

GLOBAL COMPACT NETWORK VIETNAM

The GCNV, launched in 2007, is a cutting edge initiative developed in partnership between the Vietnam Chamber of Commerce and Industry (VCCI) and the United Nations in Vietnam (UN).

The GCNV aims to support its members implement effective corporate social responsibility initiative in Vietnam.

The goal of the GCNV is to be the national corporate social responsibility centre of excellence. Our job is to identify, anticipate and diffuse the tensions between business and communities, business and the environment, business and the government, business and the consumer, leading to sustainable businesses in a prosperous society.



GLOBAL COMPACT NETWORK VIETNAM

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Global Compact Network
Vietnam



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Vietnam



A REVIEW OF THE SOCIAL AND ENVIRONMENTAL CONDITIONS OF INDUSTRIES IN VIETNAM AGAINST THE GLOBAL COMPACT PRINCIPLES

THE TEN PRINCIPLES

HUMAN RIGHTS

- Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2:** make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

- Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4:** the elimination of all forms of forced and compulsory labour;
- Principle 5:** the effective abolition of child labour; and
- Principle 6:** the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

A REVIEW OF THE SOCIAL AND ENVIRONMENTAL CONDITIONS OF INDUSTRIES IN VIETNAM AGAINST THE GLOBAL COMPACT PRINCIPLES

This research was conducted by CSR Asia in cooperation with
the National Economics University in Vietnam for the Global Compact Network Vietnam
from September to December 2009



Global Compact Network
Vietnam

Foreword

List of acronyms used in the report

CBC-CSR	Catalyzing Business Community's role towards greater Corporate Social Responsibility through Global Compact Principles in Vietnam
COCs	Codes of Conduct
CSR	Corporate Social Responsibility
EU	European Union
FDI	Foreign Direct Investment
GCVN	Global Compact Network Vietnam
GDP	Gross Domestic Product
GSO	General Statistics Office
GSP	Generalised Tariff of Preferences
HCMC	Ho Chi Minh City
IFC	International Finance Corporate
LEFASO	Vietnam Leather and Footwear Association
MPDF	Mekong Project Development Facility
TOR	Terms of Reference
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
VCCI	Vietnam Chamber of Commerce and Industry
WTTC	World Travel and Tourism Council

“Over the last 25 years Vietnam has transformed itself through remarkable and sustained economic growth which has brought improvements to the quality of life for millions and a reduction in the number of poor. The activities of the private sector and an enabling environment for entrepreneurship to grow and develop have been fundamental for this transformation. Doi Moi and a vision of a “market economy with socialist orientation” unleashed the potential of the private sector to generate growth with a sustained commitment from the State to equity and poverty reduction.

In 2007 the GCVN was launched to support the government in the implementation of its Sustainable Development Strategy (Agenda 21) and the development of responsible business practices. The GCVN is implemented through the Vietnamese Chamber of Commerce and Industry (VCCI), Office for Business Sustainable Development (SD4B) with funding from UNDP as part of the CBC-CSR project.

From September - December 2009, the GCVN commissioned a review of the current status of responsible business practices in Vietnam. The main findings of this research demonstrate how business has successfully contributed towards sustainable development and poverty alleviation in Vietnam and highlight the potential for business to play an even greater role in the future.

The report provides examples of initiatives which promote and address good labour, environment, human rights and transparency standards. It also outlines the ongoing risks which companies have to manage in order to ensure sustainable economic growth in the future. This report provides a preliminary mapping of those issues in relation to different industries, based on various stakeholders perceptions.

While the views expressed in the paper do not necessarily reflect the official view of the GCVN, this paper forms part of our objective of stimulating discussion in Vietnam on corporate social responsibility and sustainable business practices. I would like to take this opportunity to congratulate the research team on this careful and thought provoking paper, and to thank the companies involved in their willingness to share information and views with us.

”

Dr. Doan Duy Khuong,
National Project Director, CBC-CSR Project
Vice Executive President of VCCI



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This research was conducted by CSR Asia in cooperation with the National Economics University in Vietnam. Michelle Brown managed the project with support and oversight from Nguyen Van Thang and Richard Welford. This project could not have completed without Michelle's continuous commitment and dedication. The research was commissioned by the GCNV as part of the CBC-CSR project.

Special thanks are due to all the companies and non-government organisations that participated in interviews in preparation of this report along with the government representatives that gave the researchers their time and shared their perspectives on CSR and sustainable business practices as well.

The authors are solely responsible for remaining errors of fact or omission. While this is a GCNV paper, the views expressed here are the authors alone and do not necessarily reflect the views of the GCNV or its members.

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Executive Summary



This review of the social and environmental conditions of industries in Vietnam was commissioned by the Global Compact Network Vietnam (GCNV) and carried out by CSR Asia in cooperation with the National Economics University in Vietnam. It aims to understand the CSR needs of different sectors. The objective was to identify the main social and environmental problems of the key industrial sectors in Vietnam and to rank these based on factors such as the size of the sector and whether or not there are existing efforts to tackle the social and environmental challenges within the sectors.

Poverty Reduction, Business and Sustainable Development

Over the last 25 years Vietnam has transformed itself through remarkable and sustained economic growth which has brought improvements to the quality of life for millions and a reduction in the number of poor. The activities of the private sector and an enabling environment for entrepreneurship to grow and develop have been fundamental for this transformation. Doi Moi and a vision of a “market economy with socialist orientation” unleashed the potential of the private sector to generate growth with a sustained commitment from the State to equity and poverty reduction. The country’s Socio-Economic Development Plan (SEDP) which is also the poverty alleviation strategy sets a vision for Vietnam of becoming an industrialised country by 2020. The plan sets targets for the economy, society, the environment and for good governance and sees the private sector as fundamental for providing resources, wealth and jobs which are needed for the country to meet its own goals.

While Vietnam has not emerged unscathed from the global economic turmoil of 2009 it has avoided a recession. It is on target to meet its goal of becoming a middle income country by 2020. However, the last 25 years of growth has not come without both social and environmental costs and although millions have lifted themselves out of poverty there are now growing concerns over the widening income gap between the rich and the poor as well as continued poverty in remote and mountainous areas, particularly for minority groups. Climate change, severe weather and other environmental challenges exacerbate social challenges and there is increasing recognition of the need to protect Vietnam’s immense natural resources in order for growth and development to be sustained. Recent analysis from the General Statistics Office (GSO) Household survey shows that a large proportion of people are ‘just above’ the poverty line and pointed out that the next phase of poverty alleviation strategies will be more challenging¹. Vietnam is currently in the preparatory stages for its next Socio-Economic Development Plan which will set

targets and outline a vision and strategy for the next five year period.

As the themes and discussions take root for setting the framework for the next five year SEDP, we believe that the work of the GCNV is timely and hope that this project can contribute to considering how sustainable development can be achieved and the opportunities this provides for business. As business continues to be the driver of the growth and the main creator of wealth, jobs and employment, there is an opportunity for other sectors to work together with business to identify ways in which this growth can be more sustainable and bring benefits to business and benefits for development. While some costs will be involved, the benefits and the risks and cost associated with not taking action will be greater. The Global Compact’s framework for sustainable business through 10 guiding principles on labour, environment, human rights and anti-corruption fit within the context of Vietnam’s development agenda and could be a rallying call for business to contribute to the next SEDP.

Since the Doi Moi reforms, Vietnam has transitioned from an economy reliant on agriculture to one increasingly driven by manufacturing. Table 1 below shows how manufacturing has grown in terms of contribution to GDP from 18.56 percent in 2000 to 21.26 percent in 2007 and continues to grow. The table provides a snapshot of some of the key data available

on the size and nature of the sector and further details are available in the body and appendix of the report. Apparel and footwear, fish and food products, furniture and wood products are key exports. Vietnam is endowed with significant natural resources such as offshore oil and underground mineral reserves. Oil and gas exports are a key source of income. In recent years there have been increased opportunities for the extractive industries in the country. Over the years, the share of the service sector to the economy has also grown considerably and is expected to be a key driver in the years to come. While agriculture (including fishing and forestry) only contributes about 20 percent towards GDP it is a substantial source of employment and agricultural products account for nearly 23 percent of all exports of the country². Manufacturing is a critical source of employment and although affected by the recent global economy, there is a critical shortage of workers in some areas³.

¹ Vietnam Academy of Social Sciences. 2009. Report on Rapid Impact Monitoring of Global Economic Crisis: Short-Term Vulnerability and Long-Term Measures for Sustaining Poverty Reduction in Viet Nam. For 2009 Consultative Group Meeting

² Based on GSO data for agricultural, forest and aquatic products 2000 and 2007 data

³ Vietnam Academy of Social Sciences. 2009. Report on Rapid Impact Monitoring of Global Economic Crisis: Short-Term Vulnerability and Long-Term Measures for Sustaining Poverty Reduction in Viet Nam. For 2009 Consultative Group Meeting.

Table 1: Key data on industry sectors in Vietnam

	Economic Sector	GDP (%) at current prices 2000	GDP (%) at current prices 2007	Est. workers nos. 2000 (in 1.000)	Est. workers nos. 2007 (in 1.000)	Est. workers nos. 2000 (in % to total labour force)	Est. workers nos. 2007 (in % to total labour force)
1	Agriculture (incl. forestry)	21.16%	16.3%	23,491.7	22,177.4	62.46%	50.2%
2	Fishing	3.37%	4.03%	988.9	1,634.5	2.63%	3.7%
3	Forestry	n. d.	n. d.	n. d.	n. d.	n. d.	n. d.
4	Mining (incl. quarrying)	9.65%	9.77%	256	398	0.68%	0.9%
5	Oil and Gas	n. d.	n. d.	3,550	6,306	n. d.	n. d.
6	Manufacturing	18.56%	21.26%	3,550.3	5,963.4	9.44%	13.5%
7	Garments, textiles, shoes (textiles and wearing apparel)	n. d.	n. d.	n. d.	901.2*	n. d.	n. d.
8	Wood products and furniture	n. d.	n. d.	n. d.	124.4*	n. d.	n. d.
9	Food processing	n. d.	n. d.	n. d.	463.9*	n. d.	n. d.
10	Construction	5.35%	6.97%	1,040.4	2,267.8	2.77%	5.13%
11	Tourism* (solely hotels & restaurants)	3.25%	3.93%	685.4	813.9	1.82%	1.84%
12	Real Estate, renting and business activities (GSO definition)	4.34%	3.8%	63.9	216	0.17%	0.49%
13	Telecommunications (solely transport. Storage and communication)	3.93%	4.47%	1,174.3	1,217.4	3.12%	2.76%
14	Finance intermediation (GSO definition)	1.84%	1.81%	75.2	209.9	0.2%	0.48%

Data Source: General Statistics Office Vietnam (GSO). Statistical Data, Employment and Population. (*) Source: GSO: The Situation of Enterprises. Through the Results of Surveys Conducted in 2006, 2007, 2008. Statistics Publishing House, Hanoi, 2009.

Note: data not available for all subsectors.



In order to focus our analysis, we started with a list of about fourteen industries based loosely on the breakdown provided by the General Statistics Office (GSO). Recognising the many sub-industries in manufacturing, we targeted our analysis to garments, textiles and shoes, furniture and other wooden products and food processing. We tested this list with the GCNV and then with the initial stakeholders we interviewed. Through our interviews with a range of businesses (both domestic and foreign), government and non-governmental organisations and individuals as well as our additional desk based research

we mapped the social and environmental issues for the sectors based on the four areas of the Global Compact. Many of the stakeholders noted that corruption was often an underlying cause and there were different interpretations and understanding of human rights as defined in the context of the Global Compact. There are no doubt social and environmental risks that are not highlighted in this report as it is based on the information we were able to gather during a 3 month period in 2009. The research presents a snapshot of a range of stakeholder perspectives at a certain point in time.





Overview of the social and environmental issues for key industry sectors



AGRICULTURE

HUMAN RIGHTS

In the context of other social and human rights there were many unknowns for the stakeholders we interviewed. People raised concerns over land rights and the risk for business in silent complicity if not direct complicity.

LABOUR

The key challenges from the perspective of stakeholders we interviewed related to hidden labour and that which is outside contracts as well as hazardous work. Due to the household based nature of much of the sector, child labour is a risk and there are potential (although unknown) risks related to forced agricultural labour.

ENVIRONMENTAL PROTECTION

The overuse of chemical fertilizers is a risk raised by many for land pollution and associated run offs for water pollution. The high levels of toxic residues raises concerns over food safety.

CORRUPTION

There were not a lot of concerns raised by the stakeholders we interviewed in relation to corruption and agriculture but only some concerns over lack of transparency for use of agricultural land.



FISHING

HUMAN RIGHTS

Land rights and conversion issues for aquaculture are a potential risk but there were many 'unknowns' generally for fishing.

LABOUR

Similar to agriculture, work often takes place at the household level and there can be hidden issues. Stakeholders commented that there were many child labour issues for fishing and also a lack of safe working conditions (i.e. sea fishing without communication devices as well as blast and cyanide fishing).

ENVIRONMENTAL PROTECTION

Aquaculture has relied on chemicals and antibiotics – particularly for shrimp and catfish and there are concerns over the long term effects of chemical inputs. The destruction of mangroves causes both environmental damage and can affect local livelihoods. Cyanide fishing is growing and blast fishing causes irreparable damage to Vietnam's precious ecosystems.

CORRUPTION

The primary concern related to access to fishing rights in some areas.

FORESTRY

HUMAN RIGHTS

There were no specific concerns raised by stakeholders we interviewed.

LABOUR

The work is usually at a household level with land use rights to plant and cultivate forest trees. There were not a lot of labour issues flagged by stakeholders we interviewed.

ENVIRONMENTAL PROTECTION

Forest cover is increasing but the quality of forests (primary cover) is decreasing. The decrease in up-stream forests is a concern with links to flooding and erosion. There are wider regional issues regarding deforestation.

CORRUPTION

Concerns related to land handover processes and illegal forest logging.



MINING

HUMAN RIGHTS

Risks and concerns related to relocation and lack of free prior and informed consent or consultation. In particular there were concerns for indigenous populations and cultural heritage (particularly in the highlands).

LABOUR

Risks and concerns related to hazardous and unsafe working conditions. Although labour issues in mining get less media attention in Vietnam than say manufacturing, they are considered to be very serious and risks also relate to migrant and unprotected workers. Child labour is also a risk.

ENVIRONMENTAL PROTECTION

Mining brings with it severe environmental impacts which need to be carefully managed. The recent attention on Bauxite mining in the Central Highlands was noted by many.

CORRUPTION

Concerns over bribery and facilitation payments and a lack of transparency and limited information available which raises even more concerns and fears over corruption.

OIL AND GAS

HUMAN RIGHTS

Nothing specific was raised by stakeholders we interviewed.

LABOUR

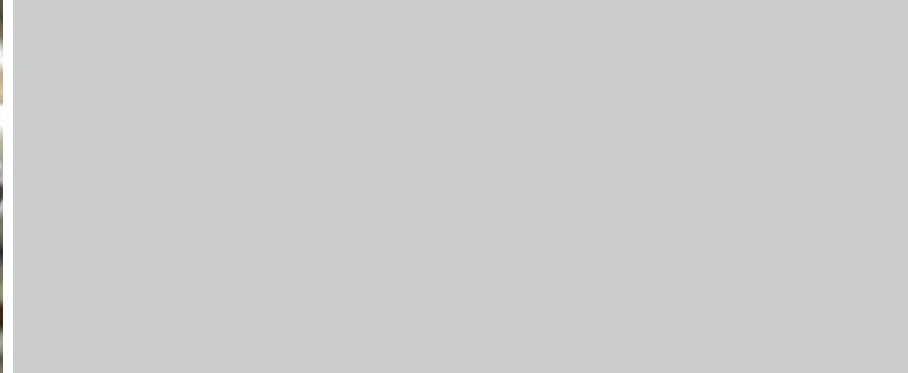
Stakeholders commented that there was a lack of information over labour issues in the oil and gas industry but a perception that people who worked in this industry were better off in terms of remuneration and benefits. However, as much is offshore there is a risk of 'hidden' issues.

ENVIRONMENTAL PROTECTION

The biggest concern related to recent and potential oil spills.

CORRUPTION

This industry is perceived as 'secretive' with a lack of transparency and some stakeholders assumed corruption but noted that they had no clear evidence.



MANUFACTURING

Manufacturing is broad and the risks and opportunities will be different given the different nature of the industries. To manage the scope of this exercise we asked stakeholders about apparel and footwear, wood and furniture production and food processing (separately – see below) given their current contribution towards the economy of Vietnam. Electronics is growing in importance and is a prioritised industry in the country.

HUMAN RIGHTS

The links to labour issues were the main concern.

LABOUR

Concerns were raised over the minimum wage vs. a 'living' wage and rising inflation in 2008. Child labour continues to be a concern and although many brands have worked extensively on auditing and remediation this covers only a small percentage of factories in the apparel or footwear industries. While larger firms may be better off, there is a lot 'unseen' in the next tier and a risk of sub-contracting. Lack of insurance for workers was a concern as well as hazardous and safe working conditions. There are continued issues regarding child labour. Concerns were also raised about the quality of life in industrial parks.

ENVIRONMENTAL PROTECTION

Waste water and other forms of pollution are particularly serious. There is a perception of limited enforcement and a lack of incentive for any enforcement. While the industrial parks are supposed to manage this better, the systems are also not adhered to in these locations.

CORRUPTION

One stakeholder noted a risk regarding pay-offs to staff for winning buyer orders. Other concerns were related to the non-enforcement of environmental or labour laws.

FOOD PROCESSING

HUMAN RIGHTS

Again the issues for most stakeholders related to labour issues.

LABOUR

The key concern is a lack of safety measures for workers who are in contact with chemicals. Similarly with other manufacturing sectors, there are concerns for child labour and hazardous labour as well as excessive overtime.

ENVIRONMENTAL PROTECTION

A lack of waste water treatment is a serious risk at the moment. Other concerns related to the overuse of chemicals in the processing.

CORRUPTION

The key concern was a perceived lack of enforcement of environmental protection and concerns over corruption. If the right person is paid then a blind eye can be turned on environmental issues.



CONSTRUCTION

HUMAN RIGHTS

The concerns linked to land issues and labour issues.

LABOUR

Worker safety, overtime, unprotected labour, and child labour are risks and concerns for this industry in Vietnam. A large number of temporary workers from rural areas and an increasing number of migrant workers without any contract (and therefore any formal protection) was another issue raised.

ENVIRONMENTAL PROTECTION

Dirt, noise, solid waste, transportation of materials to sites as well as lax building standards and building safety were all concerns that were flagged.

CORRUPTION

Stakeholders perceived corruption to be a big issue for this industry. Although Vietnam has a tender law and is working on improvements in this area, the issue of 'fake bidders' and corrupt practices in the tendering process is a big risk.

TOURISM

HUMAN RIGHTS

Some stakeholders raised concerns with 'social evils' associated with tourism such as prostitution, drugs loss of traditional values and heritage.

LABOUR

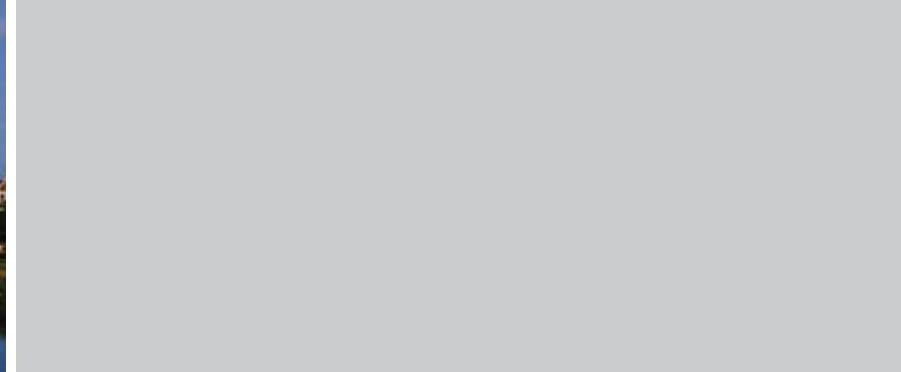
Overtime and potential child labour are risks for the tourism industry.

ENVIRONMENTAL PROTECTION

The concern over lack of wastewater treatment, the use of agricultural land for tourism and resorts such as golf resorts were all flagged. Logging of trees was also noted.

CORRUPTION

With any large infrastructure project in Vietnam the risk of corruption was noted. Who benefits and how with regards to tourism can be affected by corrupt practices.



REAL ESTATE

HUMAN RIGHTS

Land rights are a sensitive issue as land belongs to the government. Households who want to get the land use right certificate (the red book) need to go through many procedures but there are always “special cases” and there is uncertainty and lack of transparency.

LABOUR

Aside from concerns over poor management and poor building practices, there were not a lot of concerns linked to labour issues.

ENVIRONMENTAL PROTECTION

Similar to construction some raised concern over how land is taken from farmers to build too many golf course and industrial parks without decent plans and proper waste water and solid waste systems.

CORRUPTION

This industry is believed to be one of the worst in terms of corruption. Lack of transparency and lack of monitoring were key concerns.

TELECOMMUNICATIONS AND POST

The main concerns raised in relation to this industry related to facilitation payments for transporting materials through the post or through private companies. There was a concern that facilitation payments always needed to be made. No further analysis was made in relation to this industry.

BANKING AND FINANCE AS A CROSS-CUTTING THEME

We initially looked at banking and finance alongside the other industries. While stakeholders did not raise concerns about social and environmental issues directly in the financial institutions, it was more how banking and finance could play a pivotal role in promoting and achieving sustainable development in other industries. We therefore see banking and finance as a cross-cutting theme across all of the industries. The direct concerns were in relation to corruption with a risk of insider trading and information asymmetry amongst powerful investors along with credits being provided to unqualified borrowers.

Recommendations

Based on a review of social and environmental related risks (including labour, environment, corruption and human rights), the presence of any ongoing remediation and the size of the sector and other opportunities, we ranked 14 industries in Vietnam and looked at these for further analysis. We came up with 3-4 industries for the Network to concentrate on (with banking and finance as a cross-cutting theme). These recommendations by sector are as follows:

Top tier recommendations	High risk and lots of opportunity but other remediation efforts in place	High risk but more limited opportunity to act	Limited risk and limited opportunity
<ul style="list-style-type: none"> •Food processing •Construction •Extractive industries: Oil & gas and mining 	<ul style="list-style-type: none"> •Manufacturing: <ul style="list-style-type: none"> •Garments, apparel and textile and shoes •Wood products and furniture 	<ul style="list-style-type: none"> •Agriculture •Fishing •Forestry 	<ul style="list-style-type: none"> •Tourism (Hotel and Hospitality) •Real estate •Telecommunications and post
GCNV focus further on these sectors and develop tools for brining to life the Global Compact Principles	GCNV should work and liasie closely with ongoing remediation efforts	Not a priority at the moment for the network	Not a priority at the moment for the network
Cross-cutting theme: Banking and finance			

It should be stressed that we recognise the importance and severity of issues in the primary industries but that we see more potential for the GCNV to engage in the next step up the value chain and focus on the manufacturing process (for example food processing).

Top tier recommendations:

Food processing:

The food processing sector plays an important role in Vietnam’s economy and is expected to continue to do so. Based on our analysis there are substantial environmental issues along with social issues that need to be addressed. Given the transition from an agrarian to an industrial economy and the role that agricultural products play in contributing to exports, food processing has some natural strength as an industry to focus on. Agriculture itself will be a bigger source of employment but there is more limited capacity for the GCNV to act (as in fishing). By moving one step up the value chain to food processing there is a potential to add value to the development of Vietnam.

Construction:

While construction is lower in terms of contribution to GDP it links to other industries and infrastructure. It is large in terms of employment and there are many issues to address throughout the industry. Some of these are critical with potential to cause disaster such as shoddy building materials and unsafe infrastructure. There is currently a lack of remediation efforts. VCCI could leverage its government links and potentially bring together some key players. The network can also leverage the support of key players





in the construction materials industry who are local members.

The extractive industries:

Vietnam is now ranked South-East Asia's third largest oil producer. The profits from the oil business have the potential to make significant contributions towards poverty alleviation and sustainable development in Vietnam. However, experience and lessons learned from other countries stress that the industry must grow and develop in a transparent manner in order for developmental gains to be realised. The network has potential with champions such as Talisman and interest shown from Embassies and bilateral donors to help to take forward some work in this area. Clearly initiatives by organisations such as Transparency International are important and the GCNV could help to legitimise and strengthen their efforts. We would recommend that the GCNV give serious consideration to leveraging its strengths and taking forward work related to the extractive industries in Vietnam.

As mining is an industry which has the potential to contribute to Vietnam's economy but also one that needs to be managed responsibly due to its significant environmental and social impacts, it is an area we think a network such as the GCNV could add value. This could be in relation to decent work and labour issues and providing business strategies for introducing occupational health and safety measures for mining which could also include experiences from other countries and ways to properly manage environmental impacts. Therefore we are recommending that mining be combined with oil and gas and that the network do some further work on issues for the extractive industries. While many stakeholders were concerned with the 'sensitive' nature of this industry, a multi-stakeholder network such as the GCNV is better placed than most to take forward work in this area.

Finance and banking as a cross-cutting theme:

The banking and finance sector initially emerged as one of our top-tier recommendations. While some stakeholders we interviewed felt that it was too early in Vietnam's reform process to talk about sustainable finance and that this would be ten years later on, others disagreed. There is a great opportunity now for Vietnam to embed sustainable lending practices in the banking and finance sector in order to have a knock-on effect and positive influence elsewhere. There is further potential opportunity with

changes to the banking sector and state owned banks as well as the growing influence of the stock exchange. There is growing interest globally and regionally in Equator Principles, a benchmark for the financial industry to manage social and environmental issues in project financing. We generally see a lack of remediation efforts but also potential champions in country.

The other natural industries which have high risks as well as opportunities are in other areas of manufacturing and particularly garments and shoes as well as wood and furniture products and possibly electronics. As there has been some attention given already to these industries and there are some remediation efforts in place (such as the ILO

and IFC supported Better Work Programme) we recommend to the Network that they focus on those sectors which, as a multi-stakeholder network (government, private sector and NGOs) they can leverage their strengths and add additional value.

While the risks related to sustainable business are numerous so are the opportunities. Experience and lessons learned from other countries shows that a focus on sustainable business can help to contribute to growth in a way that takes into consideration people, the environment and the economy. As Vietnam looks forward and considers its vision for the future and next SEDP there is an opportunity for business to be a key partner in sustainable development.





Brief introduction to the project

This project was initiated to identify the main social and environmental problems of the key industry sectors in Vietnam, in order to allow the Global Compact Network Vietnam to choose rationally which sectors to focus on. The Global Compact Network Vietnam (GCNV) is an alliance of companies, government, trade unions and non-governmental organisations. It exists to promote and improve the working and environmental conditions of Vietnamese workers through the implementation of the Global Compact principles by companies. Its ultimate goal is to be the national corporate social responsibility (CSR) centre of excellence in the country; supporting companies to identify, anticipate and diffuse the tensions between business and communities, business and the environment and business and the consumer, leading to sustainable businesses in a sustainable society⁴. The GCNV was launched in 2007 to support the government in the implementation of its Sustainable Development Strategy (Agenda 21). The project is implemented through the Vietnam Chamber of Commerce and Industry (VCCI), Office for Business Sustainable Development (SD4B) with funding from UNDP.

Our approach

To rank the social and environmental issues and prioritise key industries our approach included:

1.A mapping of the most important social and environmental issues affecting each industrial sector in Vietnam (based on the Global Compact Principles) as well as important initiatives and activities supported by companies and organisations at a government, factory, worker and civil society level, regarding the four areas of the Global Compact.

2.Developing a scorecard to rank the most important social and environmental risks of each industrial sector against the GCNV's ability to influence them.

To develop the scorecard we looked at both risks and opportunities:

RISKS:

We mapped the social and environmental problem in each industrial sector in relation



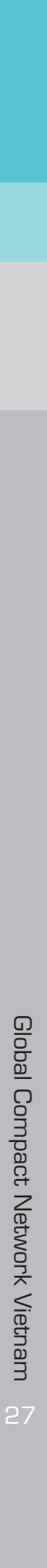
to the four areas of the Global Compact. In our interviews and our focus groups, stakeholders were asked to consider the key industries in Vietnam and share their assessment of the severity of issues within each of the industries. Appendix III has the tool that was used in the interviews. Based on the collated answers we then attributed a score of 0,1,2 or 3 to each of the issues.

OPPORTUNITIES:

For this part of the scorecard we considered:

- The relevant size of each sector – relative

⁴ Verbatim from terms of reference





to number of workers and value of the sector based on its contribution to GDP.

- The presence of ongoing remediation actions.

Ability to influence: Including:

- GCNV's ability to add-value and not duplicate existing efforts.
- External drivers including FDI and proportion to export.

- Public awareness and interest in the sector.
- Presence of local champions.

Again, for the purposes of benchmarking and the scorecard, each of the areas was given a score of 0,1,2 or 3 based on the data collected. In each of the industries highlighted in this report the summary of the scorecards are presented.

PROCESS:

We engaged national companies, multinational companies working in Vietnam, government officials as well as others working in international organisations, NGOs, local research organisations or as consultants. We carried out two focus group discussions with Vietnamese companies (in the North and in the South) and one focus group with multinational companies.

In depth interviews were conducted with government officials in various sectors (i.e., Government Inspectorate - GI, Ministry of Labour, Invalids, and Social Affairs - MOLISA, Ministry of Finance, Ho Chi Minh City's Department of Resource and Environment), and several managers of organisations as well as other stakeholders from a variety of backgrounds. Interviews were open-ended based on a guideline. Each interview lasted from 40 to 60 minutes. Depending on the

sector of the interviewees, the interviews could cover all or only some of the GC issues. For example, interviews with Government Inspectorate focused mainly on corruption issues, while MOLISA talked more about labour issues. All the interviews were conducted from 15th September to 16th October, 2009.

The three focus groups were conducted with managers of domestic companies (13 in HCMC, and 10 in Hanoi) and multinational companies (11 in HCMC). The focus groups lasted for more than 2 hours, with open discussions on key specific issues, pressing industries, as well as any initiative or suggestion to address these issues in each GC area.

A final step was to walk through the research process with the GCNV and test our preliminary findings (October, 2009). The principle researchers were Michelle Brown (CSR Asia) and Nguyen Van Thang (National Economics University). Oversight for the whole project was provided by Richard Welford (CSR Asia and the University of Hong Kong) with some advisory support from Nicholas Freeman (CSR Asia representative and affiliate consultant in HCMC) and some additional research assistance from Quan Minh Chau (CSR Asia).

CHALLENGES AND LIMITATIONS:

With regards to the ranking exercise, we recognise the challenge of applying a 'score' or 'flag' to such complex issues as those enshrined in the Global Compact yet, at the same time the tool proved useful as a conversation starter to further explore the issues with stakeholders. For our ranking, we also took into consideration existing research or analysis on the issues in Vietnam and those risks generally for the industries based on our experience in the region.

We were able to speak to and interview those that were interested in being engaged and who we may have had easier access to. We have made attempts to compensate for this by drawing on any alternative and existing research and continuously checking our preliminary findings with stakeholders and testing and retesting as we go along.

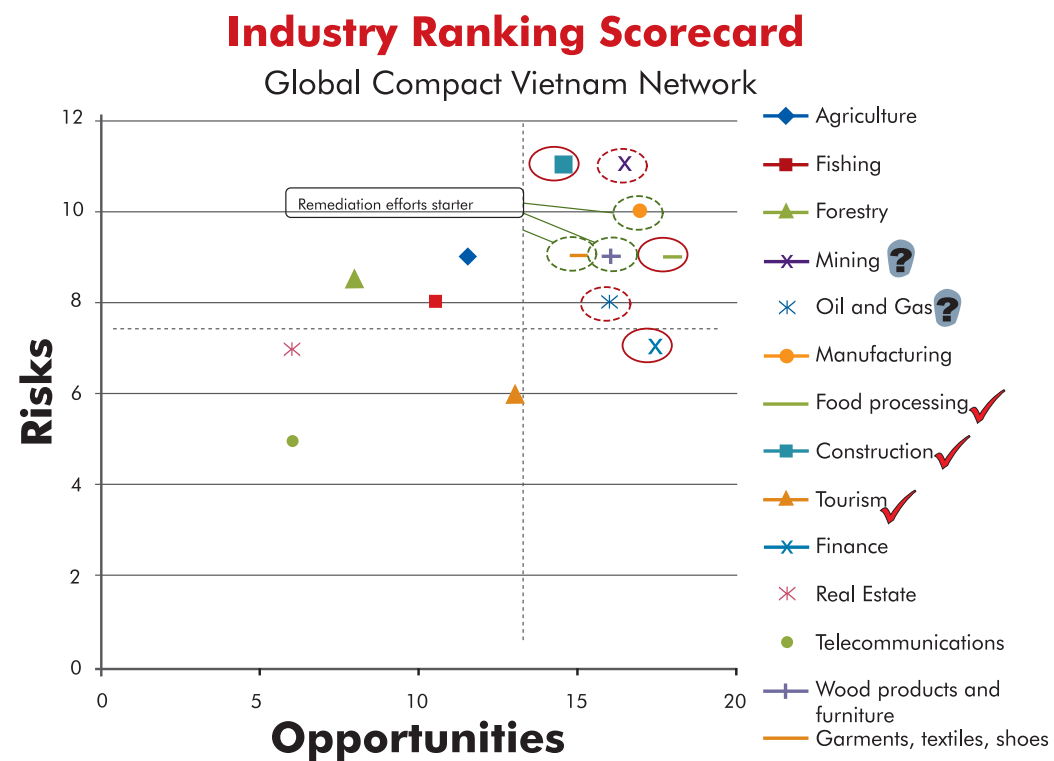
In terms of the industries chosen to look at in the study, we based this on our preliminary assumptions and initial secondary information. We also asked those we interviewed to flag any additional ones that weren't covered in our research questions.



Overall findings

Figure 1 presents the overall findings based on the scorecard we developed and used for the research. Each industry examined was given a score for both risks (in relation to the severity of issues for the four areas of the Global Compact) as well as opportunities based on relative size of the sector, remediation efforts already present, capacity of GCNV to add value as well as other drivers such as FDI and contribution towards export, public awareness locally and presence of any champions in country.

Figure 1: Risks and opportunities ranking



Presence of remediation efforts had been taken into account in the overall score (with equal weighting as the other industries). We originally looked at all industries in the top right quadrant and then prioritised those which had a lack of remediation efforts. Based on this assessment our recommendations for the Global Compact Network Vietnam are presented in table 1:

Table 1: Recommendations

Top tier recommendations	High risk and lots of opportunity but other remediation efforts in place	High risk but more limited opportunity to act	Limited risk and limited opportunity
<ul style="list-style-type: none">•Food processing•Construction•Extractive industries: Oil & gas and mining	<ul style="list-style-type: none">•Manufacturing:•Garments, apparel and textile•Wood products and furniture	<ul style="list-style-type: none">•Agriculture•Fishing•Forestry	<ul style="list-style-type: none">•Tourism (Hotel and Hospitality)•Real estate•Telecommunications and post
GCNV focus further on these sectors and develop tools for bringing to life the Global Compact Principles	GCNV should work and liaise closely with ongoing remediation efforts	Not a priority at the moment for the network	Not a priority at the moment for the network
Cross-cutting theme: Banking and finance			

We recognise the importance and severity of issues in the primary industries but that we see more potential for the GCNV to engage in the next step up the value chain and focus on the manufacturing process (for example food processing).



The Industries

I - TOP TIER RECOMMENDATIONS:
FOOD PROCESSING, CONSTRUCTION
AND THE EXTRACTIVE INDUSTRIES

Based on our analysis of both the severity of issues and risks associated with the areas of the Global Compact as well as the opportunities and capacity to act on the issues within the sector, we have come up with three industries which are our 'top tier' recommendations. This doesn't mean there were not serious risks or problems in other sectors but based on a range of factors related to the opportunities certain industries were prioritised. A brief summary of each industry, the key GC issues and the opportunities within the sector are presented below.

1. FOOD PROCESSING

Food processing contributes significantly to the overall GDP in Vietnam and is forecasted to maintain an average annual growth rate of 10 to 15 percent for the short term. It is an important source of employment. The Government Statistical Office (GSO) data from 2007 shows that there are over 4.5 million people working in the sector. However this may underestimate the true nature of the industry with others finding that sugar factories alone are estimated to employ around 1 million laborers⁵.

The sector has attracted a significant level of foreign investment in recent years from companies such as Unilever, Nestle and San Miguel and P&G. At the same time, analysts comment that the requirement for joint ventures is deemed to have deterred some foreign investors⁶.

The sector is made up primarily by micro, small and medium sized enterprises and is fragmented with the exception of the dairy and confectionary sector⁷. It is comprised of

⁵ Friedrich-Ebert-Stiftung. 2008. P28

⁶ BMI research Vietnam Food and Beverage Report

⁷ BMI research



sea-food processing plants; slaughter houses; beverage plants; fruit and vegetable processing plants; instant noodle manufacturers, confectionary manufacturers and many others. Like other parts of manufacturing, there are numerous household and village level enterprises.

The global recession has impacted this sector in Vietnam with reduced global prices and

falling demand with reports of some firms reducing output by 50 to 60 percent⁸.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 2 below provides an overview of the key issues for the food processing Industry in relation to the Global Compact.

Table 2: Global Compact Issues in Food Processing

HUMAN RIGHTS <ul style="list-style-type: none"> Many 'unknowns' Food safety and human rights Land transfer issues for manufacturing 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> Waste water and water pollution critical issue Perception that products in Vietnam competing on price and waste treatment seen as too expensive Overuse of chemicals Food safety and sanitation
LABOUR ISSUES <ul style="list-style-type: none"> Safety and handling of chemicals Potential for other labour issues – child labour, overtime, etc... 	CORRUPTION <ul style="list-style-type: none"> Concerns over lack of enforcement of environmental protection and possible anti-corruption issues

⁸ BMI research

OTHER HUMAN RIGHTS RELATED ISSUES

For many stakeholders, human rights are linked to labour issues. Concerns were noted on safe working conditions, overtime hours, gender issues and women's rights.

KEY LABOUR ISSUES

The key concern here is the lack of safety measures for workers who are in contact with chemicals. Some stakeholders noted that there were also other potential labour issues similar for other manufacturing sectors ranging from: child labour and hazardous labour as well as excessive overtime (although this is not as well researched or documented compared with the garments and shoe industries).

KEY ENVIRONMENTAL ISSUES

Environmental issues in food processing was a serious concern for nearly 80 percent of the people we spoke to. Recent media attention around cases such as Vedan and San Miguel have helped to put environmental issues in food processing in the spotlight. Many stakeholders believed that food processing products in Vietnam are competing on price. Thus, investment in a proper waste treatment could be too expensive.

"Fish processing firms – if you visit you may see that the premises are so clean, even cleaner than some hospitals. They used a lot of chemicals to clean the premises, then they just discard them to the environment."
(A manager)

A lot of small, traditional food processing premises use manual techniques and seriously pollute the environment. Waste water discharge from village level enterprises is a serious problem with high concentrations of toxic substances exceeding permitted standards.

There is a challenge with enforcement. One stakeholder commented that "environmental protection certificates (in the food processing industry) currently issued are not worth the paper they are written on" (representative from a multinational).

CORRUPTION RELATED ISSUES

There is a perceived lack of enforcement of environmental protection linked to corruption. Basically questions were raised that if the right person is 'facilitated' then a blind eye can be turned on environmental issues.



⁸ In 2009 both of these companies were in the news for reported water pollution



OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

As indicated above, the industry is quite significant for Vietnam in terms of size with a growing level of foreign investment and an important contributor to Vietnam's global exports. A combined estimate for food processing and packaging is that it accounts for about 40 percent of total export turnover¹⁰.

SEAPRODEX controls the lion's share of fishing and aquaculture related exports. The company appears to be taking a leadership role in relation to some aspects of CSR and has recently worked with the National Institute of Nutrition to reduce iron deficiency anaemia, marking the "first time that the health sector and manufacturing and distribution companies have joined forces to fight malnutrition in Vietnam."¹¹ The project has support from the Global Alliance for Improved Nutrition (GAIN). While this is not specifically addressing the principles of the Global Compact it shows how some companies are looking to use their core product and services to address development challenges in the country.

ON-GOING REMEDIATION

Initiatives such as the cleaner production work of UNIDO have touched on the food processing sector. Given the severity of the issues, we did not see a significant amount of remediation in this industry. However, the sub-sector has recently had an injection of financing with the ADB committed to a loan of USD 95 million to support the industry to adhere to health, safety and quality requirements¹².

PUBLIC INTEREST AND OTHER INFLUENCING FACTORS

While food safety has been a growing concern in Vietnam, the milk scare which began in the PRC in 2008 and also affected Vietnamese supplies, raised further concerns about product safety¹³. In the first 6 months of 2009, the Food Safety and Hygiene Department reported that food poisoning cases were up 55 percent compared with the same period last year. Since November 2008, exporters to the United States have had to produce certificates to the effect that the products are safe and not harmful to children and adult consumers. Manufacturers and importers will announce their voluntary and mandatory standards, which must be certified by independent third parties through a test of each product or a reasonable testing program. The United States is Vietnam's

biggest export market with 2008 exports totalling \$10.2 billion.

GCNV'S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Unilever has been an early signatory to the Global Compact Network in Vietnam and is a recognised leader from the perspective of many stakeholders in terms of CSR in Vietnam. Companies such as Duc Viet Foods Joint Stock Company, Hung Cuong Trading Company, Hung Trung Viet Joint Stock Company are all GC Vietnam signatories and food producers. Processing of agricultural, forestry and aquaculture products is a priority industry for the periods 2007-2010, 2011-2015 and 2016-2020 and will play a key role in helping Vietnam achieve its development goals¹⁴.

It is recommended that food processing is a (sub) sector that the GCNV should follow up with. As noted above there are substantial environmental issues along with social issues that need to be addressed. Given the transition from an agrarian to an industrial economy food processing has some natural strength as an industry to focus on. Agriculture itself will be a bigger source of employment but there is more limited capacity for the GCNV to act (as in fishing). By moving one step up the value chain to food processing there is a potential to add value to the development of Vietnam.

¹⁰ Industry - Vietnam

<http://www.nationsencyclopedia.com/Asia-and-Oceania/Vietnam-INDUSTRY.html#ixzz0Xx4AZ8SI>

¹¹ quote from NIN director Mr. Nguyen in VN news 21 5 08

¹² <http://xttmnew.agroviet.gov.vn/loadasp/tn/en/tn-spec-nodate-detail.asp?tn=tn&id=208017>

¹³ Huong. Huong, Bui Thi Lan. 2008 The Perspective on Corporate Social Responsibility in Emerging Countries: The Case of Vietnam Ouverture International - International Vision CFVG Excellence European en Management No. 12 June 2008

¹⁴ List of priority industries and cutting edge industries for the period 2007 to 2010 with the outlook to year 2020 (issued with Decision 55-2007-QD-TTG of the Prime Minister of the Government dated 23 April 2007).

2. CONSTRUCTION



While construction itself does not factor as high as other industries in terms of contribution towards GDP, the construction material industry has recorded an annual growth rate of more than 17 percent higher than the whole industry's average growth taking into consideration products such as cement, ceramic tiles, artificial granite, porcelain and glass¹⁵. As urbanisation continues to increase the construction industry has boomed. Construction creates the infrastructure for the manufacturing and other industries. Some of the current large scale construction projects include the Son La hydroelectric power plant, Dung Quat oil refinery, Ca Mau thermo-electric plant, Buon Lop hydroelectric power plant, Thu Thiem Bridge, and Xekaman hydroelectric power plant No 3.

The Industry is a source of employment for nearly 2.2 million people and also particularly for migrant and unskilled workers. According to the GSO, construction accounts for 5.13 percent of the jobs for the working population although it is likely that this is not a true reflection of the size of the sector given the unofficial nature of much of the work. It also provides an additional source of income for those predominantly reliant on agriculture during the off-season. As noted below, the

unofficial nature of much of the work poses substantial risks.

Larger companies such as Song Da Construction Corporation, the National Cement Corporation, the Hanoi Construction Corporation and numerous others are under the Ministry of Construction. Since 2005 and the enterprise law the number of private companies and corporations has increased substantially. According to the most recent available data from the GSO, nearly 97 percent of ownership in the construction sector is now national and private with only 2.6 percent state ownership and less than one percent foreign direct investment¹⁶.

While there has been a focus in recent years on updating production techniques there is a heavy reliance on outdated machinery and 16 percent of cement and half of all bricks are still produced manually¹⁷.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 3 below provides an overview of the key issues for the Construction Industry in relation to the Global Compact.

Table 3: Global Compact Issues in Construction

HUMAN RIGHTS <ul style="list-style-type: none"> • Linked to land issues • Linked to labour issues 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> • Many stakeholders raised concerns related to: dirt, noise, solid waste, transportation of materials • Lax building standards and building safety
LABOUR ISSUES <ul style="list-style-type: none"> • Work safety • Overtime • Unprotected labour • Temporary workers from rural areas and • Increasing migrant workers (from abroad) • Child labour 	CORRUPTION <ul style="list-style-type: none"> • Stakeholders perceive corruption to be a big issue for this industry • Tender law and fake bidders (red troop and blue troops)

OTHER HUMAN RIGHTS RELATED ISSUES

The issues on human rights linked to labour rights and issues around safe working conditions, overtime hours, and child labour. There were also concerns over land use and how land is taken and how communities are compensated. As the Ministry of Natural Resources and the Environment's website recently reported in late 2008, city inspectors found that Construction Company 623 in Thu Duc District of HCMC had used over 100m of a local canal, without Government's permission¹⁸.

KEY LABOUR ISSUES

The key concern raised by stakeholders we interviewed was in regards to safety on construction sites. Recent stories in the local press have highlighted the health and safety risks in the construction industry. Many workers are temporary and unskilled and from rural areas. Overtime hours were a concern especially in a busy time when the construction needs to get finished. Some stakeholders raised concerns regarding illegal migrant workers on large scale infrastructure sites. In such cases there are no formal contracts and there is limited ability of the

¹⁵ 2008 Vietnam Country Report from the 14th Asia Construct Conference

¹⁶ GSO

¹⁷ BMI construction report

¹⁸ <http://www.monre.gov.vn/monreNet/default.aspx?tabid=259&idmid=&ItemID=58333>

labour inspectorate to follow up, monitor and ensure labour protection.

Child labour is recognised as being an issue in construction. Even when a construction site does not have children 'on its books', the people working may not be the same as on paper. Participants cited the collapse of Can Tho Bridge as an example: a lot of people are not the same as the names in registered papers.

KEY ENVIRONMENTAL ISSUES

The construction industry has huge environmental impacts. If properly managed the construction industry has the potential to make significant contributions towards achieving Agenda 21 in Vietnam. People commented that there were few measures to protect the environment in the construction industry and flagged concerns over dirt,

noise, solid wastes, etc. There are also clear links to health and safety issues in this respect.

CORRUPTION RELATED ISSUES

This issue raised "red flags" for many of the stakeholders we interviewed who were concerned with corruption at all stages of construction.

Bidding: Although Vietnam has a tender law, the implementation of the law depends a lot on the individual who manages the tender. In many cases, there are "red troops" and "blue troops" (red troops refers to the real bidder, while blue troops refer to fake bidders, who are also manipulated by the red troop, but participate in the tender to make the tender look lawful).

"The tender process has not been "clean" in practice of many cases. It depends a lot on the person in charge." (A government official)

Implementation: The media have reported a number of corruption incidents in the construction phase. Stakeholders pointed out that these incidents are only part of the issue. Corruption happens in all phases: designing, monitoring, and construction. In the designing phase, if the "investor" (normally a representative of the government) is corrupted, the designers could increase the specification of the construction. Then, during the construction phase, they could take away some materials without worrying about the quality of the construction. Similarly, there were concerns over land use during the construction phase and how this is appropriated by certain departments.



OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

While the construction industry itself is not the biggest industry in terms of contribution to GDP, when placed together with the construction materials and related industries it has a very significant impact. The industry is mostly internal facing although some of Vietnam's companies have bid and won projects in neighbouring countries such as Laos.

ON-GOING REMEDIATION

A local green building council has been launched with a Vietnam specific rating system, Lotus, currently being developed. The rating includes credits for conservation (water, energy and materials); ecology and environment (site ecology and waste and pollution); health and well being; climate change (adaptation and mitigation); community and social; along with management approaches. Essentially it is adapting global standards such as LEED,





THE EXTRACTIVE INDUSTRIES

Green Star and BREAM for the Vietnamese Market. Founding members have mostly been international property firms such as CBRE and architectural firms such as Woods Bagot and ROK. The council is affiliated with the Ministry of Construction and other partners.

Other related work and initiatives include the Construction Transparency Initiative (CoST) which Vietnam joined in 2008 which aims to enhance the accountability of procuring bodies and construction companies for the cost and quality of public-sector construction projects¹⁹ along with work that is being undertaken by the Ministry of Construction with the support of DFID to provide more financial transparency in the construction industry.

PUBLIC INTEREST AND OTHER INFLUENCING FACTORS

Given the significant attention to corruption in infrastructure as well as safety there has been increasing attention on linked issues in general.

GCVN'S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Based on the research and analysis we believe that the GCVN could potentially add value in this industry. Holcim is an active



member of the GCVN. They are perceived by many stakeholders to be playing a leadership role in the cement industry which is an important part of the construction industry. They could help to champion work in this area in general.

While construction is lower in terms of contribution to GDP it links to other industries and infrastructure. It is large in terms of employment and many issues to address throughout the industry. Some of these are critical with potential to cause disaster such as shoddy building materials and unsafe infrastructure. There is currently a lack of remediation efforts. VCCI could leverage its government links and potentially bring together some key players. Champions in the construction materials industry such as Holcim could also help to play a pivotal role.

3. OIL AND GAS

Crude oil was responsible for 17.5 percent of Vietnam's exports in 2007 and the country is one of the largest producers in South-East Asia. To date it has contributed nearly USD 30 billion to the State's budget and has attracted large sources of foreign investment. The industry has been mostly upstream with offshore oil sourcing. While it is significant in terms of income it is not as significant in terms of employment. Mining and quarrying (including oil and gas) employ roughly 1.7 million people according to recent GSO figures but this is higher for coal and metal ore mining and less substantial for extraction of petroleum and natural gas due to the nature of the work²⁰.

In February 2009, the first downstream oil refinery was opened in Quang Ngai province with another expected to be operational in 2013 and a third is in preparation.

The industry is state-controlled with PetroVietnam playing the leading role who, together with Vietsovpetro are the principle partners for foreign investment and control the country's oil production. PetroVietnam is required to participate in all ventures. The



Russian state company Zarubezhneft is the biggest foreign producer (via the Vietsovpetro JV), while Petronas, Chevron and ConocoPhillips are all significant investors. Between 2006 and 2008, Premier Oil and SOCO International along with Talisman all made significant offshore discoveries.

The islands and surrounding waters in the South China Sea are disputed between Vietnam and China (with other countries also laying claim). The oil reserves offshore have therefore been a potential source of tension between the countries and there have been rumors in the press that China has put pressure on some companies over their oil exploration in Vietnam. In 2009 BP announced a withdrawal from some of its Vietnam operations citing economic reasons.

¹⁹ CoST web page. URL: <http://www.constructiontransparency.org/CountriesSupporters/Countries/Vietnam/>

¹⁹ GSO

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 4 below provides an overview of the key issues for the Oil and Gas Industry in relation to the Global Compact.

Table 4: Global Compact Issues in Oil and Gas

HUMAN RIGHTS <ul style="list-style-type: none">Nothing specific raised	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none">Concern over spills
LABOUR ISSUES <ul style="list-style-type: none">Health and safetyUncertainty over labour issuesOff shore issues	CORRUPTION <ul style="list-style-type: none">Nothing specific raised

OTHER HUMAN RIGHTS RELATED ISSUES

Nothing specific was raised nor uncovered in the additional research. Some NGOs have raised concerns over how the indigenous populations on shore near the off shore discoveries will benefit from the oil.

KEY LABOUR ISSUES

A general perception exists that people working in the oil and gas industry are better off in terms of remuneration and benefits however there is a lack of available data in Vietnam. With offshore labour it is possible that many issues go undetected. Generally, the stakeholders we interviewed did not raise a lot of concerns in this area.

KEY ENVIRONMENTAL ISSUES

The biggest concern raised by stakeholders related to potential oil spills. In 2007, an oil spill washed ashore along the central coast

near Danang (including the UNESCO heritage site of Hoi An) with spills affecting 20 provinces damaging the environment and wreaking havoc on fisherman lives. The spills which were originally deemed to be from outside of Vietnam but conclusions were unclear and may have also come from oil rigs within the borders of the country.

CORRUPTION RELATED ISSUES

The general perception of stakeholders we interviewed was that this is an industry where there is not a lot that is known and is generally quite secretive. Some were clear in voicing concerns over lack of transparency and how the benefits from the oil and gas industry would be helping to address poverty alleviation. Business Monitor International’s review of the Oil and Gas Industry for Vietnam has flagged the fact that corruption and rule of law is a major business risk in Vietnam.

OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

Crude oil is the number one export for Vietnam and a significant contribution to the GDP. It is not currently one of the largest employers. Foreign investment is significant and always in partnership with a Vietnamese company.

ON-GOING REMEDIATION

Aside from some work around transparency, there is little remediation efforts in this industry.

Public interest and other influencing factors: Given the recent oil spills, the industry has received a fair amount of press in the last year. However, other social and environmental issues have received little coverage.

GCVN’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Talisman has been an early founding member of the GCVN. In addition the Canadian Embassy with the involvement of Talisman

recently organised a workshop to share good practice in the extractive industries Although some stakeholders have commented that this may be an industry where it would be difficult to work in, given the nature of the GCVN we believe there is potential for the network to add value and work with others.

Vietnam is now ranked South-East Asia’s third largest oil producer. The profits from the oil business have the potential to make significant contributions towards poverty alleviation and sustainable development in Vietnam. However, experience and lessons learned from other countries stresses that the industry must grow and develop in a transparent manner in order for developmental gains. The network has potential with champions such as Talisman and interest shown from embassies and bilateral donors to help to take forward some work in this area. Clearly initiatives by organisations such as Transparency International are important and the GCVN could help to legitimise and strengthen their efforts. We would recommend that the Network give serious consideration to leveraging its strengths and taking forward work related to the extractive industries in Vietnam.



4. MINING



In 2007, mining accounted for 10 percent of GDP in Vietnam²¹. There was general decline in output in this sector in 2007 and 2008 which has been partly attributed to a policy on conserving natural resources²². The ownership of the sector is 25.5 percent state, 9.7 percent private and 64.8 percent is foreign investment²³. In terms of statistics, the GSO defines the overarching sector as mining and quarrying which then includes within it: mining of coal; oil and gas; mining of metal ores and quarrying of stone and other mining. For the purpose of this research

we have initially separated out oil and gas from other types of mining and quarrying. In addition to petroleum, coal is a primary mineral export while antimony, bauxite, chromium, gold, iron, natural phosphates, tin and zinc are also mined in country. According to most recent figures roughly 1.7 million people work in the mining and quarrying industry.

In 2009, mining was brought to the forefront of the national media due to the concerns over the bauxite mine in the central highlands. Vietnam has one of the largest bauxite reserves which are used to produce aluminium. To tap this, the government's master plan calls for investments of around USD 15 billion by 2025. However, the reserves are situated in the central highlands - an area of rich biological and cultural diversity. Local and international concerns have been raised over the potential adverse environmental impacts and on livelihoods and local crops such as coffee and cacao. Presently, the Vietnamese State Owned Enterprise Vinacomin has moved ahead with operations and contracted a subsidiary of Chinalco for one mine and Alcoa is working with them to ascertain feasibility for a second mine²⁴.

²¹ GSO 2007 data

²² <http://www.asiantechenterprise.co>

²³ 2007 GSO figures

²⁴ <http://blog.socialrisks.com/2009/05/vietnam-risk-bauxite-mines-china-and.html>

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

For many of the issues there were lots of 'unknowns' from the perspectives of the stakeholders we interviewed. This was matched with a lack of empirical research in many of the areas.

Table 5: Global Compact Issues in Mining

HUMAN RIGHTS <ul style="list-style-type: none"> • Relocation • Indigenous populations 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> • Severe environmental issues • Bauxite mining raised by numerous stakeholders - untreatable caustic toxic red mud in area of significant biodiversity
LABOUR ISSUES <ul style="list-style-type: none"> • Health and safety • Hazardous and unsafe working conditions • Less media attention but serious • Migrant and unprotected workers 	CORRUPTION <ul style="list-style-type: none"> • Concerns over bribery and facilitation payments • Limited information available • Lack of transparency raising concerns over corruption

OTHER HUMAN RIGHTS RELATED ISSUES

The most pressing human rights related issue links to labour regarding safe working conditions for miners. Other human rights related issues which stakeholders commented on were for land rights issues (when mines need to be established) and cultural heritage issues for indigenous populations (particularly in the highlands).

LABOUR ISSUES

A lack of safe working conditions was the key concern raised. While there may not be frequent reports in the media of accidents, the participants in the focus groups and the people we interviewed suggested that safe working conditions for mining workers is a serious issue in Vietnam. Labour accidents and occupational diseases are still high in this





sector and while the breaking of labour regulations may be widespread, investigation and supervision are inadequate²⁵.

There were also concerns raised over migrant workers who may be entering Vietnam on tourist visas (particularly Chinese migrant workers on the Bauxite mine) and who may not be protected by the national labour law.

KEY ENVIRONMENTAL ISSUES

Nearly 40 people we spoke to raised a 'red flag' for environmental issues in relation to mining. Due to the nature of the business there are adverse environmental impacts which need to be carefully managed. In Vietnam, traditional coal mining is well known for its pollution problems for the miners and the people in the surrounding communities.

The current government decision on mining bauxite in the Highlands also triggered a lot of concerns about environmental issues. While the caustic red mud was flagged by some interviewees most people we spoke to were not aware of the specific risks related to this type of mining.

CORRUPTION RELATED ISSUES

There were not a lot of specific concerns or discussion on this issue but it was an area where many stakeholders raised question marks and potential concerns. These related from concerns over bribery and facilitation payments to a lack of transparency which generally raises concern over corruption. One interviewee noted how rumours had spread around regarding an alleged facilitation payment for a mining project.

OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

While the mining sector's contribution towards GDP has decreased somewhat in recent years it is anticipated that it will continue to be significant for Vietnam in the coming years and its growth is part of the strategic plan of the Government.

ON-GOING REMEDIATION

Aside from the work of Transparency International and embassies such as the Canadian Embassy, along with one organisation working specifically on these issues, we did not encounter many champions for driving the GC principles in the mining industry in country.

Public interest and other influencing factors: Given the events over the last year particularly in relation to the Bauxite mine there has been some growing awareness and stakeholder interest in mining and environmental and social issues in Vietnam.

GCVN'S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Some stakeholders raised concerns over the ability of the GCVN to add value in this given the perceived sensitivity of some of the issues.

However, given the nature of the Network it may be better placed than others to add value and should seriously consider this. Given the potential significant impacts on issues of concern to the global compact, the lack of remediation efforts and ability to capitalise on the nature of the network we think there is some potential.

In other countries, issues around transparency have been directly linked to mining and poverty alleviation. There was interest in the approach of the Extractive Industries Transparency Initiative and the benefits that this could bring to the industry in Vietnam. There have been some initial discussions about this in Vietnam. The Canadian Embassy has also considered bringing together a working group to look at issues related to CSR and the extractive industries in Vietnam.

As mining is an industry which has the potential to contribute to Vietnam's economy but also one that needs to be managed well and has significant environmental and social impacts, it is an area we think a network such as the GCVN could add value. This could be in relation to labour issues and providing business strategies for introducing safety measures for mining which could also include experiences from other countries and ways to properly manage environmental impacts. We therefore are recommending that mining be combined with oil and gas and that the network do some further work on issues for the extractive industries.

²⁵ Friedrich-Ebert-Stiftung. 2008



II - MANUFACTURING: LOTS OF RISKS AND OPPORTUNITIES BUT OTHER REMEDIATION EFFORTS IN PLACE OR STARTING...

5. MANUFACTURING

In recent decades the share of manufacturing towards GDP has increased significantly. Overall, manufacturing is responsible for 21 percent of Vietnam's GDP and employs roughly 6.4 million people accounting for 14 percent of the working population. Productivity has increased 3.9 times over the years since 1980 to VND11.4 million per worker in 2007²⁶. This has grown as the share of labour in agriculture has declined and the economy has shifted from an agricultural to a manufacturing economy.

Manufacturing was responsible for 44 percent of exports in 2007²⁷. Textiles, chemicals and electrical goods, cigarettes/tobacco and food processing are overall the top manufacturing sectors in Vietnam. For the purpose of this research we have looked at general issues for manufacturing and then pulled out garments, textiles and shoes, as well as food processing and wood related manufacturing based on initial assumptions of where there were opportunities.

While manufacturing has been a source of growth, industries which are often regarded

as competitive such as textiles, garments, furniture and footwear have a very low profit rate. For instance, the rate of profit for these industries in 2006 was as low as 0.11 percent, 0.61 percent, 1.99 percent and even -0.05 percent (a minor loss), respectively. Most manufacturing in Vietnam involves a third party working on sub-contracts utilising cheap labour to produce low value-added products for large foreign-owned firms and are dependent on imported intermediate inputs. By and large, manufactured products are not diversified, and product quality is relatively poor compared with global norms. Overall, the structure of the manufacturing sector is mostly domestic non-state private enterprises (86 percent), foreign ownership (11 percent) and state ownership (under 3 percent)²⁸. However this varies significantly between sub-sectors with 42 percent foreign investment in garments, 32 percent in textiles and 63 percent in leather products. State ownership dominates the tobacco industry at 99 percent of ownership. Furniture manufacturing is approximately 47 percent for both foreign ownership and local private ownership with the remaining being state involvement²⁹.

²⁶ VIR article

²⁷ GSO

²⁸ GSO

²⁹ GSO



KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

(Manufacturing in general: Food processing has been covered separately in Section 4 above.)

Table 6: Global Compact Issues in Manufacturing (General)

HUMAN RIGHTS <ul style="list-style-type: none"> • Labour rights as human rights • Women with small children 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> • Severe issues • Concerns over industrial parks where systems are supposed to be in place but not adhered to • Limited enforcement • Lack of incentives
LABOUR ISSUES <ul style="list-style-type: none"> • Minimum wage vs. living wage • Child labour still persists particularly in 'non-branded' factories • Insurance avoidance: SMEs try to avoid paying insurance • Hazardous work and safe working conditions • Sub-contracting. While larger firms may appear better there is a lot unseen in next tier and sub-contracting • Industrial parks and quality of life 	CORRUPTION <ul style="list-style-type: none"> • Labour rights as human rights • Women with small children

OTHER HUMAN RIGHTS RELATED ISSUES

Again the key issues here were linked to labour issues. Some stakeholders commented on rights for pregnant women and women with small children.

KEY LABOUR ISSUES

Minimum wages: While the Labour Code has a clear regulation on minimum wages and there have been very few, if any, reported incidents of minimum wage violation, the

issue is more linked to the concept of a living wage – particularly with the rising inflation in 2008. As one government official noted: "The minimum wage is too low. If we only rely on it as a measure to protect our labourers, we are not protecting them well."

Child labour continues to be an issue. While image conscious brands working extensively on auditing and remediation may have been able to tackle this issue in their factories it continues to be a real issue for most other manufacturers in the country.

Insurance for workers: Most of private small and medium sized enterprises (SMEs) have tried to avoid paying insurance for their workers. In other cases, the "nominal" salary – as a basis for insurance payment – is very low (to avoid paying insurance), while the real salary was much higher. In many cases, even the workers themselves do not want to pay for insurance and prefer to take the money as income. This points to the fact that, on the one hand, the workers may not have good knowledge of insurance purposes – they don't even care or want it. On the other hand, the insurance services in Vietnam may not be regarded as helpful.

Working conditions: Access to safe and clean working conditions was also a key issue raised by many stakeholders in the discussions. This will vary between industry sub-sectors but was an issue in all.

Problems in small firms: Big and export oriented firms could be monitored by foreign customers and the government. They are following some measures to ensure workers' rights. However, the vast majority of small firms are hard to monitor. These small firms are sometimes sub-contractors to larger firms and even if foreign customers audit their suppliers, they cannot monitor these sub-contractors. Even with people who have had a wealth of experience working for major brands there were concerns that the 'audit culture' that has not helped to bring about sustained change and benefits for workers.

Due to decreases in orders towards the end of 2008, many enterprises were faced with a need to downsize production with an estimated 20 percent of small and medium enterprises faced a danger of bankruptcy. This has helped to exacerbate labour relations and there have been more and more 'work stoppages'. Labour relations have heated up resulting in more and more strikes. Workers at industrial parks are facing more difficulties in terms of housing, transportation, daily life, study, medical care and cultural life.

KEY ENVIRONMENTAL ISSUES

Manufacturing is believed to be extremely polluting. Stakeholders pointed to concerns over high costs of clean technology and proper waste treatment systems. In the past 10 years, pressure for more investment has super-ceded sensitivity to environmental

protection. It is now too easy to establish a company and the environment protection conditions are not carefully assessed when issuing business licenses. Specific environmental impacts will vary from sub-sector to sub-sector.

Problems in industrial parks: Almost all provinces and cities have some industrial parks to bring companies together in one place. One of the perceived benefits is that it will be easier to monitor environmental pollution in these parks. By law, companies need to undertake waste treatment to a certain level, then the waste is put to the



parks' system, where it is treated one more time. However, in practice many companies do not carry out their own treatment and when the waste enters the park system it is then overloaded.

"It is very hard for us [government officials] to monitor every company in the parks. Sometime they don't even turn the system on. When they know we are visiting, they turn it one, and it takes only 5 minutes – we cannot know." (A government official)

Key industries: While a focus has been on garments and textiles as well as shoes and food processing some stakeholders in the South commented that critical industries are metal plating and chemistry-related manufacturing in terms of environmental impact.

"People may not recognize pollution from metal plating – the magnitude is not that big. But it is very dangerous and long-lasting. In Ho Chi Minh City, there are more than a hundred and several dozens firms like that." (An official)

CORRUPTION RELATED ISSUES

One stakeholder interviewed mentioned that stories of bribes between firms were fairly common place in manufacturing in order to win buyer orders. Another company represented commented that short-cuts can always be taken if the right people can benefit.

"one of our factories had a potential community conflict which could have been 'fixed' if we paid someone..." (foreign company manager)



5.1 Garments, textiles and shoes

OPPORTUNITIES

SIZE, FDI AND EXPORT

The garment, textile and footwear sector all are significant for the Vietnam economy. After crude oil exports they are the second and third largest export industries and have created millions of relatively low skilled jobs

Total export value for leather and footwear fell to USD 2.8 billion for the first eight months of 2009, USD 327 million lower than the same period last year. Besides the world economic crisis the halt in joining the generalised tariff of preferences (GSP) in the European Union (EU) beginning on January 1, 2009 for leather and footwear exports. The EU represented 60 per cent of Vietnam's total leather and footwear export market. The Vietnamese Government has listed the textiles and leather footwear industries as 2 of the 7 priority industries. Until 2020 the government will pursue a number of policies to foster their development.

ON-GOING REMEDIATION

Recognition of CSR as a concept grew in Vietnam through the introduction of buyers' codes of conduct (COCs) and SA8000. In the late 1990s, various brands, together with the VCCI and other associations such as LEFASO (the Vietnam Leather and Footwear Association) came together for the Vietnam Business Links Initiative, which worked to develop a locally relevant code of conduct for the footwear sector.

Companies face challenges implementing COCs. Experience and research elsewhere in the region has shown that auditing has not brought about improvements to workers. As noted by one auditing firm “Despite numerous efforts made by different stakeholders, there is little change at the workers’ lives apart from the minor improvement on the health and safety condition.”³⁰

The ILO’s Factory Improvement Programme was implemented in 2006 and 2007 to address labour relations, working conditions and increase competitiveness. In July 2009, the IFC and the ILO officially launched the ‘Better Work’ programme in Vietnam which builds on the lessons of the Cambodia Better Factories Programmes and aims to minimise excessive factory audits and improve overall factory conditions. In the first year it is limited to under 100 factories in the South. Other efforts by UNIDO have focussed on cleaner production.

While some stakeholders have commented this is still just a ‘drop in the ocean’ it is clear that there are increasing efforts in place – particularly in export oriented garment, textile and shoe factories. However, those for the national or regional (non-branded) market or those facilities which are sub-contracted are likely not to benefit from any current remediation efforts.

PUBLIC INTEREST AND OTHER INFLUENCING FACTORS

There is growing interest and concern over environmental pollution as a result from manufacturing. Some research has argued that there is less local interest and concern from the general public on labour issues³¹.

GCNV’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Aside from the Vietnam Leather and Footwear Association, the local network does not have any members in this sector. Companies sourcing from Vietnam such as adidas-Group and Nike pay significant attention to sustainability issues as part of their business model.

While there are skills in the network to address issues in this sector, given that there are other remediation efforts in place, we have not prioritised garments, textiles or shoes at this time but would recommend that the network stays involved with existing efforts.

³⁰ www.scsa.com

³¹ Huong 2008

5.2 Wood products and furniture

OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

Given the increasing contribution towards GDP that wood products and furniture provides this seemed like a potential and important option for the Network to consider prioritising.

Between 2000 and 2006, the export turnover from wood furniture increased from USD 200 million to USD 2 billion a 10 fold increase. By 2008, Vietnam was exporting USD 2.8 billion worth of wooden furniture with 63 percent going to US and EU. Vietnam is the fourth largest producer in South East Asia after Malaysia, Indonesia and Thailand³².

ON-GOING REMEDIATION

In 2008 and 2009 IUCN, MARD, and VIFORES, the Vietnam Timber and Forest Product Association launched a multi-stakeholder initiative to look at the drivers and barriers for more sustainable wooden furniture production in Vietnam. VIFORES brings together over 150 local producers.

Forest Stewardship Council Certification is rising in Vietnam. Presently, 178 FSC COC certificates have been issued.

The Cleaner Production Centre with support from UNEP and TU (Netherlands) has focused on training and capacity building and product redesign for environmental gains.

GCNV ABILITY TO ADD VALUE AND RECOMMENDATIONS

IUCN is a member of the network. Together with other organisations such as WWF they have the ability and capacity to potentially make an important contribution to the sustainable development of the wood products and furniture sub-sector.

Given the multi-stakeholder efforts already in place we do not think this is a sector GCNV should priorities at this time but should be involved with current remediation efforts.

³⁰ DED CSR Study





III - AGRICULTURE, FISHING AND FORESTRY: LOTS OF RISKS BUT FEWER OPPORTUNITIES

6. AGRICULTURE

Vietnam has transformed from an economy reliant on agriculture to one more dominated by industry and service sectors. The share of agriculture towards growth dropped from 27 percent in 1995 to 21 percent in 2005. Vietnam's SEDP stipulates a goal of a continued transition from agriculture to services and industry which have fuelled overall growth.

Agriculture provides a source of livelihoods directly and indirectly for a rural population of 54 million. With the recent economic recession there have been movements of migrants back to rural areas who have, once again, become dependent on the agricultural sector.

generally low with low quality and high cost products such as sugar, corn, soya bean, cotton, tobacco, milk and pork³³. Coffee and sugar are of particular importance – both the economy generally and due to the number of people dependent on it. One report estimated that coffee harvesting employs about 1.83 percent of the whole labour force and 2.93 percent of the agricultural sector labour force. While 1990s surge in prices helped many growers escape from poverty, the drop at the turn of the century caused many to slip back. Sugar has more modest yields but it is often harvested in the poorest and most remote areas of the country. Under WTO accession Vietnam has rights to apply special tariff quotas on sugar to protect the domestic industry.



Large amounts of agricultural products are exported each year. 20 percent of rice is exported while 95 percent of coffee and 90 percent of cashew nuts, 98 percent of pepper and 75 percent of tea are exported. Fruit, vegetables and meat are mostly produced to meet domestic demand. Competitiveness is

The sector is anticipated to shrink further over the years. While FDI in agriculture is low, it has made significant contributions through enhancing capacity through technology, equipment and markets as well as infrastructure.

³³ FES 2008



KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 7 below provides an overview of the key issues for Agriculture in relation to the Global Compact.

Table 7: Global Compact Issues in Agriculture

HUMAN RIGHTS <ul style="list-style-type: none"> Land rights: less productive and poorer households may be forced to sell off Potential for silent complicity if not direct complicity Many 'unknowns' 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> Land pollution – over use of chemical fertilizers Water pollution – from chemicals used in agriculture Food safety and high levels of toxic residues
LABOUR ISSUES <ul style="list-style-type: none"> Hidden labour and not contracted Hazardous work Child labour (family); forced labour (unknown) 	CORRUPTION <ul style="list-style-type: none"> Not a lot documented Related to lack of transparency

OTHER HUMAN RIGHTS RELATED ISSUES

The agricultural sector is dominated by household business and SMEs. Typical farms are low yield, subsistence based and small with the average farm only 0.7 hectares per household³⁴.

Stakeholders we interviewed raised questions and concerns in relation to land rights and the appropriation of land. One stakeholder

from a local NGO pointed out that there are so many issues we don't know about. When a company needs land for a plantation how does the government decide? Many without land use titles (red books) are ethnic minorities in rural areas. The government can take land from the farmers if it is for the 'public good'. There are different arrangements for foreign invested enterprises, state enterprises and local private sector firms.

If there is a plantation for export are there due processes for consultation with farmers? One NGO commented that when they looked at land rights in the Central Highlands and Mekong they found that many ethnic minority farmers could not join in the plantation and also lost their land facing a double penalty.

"...assume there are different criteria for setting up plantations but we are concerned how people are involved and consulted in the process... likely 'under the table' transactions...." (local NGO interviewed who works in highlands areas)

Some reports and some stakeholders noted the discriminatory purchasing practices which disadvantage ethnic minorities. They receive less for their products and buyers sometimes try to push the prices even further.

KEY LABOUR ISSUES

Within agriculture, much of the labour will be 'hidden' and not covered by formal contracts. Due to informality of the sector most are not on contracts and protected within the law. Freedom of association and the right to collective bargaining is perceived differently in Vietnam than some multinational companies may see it in terms of their codes of conduct.

A particularly important labour issue in agriculture relates to handling of hazardous chemicals. This is not explicitly covered in the principles on labour standards but could link to issues for child labour and hazardous work (although it is not just young people handling hazardous chemicals).

Some stakeholders we interviewed raised questions and concerns in relation to chemicals usage as there are potential risks through sub-contractors and throughout the supply chain, but this is a relatively unknown and unexplored issue.

Significant child labour exists within agriculture but this is a complex issue. The UN Committee on the Rights of the Child (CRC) has raised concerns about exploitation of children in the agricultural sector in Vietnam (as well as in gold mines and timber operations)³⁵.

The UN Committee on the Elimination of Discrimination Against Women has raised concerns regarding deep-rooted stereotypes and discrimination against women but no stakeholders raised this explicitly in our conversations. Women and in particular ethnic minority women are usually the least well off. More women than men are engaged in agricultural work

³⁴ FES page 98

³⁵ Concluding Observations of the CRC, 2003, op cit; paras 31 & 51



Food safety is a growing concern which relates to both agriculture and food processing. Recent research found that one-third of meat samples (and in particular pork) tested positive for salmonella and that there is a high rate of diarrhoea per person in Vietnam attributable to food poisoning. Other research has found that 10 percent of vegetable samples in big cities exceed national standards for pesticide residue and 2 to 3 percent show use of banned pesticide products. The use of antibiotics in meat is a big problem.



KEY ENVIRONMENTAL ISSUES

Agriculture has contributed to land pollution and water pollution through extensive use of chemical fertilizers and improper use of them. One report noted that “in the Mekong delta, farmers generally apply more than ten fungicide and insecticide sprays per year, with some of them reporting forty sprays per year³⁶”

The overuse of fertiliser has killed other species in the fields, and polluted the environment. As the recent SEDP review noted there is a high concentration of “toxic agents and heavy metals in the soil will increase the amount of harmful substances absorbed by plants and animals causing negative impact on human health. The extensive use of chemicals in agriculture has led to an increase in the number of food poisoning” (SEDP review).

CORRUPTION RELATED ISSUES

While there is not a lot documented in terms of corruption in the agriculture sector, a few of the stakeholders we spoke to noted concerns mostly related to the lack of transparency. They assumed there were different criteria for setting up plantations but were concerned how people were involved and consulted in the process and that there was a likelihood of ‘under the table transactions’. People don’t really have legal land rights so if the government decides it is beneficial to turn over land for a large plantation this can be done.

Stakeholders interviewed were concerned with issues such as assigning land use right to households, appropriating land for golf courses and corruption related issues. According to officials from the Government Inspectorate, about 80% of complaints related to land issues, and lots of these come from rural areas.

OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

Agriculture provides source of livelihoods directly and indirectly for estimated 54 million people. It is estimated that agriculture provides jobs for about 60 percent of the workforce. Coffee and sugar are particularly important to the economy and a large number of people are dependent on these products. As Vietnam transitions from an agricultural economy the share of agriculture towards growth dropped from 27 percent in 1995 to 21 percent in 2005. FDI is limited.

ON-GOING REMEDIATION

The government has issued a number of regulations on converting lands into different purposes, yet the implementation of these regulations at the local levels has shown lots of symptoms of corruption. There have been numerous initiatives by NGOs and development agencies on integrated pest management and alternative approaches to using large amounts of fertilizer.

Fair and fairer trade has the potential to bring benefits to farmers. One INGO who works globally in fair trade noted that there was not a lot of interest for this in Vietnam.

Some value chain partnerships have been established to bring triple bottom line benefits to farmers but are particularly focussed on livelihoods and connectivity to buyers.

There is growing interest and recognition in the Global GAP standard and certification and Vietnam is developing its own VietGAP standard.

GCNV’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Unilever is a member of the Global Compact and committed to CSR. Monsanto (globally) recently signed the Global Compact but is not yet involved locally.

As much of production is at a household level, we think that the network can add more value by moving one step up the value chain and focussing, first, on food processing.

³⁶ <http://www.idrc.ca/uploads/user-S/10536112540ACF122.pdf>

7. FISHING

Fish and fish products are an important part of the Vietnamese diet. Vietnam has around 3,260 km of coastline and more than 3,000 islands, where over 70 percent of the population live. Overall fishing only accounts for roughly 4 percent of GDP³⁷ but after oil and garments fish products are the 3rd biggest export item for Vietnam and worth 12 percent of the total valued at close to 2.5 billion USD. The main exports are shrimp (54 percent) followed by fish, squid, cuttlefish and octopus. Over 50 types of commercial species are found in Vietnam's water. 20 percent of fish is exported. Japan is the biggest buyer followed by US and then EU, South Korea, mainland China, Hong Kong, Taiwan and others³⁸.

Fishing is an important source of livelihood for millions. Most of the ownership is local and private and at a household level. FDI accounts for only 2 percent of the sector. There has been an increased focus on aquaculture which has brought challenges to small scale mobile fishers.

The industry depends on a network of wholesalers and only small amounts are purchased directly from producers. There has been increasing pressure from global buyers for the raising of standards with regards to food safety but studies note that although the domestic market is important, little attention is focussed on product standards for domestic consumption.

³⁷ GPO

³⁸ World Bank

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 8 below provides an overview of the key issues for Fishing in relation to the Global Compact.

Table 8: Global Compact Issues in Fishing

HUMAN RIGHTS <ul style="list-style-type: none"> Land conversion issues for aquaculture Not many specific points raised here but also 'black flags' and 'unknowns' 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> Aquaculture and use of chemicals and antibiotics particularly shrimp and catfish) long term effect of chemical inputs Blast fishing and destruction Salinisation due to shrimp raising Mangrove destruction Outbreak of diseases connected to environmental factors
LABOUR ISSUES <ul style="list-style-type: none"> Similar to agriculture, household level Many child labour issues Safe working conditions (i.e. sea fishing without communication devices as well as blast fishing) 	CORRUPTION <ul style="list-style-type: none"> Access to fishing rights

OTHER HUMAN RIGHTS RELATED ISSUES

There were not a lot of comments on this issue and the majority of people do not believe this is a 'red flag'. The only concerns we did find related to how some decisions were made over who was able to have water rights for aquaculture activities.

KEY LABOUR ISSUES

Labourers are primarily fishers in rural or coastal areas. They mainly work for their own fishing or on household fish farms although there is also larger scale commercial fishing. There are many child labourers due to the household nature of the work.

The key issues include safe working conditions, such as sea fishing without proper communication devices and risks for severe weather. While forecasting and early warning systems are getting better, typhoons pose a serious hazard for those who rely on off shore fishing. Additional safety issues relate to fishing with cyanide and explosives.

KEY ENVIRONMENTAL ISSUES

The key concern for many stakeholders related to aquaculture and overuse of chemical inputs. There are a number of aquaculture areas that have been polluted above the acceptable level. Similar to



agriculture, stakeholders interviewed noted concerns that farmers do not (or cannot) consider the long-term effect of chemical inputs on their own lands/ponds. Even if people do understand household poverty can drive people to only consider short term pay-backs. In 2001 the EU banned use of antibiotics in shrimp which posed a serious issue in Vietnam. Chemicals and antibiotics are difficult to control.

“Whatever is aqua-cultured, there is lots of pollution. But we have not controlled pollution closely.”

(An official from environment management department)

One website recently referred to research on the Thot Not Canal connected to the Hau River whereby an environmental officer “said water discharged from catfish farms also added to the pollution”. Dung Canal also faces similar challenges with pesticides and weed-killer left from catfish breeding along the banks.

Shrimp farming along the coastline especially in the Centre of Vietnam pollutes and enhances underground salinisation. A number of areas have converted forestry into aquaculture lands and many of these areas have become polluted. Environmental damage is also caused by cyanide and blast fishing.

CORRUPTION RELATED ISSUES

There were not a lot of comments raised from stakeholders we interviewed on this issue and

the majority of people did not believe this was a ‘red flag’.

OPPORTUNITIES AND DRIVERS

Fishing is an important source of livelihood for millions of Vietnamese and fish products are a key export for the country.

ONGOING REMEDIATION EFFORTS

There are some remediation efforts in place. DANIDA has provided some support for the fisheries sector together with the CSR Vietnam Company. WWF has worked with other partners on Marine Stewardship Council (MSC) and starting to link with international buyers. They have worked on small scale shrimp production also pangasius to identify best management practices. GTZ has also supported efforts with pangasius.

GCVN’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Clearly fishing is an important industry in Vietnam. Despite the relative size of the sector in terms of contribution to GDP and livelihoods, we did not see much potential or capacity for the GCVN to act in this area. Instead we are recommending the network to focus one step up the value chain in food processing (including fish processing).

8. FORESTRY

The forestry industry in Vietnam has traditionally been an important one and many rural communities and particularly the poor rely on the forests for their livelihoods. Research by CIEM in 1999 estimated at that time about 25 million people relied on non-timber forest products for their livelihood. War and industrialisation have wreaked havoc on Vietnam’s forests. In 1943 records show the total forest cover was 43 percent. The American war devastated forests with Agent Orange and other chemicals as well as from the use of explosives, land mines and general fighting. Coverage changed to 27.2 percent in 1990 but in 2007 increased to 40 percent again. However while quantity may be up quality has been severely depleted. Only 7 percent is now natural forest. Between 1990 and 2005 it was estimated that 78 percent of primary forest was lost. Only .66 percent of forest coverage is old growth forest. Deforestation rates since the end of 1990s have fallen 18 percent. Decreasing forest coverage has had knock on effects in water quality and flooding.

Today’s forest clearing is mainly due to commercial agriculture and subsistence activities such as small scale agriculture and fuel wood usage. Forest products accounted for 2.9 percent of exports in 2007 and forest industries include wood processing, seedling production, and trading forest products. There has been a general shortage of wood from Vietnam with much wood for furniture production being imported and concerns over illegal logging growing⁴⁰. According to Hieu (2007), enterprise size and a technology gap have limited further expansion⁴¹.

It is estimated that State Forest Enterprises (SFEs) control roughly 40 percent of forest land but are now being restructured. Restructuring over last 10 years has started to transform SFEs into commercially viable business but progress is slow and incomplete.

⁴⁰ See 2008 report by Global Witness for example

⁴¹ Hieu. 2007. “The changing administration and role of forestry in the economy of Vietnam” Springer, Netherlands



³⁹ <http://www.idrc.ca/uploads/user-S/10536112540ACF122.pdf>

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

Table 9: Global Compact issues in forestry

HUMAN RIGHTS <ul style="list-style-type: none"> Forests provide a source of livelihoods for many of the poorest of the poor 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> Red flag raised by many stakeholders Forest cover increasing but quality (primary) decreasing Decrease in up-stream forests and links to flooding and erosion
LABOUR ISSUES <ul style="list-style-type: none"> Household level work with land use right to plant and cultivate forest trees 	CORRUPTION <ul style="list-style-type: none"> Land handover process Forest logging

OTHER HUMAN RIGHTS RELATED ISSUES

There was not much discussion on this issue – the majority of stakeholders do not believe this is a red flag although it was pointed out that many of the poorest of the poor are dependent on the forests for their livelihoods.

KEY LABOUR ISSUES

Similar to agriculture and fishing industries, most workers in forestry are in farm households.

KEY ENVIRONMENTAL ISSUES

Forestry has been indicated as “red flag” by numerous stakeholders engaged in this review. The key concern is, while the forest areas have been gradually increased in the

last 5 years, quality of the forest has been down. Protection and up-stream forests have been decreased, causing floods and erosion. In the past, planting forest mostly belonged to state-owned firms. Currently, the government has given households the land use right for 30-50 years to plant and cultivate forest (Plantation forest). This should be a key issue to watch since farmers may cut the quality trees for immediate gains, while plant low quality trees instead.

CORRUPTION RELATED ISSUES

Some people remarked that key corruption may relate to land handover process, and forest logging.

OPPORTUNITIES AND DRIVERS

The government currently has a policy to give land to farmers for forestry which could be an initiative to increase forest coverage. There are also a number of international donors (JICA, Tropenbus, etc.) working in the forestry industry. WWF has helped launch the Vietnam Forest and Trade Network. Vietnam is a pilot country for a UN REDD (Reduce Emissions from Deforestation and Forest Degradation) which is also looking at cross-border cooperation issues as much of the wood used in furniture in Vietnam comes from other

countries such as Laos, Cambodia and further afield.

GCNV’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Similar for agriculture and fishing we would again recommend the network to look one step up the value chain in terms of wood products and furniture and to be a part of the current remediation efforts in this area. Another opportunity for the network would be to look at how companies could get involved in REDD projects and support the protection of the remaining primary forests in the country.





III - OTHER INDUSTRIES WE LOOKED AT BUT DIDN'T PRIORITISE AT THIS TIME: TOURISM (INCLUDING HOTELS AND RESTAURANTS) AND REAL ESTATE AND TELECOMMUNICATIONS AND POST

9. TOURISM, HOTELS AND RESTAURANTS



Tourism is extremely important for Vietnam's economy. Tourism encompasses within it other industries such as transport, accommodation, catering, recreation and services for visitors. The GSO data provides a break down for data for hotels and restaurants but not specifically for tourism as a separate category. According to a recent article in Vietnam Investment Review, four million visitors went to Vietnam in 2008. Tourism (and the industries within it) employ over a million people of which 285,000 people were direct workers and 750,000 people were indirect workers. The World Travel and Tourism Council (WTTC) forecast that the tourism sector will have the biggest labour demand in Vietnam by 2015, accounting for around 15 percent of the whole country's labour force. Chinese tourists currently account for the largest market at roughly 15 percent of tourists and are expected to fuel future growth⁴².

Like other sectors of the economy, tourism has been hit hard by the current global recession. The Vietnam National Administration of Tourism (VNAT) has indicated that, in the first half of 2009, tourist arrivals decreased by nearly 19 percent (year on year). The global H1N1 virus is believed to have also affected arrivals. This has had knock on effects on Vietnam Airlines as well with foreign passenger arrivals declining by nearly 12 percent.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

For some of the stakeholders we spoke to there were considerable red flags around tourism and environmental impacts while for other stakeholders we spoke to it did not raise a red flag in any area. Some participants were also concerned with 'social evils' associated with tourism such as prostitution, drugs, loss of traditional values and heritage. People raised questions about child labour as well. There were a lot of 'unknowns' in this area.

OPPORTUNITIES AND DRIVERS

Some sustainable tourism activities have taken off. Mui Ne (a popular coastal resort town) beach resorts must treat all waste, and the Vinh Suong resort has been equipped with solar energy water heating devices. The ADB has a sustainable tourism initiative and has published a sustainable tourism guidebook for Vietnam.

GCNV'S ABILITY TO ADD VALUE AND RECOMMENDATIONS

Given that the issues within each of the industries within the tourism sector would be different (for transport, for accommodation, for catering and for services) we did not consider this as a priority area for further work at this time for the Global Compact Network Vietnam. However, the secretariat should stay involved with other stakeholders working on this area and revisit this at a later stage. The network could also make use of its small grant fund to support local small scale efforts for more sustainable tourism.

⁴² http://vibforum.vcci.com.vn/news_detail.asp?news_id=18504

10. REAL ESTATE, RENTING AND BUSINESS ACTIVITIES

Up until the 1990s there was virtually no real estate market in Vietnam as all land was owned by the state. With the 'Doi Moi' reforms the first land laws came into force between 1990 and 1998 and private ownership began to be recognised. Foreign investment into the real estate market has been increasing steadily since the 1990s. Speculation and large scale investments in the late 1990s resulted in soaring land prices and there were later revised land laws. The land law was revised in 2004 which has helped to attract an increasing amount of foreign investment.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

The main 'red flags' for real estate were in relation to corruption. This industry is believed to be one of the key on corruption issues.

-Lack of transparency: the conversion of agricultural land into different purposes was done in many provinces. But the process and criteria are often not very clear. Also pricing of land has been manipulated by some parties.

-Lack of monitoring: Even though some provinces have clear policies, the real estate companies and some officials still manipulated the process. One interviewee (in Da Nang) shared the experience:

"My city built some residential buildings for people. The policy requires that information on who bought what block needs to be posted every week, and the bought blocks are highlighted in yellow. I went to buy, all good blocks were yellow. I came to the office and

asked for the list of buyers. The officials could not provide it. I was angry, made some noise, and said I would call the City's leaders. After 2 hours, they showed me one good block that was not bought. I bought it, and saved about 100 million VND."(Manager of a business association)

-Not clear requirements: Land has been a sensitive issue in Vietnam – land belongs to the government. Thus, households want to get the land use right certificate (the red book), they need to go through many procedures. Since there are all "special" cases, it is very uncertain on how one could get the "red book".

There was not a lot of concern or issues raised in relation to labour issues and real estate. Some stakeholders raised concern over environmental issues and how land is taken from farmers to build too many golf courses and industrial parks without good plans and proper waste water and solid waste systems. People in the sector mentioned poor management and building practices.

Aside from the land use requirements there were no other human rights related issues raised.

OPPORTUNITIES AND DRIVERS

RECOMMENDATIONS

Given the nature of the sector, we did not find a lot of opportunities here for the GCNV. However, anything that helped to deal with corruption and increase transparency would be seen to have positive benefits.

11. POST AND TELECOMMUNICATIONS

Vietnam's telecom sector has developed rapidly over the last 20 years and particularly in the last 10 years. Prior to the 1990s (and the Doi Moi reforms), the sector was a government owned 'postal, telecom and telegraph' (PTT) model with one state-owned company responsible for all aspects.

The country has changed from one in the mid-1990s where only four people in 1,000 had a telephone line to one in which 5 percent of the population now has a land line or mobile connection⁴³. Nearly 90 percent of the rural areas now have connectivity. Research has found that "Vietnam appears to have a well run and reliable telecom network that provides relatively fast connections, but often slow transmission speeds" and that there are concerns regarding relatively high prices when compared to other countries in the region.

Telecommunications has been a fast growing sector in the economy. In 2007 it contributed nearly 5 percent of Vietnam's GDP up from nearly 4 percent in 2000.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

This was not a high priority in terms of concerns from the stakeholders we interviewed. Some noted potential issues regarding labour and the environment but no

specific details or concerns for this industry. There was no available secondary data as well. The only potential red flag raised here was in relation to corruption and some stakeholders particularly noted issues with regards to transporting materials through the post or private companies. There was concern that facilitation payments always needed to be made.

OPPORTUNITIES AND DRIVERS

RECOMMENDATIONS

Given the smaller size of the sector and the fact that this was not a priority area for the stakeholders we interviewed, we do not recommend that the network prioritise this sector.



⁴³ A USAID review of the telecoms sector noted that "the country has more than 5M land lines and 2.5M mobile users, increasing telephone density to nearly 5%.



12. FINANCE AND BANKING AS A CROSS-CUTTING THEME

Finance and banking itself accounts for a limited contribution towards GDP and are also not big sources of employment. However, financial intermediation has the power and potential to greatly influence other aspects of business in general.

The banking sector in Vietnam is currently going through a transition. From an economy with one large “mono-bank” it began a transition to four public banks and joint-stock commercial banks and started to allow foreign investment. Two-thirds of the banking sector is dominated by four state owned banks: Vietcombank; Incombank; Bank for Investment and Development (BIDV) and Agribank who originally focussed in their own areas. All have been owned by the State Bank of Vietnam.

Early foreign (and disclosed) investors in the Joint-Stock Commercial Banks (JSCBs) were Dragon Capital and Jardine Matheson who each had a seven percent ownership in the Asia Commercial Bank since around 1997. Later investors such as IFC, ANZ, HSBC and the Overseas Chinese Banking Corp have invested in other (joint stock) Vietnamese banks. JSCBs account for roughly 15 percent of the banking stock but are growing rapidly. Generally the foreign banking presence while limited is growing rapidly and since 2007 foreign banks have been allowed to establish 100 percent foreign-invested subsidiaries. Branches of foreign banks, wholly owned subsidiary banks and joint venture banks

accounted for roughly 10 percent of the market (2007 figures). ANZ, HSBC, Citibank, JP Morgan Chase, Far East National Bank, are only a few.

KEY ISSUES FOR THE GLOBAL COMPACT IN VIETNAM

As with any business in Vietnam there will be labour issues and environmental issues for the company to manage. We did not uncover anything specific for the banking and finance industry in our research and the significant impacts will be how the industry finances other industries. Similarly with regard to other human rights related issues nothing specific was raised aside from potential lack of credit as a human rights issue.

With regards to corruption, there were some concerns raised by stakeholders we spoke to. This was manifesting itself in credits to unqualified borrowers as well as insider trading and the creation of powerful investors.

OPPORTUNITIES AND DRIVERS

SIZE, FDI AND EXPORT

The sector is currently in transition and the opening up to increasing foreign investment presents a potential opportunity to establish more sustainable lending practices. There is a huge potential to use this industry to influence other actors with respect to the GC Principles.

ON-GOING REMEDIATION

Globally responsible investment and initiatives such as the Equator Principles are helping to drive more responsible financing. Based on a cursory scan there do not appear to be any Vietnamese banks who have signed up to the Equator Principles. The Equator Principles are based on the performance standards of the International Finance Corporation which is working to strengthen the financial sector (among other things) and are entirely consistent with the GC Principles. In introducing Equator Principles into project financing requirements the finance and banking sector therefore has a great deal of opportunity to ‘leverage’ improved sustainability practices by other businesses.

In early 2005 the United Nations Secretary-General invited a group of the world’s largest institutional investors to join a process to develop the UN Principles for Responsible Investment (UNPRI) based on a view that consideration of environmental, social and governance issues can affect the performance of a portfolio. The UNPRI are voluntary and inspirational and provide a menu of possible actions for incorporating ESG issues into mainstream investment decision-making and ownership practices. According to website data only Anpha Capital in Vietnam has become a signatory to date.

PUBLIC INTEREST AND OTHER INFLUENCING FACTORS

Compared to other industries there may not be as many pressing concerns directly linked to banking and finance (as compared to labour issues in garments or construction for example). However, as the economy has transitioned, people and businesses are

reliant on the banking and finance industry for day to day business and longer term investment. The development of the stock market is also increasing people’s awareness of the role of investors in this arena.

GCVN’S ABILITY TO ADD VALUE AND RECOMMENDATIONS

International companies like Citigroup, HSBC and Manulife who are working in the country are signatories of the Global Compact. IFC has a substantial presence in Vietnam through the Mekong Private Sector Development Facility (MPDF). Investors such as Anpha and Dragon Capital may also be able to play an important role here.

While the team may have to draw on external expertise in the areas of finance, working with a network to leverage the key strengths of other people and institutions, GCVN could add significant value in this area.

Banking and finance initially emerged as one of our top-tier recommendations but cannot be looked at through the same lens as the other industries given the cross-cutting nature and its impact on other sectors. While some stakeholders we interviewed felt that it was too early in Vietnam’s reform process to talk about sustainable finance and that this would be ten years later on others disagreed. There is a great opportunity now for Vietnam to embed sustainable lending practices in the banking and finance sector in order to have a knock-on effect and positive influence elsewhere. There is further potential opportunity with changing to banking sector and state owned banks as well as the influence of the stock exchange growing. There is a growing interest globally and regionally in Equator Principles. We generally see a lack of remediation efforts but also potential champions.

Conclusion

HIGH RISK AND HIGH OPPORTUNITY

Based on our analysis we found that industries such as: manufacturing (garments and textiles and wood and furniture products); food processing; construction; mining and to some degree oil and gas were classified in this area. Given that there are ongoing remediation efforts (although still many issues) and people looking at the issues in garments, wood and furniture products we recommend that the network prioritises the other sectors in this category.

LOWER RISK BUT HIGH OPPORTUNITY

We see banking and finance as providing an opportunity for the network to leverage to affect change in Vietnam. While banking and finance itself will not have the same level of issues in terms of the global compact ones that we looked at it will influence these issues in other sectors.

HIGH RISK BUT LOWER OPPORTUNITY

The primary industries of agriculture, fishing and forestry have many issues in relation to the global compact. Given their connection to rural livelihoods and the size and nature of the sectors they were important ones for us to consider. We have not included them in our priority recommendations as we feel it would make more sense for the network to move one step up the value chain and focus on food processing.

LOWER RISK AND LOWER OPPORTUNITY

Tourism was a challenging sector for us to plot as it contains within it many different industries ranging from transport, hotels, restaurants and others. We looked at the GSO data for hotels and restaurants and also other existing literature on the tourism sector. Only one stakeholder we interviewed thought that it should be a priority sector for the network and others did not raise as many 'red flags' in comparison with the other sectors we looked at. Real estate and telecommunications, while each having their own issues and challenges were not prioritised or ranked as highly as the other sectors we considered.

The nature of the issues within each of the sectors can change rapidly. For many of the sectors there were a lot of 'unknowns' and certain sectors and issues were more at the forefront of people's minds as they had been reported on more broadly in the press or talked about more openly. Our research has been based on trying to better understand stakeholders' perspectives and priorities and cross-checking this with available evidence and research within the limits of our time-frame.

The next step for the network will be to drill down into more detail into the prioritised sectors and work with companies in these sectors to develop suitable tools and approaches to bring the principles of the Global Compact to life in the Vietnamese context.

APPENDIX I: KEY DATA ON INDUSTRY SECTORS VIETNAM

EXPORTS OF GOODS BY ECONOMIC SECTOR AND BY COMMODITY GROUP

	Economic Sector	GDP (%) at current prices 2000	GDP (%) at current prices 2007	Est. workers nos. 2000 (in 1.000)	Est. workers nos. 2007 (in 1.000)	Number by 31.12.2007* (in 1.000)	Est. workers nos. 2000 (in % to total labour force)	Est. workers nos. 2007 (in % to total labour force)	Net turnover* (Bill. VND)	Net turnover from businesses* (Bill. VND)	Profit before taxes* (Bill. VND)	Tax and fees paid* (Bill. VND)
1	Agriculture (incl. forestry)	21.16%	16.3%	23,491.7	22,177.4	222.1	62.46%	50.2%	24,587	23,426	5,404	1,672
2	Fishing	3.37%	4.03%	988.9	1,634.5	31.3	2.63%	3.7%	5,142	4,893	372	107
3	Forestry	n. d.	n. d.	n. d.	n. d.	17.1	n. d.	n. d.	1,962	1,865	103	228
4	Mining (incl. quarrying)	9.65%	9.77%	256	398	186.6	0.68%	0.9%	158,689	156,474	66,009	43,906
5	Oil and Gas	n. d.	n. d.	3,550	6,306	8.6	n. d.	n. d.	116,869	115,798	64,189	42,140
6	Manufacturing	18.56%	21.26%	3,550.3	5,963.4	6,306.2	9.44%	13.5%	1,185,435	1,161,997	50,771	64,491
7	Garments, textiles, shoes (textiles and wearing apparel)	n. d.	n. d.	n. d.	901.2*	901	n. d.	n. d.	107,445	104,964	2,172	2,914
8	Wood products and furniture	n. d.	n. d.	n. d.	124.4*	124.5	n. d.	n. d.	19,487	19,301	472	535
9	Food processing	n. d.	n. d.	n. d.	463.9*	463.9	n. d.	n. d.	271,148	266,772	13,817	18,501

	Economic Sector	GDP (%) at current prices 2000	GDP (%) at current prices 2007	Est. workers nos. 2000 (in 1.000)	Est. workers nos. 2007 (in 1.000)	Number by 31.12.2007* (in 1.000)	Est. workers nos. 2000 (in % to total labour force)	Est. workers nos. 2007 (in % to total labour force)	Net turnover* (Bill. VND)	Net turnover from businesses* (Bill. VND)	Profit before taxes* (Bill. VND)	Tax and fees paid* (Bill. VND)
10	Construction	5.35%	6.97%	1,040.4	2,267.8	1,079.2	2.77%	5.13%	207,983	200,790	7,280	12,469
11	Tourism* (solely hotels & restaurants)	3.25%	3.93%	685.4	813.9	141.1	1.82%	1.84%	29,492	25,595	3,961	2,865
12	Real Estate, renting and business activities (GSO definition)	4.34%	3.8%	63.9	216	280.6	0.17%	0.49%	68,617	62,026	9,955	5,314
13	Telecommunications (solely transport. Storage and communication)	3.93%	4.47%	1,174.3	1,217.4	117.8	3.12%	2.76%	75,063	69,905	20,107	9,717
14	Finance intermediation (GSO definition)	1.84%	1.81%	75.2	209.9	148.5	0.2%	0.48%	203,509	176,480	29,828	12,807

Data Source: General Statistics Office Vietnam (GSO). Statistical Data, Employment and Population.

(*) Source: GSO: The Situation of Enterprises. Through the Results of Surveys Conducted in 2006, 2007, 2008. Statistics Publishing House, Hanoi, 2009.

EXPORTS OF GOODS BY ECONOMIC SECTOR AND BY COMMODITY GROUP

TOTAL	2000	2007	2000	2007
By economic sector	Structure in %		Mill USD	
Domestic economic sector	53.0%	42.8%	7672.4	0785.7
Foreign invested sector(*)	47.0%	57.2%	6810.3	27775.7
By commodity group				
Heavy industrial products and minerals	37.2%	32.9%	5382.1	16000.0
Light industrial and handicraft goods	33.9%	44.5%	4903.1	21598.0
Agricultural products	17.7%	14.5%	2563.3	7200.0
Forest products	1.1%		155.7	
Aquatic products	10.1%	7.8%	1478.5	3763.4
TOTAL	100%	100%	14482.7	48561.4

(*)Included crude oil.



APPENDIX II SCORECARD FOR GLOBAL COMPACT ISSUES BY INDUSTRY IN VIETNAM

Industry	Risks (based on stakeholder ranking and other input and available research)					Score	Opportunities (based on GSO information, other statistics, input from stakeholders and available secondary research)										Score
	Labour	Environment	Anti-Corruption	Other social and human rights	Size (GDP)		Size (Labour)	Lack of other remediation efforts	GCVN ability to add value	Ability to Influence							
										External Drivers	Internal Drivers	Public awareness and interest	Local Champions				
Breakdown used in stakeholder consultations (not exhaustive)																	
Agriculture	3x	3	1x	2	9	2	3	2	0	1	2	1.5	0	12			
Fishing	3x	3	1x	1x	8	1	3	3	0	1	1	1.5	0	11			
Forestry	2x	3	2.5	1x	8.5	1	1	2	0	1	1	2	0	8			
Mining	3x	3	2x	3x	11	2	2	3	1	3	2	2.5	1	17			
Oil and Gas	1x	3x	3x	1x	8	3	1	3	1	3	2	1	2	16			
Manufacturing	3	3	2	2	10	3	3	1	2	2	3	2	1	17			
Garments and Apparel																	
Apparel and Shoes	3	3	2x	1x	9	2	2.5	1	1	2.5	3	2	1	15			
Wood products and Furniture																	
Food	2	3	2x	2x	9	2	2	3	3	2	2	2	2	18			
Other																	
Construction	3	3	3	2x	11	1	3	2.5	2	1.5	0	2.5	2	15			
Tourism	1x	3	1x	1x	6	2	2	2	1	2	1	2	1	13			
Finance	1.5	1.5	3x	1x	7	2	1	3	3	2	2	1.5	3	18			
Real Estate	1	2	3	1	7	1	1	3	0	1	0	0	0	6			
Tele-communications	1	2	1x	1	5	1	1	3	0	1	0	0	0	6			

Notes on ranking: 1 = lower, 2 = medium, 3 = high, x = a lot we don't know

Notes on ranking: 1 = lower, 2 = medium, 3 = high, x = a lot we don't know

APPENDIX III QUESTIONNAIRE FOR RANKING GLOBAL COMPACT VIETNAM ISSUES

On a scale of 1-5 please rank your impressions of the following issues for each of the industries

Scoring		Description
Green Flag	1	There are no problems that I can think of related to this issue for this industry
	2	There are a few problems related to this issue in this industry - this issue is mildly important
Yellow Flag	3	There are some problems related to this issue in this industry – this issue is of average importance
	4	There are many problems related to this issue in this industry – this issue is very important
Red Flag	5	There are a lot of problems for this industry – this issue is extremely important
	0	I don't know anything about this

Industry (score one mark in relation to each issue)	Labour Issues	Environment Issues	Corruption related issues	Other social or human rights related issues
Agriculture				
Fishing				
Forestry				
Mining				
Oil and Gas				
Manufacturing				
Food processing				
Construction				
Tourism				
Finance				
Real Estate				
Telecommunications				
Other: Please Specify				

APPENDIX IV GLOBAL COMPACT PRINCIPLES

Area	Global Compact Principles
Human Rights	
1	Business should support and respect the protection of internationally proclaimed human rights
2	Make sure that they are not complicit in human right abuses
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4	The elimination of all forms of forced and compulsory labour
5	The effective abolition of child labour
6	The elimination of discrimination in respect of employment and occupation
Environment	
7	Businesses should support a precautionary approach to environmental challenges
8	Undertake initiatives to promote greater environmental responsibility
9	Encourage the development and diffusion of environmentally friendly technologies
Anti-corruption	
10	Business should work against corruption of all forms, including extortion and bribery

(<http://www.unglobalcompact.org/AboutTheGC/ThePrinciples/index.html>)



APPENDIX V GENERAL FINDINGS FOR GLOBAL COMPACT

GLOBAL COMPACT

The Global Compact is an international pledge for business leaders to commit to 10 principles in four key areas of labour; environmental protection; anti-corruption and human rights. Appendix II includes a copy of the principles. The local network has around 40 members⁴⁴. Aside from those who have already joined the local network, it should be noted that most of the stakeholders we spoke to in Vietnam were not aware of the Global Compact. In addition, there were some common issues in regards to the principles of the compact that we have highlighted in table 10 below.

It was easier to speak to stakeholders about labour and environmental issues. Vietnam has a good labour code. As one stakeholder noted “the Labour code in Vietnam is quite good as long as it is implemented” (INGO representative). There is growing recognition and public awareness over environmental issues. Human rights are talked about differently in Vietnam than in the context of the Global Compact. The topic of corruption is considered to be a sensitive one by many stakeholders and while some opened up their concerns others were more reticent.

Table 10: Overview of Global Compact Issues Identified in the Research

HUMAN RIGHTS <ul style="list-style-type: none"> • Concern over definitions and that this is seen as ‘abstract’ for some who prefer to talk about specific rights • National cultural context • In relation to GC, land rights is one that came up frequently through some of the consultations 	ENVIRONMENTAL PROTECTION <ul style="list-style-type: none"> • Environmental issues have moved rapidly up the agenda • Increasing public concern (and media coverage) • Environmental protection needs to be aligned with business (not seen as cost)
LABOUR ISSUES <ul style="list-style-type: none"> • Representation – trade unions only cover small fraction of workers (one interviewee noted 8 %) • Workers knowledge of their rights and how to protect them • Legal strikes do not exist • Some improvements in export oriented factories and implementation of SA8000 	CORRUPTION <ul style="list-style-type: none"> • Some see confusion over definition • Many stakeholders see corruption as a root cause of the other issues and concern that this is getting worse • Facilitation payments and ‘that’s just business in this region’ • Differently affecting exporters and importers, foreign and local

GENERAL FINDINGS

Pressure for competition is considered to be too high for the domestic companies to think about applying sustainable measures for business development. Most of the companies try to compete on price, with a short-term orientation. Investments in waste treatment system, avoiding corruption, or labour rights were viewed as “luxury expenses”. For some national companies that are adopting measures such as SA8000 or ISO 14000, the motivation was mainly instrumental, i.e., pressures from foreign customers. However, companies that have implemented the system (SA8000) for some years suggested that this provides many benefits in the end, which they did not think of at the beginning. The benefits include: developing a culture of discipline, being organized, and pushing managers to try for better solutions.

Even for big companies that were (to some extent) pushed to follow sustainability measures, their subcontractors were hard to monitor. This is evidenced in the garment and construction industries, in particular.

³⁹ According to data given to researchers in September 2009

The GC or CSR issues cannot be separated from general business development issues. As one participant said: *"Firms would do it if they see the benefits of doing so is greater than not doing so."*

HUMAN RIGHTS ISSUES:

Human rights are not talked about in the same way as in Western societies nor in an open manner. Vietnam has signed and ratified many human rights conventions. Stakeholders we interviewed raised some important points:

What do we mean by human right? Human rights are often perceived as an "abstract" and "foreign" terminology for the Vietnamese. Hence, many participants preferred to talk about specific rights, but not "human rights" in general.

Human rights in national-cultural context: Participants believed that human rights issues should be discussed or assessed based on the national cultural values and history. Purely imported "human rights" from other countries may not be appropriate.

Important rights: Participants agreed that the right to access information is important for both business owners and labour.

Some international stakeholders raised concerns that even by applying an international framework for human rights there is still a risk of complicity for companies operating in Vietnam. The issue regarding land rights was raised by a number of people we interviewed who were concerned over how land is appropriated and allocated for business purposes. Many environmental, social and governance (ESG) ratings have Vietnam as a high risk, in this regard.

LABOUR ISSUES

Industries: Stakeholders felt that industries that are labour intensive and employed low skilled workers should get attention. Examples include: garments and shoes, construction, assembly and agriculture.

Representative: Workers in Vietnam do not seem to have an effective representative to help them negotiate with the business managers/owners. The trade unions covered only a small fraction of the workers (one person said: 8% in the private sector). In both SOEs and the private sector, the trade union has not been independent and protective of the workers. For those that do not have unions, there is a need to carefully study if a trade union is realistic solution. One official said: "I checked the list of national trade union members of the years 2009 – they are all in SOEs". From the perspective of some of the stakeholders they felt that either the trade union was not effective enough or workers rights were not prioritised by the government.

Knowledge of the workers: Stakeholders were concerned that workers do not understand their rights, especially in having a safe working environment and insurance. The majority of workers accept working in unsafe conditions (especially in construction). There was a perception that workers do not care about insurance (or do not see the benefits), and would prefer that the money is paid to them instead.

Lack of clear ways for workers to ask for their benefits: It is believed that workers in Vietnam do not have a clear and safe way to ask or fight for their benefits. Collective negotiation and agreement has not been common since Vietnamese workers are not organised for that (and the trade union is weak). Legal strikes do not exist, and illegal strikes are discouraged.

ENVIRONMENT ISSUES:

The main concerns were raised around chemicals, fishing, mining, forestry, and manufacturing industries.

Participation of different stakeholders: Environmental issues are complex, requiring participation of at least four key stakeholders: firms, government, scientists, and the public. In Vietnam, the cooperation of these four stakeholders is not apparent. Perhaps pressure from the public – as consumers – could be a trigger at this point to motivate firms to take care of their environment.

Environmental protection as a business weapon: Aligning environmental protection with business development is the key to motivate firms. Thus far, firms see environmental protection

as their enemy because it is perceived to increase their costs. But there should be many ways to protect the environment and save costs – long and short-term (using energy saving facilities, saving papers, etc.).

CORRUPTION ISSUES:

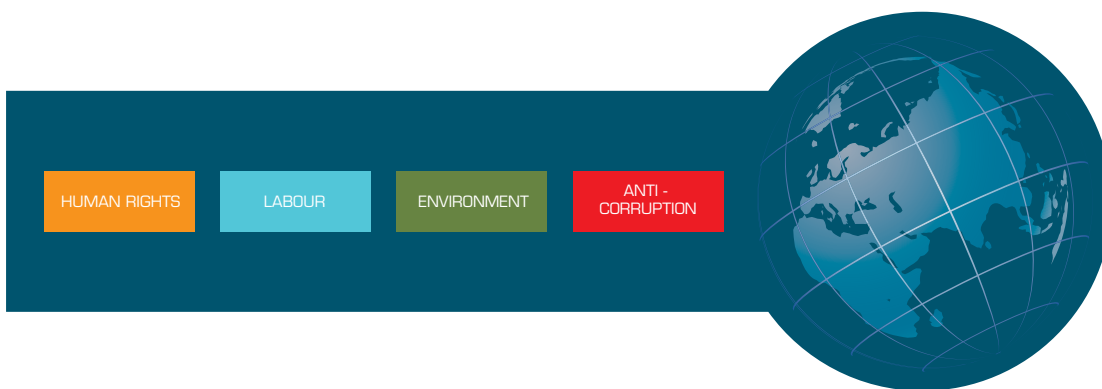
Definition: The most difficult issue for the participants was in having a workable definition of corruption. In Vietnam, petty corruption is every where and is hidden in many forms (e.g., gift giving). Many of these forms are implicitly accepted by the public as “normal”. Stakeholders then questioned what should be “unacceptable” behaviour?

Increasing in severity: Many of the stakeholders we interviewed commented that corruption has become much more severe in recent years and is embedded in every transaction private or non-private. One NGO commented that they could not get anything accomplished unless someone was paid or action was ‘facilitated’ at every step. There was a perception that corruption is sometimes ‘hidden’ from international companies and organisations who do not need to see it if they don’t want to.

Corruption as lubricants for business: Given the perceived bureaucratic and slow system of the government, coupled with low motivation of officials (in part because of low salaries), some corruption was deemed as “necessary to get things done”. One participant put it: “*They [officials] take some gifts, they then work overtime to get the paper work done for us.*” Many business people were perceived as not seeing the danger of this thinking as it leads to “corruption is normal” mentality.

Social tolerance: Another danger we are facing is that corruption has a high tolerance from the public. “*Do I give gifts? Yes. Do I take gifts? Yes. Everyone is doing so. I don’t want to be different. I just want to be like other people.*” (A business manager).

“...corruption takes place when someone for the sake of personal gain abuses the power or trust that he/she has been granted through his/her job”
From Danish GC reference guide



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and **V**ietnam solutions in corporate social responsibility

