Social Investment in Vietnam

Hochiminh city, 16/9/2014

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Centre for Social Initiatives Promotion (CSIP)
Providing services to improve the quality of life of vulnerable communities

Social Inclusion Create jobs, build capacity and create opportunities, empower disadvantaged and marginalized communities

Innovative solutions and models for new sectors or addressing market failures that haven’t been invested appropriately.
Tours transforming lives!

Responsible tourism + Microfinance = Poverty reduction
Vocation training and job creation for people with disability and poor women
ICS – local NPO provides consultancy services for LGBT and community
Positioning social enterprises

Impact first

Charity

NGO w/trading activities

Social enterprise

Socially driven business

Finance first

Mainstream business
## SOCIAL ENTERPRISES “NEST” IN VIETNAM

<table>
<thead>
<tr>
<th>Type of organization</th>
<th>Quantity</th>
<th>Aims</th>
<th>Profit distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-identified social enterprises</td>
<td>200</td>
<td>Address market failures and social problems, provide services and create jobs for disadvantage people</td>
<td>Not for profit</td>
</tr>
<tr>
<td>NGOs</td>
<td>1,000</td>
<td>Address social and development issues, rights of the poor and the disadvantage</td>
<td>Non-profit</td>
</tr>
<tr>
<td>Community-based organizations (No legal status)</td>
<td>140,000</td>
<td>Meet the basic needs of communities (clean water, electricity, healthcare, etc.) who can not approach the public services</td>
<td>Not for profit</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>9,500</td>
<td>Cooperate to meet socio-economic development needs of communities</td>
<td>Mainly use the profit for community and members</td>
</tr>
<tr>
<td>Associations</td>
<td>6,900</td>
<td>Support and protect legal rights of members, contributing to social development</td>
<td>Not for profit</td>
</tr>
<tr>
<td>Companies</td>
<td>8,000</td>
<td>Balance social and profit objectives</td>
<td>Maximise the advantage but not maximise the profit</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>165,600</strong></td>
<td></td>
<td></td>
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</tbody>
</table>
Social Enterprise Development Trends

- Social enterprises owned by social entrepreneurs (balance social and economic values)
- NGOs/Associations with business arms (more social value)
- Inclusive business: SMEs that pursue shared value and profit (more financial value)
- Cooperatives/CBOs - for shared profits and greater market solutions
Capital demand
## Capital (Debt + Equity)

<table>
<thead>
<tr>
<th>(in VND billions)</th>
<th>Today</th>
<th>Capital Need for Next 3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 5B (&gt; 250k USD)</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>1 - 5B (50-250k USD)</td>
<td>21%</td>
<td>48%</td>
</tr>
<tr>
<td>0.5 - 1B (25-50k USD)</td>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>0.1 - 0.5B (5-25k USD)</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>&lt; 0.1B (&lt; 5k USD)</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In next 3 years, the median capital from 0.5 billion VND today to 2.8 billion VND (~140,000 USD).
Sources of capital

Average Capital Today

- Generated Internally: 44%
- Equity: 26%
- Grant: 25%
- Loan: 13%

Sources of Capital You Would Consider

- Equity: 57%
- Grant: 70%
- Loan: 73%
Challenges of Social Enterprises in Raising Capital

- **Lack of access**: 
  - financially unattractive: the average deal size is relatively small compared, making it a less appealing play for investors
  - insufficient information about the range of funding sources available, as well as different funders’ requirements

- **Lack of capacity**: 
  - under-defined needs for capital and long-term vision
  - Lack of the basic processes and documents required by most potential investors

- **Lack of impact reporting mechanism**: evidence for growth

- **Lack of supportive infrastructure and intermediaries** 
  - to build SE’s capacity and
  - bring more investors, players in the market
Capital Supply
Potential sources of funding

- **Donor/Venture philanthropy**
  - Grant, patient loan, conditional loan/grant

- **Impact investors**
  - Convertible loan, debt, equity

Organisations can create “blended” social and financial value

**Source:** Adapted by AVPN from Skoll Centre, EVPA, CAF Venturesome, Noaber Foundation
Funding sources in Vietnam

1. Donors: prioritize bilateral cooperation, Public-Private-Partnership, limited fund for CSOs, not yet fund for ‘social enterprises’

2. Venture Philanthropy: no VVP, few inte’l VPs (The One Foundation, LGTVP...)

3. Impact Investors: slowly growing (Lotus Impact, Oxfam ...)

4. Philanthropists: absent

5. Corporates funding: growing but at small scale
Challenges

- Lacks of **good projects** in term of innovative solutions, scalability and deal flow
- **Deal size** is too small for most institutional impact investors.
- Expected **financial returns** is higher than SE’s financial capacity
- Social **impact measurement**
- Shortage of information and dialogue with institutional investors around **social investment opportunities**.
- Culture realities, weakness of **civil society**, social **infrastructure** and **government** support
Causes

• Lack of **funder’s understanding** on SE and its needs

• **Insufficient capital** in the market targeting social enterprises

• **Disconnection** between supply - capital demand
  – Accessibility (lack of information, difficult and high DD costs)
  – Difficulty in measuring social & environmental impact
  – Limited methods and types of financing instruments

• **Capacity** of potential SEs to absorb and manage the investment
Incubate and Accelerate 66 social enterprises (2009-2015)
Improved lives of 200,000 disadvantaged people

Sustainable agriculture
Job creation

Education, capacity building
Health Equity

Elderly
Climate change

...
For the development of SOCIAL ENTREPRENUERSHIP in Vietnam

www.csip.vn