

Upskilling to Transform the Vietnamese Economy

**GLOBAL LEADERS PROGRAMME
NOVEMBER 2019**

Honest Inquiry · Asia's Worldview · Ideas to Action



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Executive Summary

Vietnam is one of today's fastest-growing economies. Abundant labour and competitive wages make it a preferred location for manufacturing, particular in electronics, textiles and food processing. The country has one of the world's youngest workforces, with 74% of the labour force under 50 years of age.

However, Vietnam has been unable to fully capitalise on this interest due to an inability to meet the demand for skilled labour. Only 21% of Vietnam's labour force have undergone over three months of training. In addition, demographic and economic changes will shift skill needs throughout the economy.

The 2019 Vietnam Global Leaders Programme worked with REACH, an NPO based in Hanoi that focuses on skills development for disadvantaged youth, to create a new model for vocational training throughout Vietnam. REACH's current funding and operational model has limited its ability to scale the good work they do; thus, REACH wanted to explore new options and transform their business model in order to both become more financially sustainable and connect with a wider audience.



Executive Summary

The business model proposed in this report supports REACH's vision to provide skills and meaningful employment to youth in Vietnam.

The business model is anchored on three new initiatives to be pursued by REACH:

1. The **REACH Academy** to serve a wider population of unskilled youth to develop skills needed in the future economy.
2. The **REACH Holdings** limited company to allow REACH's social enterprises to more effectively capture market opportunities.
3. Creating an **Endowment Fund** to generate sustainable income and diversifying its portfolio to help REACH grow.

The REACH Academy will focus on skills necessary to drive Vietnam's future economy including trade skills, technology, hospitality, caregiving, and agri-business. Training and job placement will be facilitated through a nation-wide **IMPACT Platform** where learners are connected to REACH training courses, training credit, and job-matching. The Platform would also provide validated qualifications through an electronic CV service (the **Tương Lai Card**).

The new REACH model sets an ambitious target of opening five new centres training a total of 100,000 students within five years. If successful, the REACH model can be a pioneer in vocational training and industry cooperation that can be replicated elsewhere in Vietnam or South-east Asia.



INTRODUCTION AND BACKGROUND

Global Leaders Programme



The **Global Institute For Tomorrow (GIFT)** is an independent pan-Asian think tank that provides content-rich and intellectually challenging executive education from an Asian worldview. GIFT's methodology invites participants to build greater self-awareness and test personal resilience whilst creating robust new business models linked to contemporary challenges and opportunities.

The **Global Leaders Programme (GLP)** is GIFT's flagship experiential programme designed for managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models that address the defining challenges of our times.

Project Team

21 participants from 12 countries and 10 companies joined GIFT's Global Leaders Programme (GLP) in Kuala Lumpur (Malaysia) and Hanoi (Vietnam) in November 2019.

In partnership with REACH, a non-profit organisation (NPO) set up in 2008 to provide training to disadvantaged youths in Vietnam, participants worked to produce business recommendations to support the NPO to become more financially sustainable and to transform the lives of more people in Vietnam.



A diverse cohort from prominent organisations across the region

Project Scope

Objectives

To propose recommendations for REACH to become financially-sustainable and scalable, and identify new opportunities to improve skill levels amongst Vietnam's labour force

Methodology

- Gain insights about Vietnam's socio-economic challenges and workforce demographics through interviews and focus groups with REACH's management team, students, partners and employers.
- Information gathering and analysis, business model generation and business planning sessions in Hanoi.

Outcome

- A business plan with analysis of key areas including: product development, sales and marketing, organisational structure, financial analysis, operations, policy recommendations, and social impact.
- A presentation at a public forum on Nov 29, 2019 at the Hanoi Club Hotel in Hanoi, Vietnam on the business plan to REACH, corporate partners, investors, academia, local NPOs and members of the media.



Problem Statement

Vietnam's remarkable development and economic liberalisation in the past 30 years has led to a significant decline in poverty and impressive growth in foreign direct investment (FDI) and GDP. The country's economy is supported by a young labour force and high labour participation for both men and women.

However, Vietnam's labour force does not have adequate skill levels. Only 21% of the workforce has had three or more months of training. To counter both demographic change and technological disruption, Vietnam's workforce must develop future-proof skills in order to support continued economic growth and social mobility.

REACH and its role in Vietnam's development

REACH is a NPO headquartered in Hanoi that provides vocational training and skills development for disadvantaged youth. REACH helps students acquire work-ready skills and find gainful employment. Annually, they train over 1,000 students, typically between 16 and 30, and have to date trained 17,000 students, placing 80% of them in jobs.

REACH currently relies on corporate donors. It has established four social enterprises to diversify its funding sources, but they have yet to generate reasonable profits.

In order for REACH to reach out to more students and become financially sustainable, it needs to transform its operations.

REACH needs a more sustainable and scalable business model to transform the lives of more Vietnamese people by equipping them with useful skills and connecting them to meaningful employment.

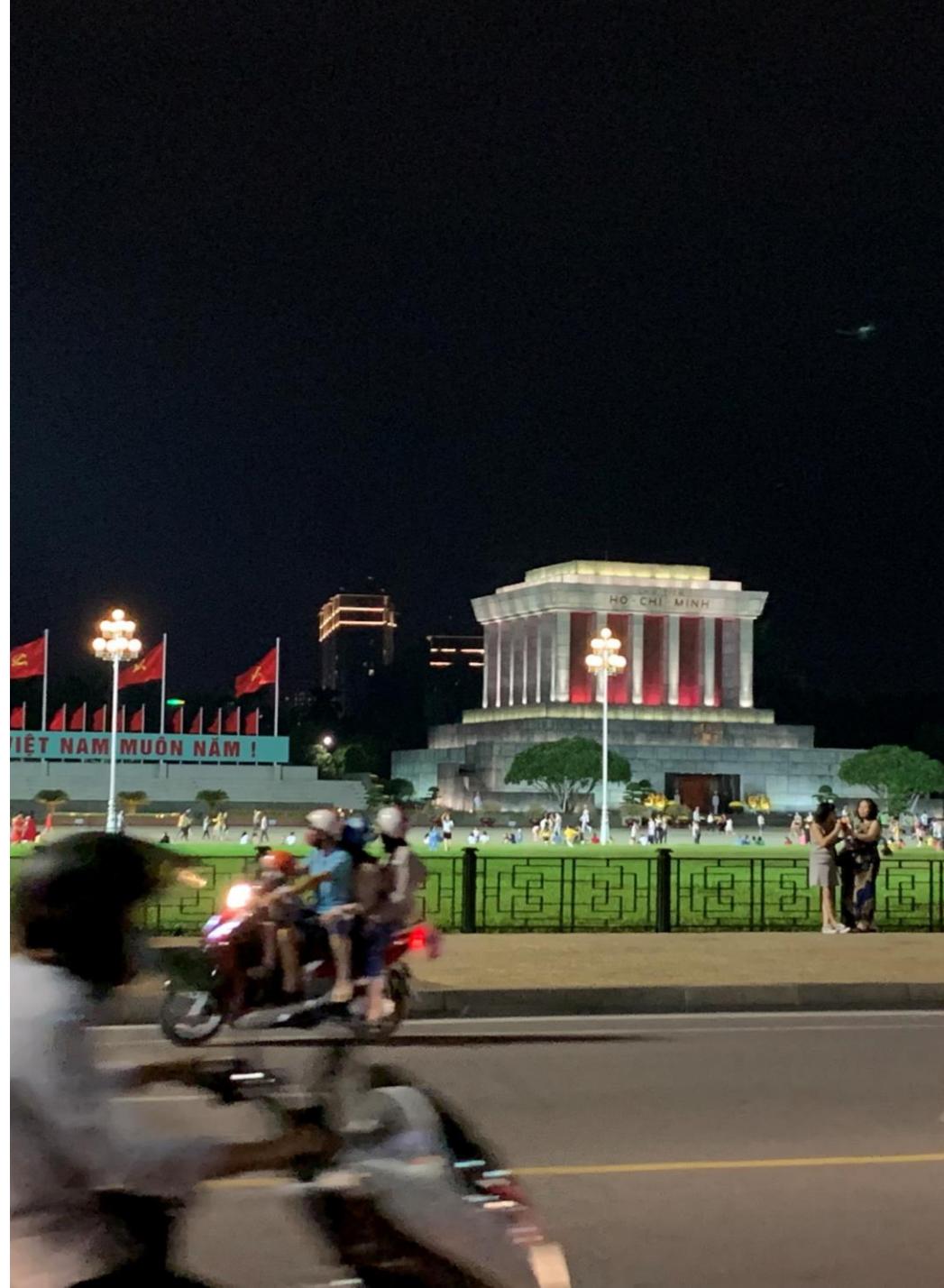
Transforming the lives of Vietnam's youth through skilling and meaningful employment



CURRENT SITUATION & CHALLENGES

Vietnam is an attractive FDI destination

- Vietnam is one of today's fastest-growing economies, growing at 6-7% annually.
- Abundant labour and competitive wages have made Vietnam an increasingly popular location for manufacturing, especially in the electronics, garment and food processing industries.
- In the first five months of 2019, the Foreign Investment Agency (FIA) reported that FDI had reached a four-year high of USD 16.7 billion, representing a year-on-year increase of 69%, driven in part by trade tensions between the United States and China.
- USD 10.5 billion, or 72% of Vietnam's inward FDI, went to manufacturing and processing, followed by USD 1.1 billion for real estate and USD 742.7 million for retail.



But finding skilled labour is a challenge for businesses

- Vietnam's low-cost labour has attracted FDI and driven economic growth, but it needs to rapidly increase the productivity, skill levels and quality of its labour force to remain competitive.
- Only one in five members of Vietnam's 54-million strong workforce has received training of three months or more.
- The World Bank reports that Vietnam currently has a shortage of workers whose skillsets match the job market.
- Companies are now looking for workers with technical skills to operate sophisticated machinery, and soft skills to help train others and manage more complex operations, among other tasks.

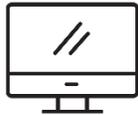


Upskilling Vietnam's young workforce key to sustainable growth

- At 1.89%, Vietnam has one of the lowest unemployment rates in the world. However, many jobs are in rural areas, at small street-side enterprises, or pay very low wages. Vietnam has the third-lowest GDP per capita among ASEAN nations (USD 2,353).
- The country has a young workforce — 74% are under fifty years of age — but most of them are unskilled. Unemployment amongst those aged between 15 and 24 are much higher than other age groups.
- Equipping Vietnam's youth with training and skills to contribute to the economy will be key to transforming lives and encouraging sustainable growth.



Key industries driving Vietnam's growth



Information Technology

- Vietnam's IT sector is young and fast-growing.
- The Vietnam Software Association (Vinas) reports that the country will need approximately 400,000 IT workers by 2020, but current education and training institutions can only provide 250,000.

Hospitality

- Tourism revenue — US\$9.3 billion in 2016 — is expected to double by 2027.
- Hanoi and Ho Chi Minh City have the largest number of tourist arrivals, but have fewer hotel rooms than other ASEAN cities with similar tourism levels.

Construction and Infrastructure

- Grew by 8.5% in real terms in 2018
- Investments in infrastructure, tourism and housing expected to drive growth.

Manufacturing and Processing

- Accounts for most of Vietnam's FDI.
- Companies have shifted manufacturing to Vietnam due to rising labour costs in China.

Agribusiness

- Vietnam is the world's fifth-largest exporter of agro-food commodities.
- However, quality of growth and productivity throughout the sector remains low.

Moving from low-cost agriculture and manufacturing to higher-value economic industries

Abundant opportunities to grow skills for the workforce



Growing industries and changing demographics will impact jobs and place higher demands on vocational skills

About REACH

- REACH is an NPO headquartered in Hanoi that focuses on vocational education and training (VET) and skills-development for Vietnam's disadvantaged youth.
- REACH's students usually come from poorer backgrounds, and have sometimes suffered abuse or discrimination due to different backgrounds or disabilities. Students have often dropped out of schools or have criminal records. Annually, they train over 1,000 students, typically between 16 and 30, and have to date trained 17,000 students, placing 80% of them in jobs.
- REACH currently provides training in: food and beverage, housekeeping, sales and marketing, graphic design, skincare and makeup, web coding, 3D modelling, hospitality, video design, cooking and hair dressing.
- REACH mainly relies on external donors, receiving approximately USD 1 million each year, mainly from foreign aid agencies, private donors, CSR funding, and NPOs.
- Programmes include three- and six-month courses followed by a six- or twelve-month consultation. Throughout the programme, students also learn basic life skills such as time management, communication, sexual health, teamwork and English skills.
- Cost per student is approximately USD 500. Courses are free, but REACH is testing a tuition recovery programme where successful graduates would pay back USD 150 over six months. (Handicapped students are exempted).
- REACH regularly conducts market analysis to gauge industry demand before curriculum is developed or updated.



REACH's Social Enterprises

REACH launched four social enterprises to provide spaces for students to learn practical skills, while providing new funding sources for the organisation.



However, REACH's social enterprises (with the exception of Revina) have struggled to break-even. Hired REACH graduates often need several months of additional training at the workplace to be fully skilled. Current students interning at these enterprises are restricted to simple tasks, reducing the educational benefit. Finally, as social enterprises are tied to REACH, they have a limited ability to act as commercial entities.

Social enterprises struggling succeed as either commercial enterprises or practical training centres

REACH – A SWOT Analysis

Strengths

- **Credibility:** REACH has a long track record of helping disadvantaged youth.
- **Good corporate links:** REACH enjoys strong support from large corporations.
- **Openness:** founder and management team are willing to consider new social enterprise models.

Opportunities

- **Foreign interest:** FDI and international expansion into Vietnam will increase demand for skilled labour.
- **Social need:** at least 40 million workers have had little-to-no access to training programmes.
- **Alignment with public policy:** Vietnam's government is committed to upskill the workforce.

Weaknesses

- **Not financially sustainable:** REACH is reliant on a few large donors.
- **Limited reach and scalability:** REACH only supports 1000-1200 students annually.
- **Limited revenue streams:** social enterprises are neither profitable nor scalable.
- **Lack of commercial knowledge:** difficult for existing team to transform NPO to financially-sustainable entity, and is currently not attracting talent to drive this transformation.

Threats

- **Financial instability:** donor withdrawal will have a significant effect on REACH's finances.
- **Lack of focus:** a too-diversified curriculum or enterprise portfolio can threaten efficiency and performance.
- **Competition:** social enterprises in saturated markets may have difficulty surviving against more efficient and commercial businesses.

Addressing the problem

While REACH's social enterprises have been somewhat successful in providing training and employment opportunities for graduates, they have not succeeded in diversifying REACH's sources of funding.

90% of REACH's operating costs in 2018 were covered by only 10 donors. With the exception of Revina, REACH's social enterprises do not have clear governance structures, commercially-experienced management, or leverage REACH's reputation.

In addition, REACH's current students — often those at the bottom of the socio-economic ladder — would not be able to pay for entry-level training if priced commercially. There is a larger market of middle-income household students who require vocational training that REACH can tap into.

Thus, the project team identified the following issues REACH needs to address in order to achieve its objectives and scale its operations.

REACH needs a more sustainable and scalable business model to transform the lives of more Vietnamese people by equipping them with useful skills and connecting them to meaningful employment.

Areas to expand

- Scale its foundation of vocational and skills training.
- Leverage and deepen its corporate relationships to form mutually-beneficial partnerships.
- Work with government and corporate investors with an interest in social enterprises.
- Leverage the REACH brand in its social enterprises.

Areas to improve

- Improve the profitability, management, branding and marketing of REACH's social enterprises.
- Diversify sources of funding to reduce reliance on donors.
- Increase management capabilities commensurate with a large-scale organisation.
- Bring in talent with experience running commercial businesses.

Conceiving a business model that addresses both REACH's issues and the skills gap in Vietnam



BUSINESS MODEL

Summary

The proposed business model supports REACH's vision to provide skilled training to disadvantaged youth, providing it with the financial sustainability to do so, as well as allowing it to scale up its operations to connect more youth with useful skills and meaningful jobs.

The model is focused on three key pillars:

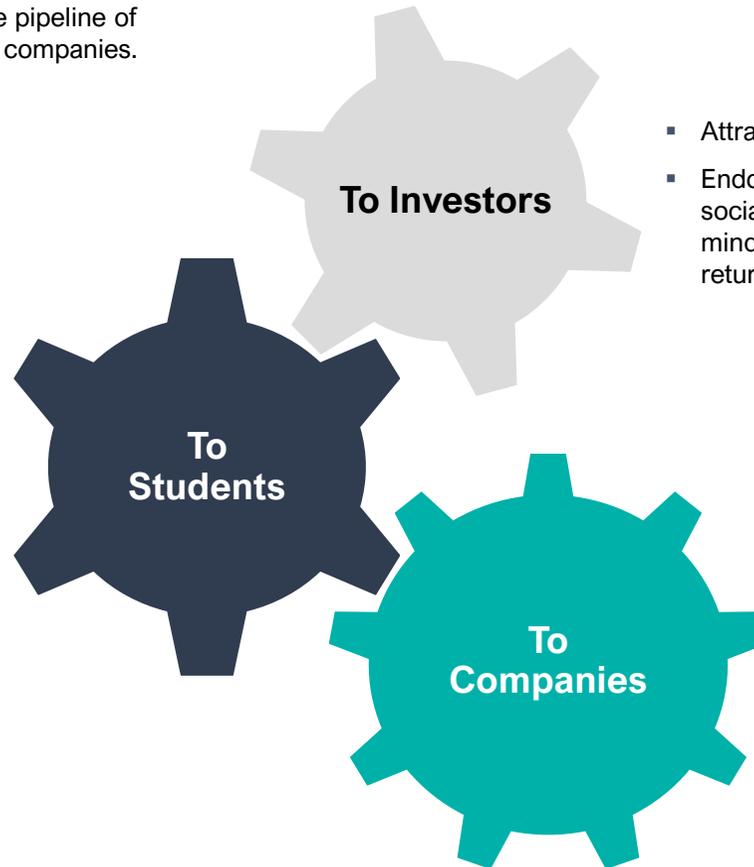
1. Establishing a **REACH Academy** that would provide useful trade skills, IT, hospitality and caregiving skills to a broader spectrum of youth and supported by tuition and financial aid.
 - Five centres with the goal to train 100,000 unskilled youth over five years
 - Creation of an **IMPACT platform** to facilitate electronic CVs, job placements, and tie in with e-payment platform for easy management of tuition recovery and provision of enterprise services
2. Establish a secure and consistent funding channel for REACH NPO through an **endowment fund** managed by experienced fund managers.
3. Restructuring of all commercial enterprises to be managed under a limited company "**REACH Holdings**" and selectively expanding profitable businesses.



Value Proposition

The proposed business model aims to benefit a wider pool of unskilled youth thus contributing to Vietnam's future workforce; provide attractive returns and social benefit to investors and donors; and provide a sustainable pipeline of skilled workers to fill much-needed positions at companies.

- Providing affordable and useful skills training to Vietnamese youth, giving them further employment opportunities.
- Connecting students with meaningful employment by job-placement and verified qualifications.



- Attractive investment for private sector and individuals.
- Endowment fund to help fund non-profit and purely-socially-minded activities, while more commercially-minded organisations will have the freedom to offer returns to investors.

- Building a qualified workforce in order to suit the labour needs of the private sector.
- Courses that align with national skills gaps and future requirements.

A business that is financially sustainable, scalable and with substantial social impact

The Three Pillars of the REACH Model

The business model recommends REACH to separate its commercial activities into REACH Holdings (for its social enterprises) and start a REACH Academy that serves fee-paying students.

REACH Academy

- 6 REACH Academy will help serve the approx. 10 million young people who would benefit from vocational training and have some ability to pay.
- 7 REACH Academy will offer similar courses to REACH NPO and work closely with industry partners to develop courses well-suited to their needs. Industry partners will be sought to provide both training and fair employment opportunities to REACH graduates.
- 8 REACH will provide a **Tương Lai Card** to students and other partner providers, which serves as an electronic CV listing validated skills acquired from REACH and other courses, and a one-stop platform (**IMPACT Platform**) for all training and job-related services.
- 9 A **Vocational Tuition Aid** in partnership with microfinance institutions and employers is suggested to help fund students and recover fees through an automatic repayment system linked to their salaries.

REACH NPO

- 1 The REACH NPO will continue the important social work of providing vocational training and life skills to disadvantaged youth in Vietnam. These students – such as those with disabilities or criminal records – will not be asked to pay tuition.
- 2 REACH NPO's funding base will be broadened and made more sustainable. While it will continue to seek direct donations from individuals, foundations and companies, it will also establish an **endowment fund** whose returns would provide long-term funding.
- 3 The NPO will also be funded by returns from the two other pillars of the REACH model: **REACH Holdings** and **REACH Academy**.

Sustaining a social mission through donations, investment returns and returns from commercial entities.

REACH Holdings

- 4 REACH's four social enterprises, and any other enterprises it will create, will sit under a private limited company. This will give these enterprises the flexibility to operate and grow as fully commercial entities. Back-office services, such as financial management, HR and legal services will be centralised at a single headquarters to minimise cost. REACH Holdings will still support REACH's training efforts, by helping to develop the curriculum, providing a practical training space for students, and being a potential employer for students.
- 5 REACH Holdings will also develop an expansion strategy for REACH's social enterprises. One proposed plan is to expand Revina into HCMC. REACH Holdings will also be tasked with establishing new businesses to suit market needs.

Allowing social enterprises to thrive as commercial entities.

Partnership Ecosystem for REACH

Funding Partners: Supports funding for REACH NPO and students.

 Endowment Fund	<ul style="list-style-type: none"> • Long-term diversification of funding • Seek professional fund managers • Socially responsible investments
 Micro-Financing Institutions	<ul style="list-style-type: none"> • Tuition financing for students • Seek agreement to disburse fees to Academy and repayment recovered from employers
 Government	<ul style="list-style-type: none"> • Supportive taxation relief, property or land concessions, and policies toward VET
 Other Financial Institutions	<ul style="list-style-type: none"> • Soft loans for training and curriculum development
 Donors	<ul style="list-style-type: none"> • Encourage to allow allocation of donations into endowment fund for sustainable returns to the NPO • Seek more diversified donors
 Investors	<ul style="list-style-type: none"> • Investment in social enterprises • Impact investors

Business Partners: Provides curriculum development, training and employment opportunities.

 REACH Social Enterprises	<ul style="list-style-type: none"> • On-the-job practical training, interaction with real customers • Apprenticeships and internships • Curriculum design • Employment and continuous training • Funding for the NPO
 Corporations	<ul style="list-style-type: none"> • On-the-job practical training, interaction with real customers • Apprenticeships and internships • Curriculum design • Employment and continuous training
 Academic Institutions	<ul style="list-style-type: none"> • Curriculum design and exchanges • Academic pathways and interactions for students • Research on VET • Training for teachers
 Industry Bodies	<ul style="list-style-type: none"> • Curriculum design • Board representation • Testing and examination
 Professionals	<ul style="list-style-type: none"> • Training and commercial advice • Board representation

Mutually beneficial partnerships will support REACH's social mission and drive for financial sustainability

Brand and Marketing Strategy

- A clear and power message should secure REACH's reputation as a leading VET provider with a sustainable model for unskilled youth. The message should be **emotional, Vietnamese, and young**, reimagining what VET could be and elevating its position as an enabler of future career opportunities. This vision should be aligned throughout all of REACH's operations and conveyed to all potential investors.
- Below are some recommended strategies:

REACH Upskilling Conference	REACH IMPACT Platform	REACH Tương Lai Card	Learn, Work, Play Model	Partners
<ul style="list-style-type: none">▪ An upskilling conference and competition, conducted in partnership with large corporations and other institutions, can raise the profile of REACH's brand.	<ul style="list-style-type: none">▪ By offering a wide range of services, such as educational tools, mentor listings, contractors listings, and so on, the IMPACT platform can put REACH's brand in front of a broader userbase.	<ul style="list-style-type: none">▪ REACH should promote the Tương Lai Card should be promoted as a tool for all workers to track their skills levels, increase their training credits, and improve their employability in the labour market. This, in turn, will connect youth with the idea of vocational training.	<ul style="list-style-type: none">▪ By positioning the IMPACT Platform as a tool for learning, work placement, and leisure, people will be encouraged to use the Tương Lai Card more and thus raising REACH's brand value.	<ul style="list-style-type: none">▪ Strategic partnerships, such as with e-wallet providers, MFIs, online-learning platforms, and others, will introduce the REACH brand to their userbase, assisting broader marketing efforts.

A message focused on empowering the unskilled and raising the prestige of vocational training

Social Benefits



- **The proposed business model will upskill 100,000 unskilled youth in Vietnam within five years.**
- If successful, this model can be replicated elsewhere in Vietnam and serve the estimated 40 million unskilled workers.
- REACH will provide vocational courses that will be less likely to be displaced by automation. Cognitive and behavioural skills would also be useful for numerous careers. This would create a population of workers that can withstand technological and economic disruption.
- REACH can become a pioneer of how industry works with both academic and VET institutions in developing countries. This would deepen links between the global economy and local societies, ensuring that globalisation and global supply chains benefit ordinary people.

If successful, the REACH model can be replicated in other communities in Vietnam and beyond



REACH NPO

Overview

The REACH NPO will preserve many of the same processes as the existing REACH organisation. It keep its focus on youth that do not have easy access to economic opportunities, providing training and education to them as a public service. REACH NPO will primarily focus on youth:

- From disadvantaged rural communities, including ethnic minorities;
- With physical and/or mental disabilities, or those who face discrimination;
- With previous criminal records;
- School drop-outs;
- Those from disadvantaged households.

Student Recruitment

REACH will visit rural communities and conduct information sessions for prospective students with the help of local governments, NGOs and community associations. REACH NPO officials will conduct due diligence on potential students to assess their financial and family backgrounds, to ensure that only the neediest are enrolled.

Outreach can be combined with the IMPACT platform to reach remote and marginalised communities in a less resource-intensive way.



REACH NPO will preserve the original social mission of REACH

Endowment Fund (1/2)

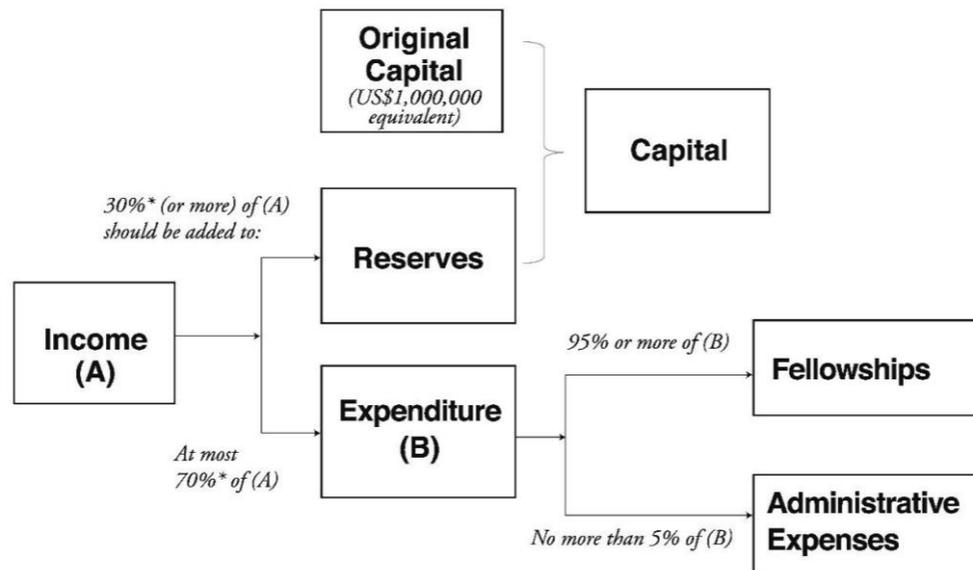
- The **REACH Endowment Fund** is an investment fund set up to reduce the NPO's reliance on donations.
- Managed by professional fund managers and governed by a board of trustees, the fund's interest will be used to help fund the NPO's operations.
- Donors may be more interested in adding to the principal of the endowment fund, as a single donation could help sustain operations far into the future.
- Instead of REACH Academy and REACH Holdings, which will be more commercially-minded operations, REACH NPO will remain primarily an organisation driven by a social purpose. Thus, donations will remain a significant part of the REACH NPO's operations.



An investment fund with a structured and transparent governance body and framework

Endowment Fund (2/2)

Flow Chart of Sylff Endowment Management



- Managed by an experienced investment professional, the Endowment Fund will invest in equities, fixed income assets, and alternative investments.
- It is proposed that the initial funds shall be raised from government, private sector, and high net-worth individuals.
- It is estimated that the fund will grow at 8% per annum. 5% will be withdrawn for REACH's operational use and 1% will be fees. Any surplus can be reinvested into the fund to grow the principle.
- An example of an Endowment Fund in Vietnam is the **Tryba Foundation**, a fund used to support aid for children's projects, and the **Sylff Endowment Fund** – an endowment fund started by the Sylff Association in Japan and is shared by Vietnam National University, Hanoi, and Viet Nam National University, Ho Chi Minh City. (Flow chart to the left explains its rules of management)
 - <http://www.atrya.com/en/our-vision/our-endowment-fund>
 - <https://www.sylff.org/institutions/vietnam-national-university-hanoi/>

Interests of the fund are used for socially beneficial programmes at REACH



REACH ACADEMY

Value Proposition

REACH Academy is a professional vocational training institution that aims to transform the lives of Vietnamese youth by providing future-proof vocational skills and meaningful employment.

Certified training

- 3-month blended training comprising online and classroom sessions
- Accredited by professional industry bodies

Future-proof vocational skills

- Focused on key growth industries
- Supplemented with life skills, cognitive and behavioural skills

Practical learning

- Practical learning through industry collaboration, apprenticeships and internships

Industry Connections

- Close collaboration with industry and industry bodies on curriculum and standards

Job-matching service

- Assistance with finding employment through a job-matching portal

Access to financing

- Access to tuition financing through microfinance institutions, corporate loans and scholarships

Community Centres

- Educational centres that also act as community centres
- Partner with government to support the creation of community educational centres

Providing fee-paying students with certified vocational skills and job placements

Operations

Curriculum and Courses

REACH Academy will teach **three-month courses** focusing on skills well-suited to future demographic, technological and economic changes in Vietnam, as well as essential life skills. Probable courses include:

- Trade skills in construction, manufacturing and maintenance
- Technology, application/software development
- Logistics
- Agri-business
- Hospitality
- Caregiving
- Life skills

Courses will combine classroom sessions, online learning, and practical lessons in business environments.

Courses will be **certified and accredited** by professional bodies.

Operations and Management

The Academy will have a separate organisational structure from the REACH NPO, which will give it the flexibility to pursue courses with industry partners and charge tuition. REACH NPO, due to its social mission towards disadvantaged youth, is more constrained.

While the Academy will have centralised back-office functions (i.e. finance, sales and marketing, and HR), training centres will have local staff handle operations, such as recruitment, intake, training and placement.

The Academy should seek help from external partners for some of the training centres, specifically from the public and private sectors. They can also serve as **community centres** to gain government support.

Target Market and Scale

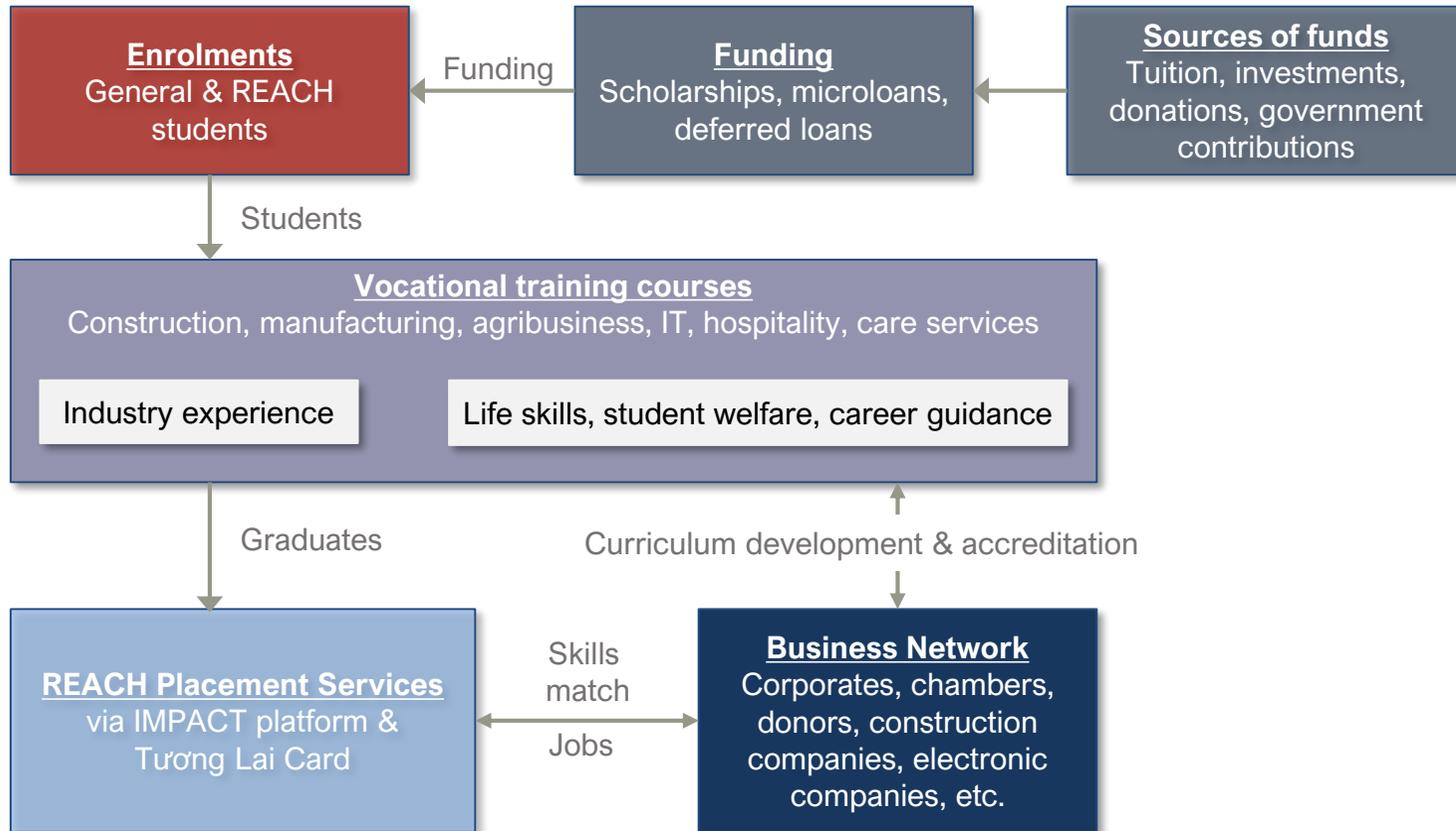
Unlike REACH NPO, which focuses on disadvantaged youth, REACH Academy will target **middle-class youth**: a potential market size of 10 million students.

An affordable USD 300 of tuition will be set, and a new **Vocational Tuition Aid** in partnership with microfinance institutions and employers is proposed to help finance students.

Five centres will be established over five years, enrolling a total of 100,000 students. These centres will be opened in locations that comprise of a healthy population of students interested in vocational training.

Courses designed with the future in mind will enable the large-scale upskilling of Vietnam's workforce

REACH Academy Model



REACH Academy would pioneer cooperation between training institutions and the private sector

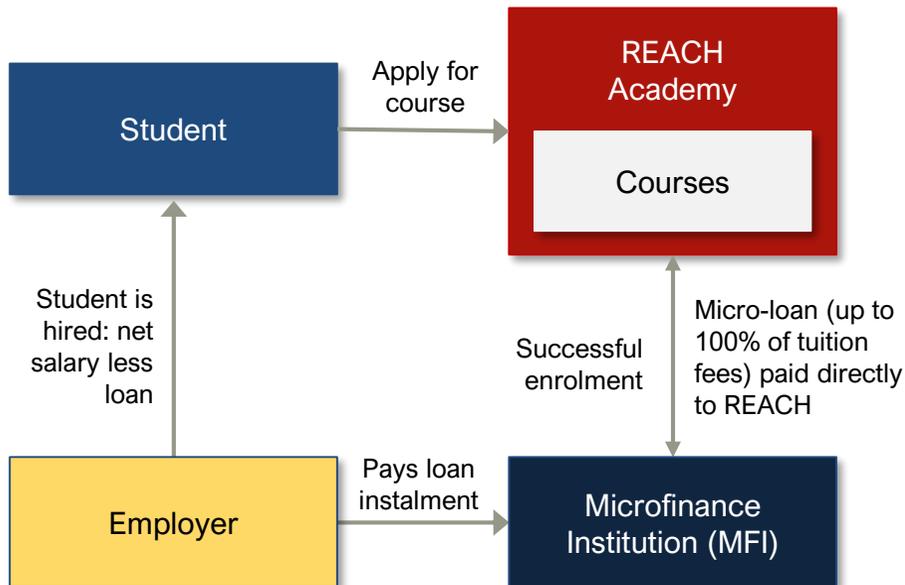
Vocational Tuition Aid (VTA)

Vocational Tuition Aid (VTA) would provide student funding at scale.

- REACH would reach an agreement with a microfinance institution to provide loans to students accepted to REACH Academy courses. Funds would be provided directly to REACH.
- Students would not pay tuition upfront and would only pay after securing post-graduation employment. Credit risk is therefore borne by the MFI.
- REACH Placement Services would help place students into new careers via its IMPACT Platform. The employer would make loan payments to the MFI, and deduct the cost from the employee's salary.

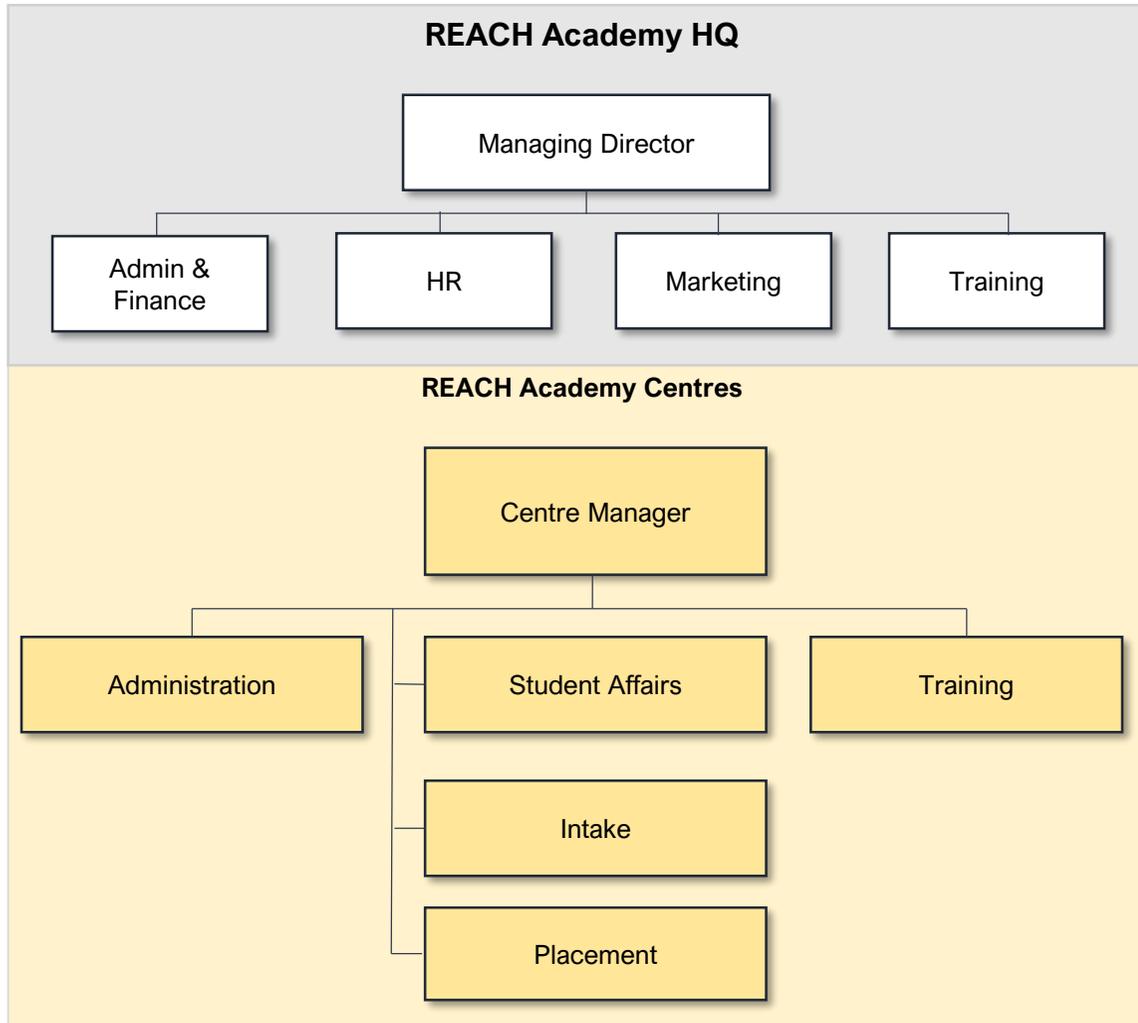
Benefits to REACH

- **Reduced initial capital cost.** Model allows REACH to recover full or part of the training cost, upfront.
- **Streamlined payments.** Direct (re)payments would lower transaction costs for the MFI, while allowing the MFI to deal with more established entities.
- **Attractive to students.** The lack of upfront tuition would be a competitive advantage in the training marketplace.
- **Larger customer pool.** Other VET institutions could join the VTA system if their graduates are placed through REACH Placement Services. REACH will decide which institutions are eligible for VTA to ensure quality control.



Allows REACH to serve a wider student population while placing credit risk on the potential employer

Organisational Structure



Approx. 144 human resources are needed



IMPACT PLATFORM

About the IMPACT platform

The IMPACT platform is an integrated job-placement system that would connect graduates from VET institutions (including REACH) with employment opportunities.

Currently, student recruitment and placement is time- and labour-intensive. The IMPACT platform would reduce the level of effort needed to guide a student through their learning journey, from recruitment to placement in a meaningful career.

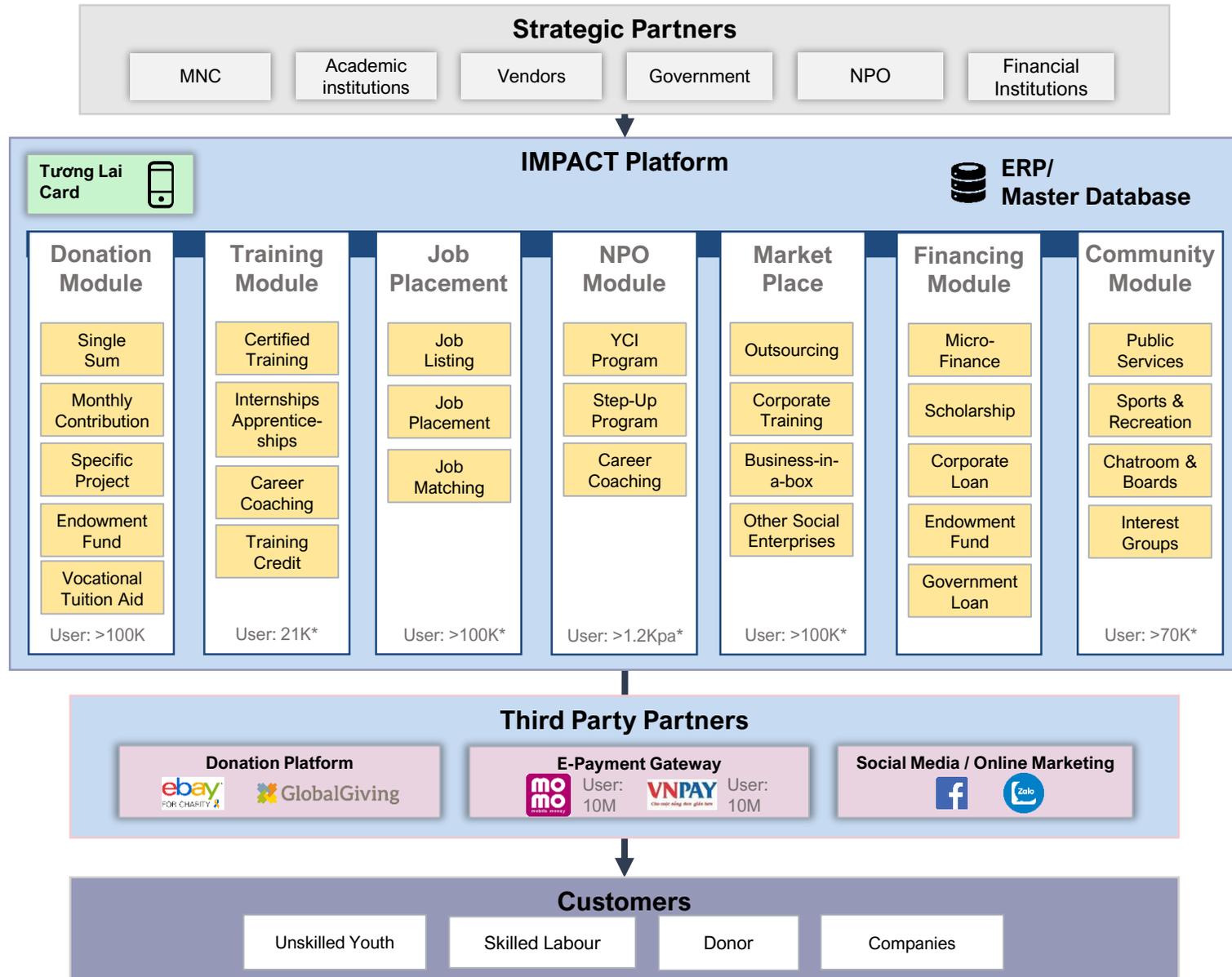
Students will develop a profile, which will help inform training recommendations and job placements.

The IMPACT platform will be backed by the **Tương Lai Card**, which holds a student's academic, training, and work experience information and automatically generate an electronic CV.



A platform connecting REACH graduates with meaningful employment opportunities

IMPACT Platform Model



IMPACT Platform Services

Primary Services

1. **Job-placement:** Graduates from VET institutions will be connected to meaningful careers in growing sectors.
2. **Contractor marketplace:** Graduates with skills more suitable for independent contracting (e.g. caregiving, home repair, etc.) can list themselves on the platform for hire from interested customers.
3. **Training:** Students can access the online portions of their courses through the IMPACT platform.
4. **NPO services:** Disadvantaged youth attending courses in REACH NPO need additional support and mentoring; this can be provided through the platform to help achieve scale and lower costs.

Secondary Services

1. **Product marketplace:** REACH's social enterprises, where appropriate, can sell their products and services through the IMPACT platform, increasing their reach.
2. **Donations:** REACH can solicit donations through the platform, thus including individual donors to the donor base.
3. **Community services:** REACH training centres will also be community centres to more tightly link vocational training to the wider community. Community services can also be offered through the IMPACT platform.



New services to provide revenue and marketing channels can be added to the IMPACT platform over time

REACH Tương Lai Card (E-CV)

Named from the Vietnamese term for “future” – the Tương Lai Card is Vietnam’s first “skills card” that would act as a verified and validated record of a person’s skills, training and work experiences.

Key Features

- The core feature of the application is a record of academic qualifications, attended trainings, vocational skills and work experience.
- Qualifications are verified by REACH: thus, job seekers have a verified and validated electronic CV.
- Integration with REACH’s IMPACT platform ensures that a wide range of employers can access more information behind these qualifications.
- Students can see progress towards different skill levels, which can help drive further interest into deeper vocational training. Training credit offered for successfully-completed courses could help encourage further education.



Providing certified and validated proof of an applicant’s qualifications and skill level



REACH HOLDINGS

Benefits of Consolidation (1/2)

REACH's current social enterprises will be brought under one holding company, "REACH Holdings." This will act as a centralised headquarters with centralised back-office services, such as administration, finance, sales and marketing, and HR.



Brand and Marketing

- Enterprises will be labeled "Social Enterprises by REACH" to leverage REACH's brand.
- Enterprises will increase the range of products and services offered.
- REACH Holdings' marketing strategy will focus on digital, social media and influencers.



Greater exposure and brand awareness



Business-in-a-box

- Systematic processes of starting, operating and growing a social enterprise can be replicated elsewhere to reduce expansion costs.
- Replicable processes can include marketing strategies, POS, payroll systems, finance and bookkeeping, use of technology, and learning and development modules.



Cost reductions and productivity gains



Benefits of Consolidation (2/2)

Strategic Expansion

- REACH Holdings will strengthen the businesses of EM Salon, Tre Restaurant and KOI Bento through thoughtful planning, hiring, location selection, value proposition and growth strategy.
- Revina, which already has a profitable model, should open a second branch in HCMC and expand its offered services to include higher-value IT services like coding and IT systems management.
- EM Salon should consider appropriate locations for further expansion.



Additional revenue



Structure

- By bringing social enterprises under the REACH Holdings umbrella, efficiency and commercial viability would be improved.
- REACH Holdings should hire a company director with significant experience in running successful companies.
- It should hire an experienced finance professional to manage the overall cashflow of the social enterprises.
- It should hire a marketing executive with 2-5 years' experience to manage the enterprises' marketing strategies.

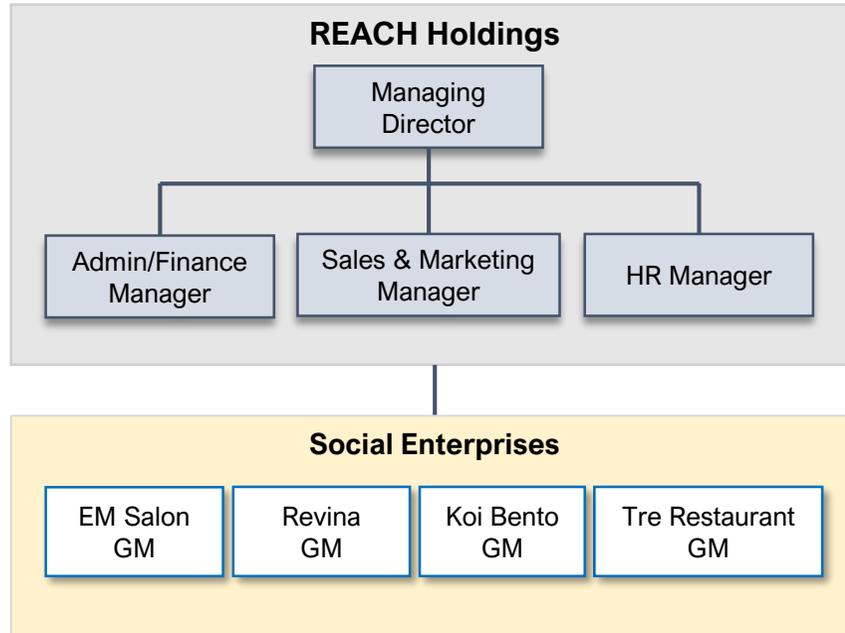


Improved efficiency and profits



Introducing a commercial and professional management structure for REACH social enterprises

Organisational Structure



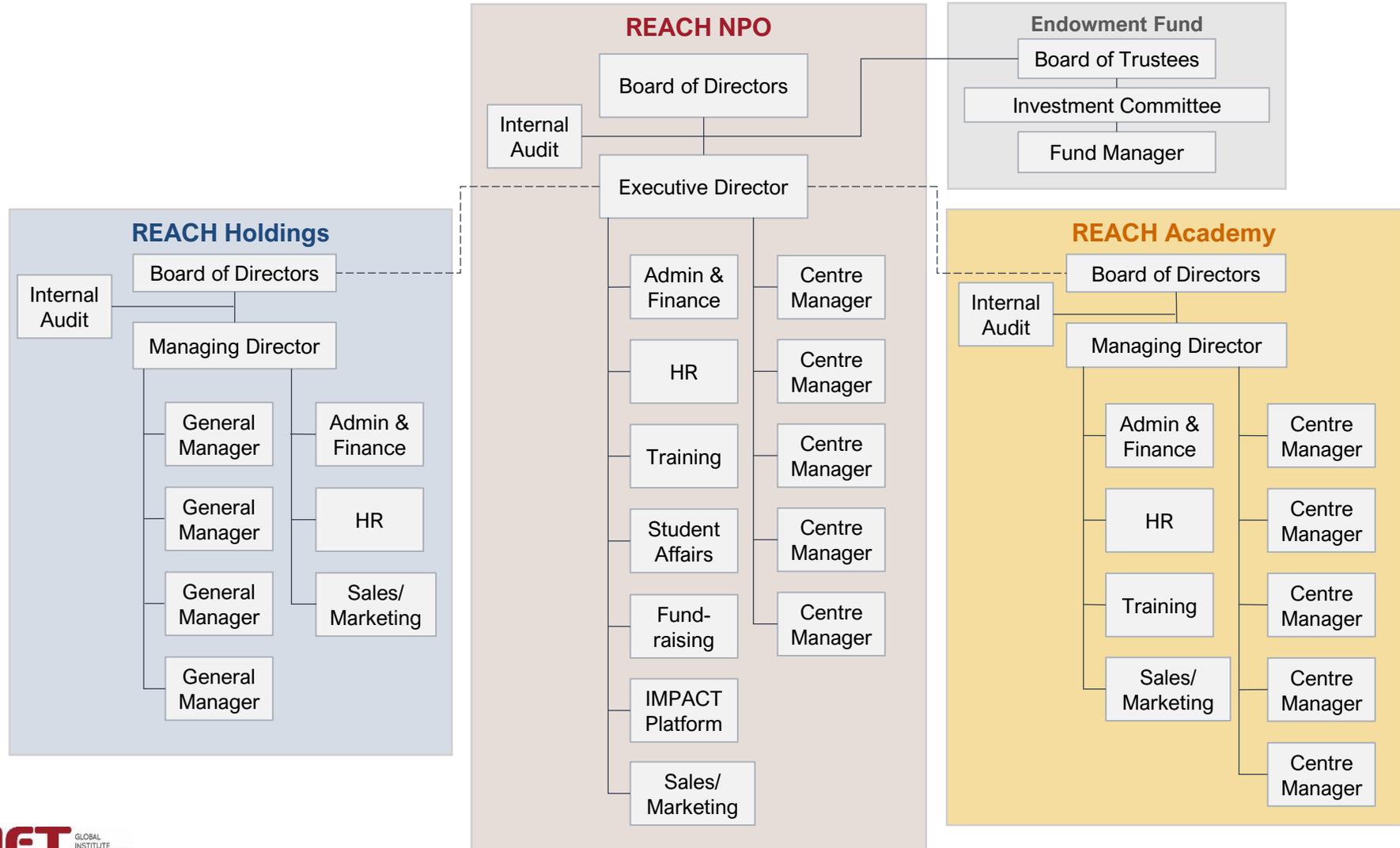
Centralising core functions while preserving independent operational management



GOVERNANCE

Proposed Organisational Structure

The following organisation structure is proposed to support the effective and transparent governance and management of REACH NPO, Endowment Fund, REACH Holdings, and REACH Academy.



REACH NPO – Key Roles & Responsibilities

	Main Roles	Responsibilities
REACH NPO	Board of Directors	<ul style="list-style-type: none"> • Review and monitor the performance of the NPO • Appointment of the Executive Director • Provide direction concerning strategy and implementation • Budgeting <p>It is recommended that the board comprise of the Executive Director, development specialists, educational and training professionals, industry and chamber professionals, and government representatives.</p>
	Executive Director	<ul style="list-style-type: none"> • Ensure overall success of the NPO • Responsible for stewarding and shaping the company’s vision and mission • Responsible for growth, cash and value generation • Hiring the Centre Managers and other function managers • Responsible for fundraising activities and partnerships • Work closely with the endowment fund trustees • Act as the channel between Boards, strategic partners and entities • Lobby government for supportive policies
	Internal Audit	<p>The internal audit function will independently assess the effectiveness of each social enterprise. A review will be performed at least once a year.</p>

Endowment Fund – Key Roles & Responsibilities

	Main Roles	Responsibilities
Endowment Fund	Board of Trustees	<ul style="list-style-type: none"> Responsible for establishing the overall investment objective and financial return goal Creating a qualified Investment Committee to oversee management of the portfolio Review and approve requests for funds from REACH <p>It is recommended that the Board of Trustees has 7 members, including 3-4 CEOs of large companies and a country director from multilateral organisations e.g. World Bank.</p>
	Investment Committee	<ul style="list-style-type: none"> Establish and implement the investment strategy on behalf of the Board of Trustees. <p>It is critical that most of the Investment Committee members have significant portfolio investment experience to ensure that the fund is appropriately managed.</p> <p>It is recommended that the Investment Committee include no less than 5 and no more than 9 members. The Investment Committee will meet no less than quarterly to review portfolio performance.</p>
	Fund Manager	<ul style="list-style-type: none"> Responsible for management of fund and distribution of funds as directed by the Investment Committee.

REACH Holdings – Key Roles & Responsibilities

	Main Roles	Responsibilities
REACH Holdings	Board of Directors	<ul style="list-style-type: none"> Review and monitor the performance of social enterprises Appointment of the Managing Director Provide direction concerning strategy and implementation Budgeting <p>It is recommended that the board comprise of the Executive Director, entrepreneurs, educational and training professionals, and industry and chamber professionals.</p>
	Managing Director	<ul style="list-style-type: none"> Ensure overall success of the social enterprises Responsible for stewarding and shaping the company’s vision and mission Responsible for growth, cash and value generation Hires the General Manager for each social enterprise and managers for centralised functions Ensures management team stays competitive and on the look-out for growth opportunities in customers and markets Acts as the channel between Boards, strategic partners and entities Manages the centralised functions for social enterprises
	Internal Audit	<p>The internal audit function will independently assess the effectiveness of each social enterprise. A review will be performed at least once a year.</p>

REACH Academy – Key Roles & Responsibilities

	Main Roles	Responsibilities
REACH Academy	Board of Directors	<ul style="list-style-type: none"> Review and monitor the performance of the Academy Appointment of the Managing Director Provide direction concerning strategy and implementation Budgeting <p>It is recommended that the board comprise of the Executive Director, educational and training professionals, industry and chamber professionals, community leaders, and government representatives.</p>
	Managing Director	<ul style="list-style-type: none"> Ensure overall success of the Academy Responsible for stewarding and shaping the Academy’s vision and mission Responsible for growth, cash and value generation Hiring the Centre Managers and managers for centralised functions Ensure management team stays competitive and on the look-out for growth opportunities in customers and markets Act as the channel between Boards, strategic partners and entities. Manage the centralised functions for the Centres
	Internal Audit	The internal audit function will independently assess the effectiveness of the Academy. A review will be performed at least once a year.

Quality Assurance

The following measures are advised to ensure that REACH's training and products and services are provided at a high quality.

REACH Academy

- Form strategic alliances with professional educational institutes and industry bodies, both local and international, to provide accreditation for the various VET curricula.
- Hire teachers who have received professional teacher training, and preferably also industry experience, and provide ongoing training for teaching and learning.
- Enlist the help of industry professionals as trainers or advisors.
- Partner with companies to deliver the practical modules of the curricula.
- Periodically review course content to ensure that curricula delivered are up to date and delivered well.
- Survey employers to understand the skill level of graduates and address any gaps in the courses.

Social Enterprise Products & Services

- Hire a professional and experienced management team for REACH Holdings and the social enterprises.
- Hire competent staff to run the key functions of the business and groom competent graduates for these roles.
- Aim to achieve ISO or other equivalent certification for certain aspects of the businesses.
- Establish an in-house periodic quality audit mechanism with industry benchmarking.
- Regularly survey customers on satisfaction and gather suggestions for new products and services.





FINANCIAL ANALYSIS & INVESTMENT

Summary

- The objective of this business plan is to support REACH to build a sustainable and scalable business so it can empower the people of Vietnam to transform their lives through skilling and meaningful employment. REACH therefore requires a financially sustainable business model in order to execute this mission.
- The proposal presents an opportunity for investors who wish to create positive social impact through investment in the skilling ecosystem of Vietnam, through their support of REACH's initiatives and enterprises.
- This section includes the base case financial projections for REACH NPO and the recommended subsidiary companies for the next 5 years of operations.
- It is recommended that REACH entities work with social impact investors, multi-national companies and the government to raise the required funds for the proposed businesses.
- The financial model assumes three main revenue streams for REACH NPO going forward:
 1. REACH Academy
 2. REACH Holdings
 3. Endowment Fund
- Additional funds will be raised for the Endowment Fund in the future to facilitate additional growth of the fund and projected returns for REACH NPO.



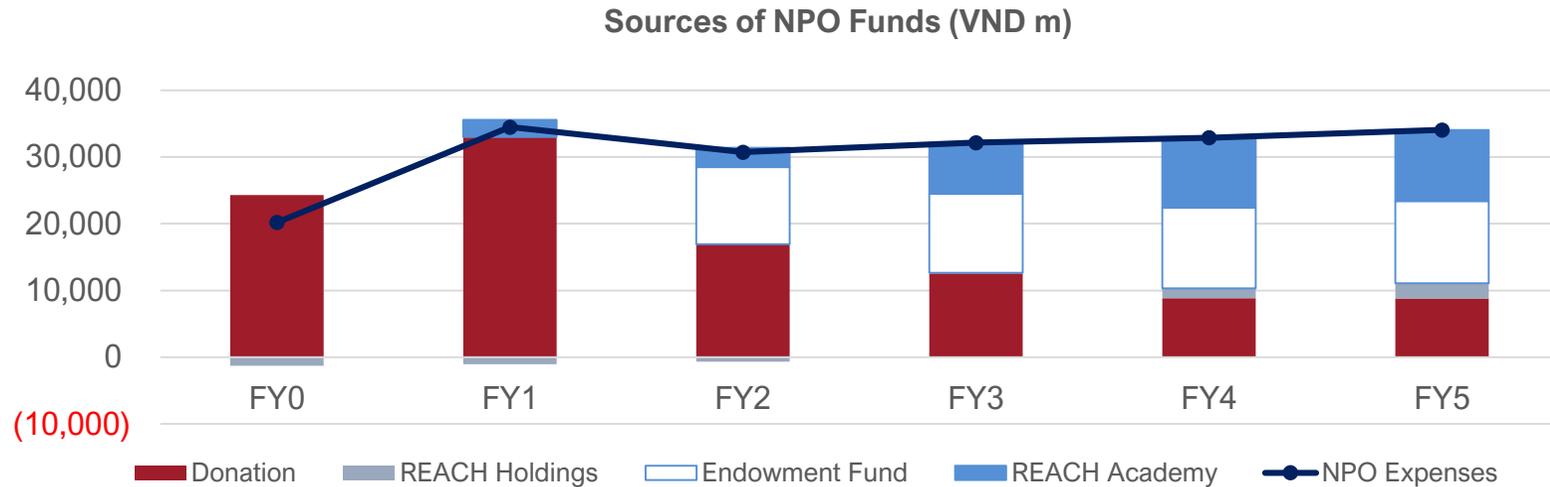
Building a sustainable future for REACH to achieve its mission

Key Assumptions

	REACH NPO	REACH Holdings	REACH Academy	Endowment Fund	General
Revenue Assumptions		20-30% annual revenue growth of the existing 4 social enterprises.	Tuition Fees of USD 300 per student per 3 month term. The expected number of students for the first 2 years is 12,500 and for the 3 rd – 5 th year is 25,000.	The initial fund raise for the endowment fund would be USD 10 million.	
Cost Assumption	The projected expenses for upcoming 5 years is based on the financial assumptions of the REACH NPO finance team including the additional costs for developing the IMPACT platform.	Ongoing costs of running social enterprises unchanged in the short term. Additional restructuring costs in year 1 to reflect the establishment of REACH Holdings.	Facilities for two of the five locations to be provided by the Government or the private sector. Other facilities rented. Costs of development and building construction to come from allocations from Government and strategic partners.	Set up costs funded through capital raise.	Estimated inflation rate is 4% p.a.
Operating Assumptions	IMPACT Platform is created under the NPO.	Sales & Marketing is centralised, improving operating efficiency.	Centralised management at Hanoi facility with 4 additional facilities to be opened, one per year. Operating costs include overheads and maintenance costs at training centres.	Fund management is outsourced to professional asset managers with 1% annual management fee.	
Investment	IMPACT platform implementation to occur in phase 2 and be funded through the NPO.	2 nd Revina branch to be opened in 2021, to be funded by REACH NPO.	Source of capital for setting up Academy comes from strategic partners – governments, multinationals, and high net worth individuals.	The return of the Endowment investment is 8% annual.	

REACH NPO Cashflow

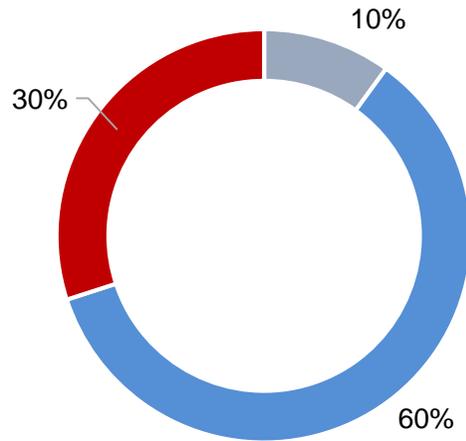
- Going forward, REACH NPO will have more sources of diversified funds as demonstrated in the chart below.
- The projected source of funds is based on the implementation of the REACH Academy, Endowment Fund and REACH Holdings business streams.
- Providing the costs remain at the same level at REACH NPO (as per the latest financial statements), the cashflow returned to REACH NPO will cover the projected costs of establishing new entities in the long term and the cost of implementing the IMPACT platform.
- It is projected that REACH NPO is able to expand its business with sustainable funding.



REACH NPO - Annual expenses in VND m	FY0	FY1	FY2	FY3	FY4	FY5
Training expenses	20,211	22,456	24,702	27,172	29,889	32,878
Impact Platform, net	-	12,044	5,030	5,000	3,017	1,189
REACH Holding	-	-	1,000	-	-	-
REACH Education	-	-	-	-	-	-
Total	20,211	34,501	30,732	32,172	32,906	34,068

Endowment Fund – Initial Investment Required

Source of Funds for the Endowment Fund



■ Government ■ Private Sector ■ High Net Worth Individuals

- The Endowment Fund will be managed by an external fund manager.
- The proposed Endowment Fund will invest in Equities (30%), Fixed Income Assets (60%) and Alternative Investments (10%).
- It is proposed that the initial funds raised shall be USD 10 million.
- The 8% annual projected return will be allocated as follows:
 - 5% Withdrawal
 - 1% Fees
 - Any remainder reinvested
- Withdrawn funds will be used for REACH NPO operations and potentially scholarships at REACH Academy.

Sources of Funding	% of Funding	Funding in USD
Government	10%	1,000,000
Private Sector	60%	6,000,000
High Net Worth Individuals	30%	3,000,000
Total Initial Seed Funding	100%	10,000,000

Projected Withdrawal	Year 1	Year 2	Year 3	Year 4	Year 5
Funds distributed to REACH entities	500,000	510,000	520,200	530,604	541,216

The Endowment Fund will generate stable returns over time and contribute to REACH NPO operations

REACH Academy – Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
REACH EDUCATION					
	VND				
Revenue	87,031,875,000	87,031,875,000	174,063,750,000	174,063,750,000	174,063,750,000
Cost of services	26,039,937,000	27,081,534,480	56,329,591,718	58,582,775,387	60,926,086,403
Curriculum development	15,085,525,000	11,604,250,000	16,245,950,000	6,962,550,000	-
Gross profit	45,906,413,000	48,346,090,520	101,488,208,282	108,518,424,613	113,137,663,597
Operating Expenses					
Admin	34,051,511,200	35,413,571,648	73,660,229,028	76,606,638,189	79,670,903,717
Sales and Marketing	974,757,000	1,013,747,280	1,397,696,821	1,885,495,711	2,531,571,246
Rental	8,333,333,333	9,013,333,333	18,747,733,333	19,497,642,667	20,277,548,373
EBITDA	2,546,811,467	2,905,438,259	7,682,549,099	10,528,648,046	10,657,640,262
Depreciation	-	-	-	-	-
EBIT	2,546,811,467	2,905,438,259	7,682,549,099	10,528,648,046	10,657,640,262

- REACH Academy should try to minimise rental expense in the long term. It is recommended that REACH Academy work with strategic partners and the Government to lease two locations free of charge. REACH Academy will rent the three other facilities with the objective of purchasing a training facility in Year 6 through reinvested cashflow.
- It is projected that REACH Academy will generate positive cashflow after the first year – a key driver to achieving this is through obtaining financial assistance to lease the training facilities free of charge.
- It is proposed that the REACH Academy training centres will train 100,000 students over 5 years at an attractive price point of USD 300 per 3 month course.
- Costs associated with the setup of REACH Academy include 1) development of the curriculum 2) infrastructure of the facilities 3) hiring of an experienced team 4) comprehensive sales & marketing campaign.
- Profits at REACH Academy is suggested to be contributed back to REACH NPO to improve its financial sustainability.

REACH Holdings – Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
REACH HOLDING Ltd.					
EBITDA - Subsidiaries	VND				
EM Salon	58,533,755	185,758,325	282,998,879	402,091,099	547,501,461
Revina	692,149,556	514,734,523	1,086,798,430	2,212,802,131	2,876,642,770
Koi Bento	(70,428,837)	(40,387,283)	(39,032,802)	(37,327,145)	(35,226,565)
Tre	(402,305,618)	(190,911,617)	110,589,105	529,361,752	709,356,341
EBITDA - Subsidiaries	(68,125,922)	211,826,686	897,954,396	2,000,526,771	2,659,952,621
	<i>(2,935)</i>	<i>9,127</i>	<i>38,691</i>	<i>86,198</i>	<i>114,611</i>
Group Expenses	1,002,607,200	1,024,887,360	1,048,058,726	1,072,156,947	1,097,219,097
Sales & Marketing Expense	250,651,800	250,651,800	250,651,800	250,651,800	250,651,800
Admin	557,004,000	579,284,160	602,455,526	626,553,747	651,615,897
Product Development	194,951,400	194,951,400	194,951,400	194,951,400	194,951,400
REACH HOLDING - EBIT	(1,213,935,372)	(922,763,418)	(308,011,473)	1,051,963,606	1,852,287,467
	<i>(52,306)</i>	<i>(39,760)</i>	<i>(13,271)</i>	<i>45,327</i>	<i>79,811</i>
REACH HOLDING - EBITDA	(1,070,733,122)	(684,377,043)	121,595,277	1,481,570,356	2,281,894,217
	<i>(46,135)</i>	<i>(29,488)</i>	<i>5,239</i>	<i>63,837</i>	<i>98,321</i>

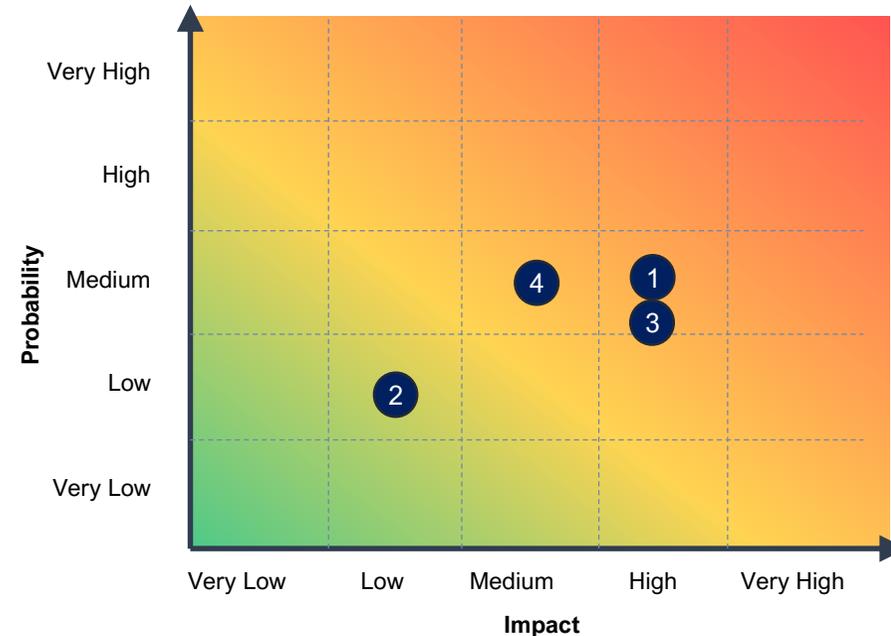
- At the subsidiary level, Revina and EM Salon could break even on EBIT level in FY1 (2020), helped by organic growth and cost reduction as a result of centralisation of certain corporate functions in sales and operations.
- Costs associated with the set-up of centralised functions include: 1) Sales & marketing 2) Administration and 3) Product Management. These may be partially offset by the cost savings from improved operating efficiency and synergies across subsidiaries.
- REACH Holdings should achieve positive operating cash flow in Year 3 (2022) and break even on EBIT level in Year 4 (2023).



RISK ANALYSIS & MITIGATION

Risk Analysis and Mitigation - Financial

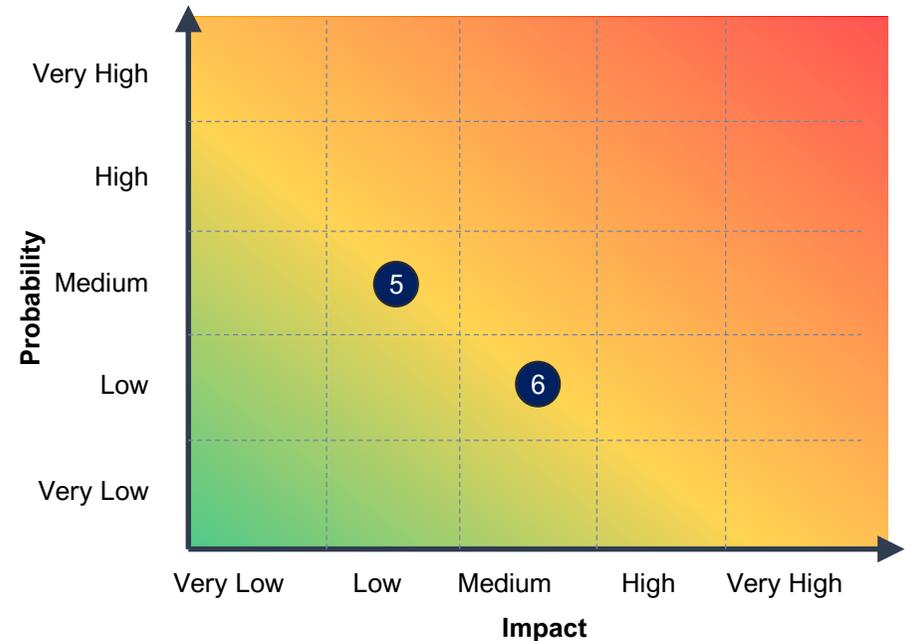
	Risk	Mitigation
Financial	1 The Fund does not reach a \$10m contribution or an annual return of 8%	<ul style="list-style-type: none"> Seek fundraising advice from professional experts and invite further expertise to the Board. Assess expertise of external fund manager and seek new talent if necessary.
	2 REACH Holdings does not break even	<ul style="list-style-type: none"> Seek professional and experienced talent for board directors, managing directors and general managers. Streamline workflows through the application of digital technologies. Ensure social enterprises have a robust sales and marketing strategy. Open IMPACT Platform to promotional activities.
	3 REACH Academy does not break even	<ul style="list-style-type: none"> Seek professional and experienced talent for board directors, managing directors and general managers. Ensure all courses are accredited. Invite industry partners to help design curriculum to ensure high-quality courses. Work with different organisations, schools and communities to attract more students. Open IMPACT Platform to promotional activities. Include community centres in REACH training institutions in partnership with government.
	4 Students cannot pay back their tuition fees	<ul style="list-style-type: none"> Ensure good compliance with internal recruitment guidelines to focus on those who can pay tuition. Develop structures where students work for an employer for a set period of time in exchange for help with tuition payments. Ensure quality of teaching and curricula are high so students are employable.



Risk Analysis and Mitigation – Financial/Political

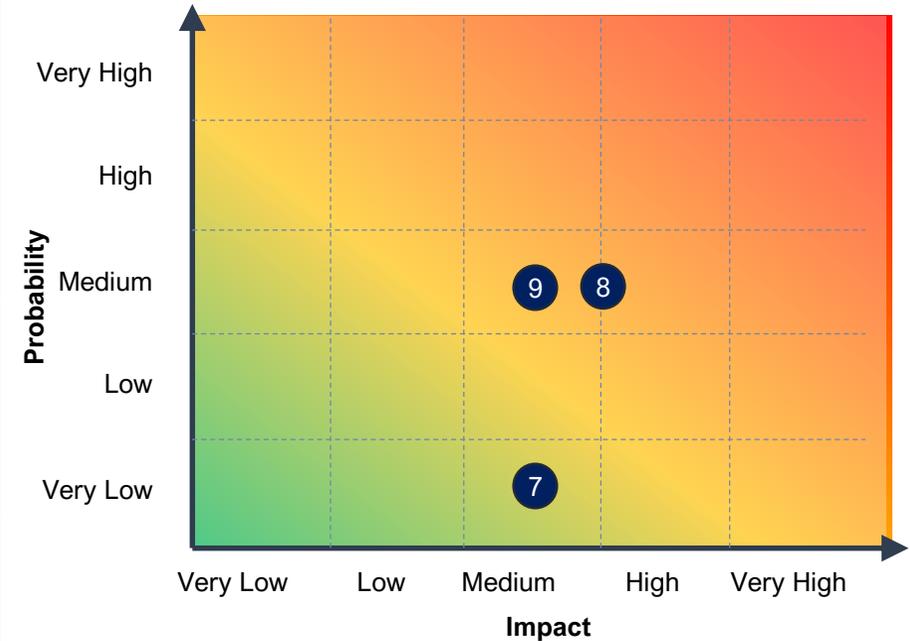
	Risk	Mitigation
Financial	<p>5 Reduction in donation base</p>	<ul style="list-style-type: none"> • Use the IMPACT platform to find new donations. • Utilise alumni networks to get links to larger corporates. • Ensure that REACH Holdings and Academy are financially-sustainable to ensure larger contributions to the NPO.

	Risk	Mitigation
Political	<p>6 Unfavourable regulations or tax changes</p>	<ul style="list-style-type: none"> • Develop an early focus on government relations to ensure public support and promote helpful policy changes.



Risk Analysis and Mitigation – Operational Risk

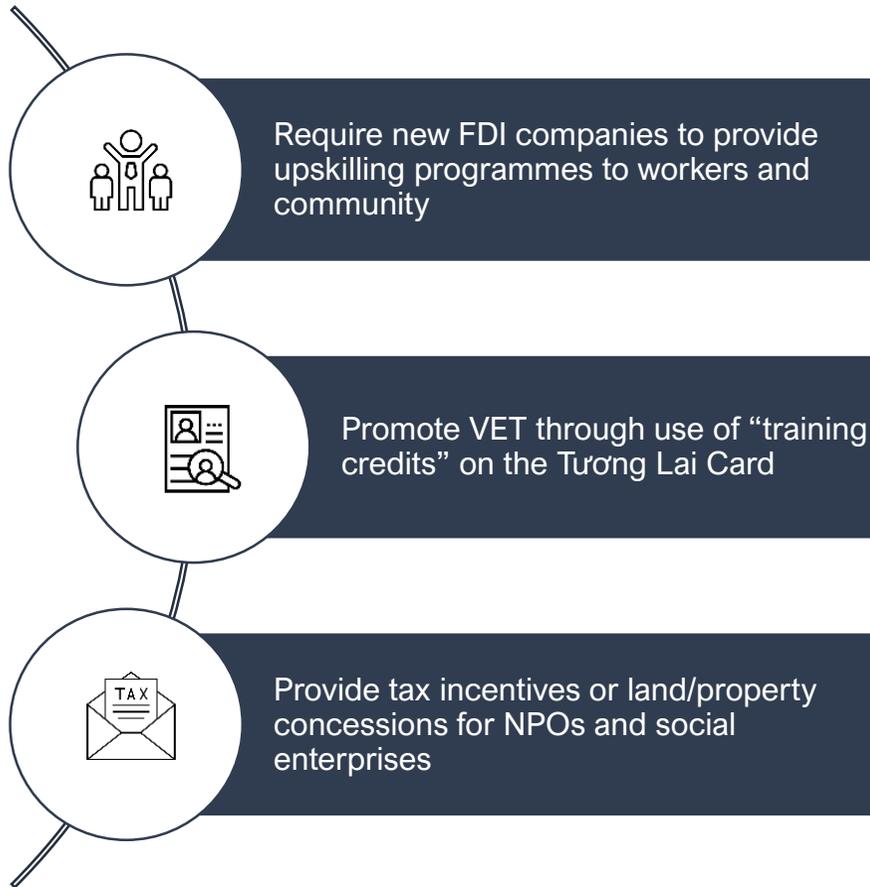
	Risk	Mitigation
Operational	7 Unable to recruit sufficient students	<ul style="list-style-type: none"> Partner with schools, government and community to support recruitment efforts. Actively promote REACH on the IMPACT platform and on social media. Promote REACH Academy through a good alumni network. Ensure curricula are relevant and directly linked to labour demands.
	8 Unable to recruit or retain quality trainers or staff	<ul style="list-style-type: none"> Maintain good relationship with alumni and industry professionals. Provide competitive salary, working conditions and career development to trainers. Partner with other VET institutions to share training resources.
	9 Unable to expand Academy or social enterprises	<ul style="list-style-type: none"> Focus on building a solid foundation for operating social enterprises and Academy to allow more effective and efficient expansion.





POLICY RECOMMENDATIONS

Policy Recommendations



- Companies such as Nike, Samsung and LG already provide upskilling courses for their workers. Large manufacturing firms can be required to open these courses to the wider communities where their factories or offices are.

- Government should promote VET as an important alternative to university education and elevate its status. REACH’s Tương Lai Card and training credit system can be implemented across the country and adopted by government VET institutions.

- At present no tax concessions are afforded to social enterprises. Tax concessions or land/property concessions for NPOs and social enterprises would support these beneficial organisations as they work to support Vietnamese society.

Further policy changes can support both vocational training and social enterprises



IMPLEMENTATION

Implementation Timeline (1/2)

Focus Area	Phases	Year 0				Year 1	Year 3-5
		Q1	Q2	Q3	Q4		
Funding	Secure investment for Endowment Fund	█	█	█	█		
	Secure investment for REACH Academy	█	█	█	█		
	Establish REACH Holdings			█			
	Establish REACH Academy				█		
	Establish Endowment Fund					█	
Governance of Endowment Fund	Identification of and secure commitment from private investors	█	█	█	█		
	Establish Board of Trustees and management systems and procedures	█	█	█	█		
	Creation of auditing compliance task force			█	█		
	Review and optimise governance structure			█	█		
Human Resource	Secure key management for REACH Holdings		█				
	Secure key management for REACH Academy			█			
	Review recruitment plan and increase manpower as needed					█	

Implementation Timeline (2/2)

Focus Area	Phases	Year 0				Year 1	Year 3-5
		Q1	Q2	Q3	Q4		
Operations	Obtain facilities for training centres				█		
	Establish training curricula			█	█		
	Procure equipment for training centres				█		
	Open REACH Academy training centres				█	█	
Marketing	Market strategy development for REACH Holdings social enterprises	█	█				
	Market strategy development for REACH Academy			█	█		
	Develop and implement IMPACT Platform					█	█
Partnerships	Develop strategic partnerships with corporate/social investors for Reach Academy	█	█	█	█	█	█
	Develop strategic partnerships with academic institutions/industry bodies for curriculum development and certification	█	█	█	█		
Government	Lobby government for policy support					█	█
	Obtain government preferential policy and regulatory support						█



CONCLUSION

Conclusion

Vietnam is currently witnessing an economic boom, but several issues hamper its ability to grow sustainably. One such issue is the shortage of skilled labour. If Vietnam is to thrive after it loses its attractiveness as a low-cost manufacturing base, it must prepare its workforce with useful skills and meaningful employment.

This business plan puts REACH on a financially-sustainable footing as it strives to provide training to hundreds of thousands of students. It also presents a viable model for industry cooperation by involving them in curriculum design.

The IMPACT Platform's learn-work-play model can be expanded nation-wide and adopted by government in elevating the status of vocational education and training.

Several of these recommendations go beyond what REACH can achieve on its own. This plan is thus also useful as a guide for any government or VET institution hoping to upskill the labour force.

As nations are confronted with the effects of technological disruption on their labour force, governments need to think ahead and prepare their citizens with future-proof skills. Developing a robust VET and skilling system early can prevent many of the political disruptions seen in middle-income nations as manufacturing sectors change.

Thus, it is hoped that this plan can be implemented by REACH, with support from the private and public sectors, to help transform lives and sustain the Vietnamese economy.

To find out more about the **Global Leaders Programme** and this report, please contact GIFT at enquiry@global-inst.com

