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## Social entrepreneurship in Viet Nam

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## Case 16

# Social entrepreneurship in Viet Nam

### Summary

Despite its rapid growth, tourism has shown only modest success in addressing the issues of poverty and hunger in Asia and the Pacific. Community-based tourism (CBT) is a type of social enterprise that fosters cross-sectoral partnerships between government, business and the community. This chapter discusses development of 15 sustainable CBT projects in Viet Nam, thus contributing to improvement in the lives of many communities living in poverty-stricken areas.

### Key words

- Community-based tourism
- Social entrepreneurship
- Cross-sectoral partnerships
- Profit distribution
- Poverty alleviation
- Scaling-up strategies

### Key messages

- Cross-sectoral governance arrangements are important for the development of sustainable CBT.
- Social entrepreneurship has the potential to open up knowledge exchange between diverse actors across sectors.
- Scaling-up tourism social innovations are essential to expand positive tourism impacts.

## C16.1 Community-based tourism and poverty alleviation in Viet Nam

Viet Nam, like many developing countries in Asia and the Pacific, faces challenges in reducing the poverty rates amongst its citizens. Macro-economic growth policies implemented over the past few decades have reduced poverty, but are now less effective.<sup>1</sup> The World Bank in 2012 reported that the head count income poverty rate in Viet Nam has fallen from nearly 58% in the early 1990s to 20.7% in 2010.<sup>2</sup> The remaining 18 million poor however, face extreme hardship, poor health and low levels of education, are often isolated geographically, and are from minority ethnic groups that experience discrimination. These conditions mean further macro-economic growth will be less effective in reducing poverty. In addition, the majority of the poor rely primarily on subsistence agriculture for their livelihoods, exposing them to adverse effects from unpredictable weather conditions and agricultural market fluctuations. It is thus difficult to sustain poverty alleviation improvements, as people in these vulnerable groups are more likely to fall back into poverty.

CBT emerged in the 1970s as a means to reduce poverty in impoverished communities through establishing tourism enterprises.<sup>3</sup> CBT considers that participation, ownership, management

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1 World Bank (2005), *Pro-poor growth in the 1990s: lessons and insights from 14 countries*, World Bank, Washington DC.

2 World Bank (2012), *Well begun, not yet done: Viet Nam's remarkable progress on poverty reduction and the emerging challenges* (online), available at: [www.worldbank.org](http://www.worldbank.org) (15-04-2017).

3 Murphy, P.E. (1985), *Tourism: A community approach*, Methuen, London.

and control of tourism projects by locals, will maximise positive impacts on the community.<sup>4</sup> In Viet Nam, an increasing number of mountain communities have self-initiated CBT to improve their incomes. The Lac village of Mai Chau district, Hoa Binh province for example, has offered homestays to tourists since 1993. In the last decade, many development agencies (e.g., AusAid, ADB, SNV Netherlands Development Organisation, and ILO) have recognized tourism as a vehicle for poverty alleviation and have provided funding for NGOs to carry out CBT projects as part of their poverty reduction strategies.

However, a number of issues exist with CBT development that have hindered the effectiveness of tourism in its efforts to improve the lives of those in impoverished communities. For instance, a study investigating 150 CBTs in developing countries found that most NGO-led CBT projects lacked connection with the commercial tourism sector and had very low capacity to develop appropriate commercial tourism activities.<sup>5</sup> This resulted in very low visitor arrivals and limited positive impacts in the majority of CBTs.<sup>6</sup> In addition CBT ventures that have enjoyed short-term success require sustained efforts to improve products/services and secure support from tourists, tourism operators and travel agencies to guarantee their viability and long-term success. A review of 200 CBT projects across Latin America in 2008 found that most CBT projects lacked financial viability and many collapsed after external funding dried up, mainly due to poor market access and poor governance.<sup>7</sup> Furthermore, the sole focus on homestays in CBT developments has meant that most immediate CBT profit would be captured by the more well-off community members, whilst the rest of the community could not effectively participate in, and receive benefits from tourism.<sup>8</sup>

## C16.2 CBT Travel's first intervention

CBT Travel was established in 2013, following Mr. Duong (the founder)'s first successful intervention in Mai Hich CBT. Mai Hich is a rural remote village located in Mai Chau district, Hoa Binh province, northern Viet Nam. In 2012, Mai Chau district's average annual income per capita was ~USD 1000, with 32.6% of households living in poverty and 24.1% of those households suffering undernourishment between crop harvests.<sup>9</sup> Mai Hich village is home to the White Thai minority ethnic group and possesses scenic landscapes and a unique indigenous culture. As of 2011, tourism however was still a foreign concept to the local community of Mai Hich village.

Between 2011 and 2013, International NGOs Misereor and Brot für die Welt funded the Mai Hich CBT project. This project was implemented by a local NGO (the Centre for Community Health and Development [COHED]) as part of an integrated community development programme focusing on poverty reduction, social equity and sustainable livelihoods. The implementation of the Mai

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4 Mitchell, J. and Muckosy, P. (2008), *A misguided quest: Community-based tourism in Latin America*, Overseas Development Institute (ODI), London.

5 Goodwin, H. (2006), 'Community-based tourism: Failing to deliver?', *ID 21 Insights*, issue 62, p. 6.

6 Goodwin, H. (2006).

7 Mitchell, J. and Muckosy, P. (2008).

8 Blackstock, K. (2005), 'A critical look at community-based tourism', *Community Development Journal*, volume 4 (1), pp. 39–49.

9 Nguyen, D.; Luu, D. and Mac, V. (2014), 'Food Security of Poor Households in Mai Chau District, Hoa Binh Province: Situations and Solutions', *Journal of Science and Development*, volume 12, issue 6, pp. 821–828.

Hich CBT project was hindered by a lack of expertise regarding tourism operations, a lack of understanding of the tourism market and a very weak connection with the commercial tourism sector.<sup>10</sup> The local community were sceptical of promises made by NGO staff and even with technical and partial financial support from COHED, it was hard to convince any community members to invest in building the first homestay for CBT.<sup>11</sup>

In 2012, Mr Binh Duong (CBT Travel founder and director) was hired by COHED as a consultant and quickly took the lead in the Mai Hich CBT project. Mr Duong recognized the key problems were a lack of communication between the private, public and NGO sectors, along with the lack of participation from the local community. As a retired director of a large tour company, Mr. Duong utilised his tourism expertise and extensive networks to foster communication and connections between the diverse range of actors from the local community, the private sector, the third sector and the public sector involved in the Mai Hich CBT.

Mr Duong encouraged local residents to become major investors in the CBT project. Homestays were designed by Mr Duong based on existing local housing structures and he provided coaching to assist local residents in upgrading or building new homestays to serve as the key product for Mai Hich CBT. Local materials (e.g., bamboo and stones) were incorporated into the designs, which helped to retain authenticity and reduce the investment cost for local residents to between USD 1,000 to USD 4,000 per homestay.

Mr Duong further developed a range of value-added tourism services to provide opportunities for more community members to participate in tourism and increase the attractiveness to tourists. Examples include traditional dance and music performances, local food, trekking, rafting, and motorbike/bicycle rental, as well as locally sourced food ingredients, handicrafts and souvenirs.

In the private sector, Mr Duong persuaded his connections in the private sector, including tourism experts and tourism practitioners (e.g., 5-star hotel chefs) to provide pro bono training/technical support to the impoverished community. He arranged for domestic and international tour companies and tour operators to promote and sell the products developed. These activities were also pro bono, to ensure Mai Hich CBT achieved commercial success and facilitated the reduction of local poverty. He also listened to feedback from tourists, tourism experts and tour companies to continue improving CBT products and services. For instance, he created private spaces for tourists at the homestays and ensured there was good hygiene in bathroom and restaurant areas.

Mr Duong also secured support from local NGO COHED to provide mattresses, bedding, curtains and building materials worth approximately USD 7,500 (VND 150 million). Furthermore, he assisted local government staff and community leaders to establish a tourism management board, to develop and implement enforceable local tourism rules and regulations. These rules helped to ensure that existing and further CBT development in the village was socially and environmentally responsible.

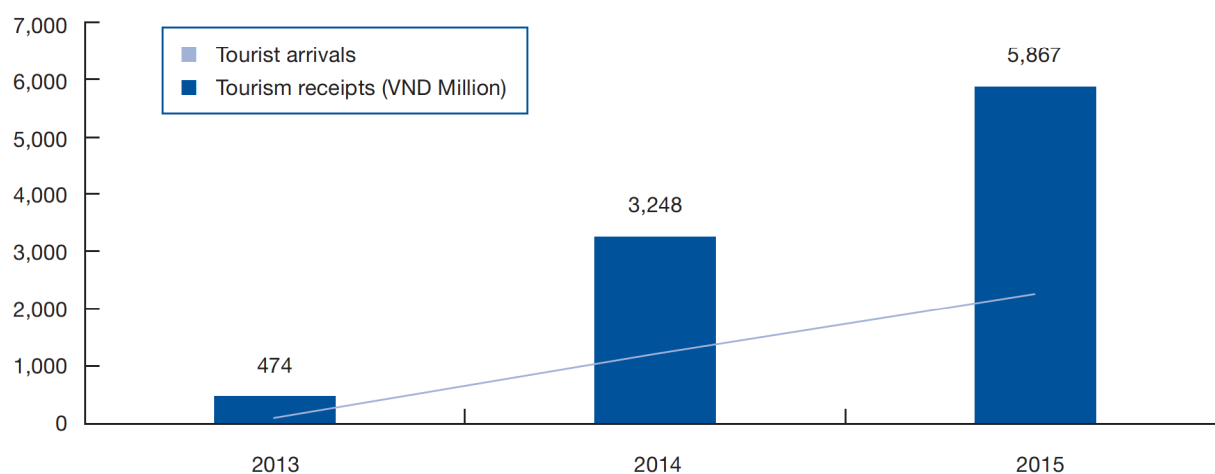
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10 Phi, G.; Whitford, M. and Dredge, D. (2017), 'Knowledge dynamics in the tourism - social entrepreneurship nexus', in: Sheldon, P. and Daniele, R. (eds), *Tourism and Social Entrepreneurship*, Springer, New York, pp. 155–172.

11 VTV2 (Creator) (2013), *Community-based tourism in Mai Hich Viet Nam* (video), available at: [www.youtube.com/](http://www.youtube.com/watch?v=15-04-2017) (15-04- 2017).

Mr. Duong's interventions resulted in the successful development of the Mai Hich CBT, with the opening of three homestays and the provision of a wide range of tourism-related services.<sup>12</sup> Thanks to its strong connection with the private sector and to the appropriate regulations put in place by the local tourism management board, the Mai Hich CBT quickly gained a reputation as a high quality and authentic tourist destination. The number of tourist arrivals in Mai Hich village increased rapidly from 474 in 2013 to nearly 6000 in 2015. Because of the average expenditure of USD 20 (VND 400,000) per tourist, within three years, the Mai Hich CBT directly contributed approximately USD 200,000 to the Mai Hich economy (see figure C16.1).

Figure C16.1 Tourist arrivals and tourism receipts in Mai Hich CBT, 2013–2015



CBT receipts are widely distributed in the Mai Hich community through 79 tourism jobs, including 21 full-time positions in the three homestays and 56 casual positions involved in the other tourism value-added services (see table C16.1). Indirect jobs, such as supplying local produce and handicrafts to tourists, also helped to distribute tourism profits among community members. Mai Hich CBT thus contributed to the diversification of the local livelihoods and reduced the Mai Hich community's financial vulnerability which was associated with fulltime reliance on crop farming. On average, local residents' annual income was five times more in 2015, than it was in 2012.

12 Nguyen, N. (2013), *Mai Chau home-stay proves a hit* (online), available at: <http://vietnamnews.vn> (15-04-2017).

Table C16.1 Number of jobs directly created by Mai Hich CBT, 2015

Type of employment	Number of jobs
<b>Three homestays</b>	
Receptionist	3
Housekeeping	6
Restaurant	12
<b>Other tourism value-added services</b>	
Traditional performance	45
Laundry	2
Tour guide	4
Rafting	4
Motorbike/bicycle rental	3
<b>Total</b>	<b>79</b>

### C16.3 CBT Travel's national intervention

The success of the Mai Hich CBT project was recognized by the Centre for Social Initiative Promotion (CSIP) which is a social entrepreneurship (SE) intermediary that aims to raise awareness of SE and provide technical support (e.g., legal advice, SE expertise) in scaling up SE models. Encouraged by CSIP, Mr. Duong established the CBT Travel social enterprise in 2013 with the mission of scaling up the Mai Hich CBT intervention nation-wide. A social enterprise can be defined as an organization that applies market-based strategies to address social and/or environmental issues in specific contexts.<sup>13</sup> In other words, social enterprises pursue social or environmental missions while also striving to achieve financial self-sufficiency.

In this case, the revenue of the CBT Travel social enterprise comes primarily from providing consultancy in the areas of CBT and strategic tourism development for NGOs, INGOs and provincial governments in Viet Nam. CBT Travel also followed the social enterprise regulation framework set by the Vietnamese Government and committed to invest 51% of the enterprise's profit into activities that directly supported impoverished communities. For instance, CBT Travel social enterprise provided pro bono assistance to the local communities to develop marketing and sale capacity for their CBT products and to connect them with the tour companies. The enterprise has also provided free consultancy, coaching and training services to many impoverished communities that received no support for CBT development from either NGOs or the local governments.

13 Phi, G.; Whitford, M. and Dredge, D. (2017), 'Knowledge dynamics in the tourism - social entrepreneurship nexus', in: Sheldon, P. and Daniele, R. (eds), *Tourism and Social Entrepreneurship*, Springer, New York, pp. 155–172.

Similar to the initial intervention in Mai Hich village, Mr. Duong emphasised the importance of establishing sustainable governance of CBT development at a national level and stated:

“The most important thing is to successfully persuade the local residents, governments at various levels, NGOs, and private tourism companies to work together to develop CBT in Viet Nam.”<sup>14</sup>

To achieve this goal, the CBT Travel social enterprise undertook a systematic approach to national CBT development by providing 1) information and technical assistance and 2) creating formal relationships with other organizations.

The CBT Travel social enterprise actively organized seminars, workshops and conferences to introduce the organization’s CBT models to a diverse range of actors, including the government at national, province, commune and village levels, international NGOs operating in Viet Nam (e.g., ILO and UNESCO), local NGOs (e.g., COHED), local/regional tour companies (e.g., Phoenix Voyages Vietnam, Asian Trail Vietnam, Vidotour) and local communities in rural/remote communities. CBT Travel personnel also frequently attended and presented at major tourism conferences in Viet Nam (e.g., World Tourism Day 2014 – Tourism and Community Development Conference).

These actions contributed to changing actors’ mindsets regarding tourism development for poverty alleviation: Often, Vietnamese tourism actors believed that tourism development could only be carried out with a large financial investment into resorts, hotels or big attractions. As a result of its successful projects, CBT Travel was able to prove that this was not always the case. Indeed, the minority ethnic groups such as Mai Hich community, with very few resources, were able to develop their own CBTs to improve their living standards.

The work of Mr. Duong also educated actors about diverse financing options for CBT development: CBT Travel highlighted a range of financing options that could be adapted to setting up CBT, depending on each local community’s context. The financing options that were applied in CBT Travel’s projects included: personal investment by local residents (e.g., Ban Buoc CBT, Hang Kia CBT, Mai Hua Tat CBT, Thai Hai CBT), partial low-interest loans from local governments (e.g., Nghia Lo CBT, Sa Dec CBT, Con Phu My CBT, Nga Nam CBT, Cu Lao Dung CBT); partial in-kind support from local NGOs (e.g., Mai Hich CBT, Xuan Giang CBT) and full grant support from INGOs (e.g., Droong CBT).

Importantly, beyond the formal seminars and conferences, CBT Travel also organized practical field trips for government/community leaders, potential local homestay investors and key staff from NGOs to visit the operating CBTs and directly learn by experiencing these models. These activities do not only help to expand the utilisation of CBT as a vehicle for poverty alleviation in Viet Nam but also provide additional revenue for CBT Travel social enterprise.

CBT Travel has also developed its own ‘CBT Travel franchise network’. CBT Travel commits to supporting each franchise throughout its planning and development phases and to ensuring all

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14 Duong, M., CBT Travel founder and director of CBT Travel (2017), conversation with the authors (17-04-2017).

franchises achieve consistent growth and generate stable incomes for the local communities over the long-term. In particular, CBT Travel follows the four key steps of:

- Developing ‘CBT franchise manuals’: These manuals provide a unified framework for assisting new communities to adapt and replicate the previous successful CBT models;
- Providing practical tourism training to local communities: Beyond personal coaching, modern communication technologies are also employed for training, such as phone, skype and email consultation services;
- Connecting CBT Travel franchises with private tour operators/companies: Helping the local communities to develop contacts within the private tourism market is the key for each CBT project to achieve financial success. In addition, CBT Travel also assists in connecting the products and services of different franchises to develop integrated CBT itineraries for tourists throughout Viet Nam; and
- Monitoring and reinforcing responsible practices for both local CBT Travel franchises and tourists: In collaboration with each community’s tourism management board, CBT Travel assists in the development of rules and regulations for responsible CBT practices to minimise potential negative tourism impacts. Tourists and tourism suppliers that violate these rules may be penalised via a fine by local government, the reduction of CBT Travel marketing support or, in worst-case scenarios, removal from the franchising network.

These strategies have enabled the CBT Travel social enterprise to scale up its CBT interventions at a rapid rate. Between 2013 and 2017, CBT Travel has facilitated the planning, development and management of 15 CBT projects in the north-west, north-east, central and southern regions of Viet Nam. This includes nine completed CBT projects that have been operating successfully and six new CBT projects that are in the planning and/or development phases.

All the above projects are in either mountainous and/or rural areas, where minority ethnic groups with high levels of poverty live. CBT Travel maintains some control over the responsible operations of each CBT, helping to ensure high standards and equitable distribution of tourism profits among the local community members over time. CBT Travel’s existing and future projects thus hold great promise for creating stable jobs, diversifying locals’ livelihoods and improving the living standards of impoverished communities. Within a few short years, CBT Travel’s effective scaling up strategies have also helped to create national synergies in CBT development for poverty alleviation, via the creation of a national CBT ‘community of practices’ wherein individuals can learn from one another and encouraging tourism innovations to generate positive social impacts.

## C16.4 Conclusions

This chapter reveals that the success of CBT projects for poverty alleviation requires governance arrangements that allow various actors from the local community, NGOs, tourism businesses and governments to contribute to relevant tasks. Mr Duong provided a central coordination point across these diverse actors in the Mai Hich CBT case, and CBT Travel social enterprise has helped to expand the CBT ‘community of practices’ all over Viet Nam. The case study of Viet Nam suggests the following three key lessons for future practices.



Firstly, it is important to include tourism expertise in CBT projects. In this case, the local NGO COHED's decision to hire Mr Duong (a tourism expert with years of experience in tourism's private sector) and to give him full authority to lead the project, unexpectedly contributed to the expansion of CBT in Viet Nam. Other NGO-initiated CBT projects therefore, should also consider involving experienced experts from the private sector at the very onset of the project.

Secondly, knowledge pertaining to CBT development mentioned in this case is still not easily articulated and mainly resides with Mr Duong (i.e., embodied knowledge)<sup>15</sup>. While CBT Travel has recently extended the scope to promote their CBT approaches in other countries (e.g., Thailand, Cambodia), it is important for tourism social innovations such as this to be translated into practical manuals that can be easily accessed by the international communities. CBT Travel is now seeking partners to assist the development of comprehensive CBT manuals in English, which could serve to further increase the positive social impacts of CBT Travel to the international level.

Finally, in enlarging the impacts of tourism social innovations, social entrepreneurship intermediaries such as CSIP, which provide technical assistance to social enterprises, also play an important role. In addition, many social enterprises such as CBT Travel have found it difficult to expand operation in the existing institutional system, which only recognizes either for-profit or not-for-profit organizational status. As these social enterprises often situate between for-profit and non-profit sectors (i.e., pursuing both social missions and financial missions), the governments could facilitate an enabling environment for social enterprises in general, and tourism social enterprises in particular, through both appropriate policies (e.g., Vietnamese Government's regulatory frameworks for social enterprises) and seed funding (e.g., grant for start-up social enterprises or social entrepreneurship intermediaries).

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15 Wang, C.L. and Chugh, H. (2014), 'Entrepreneurial learning: Past research and future challenges', *International Journal of Management Reviews*, volume 16, issue 1, pp. 24–61.