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Civil Society in Vietnam

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1. Current status of the nonprofit sector in Vietnam

Since the introduction of the economic reform known as ‘Doi moi’, or renovation in the middle of the 1980s, the Socialist Republic of Vietnam has achieved rapid economic growth with an average growth rate of 7.1% in the past 20 years (World Bank, World development Indicator, hereafter WDI). In 2010, per capita income exceeded US\$1,000, transforming Vietnam from a low-income country into a low middle-income country. This consistently high level of economic growth has greatly improved the poverty rate in Vietnam, and also brought about the advancement of development indicator in health. On the other hand, the gap between the rich and poor has widened and other social problems such as the harmful effects of the rapid urbanization have emerged. The nonprofit sector of Vietnam has been recognized as a sector that is tackling these social problems under the current political regime.

1-1. Background history and fact sheet

The Vietnamese proverb, “Whole leaves wrap torn leaves”, signifies the tradition of philanthropy in Vietnam. Until the introduction of the Doi moi policy, large-scale donations and volunteering were not well known. However, they have come to light recently through the media and many people now participate in them.

According to the research conducted by the Vietnam Asia Pacific Economic Center of Hanoi (VAPEC) and The Asia Foundation (TAF) in 2009¹, 73% of households in rural areas and 51% of households in urban areas think that philanthropic activities are necessary. The older the households’ heads are, the more interested in philanthropic activities they tend to be. In rural areas, they get information on philanthropy mainly through community meetings, while urban households get them from the media such as newspapers, TV and the internet.

A large majority, 90% of rural households and 65% of urban households, participate in charitable activities. According to the World Value Survey Viet Nam (2001), 74% of Vietnamese citizens have memberships of at least more than one social organization with the average number of memberships per person of 2.3.

¹ In Hanoi, HCMC, Thai Binh, and Log An, a hundred of households were interviewed.

The Vietnamese nonprofit sector can be divided into Mass Organizations, Professional Associations, Vietnamese Local NGOs, Community-based Organizations, and International NGOs².

The Mass Organizations have played an intermediary role between the Communist Party and the people, following the August revolution of 1945 and the Party taking power in 1954 in the North, and 1975 in the South. Some scholars did not consider the Mass Organizations to be part of civil society; rather, they were seen as part of the Party system (Norlund (ed.), 2006). However, they have nonetheless changed their form into more independent, more grass-rooted organizations providing the arena for various social activities since the Doi moi reforms, particularly from the late 1980s (Norlund (ed.), 2006).

The Professional Associations have also operated since independence in 1975. There are associations related to sports, culture, business and charity including Red Cross and the Vietnam Union of Science and Technology Association (VUSTA).

Both the Vietnamese Local NGOs and the International NGOs (INGOs) started their activities in the 1990s when the market economy got on track. They have made surveys and provided social services for health and education. Most of the Local NGOs are located in urban areas. The social services they provide function as a safety net for the disadvantaged people, since public services have yet to be developed in Vietnam.

1-2. Changing contexts and trends in recent years

While delivering social services is the most robust form of nonprofit sector's engagement in Vietnam, some nonprofit organizations (NPOs) have been recently involved in policy-making processes and the monitoring of government projects (VUFO-NGO Resource Center, 2008). They lobby to authorities especially at sub-national levels and convey citizen's concerns to the government in the fields of community development, health programs, consumer protection, and so on. There appears to be a few NGOs trying to influence the way the National Assembly operates or make policies by closely working with National Assembly members and officials. These trends seem to be a healthy sign in the evolution of civil society in Vietnam.

² We add INGOs to the Civil Society Organization (CSO) s' classification of Norlund (2007), since the nonprofit sector can be broader concept than CSOs.

1-3. Chief participants of the nonprofit sector and estimated total number of participants

We shall now look more carefully into the chief participants of the nonprofit sector introduced above: Mass Organizations, Professional Associations, Vietnamese Local NGOs, Community-based Organizations, and International NGOs. Table 1 below summarizes their natures and the estimated numbers.

| Table 1. Main categories of Non-Profit Sector in Vietnam | | | | |
|----------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------|
| Category | Types of Organizations included in Category | Relations to the State | Vietnamese Definition | The estimated number of organizations |
| Mass Organizations | | | | 32mil. Members in five organizations |
| | 1. Women's Union | Fatherland Front | Socio-Political Organizations | 12mil. |
| | 2. Farmers' Association | Fatherland Front | | 8mil. |
| | 3. Youth Organization | Fatherland Front | | 5.1mil. |
| | 4. War Veterans Association | Fatherland Front | | 1.92mil. |
| | 5. Worker's Organization | Fatherland Front | | 4.2mil. |
| Professional Associations and Umbrella Organizations | 1. Umbrella Organizations | 1. Fatherland Front | 1. Socio-Political Associations | 15,000 (estimated for 2010) |
| | (Red Cross, VUSTA, VUAL, Cooperative alliance, etc) | | | VUSTA: 56 associations under it. |
| | 2. Professional Associations | 2. Registered with an umbrella organization, Center or Provincial organization | 2. Social and professional associations; some belong to the NGOs | |
| INGOs | | PACCOM | International NGOs | 500~520 |
| | | | | |
| VNGOs | Charity | VUSTA, Line Ministries | Social Organizations, | 1,700~2,000 |
| | Research NGOs | Provincial or District People's Committees | NGOs | |
| | Consultancy NGOs | | | |
| | Educational NGOs | | | |
| | Health NGOs | | | |
| Community-based Organizations | Service and development or livelihoods-oriented | Indirect affiliation to other organizations or Civil Code | Rural collaborative groups | 100,000~200,000 (estimation) |
| | Faith-based organizations | Many are not registered | Faith-based organizations | |
| | Neighborhood groups | | Neighborhood groups | |
| | Family clans | | Family clans | |
| | Recreative groups | | | |

Made by the author based on Norlund (2007), Norlund et al.(2007)

■ Mass Organizations

Vietnam, a one-party regime of the communist party, established a relationship between the party, the government, and the society by the constitution enacted in 1992 that “The party lead, the government manage and the people are the masters” (Shiraishi, 2000). In this relationship, both the party and the government are deeply involved in the Mass Organizations which have been declared as the organizations for the people. The Mass Organizations are formed by rallying different social groups categorized by occupation, gender, and age. They are a systematic framework for political propaganda and mobilization in need (Shiraishi, 2000). There are six big Mass Organizations, such as The Fatherland Front, The Women’s Union, and The Farmers’ Association, which have many affiliated organizations under their umbrella. They spread a bureaucracy all over the country. It is said that there are over 32 million members of the Mass Organizations except The Fatherland Front (Norlund, 2007). Since the introduction of the Doi moi policy, self-government has become active and innovative programs financed by non-governmental funds have been activated, especially in the countryside.

■ Professional Associations

Professional Associations are divided into two types, the Umbrella Organizations and the Professional Associations. Both organizations operate at the national and the local level, holding many branch organizations and branch members in provinces and districts. The Umbrella Organizations take on the responsibility of managing affiliated organizations. For example, Vietnam Union Friendship Organization (VUFO) is responsible for managing INGOs since 1989. Recently, VUSTA is increasing its presence as an Umbrella Organization of Local NGOs as well (Norlund, 2007). A majority of the Professional Associations are run by governmental funds. As of 2006, the number of the organizations was 4,157, and it was estimated that the number would increase to 15,000 by 2010 (Taylor et al, 2012).

■ International NGO

Being eager to receive international development aid effectively, the Vietnamese government established the legal system for INGOs and gave their management role to the Professional Associations mentioned above. The INGOs have to obtain permission and approval by the People’s Aid Coordinating Committee (PACCOM) and then make partnerships with branch organizations of Mass Organizations. In 2003, the number of registered INGOs was 500~520, which was

significantly smaller compared to that of other Asian countries (Yoshii, 2009 and Takahashi, 2005).

Generally, the INGOs are not recognized as Vietnamese Civil Society Organizations (CSOs)³ but as organizations supporting the CSOs. They have been promoting CSOs' capacity building by financially funding, making networks and providing training.

■ Vietnamese Local NGOs

The Vietnamese Local NGOs are working on social issues such as poverty and environmental conservation, which may be close to what we imagine an NGO does. In Vietnam, the freedom of speech, freedom of assembly, and freedom of association are permitted only within its law. Moreover, the rule by men sometimes dominates the Vietnamese society instead of the rule by law. Because of these circumstances, the Local NGOs are often confused by the registration process and encounter problems. However, these circumstances have improved in the recent 10 years and the number of NGOs is increasing in the two largest cities of Hanoi and Hoh Chi Minh City (HCMC). Although there are no official numbers, it is estimated that about 1,700~2,000 of these organizations exist (Taylor et al, 2012).

According to a research conducted by The Asia Foundation in 2008, there was a strong contrast between the Local NGOs in Hanoi and in HCMC in terms of their background and activities. In Hanoi of the north, the Local NGOs tend to conduct research and give political advice by taking full advantage of the relationship with the government. On the other hand, in HCMC of the south, most of them provide social services to the underprivileged people, such as street children and migrant workers. These organizations have their origins in religious beliefs and past humanitarian activities.

■ Community-based Organizations

Community-based Organizations (CBOs) are informal groups such as water-user groups and mutual assistance groups, which are rooted in the communities. Among the CBOs, some Informal Farmers Groups (IFGs) have been legally acknowledged as agricultural cooperatives (Sinh, 2011).

³ The definition of civil society here is based on Anheier (2004) saying "the arena outside of the family, the state and the market where people associate to advance common interest". But in Vietnamese context, it is not separated from the state (Norlund, 2007).

As a result of the economic development in Vietnam based on industrialization, the ratio of the population engaged in agriculture decreased from 70% in 1996 to 47.4% in 2012, even though the rural population rate maintained a relatively high percentage of 68.3% in 2012 compared to 77.4% in 1996 (WDI). In Vietnam, there is a saying, “The King’s law cannot go over the village fences”, indicating its tradition of strongly bonded village communities (Furuta, 1996). The Vietnamese government has come up with a modern strategy to industrialize agricultural villages under the popular concept that “Although village people may leave paddy fields, they will not leave villages”. This policy was implemented to control the gap between urban and rural areas. In addition, both the local administration and rural communities try to cope with social problems such as poverty in rural communities. CBOs were formed because of these circumstances of the rural communities. Although there is no formal data on the number of CBOs, it is estimated that there are around one to two hundred thousand (Norlund, 2007).

1-4. Activities and tools

The activities of the Vietnamese nonprofit sector are expanding. Some of these activities include education, gender-equality, environmental protection, and global warming prevention. They also tackle previously worked on social issues such as poverty alleviation and community development.

The most popular type of activity is service delivery in both the north and south, followed by policy advocacy. The organizations in Hanoi tend to provide social services while conducting research and building capacity at the same time.

There are three kinds of service providing organizations: (1) the organizations providing services in cooperation with the government in line with the government policy, (2) the organizations providing their original services, (3) the organizations suggesting new alternative services improved from the existing programs in coordination with umbrella associations. The service programs of the government are provided in a top-down style, which applies a single approach to various cases. In contrast, Local NGOs tend to adopt a bottom-up approach, providing comprehensive services by encouraging citizens’ participation and promoting community capacity building (Taylor et al., 2012). The nonprofit sector’s services reach more beneficiaries among the grass-roots level than the government’s programs do, which is appreciated (Norlund, 2006). The nonprofit sector is recognized to serve a certain role for alleviating poverty in Vietnam (Norlund, 2006).

The capacity building is intended for promoting the community's involvement in their policy making and finding solutions for their social issues. While this activity has been tackled by the INGOs, nowadays the Mass Organizations and the Local NGOs have also come to grips with them. Although the organizations' activities contribute to the empowerment of women, their contribution for the empowerment of marginalized people such as ethnic minority is looked on with suspicion (Norlund, 2006).

The policy advocacy has been made mainly by publishing research reports and holding work-shops. The Local NGOs have made few statements directly toward the government but offered some opinions through government officers whom they have personal links with.

While the Mass Organizations have direct influence on the state policy, recently the Professional Associations are also permitted to make comments on the related bills proposed in the national assembly (Norlund, 2006). Some Professional Associations monitor projects of the government. For example, the Vietnam Consumer Protection Association (VCPA) put pressure on the government to adopt more strict safety standards. Another example is Vietnam Federation of Civil Engineering Associations (VFCE) which denounced a waste and corruption of the government's construction project (Sinh, 2011).

1-5. Structures and scales of funding sources e.g. donations and service revenue

The average amount of annual donation per household is about 800,000VND (US\$46.88)⁴, in which the donation made for unofficial organizations such as communities, pagodas, and churches are fairly bigger than those for official organizations such as enterprises and foundations especially in rural area.

The amount of donation can be increased by figuring out ways of fund-raising, considering that 74% of urban households and 89% of rural households thought their donation amount was modest relative to their household income. Only 20% of urban households and 15% of rural households are short of money for contributing.

The most popular motive for donating is the desire to share the difficulties of others. An equally popular motive is donating to follow the example of their neighbors, since donating is recognized as a kind of social obligation in their communities, especially in rural areas.

⁴ We use 1US\$= 17,065.08VND for calculation based on the exchange rate with the US in 2009 (WDI).

The Vietnamese society is full of mutual aid and people are willing to participate in volunteer activities. In disasters or unexpected accidents, they will rush into disaster- stricken areas or scenes of the accidents for philanthropic activities. However, the transparency and accountability for handling donations are insufficient. This may impair the credibility of NPOs and administrations who deal with donations. In order to develop the breadth of philanthropic activities in Vietnamese society, it is desirable that nonprofit sectors and administrations improve their transparency⁵.

1-6. Political framework

In the constitution of the Socialist Republic of Vietnam established in 1992, it is expressly stated that “Citizens have the rights to exercise freedom of speech, freedom of the press, the rights to be informed, freedom of assembly and association, and freedom of demonstration under the law” (Article 69). This phrase of ‘under the law’ permits the government’s intervention to the NPOs activities. Consequently, the existing political and legal environment is restrictive to many Vietnamese NPOs (VUFO-NGO Resource Center, 2008). There are no comprehensive laws applicable to the nonprofit sector, but the various legislations are partially applied to various parts of the sector. Therefore, they have many gaps and overlaps among the legislations. This situation has produced administrative directives or dispositions influenced by social backgrounds or human relations. In particular, the complicated and equivocal legislations for NPOs’ establishment and administration have hindered the nonprofit sector’s development in Vietnam. Under these circumstances, ‘A law on Associations’ has been discussed since the early 1990s, although the outlook of its establishment is still remote⁶.

At the same time, some people appreciate the development of legislations for the nonprofit sector following the establishment of the NGOs Department in Ministry of Home Affairs (VUFO-NGO Resource Center, 2006). Increased need for private social services and the recent political stability lead to this development (VUFO-NGO Resource Center, 2006; Sidel, 2010). We shall overview the development of the legislations for the nonprofit sector chronologically.

⁵ There was an embezzlement case of donation contributed for the sufferers of typhoon hit in central coastal area in 2009, in which many executives allocate the funds to their families and relatives.

⁶ Although its contents were discussed intensively from 2005 to 2006, the gap between the government and the CSOs could not be filled and its establishment was postponed (Sidel, 2010).

■ The development of the legislation for nonprofit sector

Until the introduction of the Doi moi policy, the establishment of NPOs had been strictly restricted under the Law of Right to set up Associations promulgated in 1957. Since the economic liberalization, the government has developed legislations for the nonprofit sector as will be shown below in the list of the major regulations for organizations in appendix 1 on p.29-30. In 1989, the regulations for Mass Organizations were framed to provide them with more independent administration. In the same year, the regulations for INGOs were introduced; and the PACCOM was established for managing the INGOs as well as promoting the cooperation with them. In 1992, the legislation for research institutes and NPOs was enacted to enable the establishment and registration of the Local NGOs. In 1995, the Civil Code applicable for CBOs was promulgated, and later included the social and charity funds in 1999. In 2002, the successor to the 1992 legislation for NPOs' establishment was promulgated, providing the clear conditions for the establishment of NPOs. This promoted the establishment of Local NGOs, especially for research activities.

The Decree 88, a guiding regulatory document, was promulgated in 2003, showing the strict management system for NPOs⁷. It required NPOs to complete very complicated and time-consuming applications in order to complete their establishment and registration. It also stipulated prohibited items for NPOs' activities and detailed requirements for their administration. By using this Decree 88, the Vietnamese government implemented double-faced management as well as permitted and at the same time hindered their activities. Sidel (2010) regarded this long and troublesome procedure as the government's basic measure for controlling civil society.

As a preferential tax system for NPOs, tax exemption is allowed for the income from the government and overseas that are used for the activities of scientific research, culture, art, charity, humanitarian aid and education in Vietnam. However, income from nonprofit activities is not exempted from taxation (Council on Foundation's website).

1-7. Intermediary organizations

Although it is necessary for a Vietnamese NPO to register as an affiliate of the governmental organizations, the umbrella organizations neither provide networks of related organizations nor support NPOs' administrations and activities. Unofficially, there are many networks for NPOs, such as Agent Orange Working Group, Child

⁷ The Decree 88 was revised to be Decree 45 in 2010.

Rights Working Group, and Climate Change Working Group for exchange of information and promoting cooperation. A number of NPOs are skeptical about the effectiveness of the networks for their ambiguous activities and the lack of strategies. NPOs' networks primarily have an important role for developing civil society by promoting NPOs' cooperation and leading their capacity building. It is expected that large-scale NPOs with stable administrative bases should take the lead in organizing some networks in the future (Norlund, 2007).

1-8. Current agenda

The most challenging problem for the Vietnamese NPOs is the government's strict management system and its troublesome legislations. Some NPOs pointed out that the difficulties related to their registration, administration, and activities were all increased by the recent change of legislations (Taylor et al., 2012). However, the Vietnamese civil society has expanded and diversified even under the status quo.

In addition, improving the organizations' management ability is the biggest task for NPOs. Although the NPOs' activities are changing, organizations' administration systems cannot keep up with the change. For example, the Mass Organizations are required to acclimatize themselves to their new social services, which they have been providing recently (Norlund, 2007). The Local NGOs recognize the necessity of improving issues such as good governance and strategic project planning as well (Taylor et al., 2012). The lack of funds and experienced staff is a serious problem for Local NGOs. The accountability and transparency of the organizations are also required in order to win the citizens' confidence.

1-9. Potential scenarios for the future

The Local NGOs are troubled by insufficient capital and low retention rate of experienced staff. Despite these problems, they are very positive about the future of Vietnamese civil society mainly because of their firm belief in their direction, continuous support from their donors, and the relatively positive attitude of the government towards civil society.

“Vietnamese people are reeds” was said by Nguyen Thi Binh, who served as the foreign minister of the National Liberation Front for South Vietnam and later the vice president of the unified state (Shiba, 1974). These words reflect the will-power and the flexibility of the Vietnamese who stand against strong forces. This trait could be

observed in the Local NGOs' activities where they try to approach the administration in order to continue their activities while changing their organization structure according to the social situation.

2. Non-conventional behavior of the nonprofit sector

We are concerned with Corporate Social Responsibility (CSR) and social enterprises as the non-conventional behavior of the nonprofit sector. Here we deal with the social contribution of businesses in CSR.

2-1. Background history and fact sheet

2-1-1. Corporate Social Responsibility (CSR)

Since the introduction of the Doi moi policy, overseas business models have come into Vietnam along with the influx of foreign capital. In the wake of introduction of CSR provided subsequently, many companies have started realizing their responsibility for the influence of their businesses on society, especially on the environment. Although corporate philanthropy has also been introduced through the media and the internet, it is hardly known in the society. It has yet to become a general trend and remained only a slogan. Therefore, the research on Vietnamese corporate philanthropy is only at the starting stage, and we have only a few research on corporate philanthropy such as Dang and Minh Tri (2013) and Vietnam Asia Pacific Economic Center (VAPEC) (2011). According to them, the corporate philanthropy in Vietnam tend to be ad-hoc with companies only donating when they have money to spare.

Shown by Dang and Minh Tri (2013) investigating around 500 corporations, 77% of them contributed to society in the past one year. The most popular contribution was monetary donation, which was Vietnam Dong (VND) 113 billion (US\$ 5,425,389), followed by the in-kind donation of VND 14 billion (US\$ 672,172)⁸. The in-kind donation may reach the recipients better and be more transparent. Some corporations preferred this donation (VAPEC and TAF, 2011). In addition, 10% of the corporations made their employees participate in volunteering, amounting to 19,500 hours. Although

⁸ We use 1US\$= 20,828.00VND for calculation based on the exchange rate with the US in 2012 (WDI).

there were only a few companies with volunteering programs for their employees, some of them appreciated it as training program for the staff and securing the top personnel.

From the industrial perspective, 80% of the manufacturing industry took part in corporate philanthropy, while two-thirds of the agricultural and forestry sector participated in them. As for the corporate scale, 96% of large companies with more than 500 employees carried out the corporate philanthropy, with each company contributing an average of VND 1.27 million (US\$ 61.2). Only 48% of small-sized corporations were involved in philanthropy, and the average amount of their donation was VND 0.6 million (US\$ 28.8). Both the agricultural and forestry companies and small companies seemed to have insufficient capital for contribution.

Regarding areas, 66% of the corporations in HCMC were involved in philanthropy, but only 8% of them in Hanoi took part in them (VAPEC and TAF, 2011). The gap between the two big cities was attributed to the difference of business environment, in that the businesses in HCMC understand CSR and the importance of a community's sustainability for their development much better than those in Hanoi do.

2-1-2. Social enterprises

The concept of Social Enterprises (SEs) is quite new, which has been known since 2010 through the media. SEs originally developed from cooperatives in the 1970s. Then, SEs founded by NGOs or corporations between the 1990s and the 2000s have mostly been operated by international technical and financial support.

After Vietnam became a low middle-income country in 2010, its development policy changed from receiving aid to cooperation, and some organizations have started supporting SEs with comprehensive programs. In a germinal stage of SEs, there are few reports on SEs such as Center for Support of Social Initiatives Promotion (CSIP) et al. (2012) and Quynh Anh et al. (2014). There are four main characteristics that define SEs. First, SEs aim at accomplishing their social missions rather than making profits. Second, SEs regard business as a tool for achieving their missions. Third, they reinvest their profits for accomplishing the social missions. Finally, their beneficiaries are encouraged to participate in their social activities.

According to the research conducted by CSIP et al. (2012) in December 2010, there were 167 SEs in Vietnam, of which 68 SEs and 23 SEs were located in Hanoi and HCMC respectively. About 60% of them have been established within five years from 2005.

2-2. Role of CSR in private sector

Generally, the policy for corporate philanthropy is determined by presidents in a top-down style. Their sense of obligation for communities and society leads their companies to practice the activities. Consequently, some companies carried them out in the presidents' hometown. These presidents' philosophy stems from the 'principle of live-and let-live' that profits returned to the communities will bring prosperity back to the companies.

Concerning the fields of activities, companies practiced support for the disadvantaged people, aid for disasters, poverty alleviation programs, education programs, culture and art programs, and health programs. Among these companies, 54% of them decided to be engaged in these activities based on the company's tradition and 40% on the interest of the employees, with little attention being paid to the society's actual needs.

Under the current legislations, it is difficult for companies to establish and maintain foundations. Therefore, they generally donate to local administrations, the Mass Organizations, and NGOs. Sometimes the corporations directly build schools, donate scholarships, and aid disasters.

2-2-1. Examples of the philanthropic activities

Based on Dang and Minh Tri (2013), two models of corporate philanthropic activities are shown below.

■ Hoa Sen Group

Ton Hoa Sen is a large sheet metal manufacturer based near HCMC with 2012 revenue of around VND 10,000 billion (USD 476.19million) and over 3,000 employees. The founder and the current president are dedicated Buddhists and the philanthropy of Hoa Sen Group is based on Buddhism. Under the policy of contributing 3.5% of their annual profit to philanthropic activities in 2012, they expended VND 1.1billion (US\$ 523,810), which was an unusually large amount of money for a private company in Vietnam to donate.

They carried out various activities such as support for disadvantaged people, aid for disaster-stricken areas, poverty alleviation, and environmental protection. Even

though research subsidies for colleges in HCMC and scholarships for college students have been instrumental in recruiting highly competent students, both have not been implemented for the sake of their business.

■ FPT

FPT is an IT company with an annual revenue of US\$ 1.2 billion and over 15,000 employees. They produce software, provide internet services, and run a college and a vocational school for IT education. FPT has practiced philanthropic activities in the field of their interest or to their advantage. For example, they hold an online contest for mathematics in coordination with the Ministry of Education, where they acquire competent students in exchange for providing scholarships. In addition, they provide a platform for grass-roots activities by operating the communities' social media. They try to establish liaisons with NPOs and get involved in capacity building.

2-3. Involvement of social enterprises

SEs are involved in three areas of philanthropy: 1) education and vocational training, 2) handicraft and household industry, and 3) medical care and health care. Many SEs tended to provide products or services to specified people with specified needs by using innovative business models. SEs provided services to 377,678 persons nationwide in 2010. In addition, they hired 8,588 persons, of which 2,962 were disadvantaged persons. Their annual gross sales amounted to VND 254.8 billion (about US\$ 13.69 million) and their annual profits reached VND 68.5 billion (about US\$3.68 million)⁹. Most profits were reinvested for expanding the businesses.

2-3-1. Examples of SEs

■ KOTO (Know One, Teach One)

KOTO is an SE providing vocational training programs for street-wandering teenagers and disadvantaged children. Mr. Jimmy Pham, a Vietnamese raised in Australia, started these activities. KOTO was officially founded in 2007. Today, KOTO deploys training programs and runs restaurants in both Hanoi and HCMC. The young people learning hospitality and English in KOTO's programs have found jobs at hotels and restaurants in Vietnam and all over the world.

⁹ We use 1US\$= 18,612.92VND for calculation based on the exchange rate with the US in 2010 (WDD).

2-4. Impact of social investment

Although there are some organizations supporting SEs, they have provided no more than initial pilot programs. The main supporting organizations are British Council (BC), Central Institute for Economic Management (CIEM), Center for Support of Social Initiatives Promotion (CSIP), and SPARK initiative (SPARK).

Both BC and CIEM have mainly developed the capacity building of SEs, while CSIP and SPARK have supported the establishment of SEs by providing funds. Both CSIP and SPARK are young Local NGOs aimed at supporting SEs.

Impact investment funds, such as LGT, Small Grant, and Unitus, have been looking for loan customers in SEs. However, these loans have been hardly applied because of the limited demand for financial assistance and the lack of management ability on the part of SEs.

For social investment in Vietnam, the critical problem is the lack of adequate loan customers. In addition, there is lack of supporting organizations that bridge SEs and Investment Funds.

2-5. Policy framework

2-5-1. Corporate Social Responsibility (CSR)

The Vietnamese government has promoted corporate philanthropy by developing legislations such as those of tax preference. The Amended Corporate Income Tax Law in 2008 generated a desirable development for corporate philanthropy by increasing the tax preference. However, businessmen do not pay attention to these legislations favorable to the corporate philanthropy. Moreover, they are skeptical of the effect of them.

On the other hand, Decree 64 in 2008 seemed to be unfavorable for corporate philanthropy, especially for activists who support disaster sufferers. Under the Decree 64, donations collected by the media should be paid into the bank account of the Relief Committee in the Fatherland Front. Since this has made the account nontransparent, which in turn engender doubt that the donation may be used dishonestly, it is feared that the credibility of the donation will be lost as a result.

2-5-2. Social enterprises

Until November 2014, there had been no legislation aimed especially at SEs. Each SE had to apply legislations from one of the following: 1) the Enterprise Law for those registered as enterprises, 2) the Cooperative Law for cooperatives, and 3) various government Decrees for NPOs such as NGOs, charities, social funds or Professional Associations. Each legal framework had both advantages and disadvantages shown in Table 2 below. The lack of adequate and flexible regulations hindered the operation and expansion of their businesses (Quynh Anh et al., 2014).

Table 2. Disadvantages and advantages implied in different legal forms of SE by legislation

| Legal forms of SEs | Advantages | Disadvantages |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cooperatives | <ul style="list-style-type: none"> ■ Enjoy 50% land lease reduction from the government and a revenue tax reduction by 50% for the first 5 years and 2% in the following years. ■ Can assess soft loans from government or international funds. | <ul style="list-style-type: none"> ■ Major decisions require the management board's endorsement. Business plan and fundraising need to be approved by members. This can delay the decision-making process. |
| Enterprises | <ul style="list-style-type: none"> ■ Simple and quick registration for start-ups. ■ Can mobilise diverse sources of finance, especially from private investors and banks. ■ Owners have full authority to make timely business decisions. | <ul style="list-style-type: none"> ■ Limited access to grants/funding from donors. ■ High corporate revenue tax of 23%. |
| NGO | <ul style="list-style-type: none"> ■ No revenue tax ■ Fewer financial reporting obligations to local authorities. ■ Simple operation ■ Access to grants and supports from donors | <ul style="list-style-type: none"> ■ More complicated requirements for registration ■ Difficult to expand their business and mobilise additional funding other than from donors. ■ Takes time to get approval from the government for projects with international funds. Sometimes funding opportunities can be missed due to the long approval process |

Source: Anh, Vu Thi Quynh, Dung, Doan Viet, Huong, Do Thu (2014) *Untapped market: social enterprises in the health and agricultural sectors in Vietnam*, The Overseas Development Institute.

On 26 November 2014, Vietnam's Enterprise Law was revised to provide a legal definition of SE¹⁰ and to grant them a number of specific rights for the first time. The Vietnamese government also promises to "encourage, support and promote the development of social enterprise" in this legislation. Thanks to the Law, SEs will enjoy "preferential conditions or be considered for special treatment" in the granting of licenses and certificates. However, it is too early to expect that the legislation can immediately lead to flourishing Vietnamese SEs. As the next step, the Vietnamese SEs should prepare a decree to guide the implementation of the Law and try to make themselves recognized in the provinces.

2-6. Current agenda

2-6-1. Corporate Social Responsibility (CSR)

Few companies considered their philanthropic activities in relation to their corporate management such as branding strategy (Dang and Minh Tri, 2013). The strategic corporate philanthropy directly connected with their business seemed to be incompatible with Vietnamese society, because the Vietnamese believe that philanthropy should not be practiced from the self-interest motive but rather from a purely ethical motive. NPOs can promote the philanthropy based on marketing strategies for their companies as their partners. However, the partnerships between businesses and NPOs are quite few and far between¹¹.

Because of the lack of transparency and insufficient communications, about 30% of Vietnamese companies are dissatisfied with philanthropic organizations supporting the disadvantaged people by using the corporate donations. A typical example of this is when it was revealed that clothes donated to Red Cross were being used to clean cars. The inferior quality of these organizations has been regarded as a social issue. Therefore, it is necessary to improve the specialization, transparency, and accountability of the organizations which encourage corporations to tackle social issues.

¹⁰ The law defines a social enterprise as a business whose main aim is to address a social or environmental issue and which re-invests a minimum of 51% of its annual profits towards its social or environmental mission. (theguardian: <http://www.theguardian.com/british-council-partner-zone/2014/dec/16/approved-social-enterprise-receives-legal-status-in-vietnam>)

¹¹ The most partnerships are practiced by Mass Organizations and associations related with businesses.

2-6-2. Social enterprises

At the dawn of the SEs in Vietnam, there was neither a favorable environment nor organizations with a solid business foundation. Regarding the social environment, the absence of specific legislation for SEs caused confusion and difficulties for both SEs and their donors. Under the current legislative framework, SEs have to face difficulties as their scale increases. It is necessary to establish unified legislations for developing SEs in the future.

In addition, the low accessibility to finance is a critical problem. Most Vietnamese SEs have obtained funds from donors and development associations, and there are few SEs obtaining loans from financial institutions such as banks. The lack of financial loans is attributed to problems in SEs' business foundations such as the lack of attractive business models, lack of transparent financial and accounting systems, and lack of social impact evaluation.

Moreover, the low awareness of their beneficiaries is regarded to hinder their development. In Vietnam, disadvantaged people are unaware of their social rights and do not even think that they can get social services such as those provided by the SEs. Therefore, far from providing services, SEs cannot reach their beneficiaries because they cannot find where the beneficiaries are. Although the right-based approach for social services tends to become the mainstream in civil society of developed countries, it will take some time to prevail in Vietnamese society.

2-7. Potential scenarios for the future

2-7-1. Corporate Social Responsibility (CSR)

As Dang and Minh Tri (2013) pointed out, "The lack of linkage between philanthropic giving and business goals is a core challenge for the future development of philanthropic giving in Vietnam", strategic thinking about CSR is necessary so that its activities are sustainable but not superficial. Although it is not so easy to go beyond their traditional giving practice, local companies could gradually change their policies for CSR under the influences of developed countries' companies operating in Vietnam. Of the companies that are philanthropically active, 43% of the companies say that they are motivated to give more because of the social impact they achieved by giving. Therefore, the evaluation standards for social impacts of philanthropy should be helpful

for promoting the strategic thinking about CSR in Vietnam in the view of the recent global trend of evaluation.

2-7-2. Social enterprises

After the introduction of the Doi moi policy, the Vietnamese government advanced the transfer of social services provided by the government toward private sectors. However, the method of transfer is neither open nor fair to the public, which hardly promotes the activities of NPOs and SEs.

Since NPOs' activities can provide a model for SEs, the society with lively NPO activities tend to contribute to the development of SEs. In Vietnamese society, however, the NPOs' activities are not advanced enough to provide such a model under the Government's control.

On the other hand, some NGOs are concerned that donors' funding will be decreased mainly because of Vietnam's inclusion among the low middle-income countries. It can lead to the changeover from NPOs to SEs that can acquire funds by providing their products and services.

According to CSIP et al. (2012), the strength of Vietnamese SEs is possessing human resources with loyalty, well-disciplined manner, and superior technique. By improving working conditions in SEs, it will encourage the SEs' employees to gain experience, which hopefully will lead to the proliferation of SEs in Vietnam.

3. Current status of foundations in nonprofit sector

Although we have yet to find a comprehensive, detailed study or report of Vietnamese foundations, we try to describe the foundations in an outline by connecting some fragmented information together.

3-1. Background history and fact sheet (Council on Foundations web site, Country Note, Vietnam)

Foundation is one of the five possible forms that the Vietnamese regulations allow for its establishment and operation with nonprofit purposes¹². On Civil Code

¹² The five forms are Social relief establishments (SREs), Associations, Scientific and

Article 105, a social fund is a fund “established for not-for-profit purposes to support and encourage the development of culture, education, health, sport, science, and other public purposes”. It is also “A charitable fund is a fund established for not-for-profit purposes to remedy difficulties caused by acts of God, fire, and other adverse problems, as well as to help patients with terminal illnesses and other persons in difficulty”. These funds must “operate for the purpose of promoting the development of culture, science, charity and other social and humanitarian purposes, which are not profit-making”.

3-2. Changing contexts and trends in recent years

Recently applicable legislations were issued in 2008 (Decree No. 64), 2012 (Decree No. 30), and 2013 (Circular No. 02). Decree No. 30 arguably permits funds to engage in economic activities through a general provision enabling them to have income from “the provision of services and other activities in accordance with the law” (Decree 30 Article 32(2)). Decree No. 30 also provides that funds have the right to “lodge complaints and denunciations in accordance with law” (Article 30(9)) (Council on Foundations web site, Country Note, Vietnam).

3-3. Fundamental nature of foundations, i.e. independent, corporate, or community based, and their scales

Vietnamese foundations consist of social funds and charitable funds, such as funds for the poor, independent funds, and corporate and business funds. It is difficult to estimate the number of foundations in Vietnam, but there are “well over a thousand funds and foundations of various kinds” (Council on Foundations web site, Country Note, Vietnam).

■ International Foundation

According to The Asia Foundation (2014), there are only a few active private and corporate foundations in Vietnam. As for international foundations, the Ford Foundation had a long presence and withdrew in 2010. GAVI Alliance, Gates Foundation, Rockefeller Foundation, Prudence Vietnam Fund have supported development of health, internet access and relief of disaster sufferers (See Table 3 below).

technological organizations (STOs), International non-governmental organizations, and Social funds and charitable funds (funds).

Table 3. Development Cooperation from private sector in Vietnam

| Foundations and Private Sector | Development Partner | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
| <ul style="list-style-type: none"> ■ Supply and administration of vaccines to prevent future deaths through routine immunization | GAVI Alliance | \$ 90,857,188 | 2008-2013 |
| <ul style="list-style-type: none"> ■ To support emergency relief in response to Typhoon Ketsana in Vietnam ■ To support a project to scale up public internet access in libraries and other venues in Vietnam | Gates Foundation | \$ 300,000 \$29,998,220 | 2009 2011 |
| <ul style="list-style-type: none"> ■ Institute for Social and Environmental Transition in support of strengthening a flood monitoring and warning system in Quy Nhon City and scaling up urban climate resilience practices in Vietnamese cities ■ Ministry of Health Vietnam in support of projects to strengthen the health system, conduct focused studies, workshops and training sessions that address critical issues and challenges faced by the health system in | Rockefeller Foundation | \$2,255,175 \$ 1,880,000 | 2013-2016 2009-2014 |

| | | | |
|---------------------------------------------------------|-----------------------|---------------|-----------|
| Vietnam | | | |
| ■ Pledge for Vietnam's community through the activities | Prudence Vietnam Fund | \$ 10,000,000 | 2011-2015 |

Source: The Asia Foundation (2014) The Changing Aid Landscape in East Asia: Data on Aid Flows, <http://asiafoundation.org/resources/pdfs/Annex1DataonAidFlows.pdf>

In the International NGO Directory of VUFO, which has supervised international NGOs, only 18 organizations have the title of Foundation or Fund in their organizations' names¹³. Most of them are thought to carry out charitable programs supporting disadvantaged people. There are only a few foundations making grants such as The Asia Foundation and The William J. Clinton Foundation.

Concerning Japanese foundations in Vietnam, the Japan Foundation established the Japan Foundation Center for Cultural Exchange in Vietnam in 2008 for the promotion of mutual understanding and the education of the Japanese language. Nippon Foundation founded a special school in Don Nai province where deaf-and-mute people study by sign language, which has contributed to the improvement of their social status¹⁴.

3-4. Activities and tools (Council on Foundations web site, Country Note, Vietnam)

“Both social and charitable funds are entitled to carry out the following activities:

- i. mobilize financial contributions and aid for the fund;
- ii. receive assets – donated, sponsored, or otherwise – from domestic and foreign organizations and individuals in accordance with the fund’s objectives and provisions of law;
- iii. mobilize and receive foreign non-governmental aid; and
- iv. call for and mobilize organizations and individuals to contribute cash or goods to support people affected by acts of God, fire or serious incidents.

The operation of social and charitable funds must be in compliance with the following principles: (a) its operations and establishment are conducted for not-for-profit; (b) it is voluntary and self-financing; (c) it is responsible for its undertakings; (d) it operates under a charter that has been recognized by the agency that licenses it; (e) it makes public all revenues and expenditures and is financially transparent; and (f) its assets must not be divided during its operation. Vietnamese law strictly prohibits funds from engaging in any of the following:

- money-laundering, supporting terrorist and unlawful activities;
- infringing on the social ethics, national habits, customs, traditions, and character of the Vietnamese people; and

¹³ There are 138 organizations registered in the Directory as of 2015 January 3.

¹⁴ This program was completed in 2010.

- infringing on the legitimate rights and benefits of individuals, organizations and the community, and causing an adverse impact on the interests of the nation, national defense or national unity.”

3-5. Funding scales and sources

Vietnamese households do not often give their donation to foundations. According to Vietnam Asia Pacific Economic Center (VAPEC) and The Asia Foundation (2011), the ‘foundations for the poor’ received 5.1% of the whole households’ donation followed by the ‘independent foundations’ (3.4%) and ‘corporate and business funds’ (1.8%) in urban areas. In rural areas, households tend to donate to the informal sectors such as temples and churches, therefore the ‘foundations for the poor’ received only 1.6% followed by ‘independent foundations’ (0.1%) and ‘corporate and business fund’ (0.1%).

On the other hand, corporations tend to give to ‘foundations for the poor’ that received 25% of all business charitable contribution in Hanoi and 37.2% in HCMC. Since current regulations make it difficult for businesses to form and maintain charity funds by themselves, contributing to funds for the poor can be one of the more popular options (Vietnam Asia Pacific Economic Center (VAPEC) and The Asia Foundation, 2011).

3-6. Roles of foundations in Nonprofit sector

Judging from the funding sources we mentioned above, Vietnamese funds are more likely to receive business contributions among the NPOs. Therefore, they may have a role in making companies aware of and face social problems. On the contrary, foundations tend to collect much fewer households’ contributions than other NPOs do.

3-7. Networks and intermediaries for foundations

We have no definite information on networks and intermediaries for foundations. Since foundation is one form of the NPOs in Vietnam, the situation it faces is thought to be similar to that of the nonprofit sector described in 1-7 of this paper.

3-8. Current agenda

We have no definite information on the current agenda for foundations. Since foundation is one form of the NPOs in Vietnam, the situation is thought to be similar to that of the nonprofit sector described in 1-8 of this paper.

3-9. Potential scenarios for the future

We have no definite information on potential scenarios for the future of foundations. Since foundation is one form of the NPOs in Vietnam, the situation is thought to be similar to that of the nonprofit sector described in 1-9 of this paper.

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Appendix 1. Major regulations for organizations

1989 Regulations for the mass organizations were framed in a circular and directive.
(Circular 07, January 6; Directive 01, February 5)

The People's Aid Coordinating Committee (PACCOM), a special organization of Vietnam Union for Friendship Organizations (VUFO, one of the Fatherland Front organizations) was established to cooperate with INGOs.
(Directive 01, February 5)

1992 Decree 35/HDBT was passed by Council of Ministers "on the establishment of nonprofit scientific and technological organizations", which became the most important way to register new VNGOs, mainly research institutes and nonprofit organizations.
(Decree 35/HDTB, January 28)

1995 The Civil Code was promulgated, which was used as the frame for small groups at grassroots level where no other frame was available. Revised in 2005.
(National Assembly, October 28)

1996 Law on Cooperatives was passed, whose frame was for the new type of agricultural cooperatives after many of the cooperatives from the centrally planned time have been dissolved. It was revised in 2003.
(Law 18/QH11, November 26)

"Regulations on the operation of foreign non-governmental organizations in Vietnam" was decided by the Prime Minister, followed up by guidelines for the INGOs.
(Decision No.340/TTg, May 24; UB-PCPNN, August 7)

1998 Regulations for the operation and organization of professional associations were decided by a comment from the political bureau of the party.
(Circular 143/TB-TW, June 5)

Grassroots Democracy Decree was promulgated, which was amended in 2003 in decree 79, where the role of the mass organizations at village level was included. (Decree No. 29/ND-CP, May 15; Decree 79/2003/ND-CP by the government, July 7)

- 1999 The Decree 177 regulates social and charitable funds, outlined by the Prime Minister.
(Decree 177/ND-CP, December 22)
- 2001 The decision and regulation of management and utilization of aid from INGOs were promulgated by the Prime Minister.
(Decision No. 64/2001/QD-TTg of the Prime Minister, April 26)
- 2003 The Decree 88 concerning operation and organization of associations by the Prime Minister and the guidelines of Decree 88 from Ministry of Home Affairs were outlined.
(Decree 88/ND-CP from the Prime Minister, June 30)
- 2005 The Prime minister promulgated decree 28 on the organization and operation of small-sized financial institutions. This facilitated the credit programs.
(Decree 28/ND-CP, March 9)
- 2006 The debate on “Law on Associations” reached a point previously unknown in modern Vietnamese legislative history. The Party and government watched the unfolding and expanding conflict, and decided to shelve the Law.
- 2010 Decree 45 on association was replaced for the Decree 88, which was much-maligned on the organization, operation and management of associations in the absence of a Law on Associations.
(Decree 45/2010/ND-CP, April 21)

Source: Norlund (2007), Sidel (2010)

List of Abbreviations

| | |
|--------|------------------------------------------------------|
| BC | British Council |
| CBO | Community Based Organization |
| CIEM | Central Institute for Economic Management |
| CSIP | Centre for Support of Social Initiatives Promotion |
| CSO | Civil Society Organization |
| CSR | Corporate Social Responsibility |
| HCMC | Hoh Chi Minh City |
| IFG | Informal Famers Group |
| INGO | International Non-Governmental Organization |
| KOTO | Know One, Teach One: an innovative model of SE |
| NGO | Non-Governmental Organization |
| PACCOM | People’s Aid Coordinating Committee |
| SE | Social Enterprise |
| SPARK | SPARK initiative |
| TAF | The Asia Foundation |
| WDI | World Development Indicator |
| VAPEC | Vietnam Asia Pacific Economic Centre of Hanoi |
| VCPA | Vietnam Consumer Protection Association |
| VFCE | Vietnam Federation of Civil Engineering Associations |
| VND | Vietnam Dong |
| VUFO | Vietnam Union Friendship Organization |
| VUSTA | Vietnam Union of Science and Technology Association |