



SE*HEBAT SARAWAK

**A BLUEPRINT FOR
THE SOCIAL ENTERPRISE
LANDSCAPE WITHIN THE
SARAWAK DIGITAL ECOSYSTEM**

Unlocking the Potential of
Sarawakian Social Enterprises

CONTENTS

The Sarawak Digital & Innovation Ecosystem (Sarawak Digital)	4
Social Enterprise Players in Sarawak Digital	6
Introduction to Social Entrepreneurship (SE)	8
What makes a Social Enterprise?	8
A Mature Ecosystem	8
Social Entrepreneurship Landscape in Sarawak	10
Key insights from Social Entrepreneurs	11
Gaps & Opportunities in Sarawak Digital	12
SE*Hebat Sarawak Taskforce	13
4 Strategic Thrusts (ST)	14
Conclusion	16
Acknowledgements	17



The Sarawak Digital & Innovation Ecosystem (Sarawak Digital)

The Sarawak Digital and Innovation Ecosystem (Sarawak Digital) is one of the Catalytic Initiatives under SDEC as part of the Sarawak Economic Action Council (SEAC) as it pursues the State's aspiration of becoming a developed and high-income state through digital transformation. SDEC supports the coordination and catalyzes efforts to enable the development and growth of tinkers, innovators, entrepreneurs, and their enterprises through the effective use of multisectoral resources and partnerships, primarily from the private sector.

Sarawak Digital is an ecosystem established in 2019 and has since provided services and opportunities for digital talents and startups. This includes providing good soft and hard infrastructure such as co-working spaces, development programs, funding and investment opportunities, events, technology partners, research and development platforms as well as international market access.

Recognizing the potential of Social Enterprises as key contributors to sustainable development and growth, Social Enterprise is a significant vertical in Sarawak Digital, cutting across industries and sectors, in meeting critical and unmet needs of communities and solving climate issues. They are an important beneficiary or client group of Sarawak Digital.

Services already offered from cradle to scale, covering ideation, innovation, talent, and business facilitation, Sarawak Digital provides a solid springboard for Social Enterprises in spite of the sectors' infancy in Sarawak. The Blueprint hopes to build upon its current strength to offer services uniquely designed and delivered for the SE in Sarawak.



High Tech Industry Partner



Government Partners



Education Institution Partners



Innovation Growth Partners



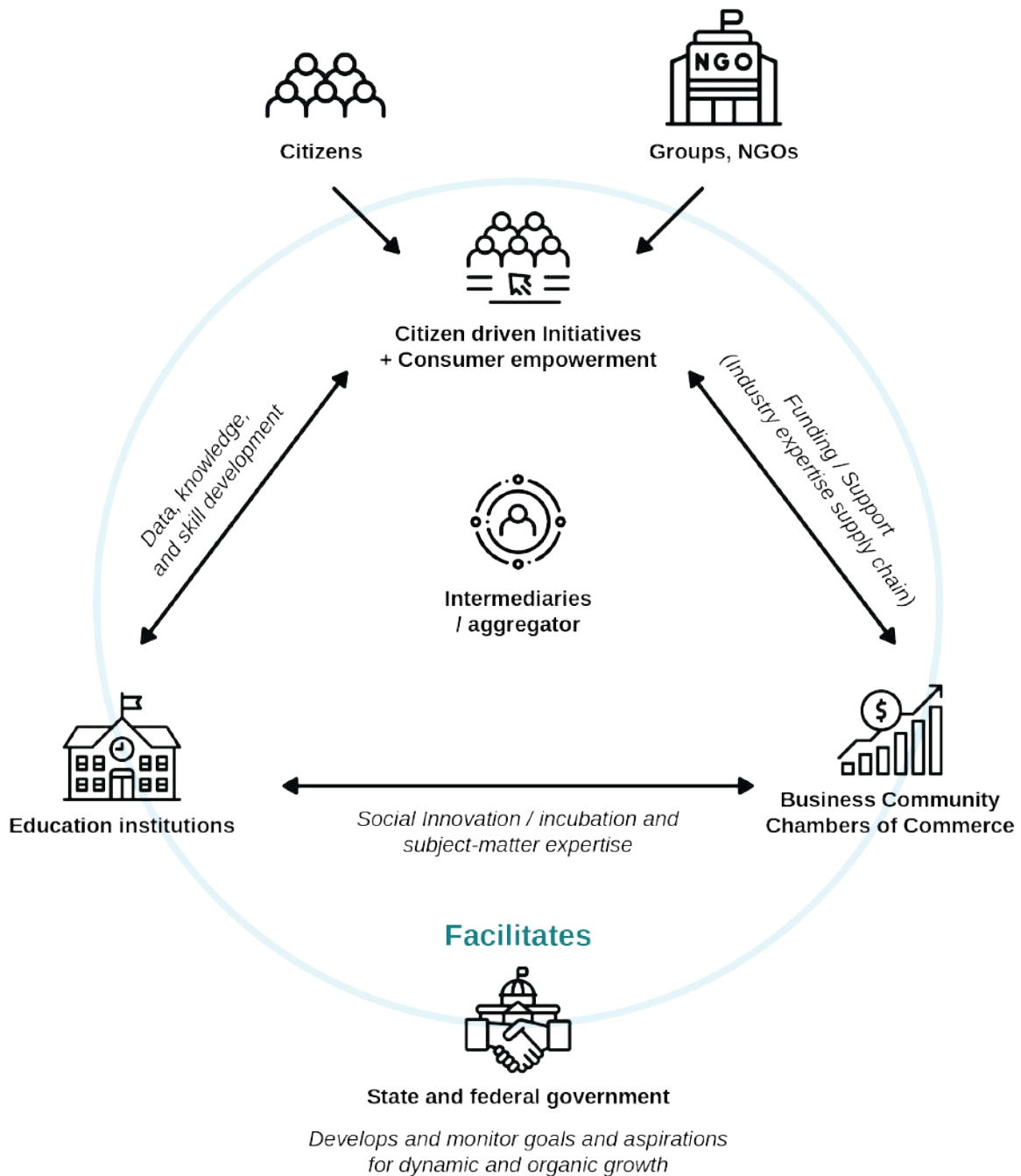
Private Sector Partners



SARAWAK
DIGITAL

*The list of partners shown above is non-exhaustive and more will be added as the Sarawak Digital Ecosystem grows in the future

Social Enterprise Players in Sarawak Digital



SE players refer to actors, intermediaries, institutions, and networks within the Sarawak Digital Ecosystem that contribute to or hinder the development of social impact and Social Enterprises.

Ideally, these actors play different and complementary roles and with each other. This also helps in providing a clear value chain to the

social entrepreneur. They may as have similar or overlapping functions and this can depend on the nature of the relevant industries.

As an ecosystem, they are able to complement the work of others in order to fulfill a clear goal.



Citizens

Citizens will play a central role,

- by driving Social Enterprises,
- as consumers of sustainable goods and services, or
- as social innovators.

They can work as a collective, developing solutions via community groups, NGOs, or not-for-profits to engage and empower citizens and communities based on specific needs, areas, or industries to attain social and environmental goals.

Not-for-profits play an important role in developing trust, providing essential grant money at the early stages, information, and access to beneficiaries between the different actors.



Education Institutions

They are critical in creating awareness and education of social entrepreneurship to the talent pipeline and their surrounding communities.

As the original maker spaces and incubators, they allow for the seamless flow of information, thoughts, experience, and expertise between stakeholders to help catalyze and commercialize social innovation.



Corporations

Corporate bodies provide resource such as valuable expertise, financing, and procurement and supply chain opportunities to enterprises at different growth stages.



Intermediaries

As a social organization, intermediaries help develop and support Social Enterprises by way of training, mentoring, and providing access to funding. It also aggregates and coordinates stakeholder connections.



The Government

The government plays an important facilitative role in developing an effective ecosystem and provides the impetus to bring all these stakeholders together. Clear direction, accountability, and transparency by the government will allow for organic growth in creating a positive impact through social entrepreneurship.

Introduction to Social Entrepreneurship (SE)

What makes a Social Enterprise?

According to the definition previously set by MaGIC (2015), SE is a business entity that is registered under any written law in Malaysia that proactively creates positive social or environmental impact in a way that is financially sustainable.

Key characteristics of a Social Enterprise: **Social/ Environmental Mission, Commercial Income, Financial Sustainability & Intent, Use of Revenue**

Social Enterprises exist between two aspects: **conventional businesses and social organizations** and may adopt different models across this spectrum.

They are not solely profit-oriented and are purpose-driven. They provide solutions to society's most pressing social and/or environmental challenges. They derive income from commercial activities and intend to be or are financially sustainable.

Profit is essential for a social enterprise, but it is largely used to distribute to target groups and investments to further their growth. More than 50% of their profits must be used to grow their impact.

A Social Business as defined by Muhammad Yunus, Nobel Peace Prize Laureate and social entrepreneur, takes on a more purist approach and commits to reinvesting 100% of their profits back into the organization to avoid any possibility of mission drift.

There isn't one legal structure that is applied to the Social Enterprise in Malaysia. Social Enterprises can choose to be registered as a not-for-profit, Limited Liability Partnership, Enterprise (Sole Propriety), or Sdn. Bhd and more recently as a Cooperative depending on which framework provides the better fit to reach their intended outcomes.

A Mature Ecosystem

In deriving an effective support system we will examine **4 dimensions** derived globally by studies from the World Bank, and take a nearer to home inspiration through the Business for Good and DGI Doing Good Index 2020 both by the Centre of Asian Philanthropy and Societies and the UNESCAP-British Council The State of Social Enterprises Malaysia 2018 report.

It is imperative for agencies from both the private and public sectors in Sarawak to work together in developing the SE landscape encompassing these 4 dimensions, with SDEC assisting in incorporating digitalisation in these efforts.

These ecosystem dimensions capture the enabling environment for SEs:



Policy and regulation



Financing solutions



Infrastructure and human capital



Information, knowledge, and networks

The next table highlights the areas in which the Sarawak Ecosystem needs to consider in order to reach maturity.

Table 1. A matured ecosystem that supports the SE landscape based on 4 dimensions

Policy and Regulation



Policy Strategy

Government recognizes and promotes the special role of SEs. Sector-specific policies promote not only the private sector but also specifically SE participation in service delivery. These policies are well-implemented.

Regulation

SEs benefit from legal incentives, such as tax waivers, GST waived for key purchases in service delivery, and preferential public procurement for SEs.

Financing Solutions



Grant Funding

SEs have access to various grants that support their activities, from government, donors, foundations, and private company corporate social responsibility (CSR) departments.

Commercial Credit

SEs have access to commercial credit at reasonable interest rates. Many impact investors provide funds for different ranges of capital needed. There is a mature multi-finance institution industry that provides affordable credit and credit guarantees.

Infrastructure and human capital



Infrastructure

Infrastructure is not only well developed in both urban and rural areas, but also affordable for the whole population. Innovative solutions prevail and SEs are encouraged, not obstructed, in using the infrastructure at hand.

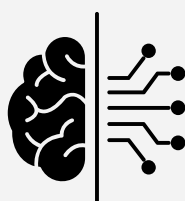
Human Capital

The overall skill level of the population provides a sufficient pool of skilled labor. The education system nurtures an entrepreneurial mindset and prepares interested youth for a future in the SE sector. The sector upholds a positive image in society, and working for a SE is a desirable occupation. Salaries can compete with the public and private sector.

Companies

Provide financial and technical assistance to catalyse rural social enterprises.

Information, Knowledge, and Networks



Capacity Building

Dedicated organizations - provide capacity building to SEs for relevant technologies as well as management. Some of include incubators seeking to develop and support SEs through advice, mentoring, and capital. There are available outposts in both urban and rural areas.

Research and Data

The government and other organizations collect relevant data about disadvantaged, low-income consumers and markets and publish it online. There is an active local research community dedicated to SEs and related topics.

Coordination and Advocacy

A national SE organization (or several) coordinates activities and advocates successfully for SE interests in general, and in service delivery sectors. SE issues are successfully integrated in mainstream business organizations.

Social Entrepreneurship Landscape in Sarawak

The concept of Social Enterprise is still new in Sarawak and are not widely known to many yet, for both consumers and traditional entrepreneurs. 4 out of 5 Sarawakian SEs can be categorized as micro-enterprises based on the definition by SME Corp:

- **Less than 5 permanent staff**
- **Annual sales turnover of below RM300,000**

While 88% of them identify themselves as a social enterprise, more than 93% have a clear social and environmental mission, denoting that not all claim to be social enterprises but may operate as one. This may have consequences on properly identifying and supporting Social Enterprises.

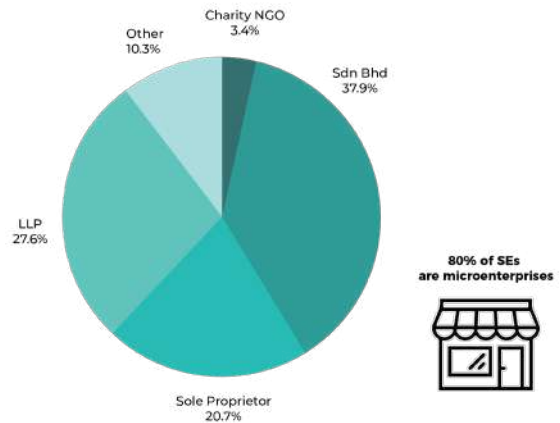
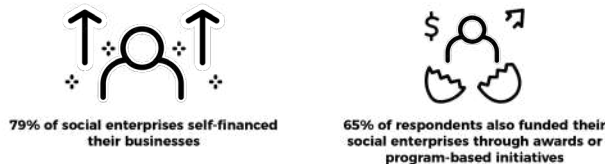
Social Enterprises in Sarawak focus on issues revolving around indigenous and rural communities, providing opportunities in the agricultural, arts and culture, and education sectors.

The connection is deeply rooted in their land and community and hence, almost 9 out of 10 have chosen to serve, primarily the Sarawak community to address issues of art and culture preservation, providing decent work for all, access to quality education, and ensuring environmental sustainability.

Top 3 Challenges before the pandemic



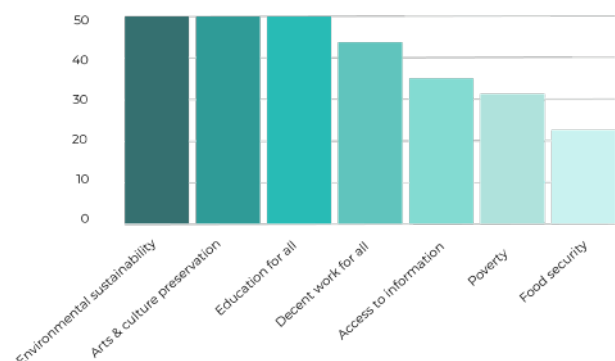
Top 3 Challenges during the pandemic



Most Common Sector



Impact focus



Financing

Overall, Sarawak SEs at the current stage rely on their own funds to finance their business. A sizeable number of SEs received funding through awards or program-based initiatives, also underscoring the importance of initiatives that offer capacity development, which includes financing. Not many explore scale-up funds, even if available when intending to grow. They are interested in applying for foreign funding if given the chance or the guidance to do so. Less than a quarter received corporate sponsorship despite corporate pledges to SDG and CSR allocations. Corporate funding is another important source of financing that yields a positive impact not only on the social enterprise but on the corporate body and its communities. There is an under-tapped resource in the corporate sector (CSR funds included). When corporations choose to sponsor SEs, it can provide the impetus for the development of good social enterprises. The results suggest the need to identify gaps and challenges in this area to ensure both parties can benefit.

Governance

An overwhelming number of SEs did not have a board of governance or trustees. However, they understood the value of having one to:

- expand networks and open doors,
- ensure oversight and good governance,
- and business integrity.

While it isn't necessarily mandated to all SEs, an advisory board of sorts could provide an avenue for SEs to ensure higher levels of governance particularly as most of the existing SEs surveyed are driven primarily by 1-2 founders.

More than 80% SEs collected impact data and developed reports which showed that they can account for the outcomes they have achieved, therefore more ready to fulfill obligations to more potential funders and potentially make better management decisions.

Key insights from Social Entrepreneurs

These are the issues that are most commonly experienced by Social Enterprises in Sarawak



Unclear legal framework or government processes for Social Enterprises

Social Enterprises and would-be-social enterprises were also unclear as to whom to refer to for registration and licensing of their businesses.

This was made more challenging by the changing political landscape and the ensuing portfolio restructuring affecting particularly social enterprises (MaGIC to MEDAC).



Social Enterprises could not self-identify as a Social Enterprise

Early-stage entrepreneurs interviewed did not identify their organizations as social enterprises because they felt that they were not ready yet to be labeled as such. They wanted to ensure a certain level of impact could be demonstrated even if they fulfilled the criteria of a social enterprise. Not all ecosystem players interviewed could also distinguish a normal business doing good from a social enterprise.



There is not enough funding for Social Enterprises

Social Enterprises feel that there aren't enough grants or other means of financing, particularly at the early stages, and even if available (including CSR allocations), are not flexible enough to consider certain costs and expenses that are crucial to the survivability of their business. On the other hand, ecosystem players feel that Social Enterprises may not be investment-ready or fulfill funding requirements even with funding opportunities. This is due to skills and competency gaps - financial management, business operations, etc.



Peer Support and Social Enterprise Networks

Peer groups or a Social Enterprise network for business based in Sarawak was frequently mentioned as a good way to create synergy, and provide support and possible mentoring opportunities between Social Enterprises.

Some Social Enterprise founders were able to acquire more support in the Peninsular and were comfortable/willing to travel between states to gain access to networks.

Gaps & Opportunities in Sarawak Digital



Policy and regulation

There are no fiscal incentives provided to impact investors in Sarawak or overseas to attract more impact funding/investment or procurement amongst Sarawak based companies or Sarawakian founded SEs.

No central body that can provide guidance and streamline state government processes relevant to social enterprises.

Social enterprises are unaware of support or guidance offered at state level.

Unclear direction for impact or state - level sustainability goals which also promotes multi-stakeholder collaboration, impact reporting and accountability.



Financing Solutions

Emergence of microfinancing for Social Enterprises but unsure of its reach in Sarawak

Crowdfunding opportunities can be further explored and included in the ecosystem conversation.

Little corporate sector awareness and involvement in the financing of social enterprises across all growth stages.

Where **financing is available, it is not flexible enough** to consider the different needs of the SE.

Financing for social innovation (at point of ideation) and pre-commercialization initiatives is limited and inhibits the creation of a larger pool of social entrepreneurs at very early and early stages.



Infrastructure and human capital

Digital Innovation Hubs, Digital Village and other initiatives by Sarawak Digital players are not yet SE ready nor have sufficient competencies or skills to support SEs (eg: impact measurement, SE networks). However, their services are extensive enough to cater to the Social Enterprise.

Not many large corporations provide technical expertise or infrastructural support to SEs.

Support is “distant”

Access to support and facilitation for SE is mostly only available in major cities/towns.

No local intermediaries to help advocate, negotiate and manage services and facilitation provided by all enablers.

There is still a very low prevalence of Social Entrepreneurship amongst students generally in Malaysia

Road access and internet coverage can be improved particularly for rural areas, as this impedes sales and distribution of good and services by social entrepreneurs.



Information, knowledge, and networks

Ecosystem players are not all aware of

- **each other and/or**
- **of the work (and depth of the work) that they do**

There is no Social Enterprise network in Sarawak which can push the local SE agenda forward.

Lack of awareness of social enterprises and social entrepreneurship, involvement and participation in social entrepreneurship by general public and grassroots entrepreneurs.

Private and public universities in Sarawak promote Social Entrepreneurship amongst their students but there is no SE-specific curriculum which also cuts across faculties (currently limited to social Science/ Business faculties).

Most programs cater to a general demographic profile and may not address language and cultural differences and diversity present in Sarawak.

SE*Hebat Sarawak Taskforce

To ensure coordination, implementation, and impact assessment of SE*Hebat initiatives, it is recommended to establish a SE*Hebat Sarawak Task Force as a governing body at the policy level to advise, develop and monitor Key Impact Indicators for Sarawak. It should involve multiple stakeholders, including Social Enterprises, Not-for-Profits, grassroots innovators, public and corporate sector representatives. SDEC should chair this Task Force but eventually, the chairmanship should rotate to consider other stakeholders in the ecosystem.

On top of this and in order to strengthen linkages with different agencies and key ecosystem players, we suggest the following activities:



Roundtable Discussions

- Gather key representatives from stakeholders in the ecosystem to discuss and actively listen to specific issues or topics every 4 months
- Ensure a purposeful conversation to head towards a common goal



Yearly Townhall Sessions

- A culmination of all agencies involved to share updates on yearly progress, challenges
- It can also be a platform used to acknowledge the best social initiatives by any government agency and award Social Enterprises in Sarawak for best impact achievements



Regular Industry Exhibitions

- Encourage SE marketplace at Ministries and the general public at exhibitions. This should also include virtual exhibitions, using new virtual conferencing platforms



Interagency and Cross Partnership

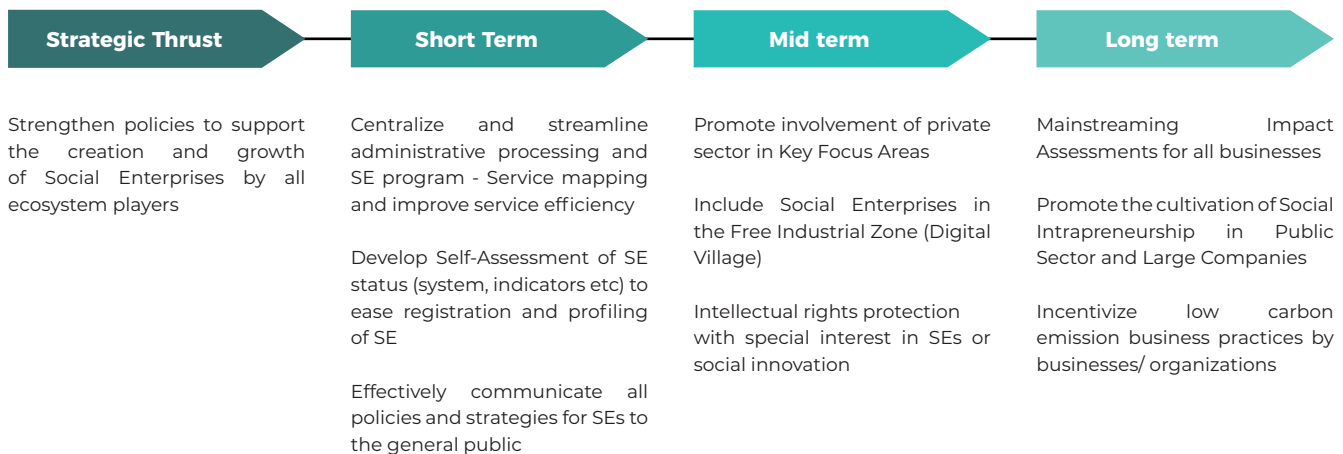
- Provide employee exchange or internship opportunities between agencies and stakeholders to learn from each other in order to better develop programs and interventions
- Develop Ministry's support/buy-in to ensure participation from agencies in social entrepreneurship programs developed by any stakeholder (example: Kementerian Belia dan Sukan (Federal) provides Social Business 101 training). Agency representatives can leverage on this and participate

4 Strategic Thrusts (ST)

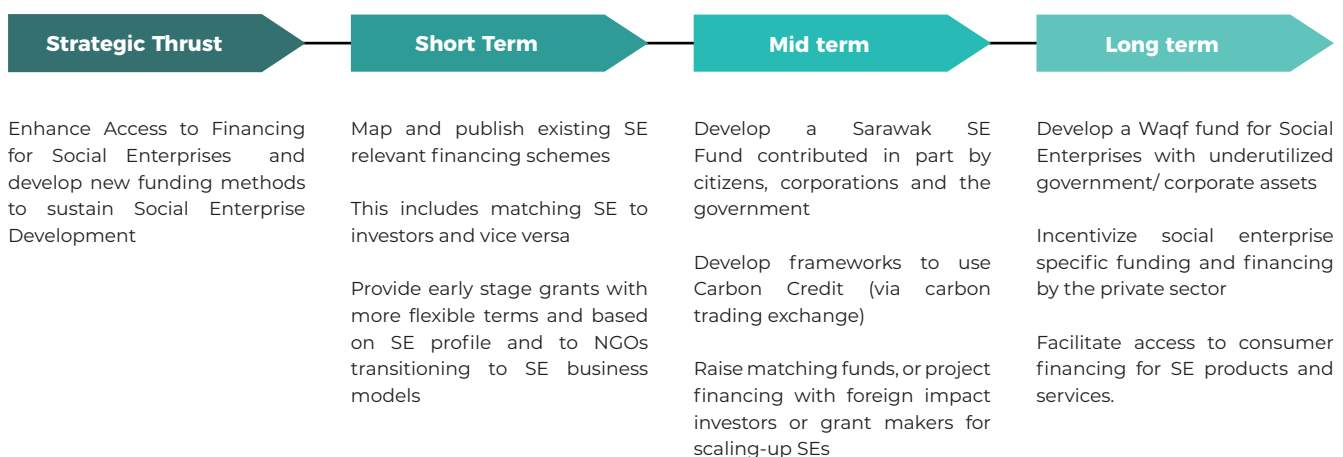
Goal : a vibrant and thriving Social Enterprise landscape within the Sarawak Digital Ecosystem that supports and facilitates the growth of SE*HEBAT requires looking into these **4 strategic thrusts - 31 key strategies - broken down into short term, mid term and long term impact**



Policy and Regulation

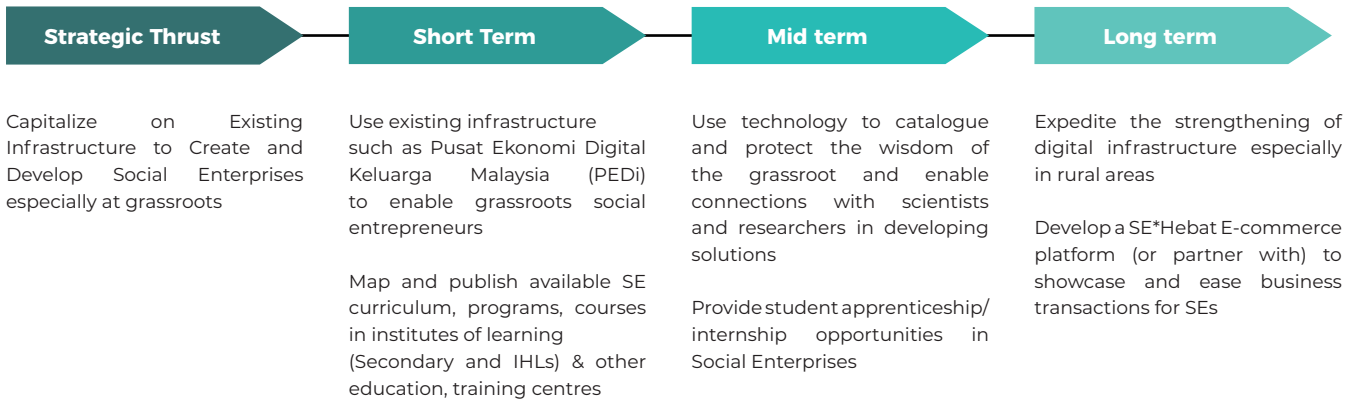


Financing Solutions

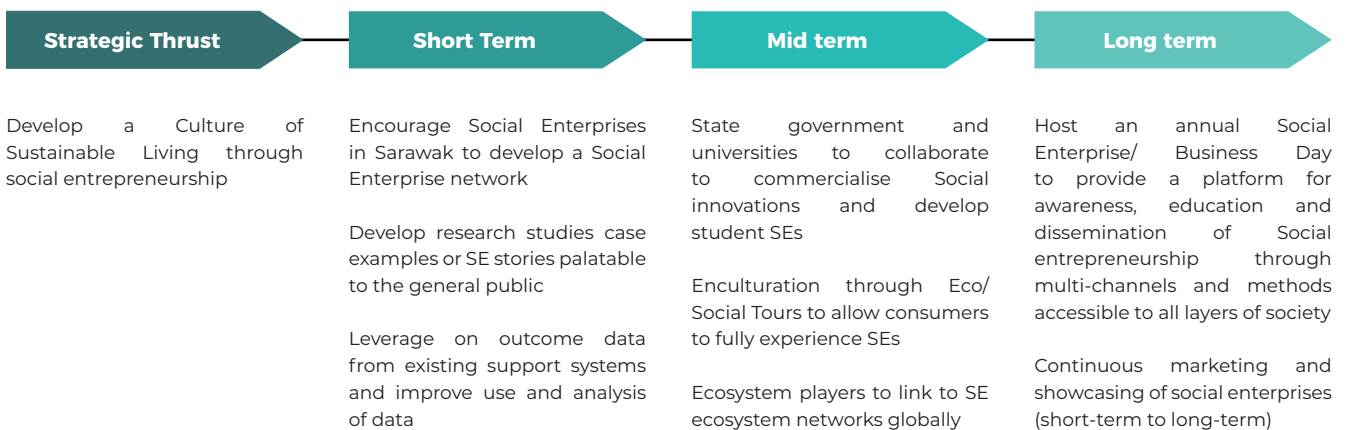




Infrastructure and human capital



Information, knowledge, & networks



Conclusion

The Social Enterprise landscape in Sarawak is a vibrant one and has all the ingredients necessary to achieve impact and contribute to the State's goals of 'economic prosperity, environmental sustainability, and inclusive society'.

The entrepreneurs are resilient, hungry, and committed and display the characteristics of contributing to a good positive impact on local communities, the environment, and the world at large.

There is so much to be hopeful for but the time to act is now. Sarawak is lucky to have stable leadership that is able to draw up and commit to a long-term strategic plan. Continuity in implementing the blueprint and key initiatives will determine the success of Social Enterprise development in Sarawak.



Acknowledgements

Academic Advisors:

Datuk Dr. Madeline Berma
Dr. Cordelia Mason
Dr Lokhman Hakim Osman

Company:

MSD Innovation Sdn. Bhd
Satu Creative Services Sdn Bhd

Government Agency:

Perbadanan Harta Intelek Malaysia (MyIPO)
Sarawak Digital Economy Corporation (SDEC)
Jabatan Kebajikan Masyarakat Sarawak

HUB:

Sarikei Innovation Centre
TEGAS Digital Innovation Hub (Miri)
TEGAS Digital Innovation Hub (Bintulu)
TEGAS Digital Innovation Hub (Kuching)
Sibu Digital Innovation Hub
Serba Digital X Innovation Hub
Mukah Youth Transformation and Innovation
Centre (MYTIC)
Creative Heritage Innovation Community

Civil Society Organisation:

Tabung Ekonomi Gagasan Anak Sarawak (TEGAS)
Angkatan Zaman Mansang Sarawak

University:

University Malaysia Sarawak

Beneficiary group:

Persatuan Belia Parlimen Mukah

Social Entrepreneur:

Backyard Tour
Sluvi Company
The Tuyang Initiative
Harapan Anak Urang Sarawak (HAUS) Sdn Bhd
Fly Technology Agriculture Sdn Bhd
(WormingUp)
Langit Collective (M) Sdn Bhd
Koru Bulk Store PLT
Edaberan Group Sdn. Bhd.
Doku Biotechnology Industries Sdn Bhd
Supa Readers PLT
The Learning Curve
Syarikat Timogah

Consultant:

Youth Trust Foundation - MyHarapan



<https://sehebat.sarawak.digital/>