

## ***Thailand Showcase & Discussion***

*A dedicated session to understand the evolution of social funding and social economy policies in Thailand, recent developments, response from other sectors and upcoming opportunities.*

**[Start of Presentation - Slide 1]**

### **1. Introduction**

Good morning ladies and gentlemen, I'm honoured to be here today to share my thoughts on why it is critical for Thailand to establish an efficient and inclusive ecosystem through social funding and social economy policies for Social Enterprises in Thailand. I will also brief you as to the current status of our efforts with respect to Social Enterprises.

**[Next Slide: Slide 2]**

### **2. Addressing the Issue**

#### **2.1 Addressing the Issue: Why does Thailand need Social Enterprise?**

[My short answer is very simple: in addressing numerous social challenges in Thailand, the government can no longer afford to tackle this issue alone, and indeed I suspect that this is also true in many places around the world. Who are we to monopolize the ways in which a particular social issue should be addressed? If we had the best knowledge and unlimited resources to tackle every social challenge, I would not be standing here, in front of you.] - Dr. Nat Pinnoi

Stuck in the middle income trap, at times, an inefficient production base for more advanced economies, Thailand longs for sustainable change and innovation. According to a study done by UNTAD and the Thai Government two years ago, Social Enterprises can contribute to fulfilling this need.

Two important trends have emerged from policy intervention in Thailand. The first was the birth of the Thailand Social Enterprise Office (TSEO) and achieving an official recognition in the form of a Royal Decree. Established in 2010 under the Thai Health Promotion Act, TSEO is designated to support, authorize and promote Social Enterprises in Thailand. Its mission is not only to assist with capacity building and inspiring social responsibility but also to reach out to possible innovative entrepreneurs with interests in social and environmental issues. The establishment of TSEO has taken Thailand a step closer to understanding the definition of a “social enterprise”.

Yet, one of the major issues surrounding the concept of Social Enterprise in Thailand is the need to pinpoint a definition that would be suitable for the country. So I would like to speak about Social Enterprises from my own perspective.

## 2.2 Addressing the Issue: What is exactly is a Social Enterprise?

Different countries have different interpretations of what a social enterprise is, some have legal definitions, some do not. Some countries, like Slovenia, may consider them as non-for-profit legal entities, while some others, like ..... may not.

In Thailand, the perception of Social Enterprises is too focused on being **corporate strategic based** whilst the definition of an enterprise “*is in fact any organizational activity aimed at a specific primary objective.*” In this case, the primary objective of a Social Enterprise is to contribute to social and environmental development, operating through the performance of an entrepreneurial **activity** involving the use of sustainable business logic and methods.

Therefore, in Thailand, Social Enterprise should be described to the public as more of a **Social Business**, a business with a primary social objective that is **activity and outcome based** rather than being too focused on the form of an entity to business or company itself.

It is important to recognize and understand the distinctions between Social Enterprises in comparison to Corporate Social Responsibility (CSR) or Creating Shared Value (CSV).

### [Next Slide: Slide 3 - Comparison Table]

As you can see on the slide, Corporate Social Responsibility (CSR) can be defined as an charitable activity initiated by a business that has already achieved its main goal in generating high profit, and which then seeks out to ‘give back’ to society. However, even with the right intentions, the benefits from many CSRs may not be sustainable in the long run. Some may even utilize their marketing department to squeeze benefits in ‘brand awareness’ through CSR.

Corporate Social Value (CSV) is an extension of CSR and is considered as CSR-in-process or also known as Strategic CSR which improves upon CSR by avoiding any potential negative impact on society.

CSV and CSR differ in the sense that CSR represents giving back to society with less regulation through a philanthropic act that is separate from the business itself, whilst CSV is about integrating social and environmental impact into the business using that integration to drive economic value.

Nonetheless, they fall under the same bracket as their main mission is to create profit or sustain social responsibility within the company as CSV is an extension of CSR.

The element of social impact in Social Enterprises is not based on a donation, a philanthropic ‘give away’ like CSR, it is rather a sustainable wave of change that does not just generate and balance its profit for social impact. Differing from CSV, Social Enterprises aim to expand social

impact further down the value and supply chain, even if that impact occurs through other companies or SEs which may focus on completely different forms of social contribution, as long as it they create some form of social impact.

Another notion that we must understand is that a Social Enterprises does not necessarily have to be a non-for-profit organization to be able to create Social Impact. It can be either non-profit or a profit earning enterprise.

Regardless, I would like to stress that we should not limit the possibility of social impact and social innovation to SMEs and start-ups.

The mission is to encourage regular businesses to become ‘social’ or to add more social elements to their normal business models. This is good for the whole market including specifically the value-and supply chain of the social impact such as the development and marketing of green, clean and recyclable products, the hiring of less financially secure or physically challenged people, etc.

Thus, Social Enterprises can range from larger corporations all the way down to SME companies and start-ups. We can maximize social impact via bigger companies or large corporations’ financial power that has the capacity to create Social Enterprise spin-offs that could contribute or start a value and supply chain with high social impact.

### **3. Thailand’s Current Status**

There are approximately around 400 potential Social Enterprises in Thailand, with only around 50 certified Social Enterprises that are operating on their own here. Unfortunately, due to time constraints I cannot list them all.

**[Next Slide: Slide 4 - Siam Organic]**

#### **Showcases:**

##### **3.1 JasBerry - Siam Organic (with accompanying slides)**

In 2011, Siam Organic was the first Thai company to ring the closing bell on NASDAQ in New York City.

Siam Organic is an exclusive provider of the healthiest organic and natural products.

Siam Organic has recently partnered with KIVA, a large micro-financing company, to help finance organic farm inputs for small-scale farmers in the Northeast Region of Thailand.

**[Next Slide: Slide 5 - International Awards]**

They provide small-scale farmers with high-quality organic seeds or Jasberry Rice. Consulting with weather experts, they also advise their farmers on being more prepared for rainy seasons and with additional help from KIVA, they have sought out extended loans for some of their farmers for buying organic fertilizer. In the process, they also help many rice farmers on community development and integration, since, as some of you may know, many individual farmers do not work together and tend to stick to their own lands.

When it is time for harvesting, the Siam Organic relies on the labour provided by the farmers in order to eliminate negative environmental impact that may occur through the use of machines. The farmers also get to keep 25 per cent of their harvests for personal consumption and the company guarantees the products' place in the market.

**[Next Slide: Slide 6 - “We serve at every step along the way”]**

The company firmly believes in integrating social development into its business model, and is hence committed to improving the quality of life for the farmer co-operatives with which it is working.

**[Next Slide: Slide 7 - Learn Education]**

### **3.2 LearnEducation**

LearnEducation addresses one of the major issues facing Thailand today: education. The country suffers from low and stagnant performance in both the national standardized tests and the OECD PISA assessment. Despite raising per-student expenses since 2001, the results from the latest PISA 2015 indicate that the average performance of Thailand's 15 year-old students in each of the three subjects (mathematics, science, and reading) continues to lag behind the regional and OECD averages. The gap between Thailand and the OECD countries is equivalent to approximately 2.5 years of formal schooling, while for the EAP countries the gap is around 3 years in all subjects. The performance has fallen below the expected level measured against the per-student public expenditure (or the country's per capita income).

*[Of greater concern is that around half of the Thai students performed below the basic proficiency level in science, reading and mathematics. In other words, they were functionally illiterate and/or innumerate in spite of their having attended school for nearly nine years. At the other end of the proficiency scale, while 30 percent or more students from Singapore, Hong Kong, Macao, Taipei, Vietnam, Korea and Japan attained level 4 or higher in science and mathematics, only 5 percent of the Thai students managed to do so. Ofcourse, schools primarily serving under privileged children in the rural areas are much more disadvantaged in these dimensions than schools in large cities.] - optional. too much information perhaps?*

**Integrated Content** - assures that LearnEducation's curriculum is aligned with expected education authorities, thus it is able to 'safely' integrate into the existing school curriculum, facilitating teachers with a balance of digital and non-digital media.

**Real-time Assessment** - provides students a one-to-one platform measuring individual performance with pre-tests and post-tests. The results are data-driven reports and analytics that provide feedback not only for students but also for teachers.

**Implementation** - assists teachers in one-on-one coaching: planning out lessons, class observation as well as hosting conferences where teachers throughout LearnEducation's network of various schools can share ideas on pedagogy, lessons learned, and teaching techniques with one another.

The company's model consists of 5 key stages in its process to bettering Thai Education.

1. **School Identification** - Identify the schools that share our visions for impact to achieve the best results
2. **Pre-assessment** - Preliminary assessment of a school's capacity and readiness for Learn Education's solutions
3. **Technology** - The school must have the capacity to accommodate technology, which is the most fundamental part of blended learning
4. **Implementation** - Train teachers to use the product in real class settings for an extensive period of time
5. **Post-assessment** - Re-assesses the school's progress after implementation

LearnEducation's approach has been successful in many schools and will have great potential for a scale-up with the right intervention from the relevant public sectors.

[Next Slide: Slide 8 - Abhaibhubejhr Hospital]

### 3.3 Abhaibhubejhr Hospital

A third example, I would like to mention in passing, given the time constraints, is Abhaibhubejhr Hospital, which has a great model to reduce dependence on foreign medication and supplements, thereby increasing access to quality and affordable medication/supplements. The business has been quite successful so far.

The company's model contributes to social impact from its sources and products, all the way to its quality control processes. **Socially**, it contributes community involvement and fair trade through encouraging local community organizations and farmer groups and assisting them in strengthening their capacity in management and improving quality of life. The company buys plant materials directly from the farmers. Volumes, quality and pricing are determined together for fairness. Moreover, with their traditional medicine concept, they also have a 'traditional' process in transferring the knowledge through organized activities with those from the younger generation in order to instill environmental and social awareness.

**Environmentally**, the use of organically grown materials is the company's key policy to guarantee that the cultivation process is ecologically sound and safe for farmers and consumers alike. Through organic farming the environment and soil fertility can be restored. With regards to

forest preservation, the company has been involved in various activities including seminars, public campaigns and youth camps aimed to preserve Khao Yai Nation Park, a World Heritage site.

**Abhaibhubejhr Hospital** is another business that has the potential to scale up its value, and more importantly, to do so ethically. It has linkages to upstream raw material production as well as midstream value enhancement and downstream sales and marketing not only for the Thai market but also for the markets where Thai foods are thriving.

[Next Slide: Slide 9 - Buddy Home Care]

### 3.4. Buddy Home Care

Last but not least is Buddy Home Care. As Thailand is inevitably becoming an "Aging Society", elderly care will be a major challenge in the very near future, especially for those who cannot afford private care/nursing home. The business model is straightforward with some successful applications in Chiang Mai. However, the business model could be further enhanced, and the scale up potential is quite significant.

Promising as they are, none of these Social Enterprises are receiving the help it needs to thrive. These companies should be promoted and supported by the government.

[Next Slide: Slide 10 - SE Promotion Act Journey]

## **4. Thailand's Current Approach: Drafting Social Enterprise Act**

There are three areas where Social Enterprises can be successful:

- a) attracting the market to the goods and services they produce
- b) attracting high quality staff to join the Social Enterprise
- c) attracting capital market financing to grow their business.

Any incentives offered should address all three, as investors are looking for market returns.

**The largest barrier to Social Enterprise growth is an unattractive investor climate that disincentivises investors.**

**With the help of UNDP and FPO, we have been working on the draft of a Social Enterprise Promotion Act (SEPA).** We believe that the Act, once it has been passed through the Cabinet, will provide the legal power to assist in facilitating the right ecosystem that promotes Social Enterprises via both financial and non-financial incentives.

Social Enterprises should be able to act as a normally regulated business, with the support from SEPA, to produce social returns without limiting how much they can profit.

[Next Slide: Slide 11 - Improvements to the SEPA]

## **4.1 Legal Definition**

The definition of Social Enterprise in the act is described as “*any legal business entity operating in the production of goods or services that produces positive impacts with direct objective of addressing and resolving social, environmental and cultural challenges hindering community sustainable development in Thailand.*”

An additional list of various forms of social impact should be categorized as innovative businesses within the category of Social Enterprises (e.g. social/ family assistance, promotion of local communities’ development, the hiring of disabled people, students with financial problems etc.)

## **4.2 Improved Certification Process**

Certification Processes for Social Enterprises are an essential tool in creating an ecosystem for social enterprises to flourish in the long-term.

This process is essential as it does not only screen and certify true Social Enterprises that deserve financial assistance or tax incentives but also it allows TSEO to keep track of and measure the social impact being produced by these Social Enterprises. Under the certification process, Social Enterprises are to regularly send in their financial reports alongside their social impact results as evidence of their contributions to society.

Social Enterprises should receive assistance throughout their whole path in becoming a social impact-based and sustainable business, and this includes the certification process. There should be specialized support for Social Enterprise applications that are ‘almost’ completed. If, for example, they achieve 80% of all criteria, they should be supported to achieve 100% and then become certified. This is good capacity building for both internal staff in charge belonging to the certification organization and the Social Enterprise community.

The Certification Process should also take care of any Voluntary Status change. Should any Social Enterprises want to cease being or becoming a Social Enterprise. Perhaps a staff from the TSEO should at the very least assist it to get back on track instead of just merely giving up a company’s SE status.

## **5. Desired outcome of Social Enterprises: Public facilitation and incentivising Private sector**

As mentioned, in the drafting of the Social Enterprise Promotion Act, a key feature was to promote businesses to start off as Social Enterprises or to proceed through various phases to become Social Enterprises. Tax incentives, financial assistance, regulated certification processes, and a clear legal Social Enterprise definition will bring about the ecosystem required for Social Enterprises to emerge.

Once the **public sector** collaborates internally on the facilitation of a complete ecosystem for Social Enterprises, there are endless possibilities in innovation, social and environmental

awareness as well as development. *There, the **private sector** will have more incentives to integrate a more social and environmental approach to the core of their businesses.*

By addressing and taking social and environmental issues to the core of businesses alongside making profit, the future of Thai Businesses will not only help the country escape from the middle income trap through an innovative mindset but also contribute to closing the gap on the differentiated socio-economic gap through social development.

With regards to the notions of tax incentives and financial assistances, we are still working on implementing those into SEPA. Therefore, I cannot discuss the details of the improved tax incentives and financial assistance as of yet. However, in our most recent draft of the SEPA, Social Enterprises possess:

- a. the right to apply for financial assistance during the start-up phase of the business Rights to receive special corporate tax incentives and benefits
- b. The right to favorable conditions when applying for public procurement tenders
- c. The right to tax incentives for providing certain types of entities, customers or services.
- d. The rights to apply for and receive loans from Thai banks that are state enterprises within the agreed terms with the Bank.

As for measuring social impact, we are currently still working on a standardised social impact assessment and hope to implement this into the certification process in the future. For guidance we are looking to derive elements and knowledge from Global Impact Investing Network (GIIN) using IRIS Metrics and UNDP standards from Sustainable Development Goals (SDG).

## **6. The Next Step: Closing Thoughts**

The future of Social Business cannot flourish merely with the standard laws for commercial companies, even with certain tax incentives for start-ups as it does not cover all forms of businesses. Social Enterprises should have their own specific law, a law that will not only encourage the public to set their minds on transforming their current businesses or developing new businesses into socially and environmentally altruistic enterprises, but to also pave legal pathways that will assist Social Enterprises in becoming more sustainable, so that they may thrive in the short-term as well as the long-term.

The legal empowerment through SEPA will be a first big step towards building an ecosystem that not only facilitates incentives for potential Social Enterprises but also consequently, the ease of doing business will attract more domestic and international investors.

We hope to see a bright future for the rise of sustainable Social Enterprises in Thailand.

**[Next Slide: Slide 13 - Thank You]**

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