.969.3436

### 3. Sapa O'Chau Travel Social Enterprise

Many people who visit Sapa become inspired to give something back. With the help of four Australian volunteers, Shu Tan, a young single mother from the Black Hmong tribe, was able to turn her dream of helping her people into a reality. Working together, they funded the first Hmong owned homestay in Sapa and established a socially conscious trekking service. Running on the social enterprise blueprint, Sapa O'Chau put the money earned back into the community through projects such as providing winter clothes to children and improvements to the village schools.



## Sapa Hmong Handicraft



Sapa O'Chau wants to preserve and promote ethnic minority culture by creating awareness of traditional handicrafts and help women buy food, educate their children and get fair income.

In the past, when the world's peoples lived more self-sufficiently, it was essential for skills and knowledge to be passed on to the next generation. For example, fabric weaving, batik writing and jewelry making. However, today many ancient skills are being lost around the world because young people do not see them as necessary or valuable – It's simply easier and more time-efficient to buy machine made products.

## Sapa O'Chau Social Enterprise Hotel

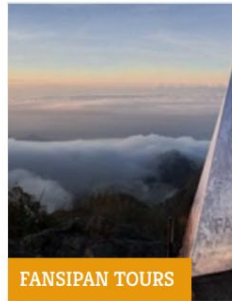
Sapa O'Chau Travel Social Enterprise is the only tour operator in Vietnam that is officially registered as a social enterprise. Sapa O'Chau Social Enterprise Hotel/Hostel is our latest social initiative by our world award-winning social enterprise to train disadvantaged youth in hospitality so that they can exit from the poverty cycle. Qualified trainers empower our youth with hospitality skills and on-the-job training.



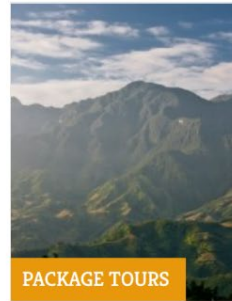
TREKKING TOURS



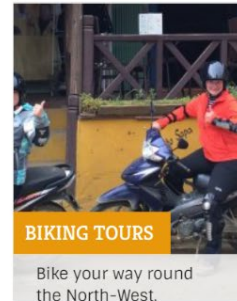
MARKET TOURS



FANSIPAN TOURS



PACKAGE TOURS



BIKING TOURS

Bike your way round the North-West.



+ HMONG VOICES



+ HANDS-ON HANDICRAFT



+ SAPA LOCAL GUIDE



+ SAPA HOMESTAY

*Come to Sapa and leave more than just footprints...*

+ TERMS AND CONDITIONS



+ FAQS

## 4. KOTO

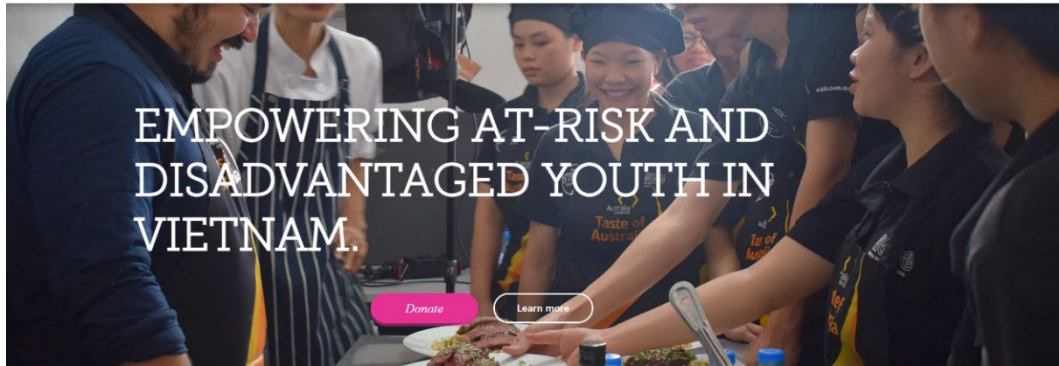


KOTO is a not-for-profit social enterprise that empowers at risk and disadvantaged youth in Vietnam through its holistic hospitality training program.

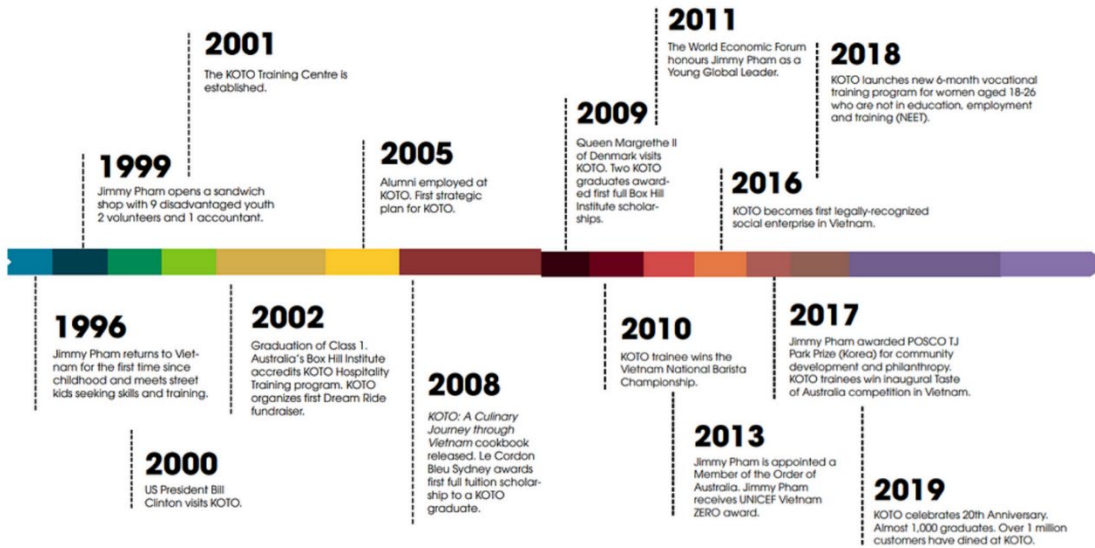
Donate



Who we are    Enterprise    Foundation Sector    Get Involved    Media Center



KOTO is a not-for-profit Social Enterprise; whose purpose is to combat poverty by providing some of Vietnam's most in need and vulnerable young people with the means for a stable future.



### KOTO ENTERPRISE

KOTO Training Restaurants

Functions & Events

Social Enterprise Study Tour

### KOTO Culture





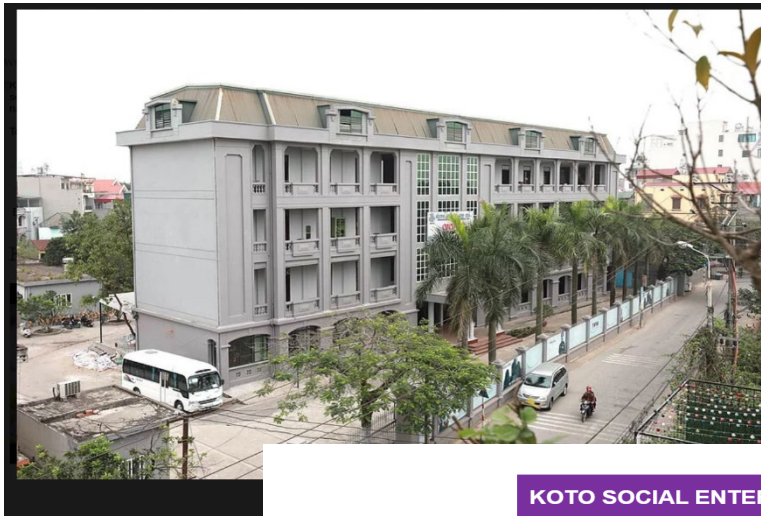
## Good Food, Great Cause

When one door closes, another one opens. KOTO Villa is the soulful celebration of twenty-one successful years of changing lives. The ethereal rustic-style restaurant & bar is located down the colourful alley of 31 Xuan Dieu, only a stone's throw away from 35 Dang Thai Mai. The new KOTO Villa will soon prove its place in Tay Ho's hip restaurant district. With laid-back class, phenomenal breakfast options, and a menu of modern classics, KOTO Villa is the latest restaurant in Tay Ho's burgeoning dining scene.

Our restaurant serves as the training ground that empowers at-risk and disadvantaged youth in Vietnam through our holistic hospitality training program. Join us for a meal and be part of our journey as we transform lives.

1/2023

[Book a Table](#)



### KOTO SOCIAL ENTERPRISE TOUR PACKAGES

Package	Classic tour	Experiential Tour
Location	Training centre	Training centre Training restaurant
Duration	2 hours	1 day
Activities	<ul style="list-style-type: none"> <li>• Presentation about KOTO and operating a social enterprise in Vietnam presentation &amp; short film about our trainees.</li> <li>• Training centre tour where our trainees live and complete their theory components.</li> <li>• Enjoy a drink and snack with ample opportunities to interact with our trainees who love to demonstrate their hospitality skills and meet with guests!</li> </ul>	<ul style="list-style-type: none"> <li>• Presentation about KOTO and operating a social enterprise in Vietnam &amp; short film about our trainees.</li> <li>• Tour of training centre where our trainees live and complete their theory components.</li> <li>• Prepare, cook and eat a meal with our trainees in the canteen.</li> <li>• Enjoy additional cultural Immersions and interactions with our trainees with English class, sports and gardening activities.</li> </ul>

## 5. IMAGTOR



HOME ABOUT US BLOG CONTACT FREE TRIAL

PHOTO EDITING DAY TO DUSK VIRTUAL STAGING FLOOR PLAN VIDEO & SLIDESHOW OTHER



### MEET OUR TEAM



Mrs. Nguyen Thi Van  
Chairwoman, Co-founder



Mr. Phan Dinh Binh  
Co-founder



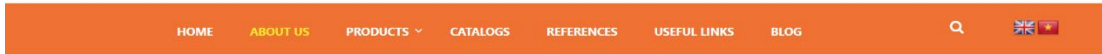
Mr. Dam Quang Huynh  
CEO

### SOCIAL ENTERPRISE

In 2016, Ms. Van established Nghi Luc Song Joint Stock Company known as Imagtor. The company provide real estate marketing services as well as IT solutions for customer all over the world. Around 40 percent of the company's in-house staff are people with disabilities, working under the motto "Creating a better, independent, and empowered future for people with disabilities."



## 6. Mekong Quilts



### OUR VALUES

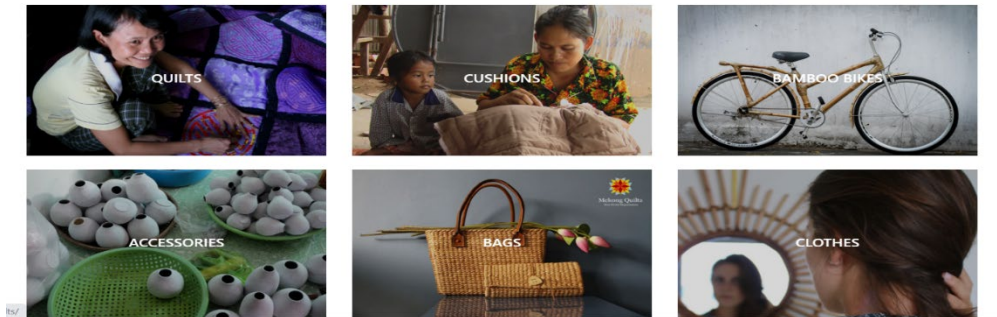
Together, we want to act to have a better world !

Since 2001, Mekong Quilts is a social enterprise acting for sustainable **employment of under-privileged women** in Vietnam and Cambodia, by creating **high-quality products**, respectful of the **planet**. We want to have a positive impact on ...

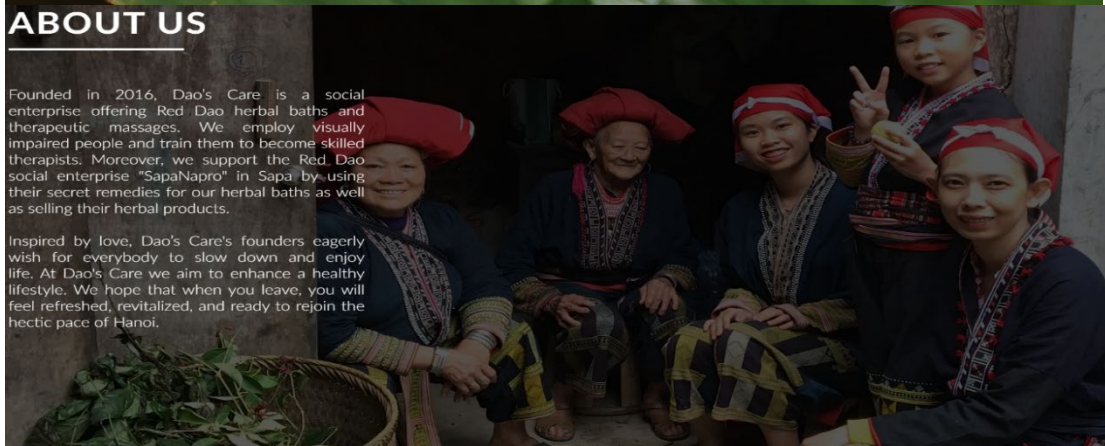
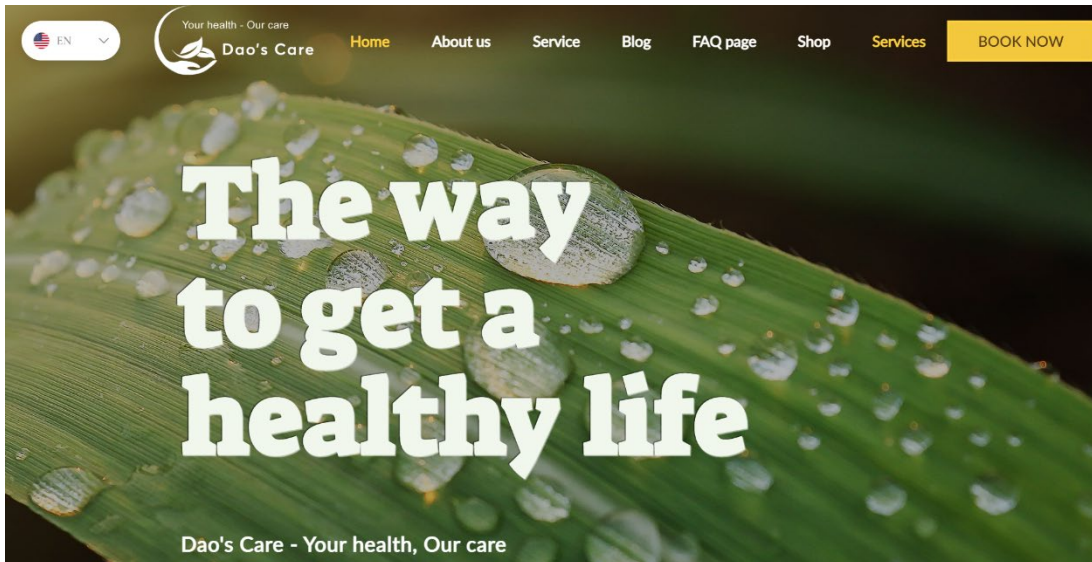
### PEOPLE...



### SHOP OUR HANDMADE PRODUCTS



## 7. Dao's Care



### DAO'S CARE IS A SOCIAL ENTERPRISE AS WELL AS A FAMILY



### 70% of our therapists are visually impaired

Both our sighted and visually impaired therapists live and work together in a professional and comfortable environment. In the process of becoming a skilful massage therapist we teach them massage techniques, anatomy knowledge and English with foreign volunteers. We try to enhance their social skills to help them live more independently and confidently in society. Our therapists say they feel happy and meaningful when they contribute to the community.