

The CSR Navigator

Public Policies in Africa, the Americas,
Asia and Europe



Vietnam¹

182

Public Policy Rationales

- Enhancing international competitiveness
- Promoting local export-oriented business

Public Policy Activities

- Awareness raising: Conferences, workshops, round tables and prizes
- Partnering: Addressing CSR-relevant issues with national business associations and with international bodies
- Creating: Voluntary frameworks

Public Policy Actors

- Vietnam Agenda 21 Office
- Ministry for Labor, War Invalids and Social Affairs (MOLISA)

CSR-Relevant Context Factors

-  Transition from a centrally planned economy to an export-oriented market economy
-  Low levels of government capacity for law enforcement and implementation, high levels of corruption
-  High level of willingness to reform; limited autonomy of nonstate actors
-  Increasing incorporation of external nonstate actors into agenda-setting, such as NGOs, investors and buyers



■ Executive Summary

Profiling CSR

Vietnam is a developing, industrializing country with aspirations towards being a fully developed nation by 2020. It is a socialist state in a phase of transition from a centrally planned economy to an export-oriented market economy. Since the 1990s Vietnam has become increasingly integrated into the regional and international political arena and into the global market. As such, it has shown great capacities for reform as well as willingness to incorporate external actors, such as investors, buyers and international NGOs dealing with labor and poverty issues. Although the government has made great progress in eradicating poverty, it continues to face challenges to continued economic growth, namely, low levels of law enforcement capacity, corruption and bureaucratic barriers hindering investment.

The role of CSR in pursuing public sector as well as private sector goals is now a widely discussed and important topic in Vietnam. So far, the key drivers of CSR-relevant policies and activities have been privately owned businesses that have developed various codes of conduct and state-owned businesses that have taken labor laws very seriously. The Vietnamese government is now taking up CSR-relevant issues as a public policy area. Public policy instruments so far have focused on awareness raising by creating forums for dialogue and exchange and partnering with national business associations as well as with international donor agencies. There are also indications of increasing legislative activity in the areas of labor law, corporate governance and environmental protection.

CSR public policy maturity can be assessed as borderline, i.e. moving rapidly from the first to the second generation. Although there is no explicit CSR policy in place, there has been an attempt to address the issue of CSR within a broadly formulated sustainability strategy

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termed the Vietnam Agenda 21, but it is still mainly treated as a cross-cutting subject. The importance of stakeholders is growing. However, there is no visible coordination point or a clearly defined contact point for CSR within government. As yet, there are few indications concerning regularly executed evaluations. Compliance is an issue that is most affected by lack of government capacity and by corruption. The efficacy of CSR instruments is further hampered by the existence of conflicting standards and norms as well as by the lack of coherent conceptions of CSR and its role.

The main rationales are enhancing international economic competitiveness and fostering the capacities of local, export-oriented businesses to deliver goods produced according to internationally accepted norms and standards.

Navigating CSR

Public policy development will therefore depend to a great extent of the ability to coordinate public sector roles and concepts as well as on the government's ability to position CSR in Vietnam as a local and regional concept. CSR policymaking and enforcement as such

would benefit from the notion of shared ownership by the public and the private sector rather than being seen as a set of activities dictated by the pressures of a demand-driven market and international supply chains. This is a function that requires awareness raising and greater involvement on the part of societal actors such as Vietnamese NGOs and small and medium sized enterprises (SMEs).

1st 2nd CSR Public Policy Maturity Level

First to second generation:

- Recent attempts to introduce comprehensive strategies, especially regarding sustainable development (Vietnam Agenda 21)
- Some partnering and mandating activities are in place and many are planned
- There are high levels of communication regarding CSR and increasing levels of stakeholder integration
- No visible coordination point and there is as yet no CSR evaluation in place by the government

CSR Recommendations

- Political ownership and strategy on CSR should be clarified and developed
- Greater coordination of public sector roles
- Greater integration of Vietnamese NGOs and SMEs as autonomous voices in the debate are recommended



■ CSR-Relevant Context

Political, Social and Economic System

Vietnam is a stable, single-party, socialist republic. The latest constitutional revision took place in 1992 and reaffirmed several key aspects of the Vietnamese polity: its socialist character, based on an alliance between the peasantry, the working class and the intelligentsia, and the vanguard role of the Communist Party of Vietnam, which draws on Marxist-Leninist doctrine and the ideas of Ho Chi Minh. At the same time, Vietnam is changing, first by moving from ideology-centered politics to a market-oriented model of socialism, a development that has ensued since the far-reaching reforms known as *doi moi* (renovation) were adopted by the 6th Congress of the Communist Party of Vietnam in 1986. The *doi moi* reforms were also a key factor enabling Vietnam to emerge from international isolation in 1989, following decades of tension in balancing relations with a number of partners, including the Soviet Union, China and Cambodia. Since then Vietnam has established diplomatic ties with ASEAN and with most countries of Western Europe and Northeast Asia. It is also a member of several UN organizations, including WHO, ILO, UNDP, UNIDO, and FAO. Secondly, while the country's constitution affirms the principle of democratic centralism, decision-making authority is being increasingly delegated to the sub-national level, concerning decisions regarding key aspects of public life such as investments, budget, education and public healthcare. The National Assembly, which is the sole legislative body and is elected every five years, has also been increasingly proactive in debating development issues. The main obstacles that Vietnam faces in achieving its target of becoming a developed nation by 2020 are corruption; rising social inequalities; lack of transparency, accountability and media freedom; as well as an inefficient bureaucracy. Thus, despite the importance of consensus in Vietnamese society, conflict has become part of the political system (Do Duc Dinh, 1995).²

Being primarily an agricultural country in that roughly 74 percent of the population lives in rural areas, traditional rural customs are highly important within Vietnamese society. National culture also plays a significant role, borne out of several wars of resistance against foreign

invaders. Two other cultural factors play a role in shaping Vietnamese society and perceptions: Chinese-influenced Confucian culture and current trends resulting from Westernization. Collectivism, traditionalism and long-term thinking therefore sometimes collide with more short-term outcome oriented changes within the country's cultural fabric. So far, it is clear that economic reforms have preceded social and political reforms in Vietnam. The role of NGOs is still limited, although the constitution provides much room for the concept of societal participation. Although there are more than 500 international NGOs, dealing mainly with the consequences of war and poverty, the lack of an enabling environment and the weak capacity and self-identity of Vietnamese civil society are major challenges to the development of an effective domestic NGO sphere.³

Vietnam is notable for the pace and success of the economic reforms it has adopted since 1986, a trend that received more impetus in 2006 through new legislation governing private enterprises and investment. The reforms are expected to boost domestic and foreign investment, also helped by Vietnam attaining WTO membership in January 2007. In addition, Vietnam is a member of AFTA and ASEM. Moreover, Vietnam has been a member of APEC (Asia-Pacific Economic Cooperation) since 1998 and has benefited from close ties to powerful APEC member states such as the US, Japan, China and Canada. State-owned enterprises continue to be the most important players, even if their actual numbers have declined. The individual and private economic sector has also contributed much to growth, in addition to the steady role played by the collective economy. The main problems facing the Vietnamese economy are FDI shortfall, low world commodity prices, which are hurting agricultural incomes, red tape and high transaction costs, public sector mismanagement and a weak capital market.

While the government has made progress in reducing poverty and maintaining strong growth rates (averaging 8.17 percent since 2005), existing policy challenges are strengthening the financial sector and the legal framework and reforming state-owned enterprises. Economic reform also means dismantling the universality and coverage of the country's health, education and pensions systems, thus far provided by the state or state-owned farms and enterprises.⁴ However, it is far from clear whether the corporate sector will voluntarily fill the

2 <http://www.ilo.org/public/english/bureau/inst/papers/1995/dp81/index.htm>

3 <http://vngos.blogspot.com/2007/01/government-of-vietnam-expresses.html>

4 <http://www.ilo.org/public/english/bureau/inst/download/dp14102.pdf>

capacity gaps, as Vietnam's core concern is economic growth, so as to counteract the primary focus on macro-economic stability following the East Asian financial crisis in 1997. There are indeed proposals under way to cut the corporate tax rate from 28 to 25 percent. Although the country is still an agricultural economy in terms of the labor force (56.8 percent), construction, tourism and telecommunications are now the main drivers of expansion. Industry and construction make up 41 percent of the economy, which includes the garment industry and is the second-biggest export industry after crude oil. The service sector accounts for 38 percent of the economy, whereby the hotel and restaurant trade saw a 17 percent growth rate in 2006.⁵

Relationship Between Economy, Society and Government

The two major drivers of economic change are the government and the business sector, which comprises both state-owned enterprises as well as private enterprises. Civil society in Vietnam, understood as a sphere that is independent of both state and market, is still in the process of developing its identity, especially in legal terms, in so far as most domestic organizations are still quasi-governmental bodies. However, in functional terms there has been progress in that the traditional NGO functions of watchdog, special interest group rep-

resentation and lobbying are being pursued by various national and international associations. These voluntary associations are seeking to expand their influence on both the public and the business sector (Bach Tan Sinh, 2001). There is far more alignment to be seen between the public sector and the business sector, since one of the goals of economic reform is the transition from a socialist centrally planned economy to a market economy. The *Vietnam Public Sector Forum*, which functions as a forum for dialogue between the state and private enterprises, is an example of attempts to institutionalize the relationship that is characterized by greater autonomy of the business sector, coupled with on-going overall control by the state and the party.⁶ Economic liberalization and privatization mean that the government now welcomes and has to maintain good relations with both foreign and domestic investors. As a more consensus-oriented country and culture, this also means that Vietnam does not always address a number of issues with the necessary openness and urgency, such as corruption, lack of transparency and other problems cited above.

Development of CSR Public Policy

The concept of CSR was initially introduced into Vietnam in the late 1980s through the far narrower strategy of implementing CoCs (codes of conduct) within state-owned,

Facts and Figures		Source
GDP	52.9 billion US\$ (2005)	WB
GDP annual growth rate	8.2% (2006 est.)	CIA
Import of goods and services	74% of GDP (2004)	UNDP
Export of goods and services	66% of GDP (2004)	UNDP
Corruption Perception Index	2.6 (2006)	TI
Gini Index	36.1 (1998)	CIA
Gender Equity Index	66 (2007)	Social Watch
Public Health Expenditure	1.5% of GDP (2003)	UNDP
Public Education Expenditure	4.4% (2001)	UNCTAD
FDI inflow	6.5 billion US\$ (2006)	Vietnam Ministry of Finance
BTI Management Index	4,73, Rank 74 (2007)	BST

5 <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aSkgeHLrRbmw>

6 http://www.publicprivatedialogue.org/case_studies/Case%20Study%2007a%20-%20Vietnam.pdf

export-oriented firms. This had to do in the main with the economic reforms that sought to transform the agricultural and centrally planned economy into an export-oriented market economy. Integrating Vietnam into global supply chains meant that CSR was primarily a means of gaining acceptance among trading partners and investors, of becoming a competitive economy, of adhering to international agreements and of responding positively to pressures exerted by international NGOs. It also meant that CSR was viewed as a strategic tool, to be deployed primarily within export-oriented firms. One example is the requirement that all companies of *VINATEX*, the state-owned consortium of garment and textile manufacturers, be SA8000 compliant, mainly because its standards are directly based on ILO conventions. Beyond the more narrow understanding of CSR as a system of compliance with externally induced standards and norms, it was also understood to mean corporate philanthropy. More recently, the government's understanding of CSR has also included a range of social, labor, environmental and ethical issues. CSR is also increasingly viewed as an element in business strategies that are capable of contributing to and complementing national strategies designed to bring about poverty reduction, social stability, economic development and environmental protection. However, while CSR public policy in Vietnam aims to be comprehensive, unifying, and reflective of the importance of the socialist state, it remains one of several efforts to integrate CSR into business strategies. The context of CSR policymaking is characterized by contested meanings and inconsistencies in regulation and implementation.⁷ Thus, the main challenges to CSR public policymaking are wide variations in how CSR is understood, multiple CoCs among buyers, differences between national labor codes and CoCs (e.g. regarding overtime work and freedom of association), inconsistencies in national regulation (e.g. regarding wage rates, benefits, and employment conditions), shifting and anonymous supply chains, and lack of transparency over current CSR practices.

CSR Policy Rationale

The development of CSR public policy in Vietnam is therefore a progression of the older corporate-centered concept of CSR as well as an indicator of the continuation of the key role of government within the country's political and economic system. It is possible to discern

two key rationales driving the government's engagement with CSR-relevant policy areas, taking Vietnam's core economic and social policy goals into account. CSR-relevant public policymaking follows the rationales related to international competitiveness as they pertain to an export-centered, emerging market through support for local business, on the one hand, and promotion of equitable and sustainable growth, on the other. These two rationales are closely connected, not least because growth has been linked to a large extent to the success of small, local and often individually or collectively owned businesses.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

As stated above, the government's understanding of CSR is a holistic and public-sector-led notion of development, i.e. the harmonious coordination and management of economic and social development as well as environmental protection. While there is no explicit CSR public policy strategy, CSR-relevant public policymaking, which addresses a range of issues, is embedded within the broadly framed 2004 Strategic Orientation for Sustainable Development in Vietnam (Vietnam Agenda 21, VA21). Vietnam Agenda 21 in turn is based on the Global Agenda 21, or the Rio Declaration on Environment and Development, adopted by more than 178 countries at the UNCED (United Nations Conference on Environment and Development) in 1992. The first article of Vietnam Agenda 21 states that "the Strategic Orientation for Sustainable Development in Vietnam is the framework strategy composed of broad orientations, which are the legal foundations for ministries, sectors, localities, organizations and relevant individuals to follow through their implementation and cooperation activities in order to ensure sustainable development in Vietnam in the 21st century and express Vietnam's commitments to the international community."⁸

CSR-relevant public policy therefore relates to a number of areas: labor (international and national standards of occupational health and safety, working conditions, labor benefits, equal salary payments, employee training

7 <http://siteresources.worldbank.org/INT/PSD/Resources/Vietnam/VietnamFinalDec03.pdf>

8 http://www.va21.org/uploads/File/CTNS21/QD153final_eng.pdf

CSR-Relevant Policies		
Name	Date	Description and Reference
Vietnam Agenda 21	2004	<p>Framework strategy composed of broad orientations, which are the legal foundations for ministries, sectors, localities, organizations and relevant individuals to follow through their implementation and cooperation activities in order to ensure sustainable development in Vietnam in the 21st century and express Vietnam's commitments to the international community.</p> <p><i>Reference: http://www.va21.org/english/index.php?param=News&CatID=12</i></p>

and development), gender equality (equal pay), environmental protection and the development of local and regional communities. As such, while there are no CSR-specific legislative documents or policy papers, there are a number of CSR-relevant laws, the main policy statement to date being Vietnam Agenda 21.

CSR Public Policy: State Actors

The *Vietnam 21 Agenda office* is the most recently established public sector forum to focus on the goal of sustainable development, among other areas. It was set up to coordinate, organize and deploy VA21, with the aid of both national ministries and international organizations. At the national level, its role is to develop policies and

propose solutions in collaboration with various ministries for the implementation of VA21. It also acts as a focal point with regard to coordinating and promoting international cooperation projects.

Five other national public sector bodies are especially involved in CSR-related activities, namely the *Ministry of Labor, War Invalids and Social Affairs (MOLISA)*, the *Vietnam General Confederation of Labor (VGCL)*, the *Ministry of Science and Technology*, the *Ministry of Industry*, the *Ministry of Health* and the *Ministry of Planning and Investment*. The main areas of activity are labor-related issues such as occupational health and safety, protection of workers' rights, standard setting and assessment.

Selected CSR State Actors		
Name	Short Description	Main Activities and Reference
Vietnam Agenda 21 Office	National authority, set up to coordinate, organize and deploy the VA21 program	<p>Organizes sustainable development activities nationwide (workshops, training courses, technical assistance and information dissemination), cooperates with concerned ministries, cooperates with national and international institutions to provide consultancy for the establishment of the National Council for Sustainable Development.</p> <p><i>Reference: http://www.va21.org/english/index.php?param=NewsInfo&key=201</i></p>
Ministry of Labor, War Invalids and Social Affairs	Public authority for labor-related issues, social assistance and anti-social issues	<p>Develops and in charge of national program on labor protection, occupational health and safety. Provides procedures and norms of occupational health and safety.</p> <p><i>Reference: http://www.molisa.gov.vn/gioithieu/introduce.asp?maq1=m1</i></p>

Vietnam General Confederation of Labor	National trade union set up to protect the legitimate rights of workers and members	Develops recommendations on policies related to workers. Provides information and performs administrative activities. Implements programs concerned with the improvement of trade unions. Reference: http://www.congdoanvn.org.vn/english/default.asp?1=1
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CSR Public Policy: Nonstate Actors

MNCs, international donor and aid agencies, national business coalitions as well as trade unions are the main civil society actors in the field of CSR promotion in Vietnam.

MNCs have been the key drivers for Vietnam's development in the field of CSR in general, primarily as a result of pressures on MNCs by consumers and civil society organizations to apply stringent CoCs. Examples of such MNCs in Vietnam are *Nike*, *Adidas*, *Timberland* and *Gap*. This has had implications for the CoCs of foreign invested Vietnamese companies, which are export-oriented, labor-intensive and/or environmentally sensitive. Examples are companies dealing in footwear, garments and textiles, food processing and wooden products, as well as traditional art and handicrafts such as bamboo, embroidery, ceramics and porcelain.

International and national NGOs are therefore increasing in voice and influence regarding the setting of standards. *ActionAid International Vietnam* and *Care International* are two international NGOs that promote CSR through lobbying, publicity, training, consultancy, dialogue and rewards for good CSR performance. Moreover, a number of development agencies are active in Vietnam and contribute to various cooperative projects, mainly in the field of labor, health and safety. The main agencies are the *UK Department for International Development (DfID)*, the *Danish International Development Agency (DANIDA)*, the *Swiss Secretariat for Economic Affairs*, the *US Department of Labor* and Germany's *GTZ (Gesellschaft für Technische Zusammenarbeit)*. *GTZ* has also partnered with the *University of Labor and Social Affairs (ULSA)* in training lecturers in CSR and developing training materials for CSR subjects.

National NGOs such as the *Vietnam Center for Development and Integration* are slowly gaining in influence and contribute through research, advocacy, monitoring and evaluation, and by implementing programs and community development projects. These roles are both enabled as well as legitimized by the Vietnamese media, which still take their lead from the government. The media play a positive role by bringing together various actors currently addressing the importance of CSR and CSR policymaking in Vietnam. This happens through a number of activities, including coverage of CSR-related awards and promotion of the concept of CSR in conjunction with various partners, including government agencies, NGOs and businesses.

National business coalitions have also been active in the field of CSR. Examples are the *Vietnamese Business Links Initiative (VBLI)* of the *Vietnamese Chamber of Commerce and Industry (VCCI)*, the *Vietnam Textile and Apparel Association (VITAS)* and the *Vietnamese Leather and Footwear Association (LEFASO)*. CSR promotion in these associations ranges from research, training, consultancy and information dissemination to the development of technical manuals and annual awards. At the international level, while Vietnam has signed the Global Compact principles, these have not been directly promoted so far.

Trade unions remain important in the CSR context through a number of activities including the amendment of labor laws and regulations; supervising companies' implementation processes regarding salaries, social insurance, health and safety; launching environmental protection campaigns; conducting CSR-related workshops in companies; and participating in various annual CSR awards that honor best-practice companies.

Selected CSR Nonstate Actors		
Major Business Actors		
Vietnam Business Links Initiative	National business coalition, covering 60 percent of Vietnam's leather and footwear industries	Leading initiative to drive social standards as well as health and safety regulations within the footwear export sector, with a view to covering not only foreign directed businesses but also local SMEs. <i>Reference: http://www.iblf.org/media_room/general.jsp?id=123666</i>
Civil Society		
Vietnam Center for Development and Integration	Nonprofit, nongovernmental organization	Resource, research and awareness-raising center, which aims to promote sustainable socioeconomic development and good governance in order to bring about an equitable society where the well-being of poor women, girls, men and boys can be best respected and served during the rapid economic integration taking place in Vietnam and Asia. <i>Reference: http://www.cd vietnam.org/default.aspx?portalid=26&tabid=245</i>

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

The mandatory framework relating to CSR activities incorporates laws passed in the areas of labor, corporate governance and environmental protection. The main laws passed in the context of labor are the Labor Code (1994, amended 2002), the Law on Trade Unions (1990), the Law on Environmental Protection (1991, amended 2005) and the Law on Social Insurance (2006).

In the area of labor, the ILO is of particular importance, providing guidelines for labor laws, including those covering child labor, collective bargaining and dispute settlement. Vietnam has ratified most conventions⁹, the latest being the convention on forced labor.¹⁰

The Vietnamese government has passed a number of laws since 2004 to influence corporate governance, such as the Enterprise Law, Law on Foreign Investment, Law on Securities, Law on Procurement, and Law on Cooperatives. These laws also relate to the areas of

mandatory reporting. The basic elements of enterprise governance covered in the Law on Enterprises, the Law on Securities and the Model Charter for Listed Companies were adapted from OECD guidelines.¹¹

There are also laws in place covering the area of environmental protection and responsible consumption, such as the Law on Special Consumption Tax (2004), Law on Environmental Protection (2006), Law on Water Resource (1998) and Electricity Law (2005).

Legislation regarding the consultation of stakeholders other than trade unions and business associations has just been passed in July 2007 in the form of the Grassroots Democratic Ordinance. This decree provides for consultation with local communities, especially regarding socioeconomic development strategies, environmental plans and infrastructure development.

While a number of public sector activities are under way to disseminate information on laws and regulations, the main challenges towards effective implementation of these laws are the rapid rise and influence of privately

9 <http://webfusion.ilo.org/public/db/standards/normes/appl/appl-byCtry.cfm?ctychoice=0940&lang=EN&hdroff=1>

10 <http://www.vietnambassy-usa.org/news/story.php?d=20070130125706>

11 <http://vietnamnews.vnagency.com.vn/showarticle.php?num=01BUS230807>

Note: The OECD Principles of Corporate Governance focus on six factors: an effective governance framework, the rights of shareholders, equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board of directors.

owned companies and business associations, unclear responsibilities, poor accountability and lack of transparency.

b. Soft Law

International conventions have thus far provided the main impetus for CSR-related public policy. CSR tools regarding cleaner production and health and safety are being developed under a number of international technical and financial assistance programs. Furthermore, voluntary frameworks play a role in trade, notably between the US and Vietnam. A 2003 textile trade agreement includes an obligation for the Vietnamese government to encourage the implementation of SA 8000 in return for access to the US market.

The GTZ-AVE-Vietnam Business Links Initiative Project is an example of a multilevel approach that consists of developing soft law, partnering and, as a result, raising awareness of internationally accepted standards that have a bearing on production methods, in both environmental and labor terms, for Vietnam's businesses. Germany's *Foreign Trade Association of the Retail Industry (Aussenhandelsvereinigung des Deutschen Einzelhandels)* cooperates with GTZ and VBLI to create uniform social standards in German retailing. This PPP thus affects important markets such as Vietnam by establishing a system for auditing suppliers. Until now, however, relevant standards have been discussed but have not been implemented.

The government has been very active in ensuring compliance with minimum standards by amending laws and regulations, by ensuring labor inspection by local authorities, by naming and shaming poor performers, by providing training together with trade unions and other NGOs and by recognizing best practices in the area of CSR. While minimum labor standards are mandatory and are applicable to all employment relations in Vietnam, the government encourages the adoption of agreements that provide more favorable working conditions (Art. 9 of the Labor Code). These benefits depend on each organization's human resource policies. However, their application generates tax-related obligations for both employees and employers.¹² Moreover, MOLISA is also engaged in developing codes of conduct for various industries, especially those related to the leather and textile industries, the backbone of the Vietnamese export economy.

c. Initiatives and Partnerships

The public sector aims to integrate CSR into mainstream labor, economic, social and environmental policies by deploying a number of instruments in cooperation with national business associations as well as international bodies and NGOs. The role of donor countries and donor agencies has been very important in shaping CSR-related partnerships. In the area of occupational health and safety, there are a number of partnerships in place. The UK's *DfID* has had significant input regarding this issue. In 2006 the National Program on Labor Protection, Occupational Health and Occupational Safety was launched. Key participants are *VGCL*, *VCCI* and the *Vietnam Cooperative Alliance*. The national program guides legislation and the creation of an information network on Occupational Health and Safety (OHS), in order to comply with the ILO's Convention 155, which Vietnam has ratified and which states that national legislation shall ensure a certain level of OHS.

The government of Switzerland has helped set up the *Vietnam Cleaner Production Center*.¹³ Furthermore, the integrated program of cooperation between Vietnam and UNIDO has been set up to address institutional capacity-building and support for the SME sector, cleaner production and micro-entrepreneurship development and to provide assistance for forming a coherent strategy of sustainable industrial development in Vietnam.

There are also examples of PPPs managed by GTZ to help improve the competitiveness of various value chains in Vietnam. GTZ has engaged private sector companies and the government to help improve the competitiveness of the pangasius (cat fish) value chain and raise incomes for small pangasius farmers.

A further PPP is the GTZ-AVE-Vietnam Business Links Initiative Project, named above. The AVE sector model also involves roundtables on behavioral codes regulating the retail sector. Five round table workshops were held, of which the last one took place in 2006 on the topic "How to raise public awareness through sustaining social dialogues on corporate social responsibility."

The public sector, especially MOLISA, also attempts to cooperate with business to endorse pro-CSR production and consumption by, for instance, helping develop sectoral guidelines. One important example is the CoC developed for Vietnam's leather and footwear industry.

¹² http://www.tillekeandgibbins.com/Publications/VN_articles/VN_minimum_labour_standards.pdf

¹³ www.vncpc.org

d. Incentives

Income tax incentives as regulated in the Law for Enterprise Income Tax are used to encourage companies to integrate CSR into their core business in the following cases: goods production and trading and/or service provision by disabled laborers; provision of job training for disabled people and children in exceptional need; production involving a significant number of female laborers; and production involving a significant number of laborers belonging to ethnic minorities.¹⁴

The annual CSR Award – Footwear and Garment Industries in Vietnam has been conferred by a partnership bringing together government, business associations and NGOs since 2006. It was initiated by *ActionAid International Vietnam*, in cooperation with *VCCI* and *LEFASO*. Through relevant ministries (*Ministry of Industry, Ministry of Planning and Investment* and *Ministry of Labor, War Invalids and Social Affairs*), the government plays the role of steering member.

A further high-profile event is the Annual Championship of Occupational Health and Safety, which is coorganized with *VGCL*.

e. Awareness

Awareness raising regarding CSR-relevant laws, as named above, plays an important role in the range of CSR activities in the public sector. Training and research are two of the main methods for disseminating information. *VBLI* regularly organizes training workshops on occupational health and safety in the leather and footwear industry, using the expertise of several ministries, primarily of *MOLISA*.¹⁵ Research is also conducted by *VBLI* in the relevant areas of worker consultation on OHS, on related international standards such as ISO 14001 and OSHAS 18001, on levels of dust, noise, heat and chemical vapors, and on female labor and gender issues in the footwear industry.¹⁶ The government endorses local standards as well as international standards ISO 14001 and SA 8000.

Quite clearly, many of these instruments logically follow Vietnam's CSR public policy strategies. Voluntary frameworks and the endorsing of international standards is a means of enhancing the international competitiveness of Vietnam's export-oriented economy. Moreover, partnerships and voluntary agreements address CSR-relevant issues by influencing policymaking as well as develop-

ing and implementing guidelines and standards. These partnerships often serve to support local businesses at the bottom of the supply chains, which increasingly have to comply with international production and labor standards. The promotion of equitable and sustainable growth is a more recent aim, mainly promulgated by the *Vietnam Agenda 21 office*, and it necessarily calls for high levels of awareness raising as a starting point.

So far, national-level CSR activities have focused on protecting Vietnam's human capital and adhering to international standards of production and goods. While there have been developments regarding corporate governance, the main challenges are inconsistencies between national and corporate guidelines and between separate legal codes for state and private enterprises, as well as variations in understandings of CSR, of strategies and of instruments. It remains to be seen whether the *Vietnam Agenda 21 office* will be able to provide solutions to this issue and to bring the problem of environmental degradation to the fore.

■ CSR Public Policy Maturity

While there is no one visible contact point within the government, apart from the *Vietnam Agenda 21 office*, which is in its infancy, there are several public sector bodies dealing with CSR-relevant issues. So far, CSR strategies are implicit rather than explicit and are based on a variety of understandings and priorities. Existing instruments include awareness raising and endorsing, partnering, incentive creation, soft laws and mandatory frameworks. However, there is no visible evaluation of the still nascent CSR activities by the government. Moreover, public policy implementation remains a problem due to corruption, lack of capacity and human resources, lack of adequate training and resistance by various business actors, who either prefer to self-regulate or who resist the idea of CSR as being integral to business, social and national development. As such, Vietnam's CSR policy is in the process of development and therefore can be said to be a borderline case, i.e. moving rapidly from the first generation to the second generation of CSR public policy maturity.

¹⁴ <http://www.usig.org/countryinfo/laws/Vietnam/Decee%20177-1999-ND-CP.pdf>

¹⁵ <http://www.vcci.com.vn/sub/vbli/default.htm>

¹⁶ <http://www.vcci.com.vn/sub/vbli/default.htm>

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The full study with detailed information on CSR public policies in the countries investigated is available for download (pdf) at www.bertelsmann-stiftung.de/csr or at www.gtz.de/csr

