

Vietnam Development Partnership Forum 2014

INGO Statement

Hanoi, Vietnam, 5 December 2014

By 2014 more than 900 international non-governmental organisations (INGOs) have established a relationship with Vietnam and almost 500 INGOs implement development and humanitarian projects in the country. INGOs are committed to information sharing, partnerships and coordination. We work in close collaboration with the Government of Vietnam and other development partners, contributing to Vietnam's development. The following statement has been prepared by the VUFO-NGO Resource Centre, in close consultation with the four elected INGO representatives to the Vietnam Development Partnership Forum (VDPF), and it brings together the views of a group of 25-30 INGOs that are involved in activities related to the two main themes of the VDPF 2014 agenda: Market Institutional Reform and Private Sector Development.

Strengthening Institutional Reform towards the Market Economy

The domestic private sector and foreign investment sector, including non-profit social enterprises and investors with social impact, play a significant role in Vietnam's development. Civil society organisations can have a more meaningful and proactive role, by being close to the needs of the people and by promoting accountability. Institutional reform should be based on compliance with the law; respect for workers' rights; protection of the environment; financial transparency; enforcement of land regulations; and it has to be in line with international standards and the commitment to good governance made by the Government of Vietnam. Social and environmental safeguards need to be strengthened in order for Vietnam to move from an extractive to a sustainable model of economic growth; or from an investment-based model to a model based on human resources.

Key Message 1: Increasing the role of civil society and civil institutions in a market-oriented economy by promotion of transparency, accountability and people's participation

The Government of Vietnam strongly promotes a comprehensive institutional reform to ensure sustainable economic growth and an equitable and democratic society in Vietnam. The institutional reform will include the increased role of civil society organisations, as stated in the report of the Central Institute for Economic Management (CIEM) drafted in November 2014¹. We believe that there is a need to enable civil society organisations, including the Vietnam General Confederation of Labour and professional associations, to serve as social and environmental safeguards, to participate in the monitoring of players in the economy and to hold these players accountable.

We recommend strengthening the existing mechanism for collecting opinions and the implementation of relevant laws and regulations. The Government of Vietnam has issued a number of by-laws documents and circulars in order to facilitate, coordinate and monitor civil society operations. This may be an opportune time to harmonise, reflect and improve those legislations, so that civil society organisations can facilitate access to information and citizens' participation in public life, as stated in the Constitution. We welcome a recent review of the Decree 93 implementation, initiated by the Ministry of Planning and Investment, in

¹ Strengthening Institutional Reform Towards the Market Economy 2015-2016 by Dr. Nguyen Dinh Cung, CIEM President

order to further improve its application and maximise the use of foreign aid. More effective implementation of the Decree 93 will contribute to poverty reduction and sustainable development in Vietnam.

Key Message 2: Applying good public governance and anti-corruption measures to Institutional Reform

Although Vietnam has transformed during the past 30 years from a centrally planned economy to a market economy, many elements of the centrally planned economy remain present today. These elements include privileged state-owned enterprises (SOEs) such as state farms, forest enterprises and some industries. Wrongdoings and cases of corruption within private enterprises and state agencies have been reported at central and local levels. We believe that public assets should belong to all Vietnamese. A privatisation of gains that is not checked, combined with public sharing of risks, will lead to inequality and social tensions. The recent efforts by the Party and the government to challenge impunity in corruption cases were welcomed and should continue with a thorough system of checks and balances.

Foreign Direct Investment in Vietnam has often been treated as a remedy, rather than as an element of a balanced and sustainable development strategy. Some provinces in Vietnam offer tax breaks, land deals and other incentives to investors. Although such incentives may lead to increased economic growth, they also pose a risk of harming common people's livelihoods, health, and the environment. We encourage the Government of Vietnam and welcome support from donors in strengthening the legal mechanisms and enforcing the current regulations on land, health, labour and pollution. Workers' rights protection policies need to be reinforced within the current legal and institutional system. The Vietnam General Confederation of Labour should be supported in its efforts to promote collective bargaining and represent workers' interests. Enterprises should be held legally accountable when treatment of workers is not in compliance with laws and international labour standards.

INGOs appreciate the Law on Enterprises, which has been recently revised to acknowledge the role of social enterprises. However, further categorisation of different types of social enterprises, including non-profits, is required. The government should continue with reforms of state-owned enterprises and the creation of a fair business environment for different types of business, including state owned businesses, private businesses and those linked to Foreign Direct Investments. The government should adopt policies that will encourage businesses to improve their Corporate Social Responsibility, as well as develop a legal framework fostering business transparency. Institutional reform in land governance should focus on effective implementation of good land governance practices.

Private Sector Development for a Sustainable and Resilient Economy

INGOs in Vietnam would like to address two main issues concerning private sector development for a sustainable and resilient economy: Corporate Social Responsibility and Public Private Partnership.

Key Message 1: Maximising positive and minimising negative effects of business operations on Vietnam's society by promotion of Corporate Social Responsibility

Businesses in Vietnam should commit to adopt Corporate Social Responsibility, that will maximize positive effects and reduce any negative impact of their operations on society. They

should operate in a manner that will meet or exceed ethical, legal, commercial and public expectations from Vietnamese society. From the INGOs' point of view, Corporate Social Responsibility is more than volunteering, branding or philanthropy – it should be a holistic part of corporate culture. If proper policies are implemented, Corporate Social Responsibility will enhance the financial bottom line of the businesses, serve society and improve the environment. We perceive Corporate Social Responsibility as a creation of socially responsible businesses. It should not remain restricted to community development based only on philanthropy, but evolve into an integral element of core business. A growing number of businesses are facing new demands to engage in Corporate Social Responsibility. There is an increasing pressure for accountability coming from shareholders, employees, consumers, suppliers, local communities, policy makers and society.

There are two fundamental ways for businesses to achieve corporate sustainability in Vietnam:

- Endorsing a universal Do No Harm principle in business operations
- Securing sustainability through new products, services and business models

By implementing the above-mentioned actions, businesses will develop relationships with stakeholders and integrate Corporate Social Responsibility into their regular operations. These relationships can be manifested through the following:

- Businesses provide good quality products which do not cause any harm to consumers' health, while their production process is environmentally friendly
- Businesses demonstrate concern for their employees' physical and mental well-being
- Businesses adopt policies on human resources development, particularly among marginalized groups, including on-the-job-training, life-long learning, continuous professional development in potential industries, language skills and other soft skills
- Businesses use a portion of their profit to support community activities

We recommend that the government develops appropriate policies and applies them properly, thus encouraging socially responsible businesses. Corporate Social Responsibility will guarantee numerous long-term benefits and provide a variety of competitive advantages, such as: improved financial performance; enhanced brand image and reputation; increased sales and customer loyalty; increased ability to attract and retain employees and reduced regulatory oversight. Corporate Social Responsibility alone cannot be a remedy to Vietnam's private sector sustainability or economic growth, but it will ensure that ethical, social, and environmental principles are not overshadowed by profit margins – while still increasing profits.

Key Message 2: Delivering improved services and better value for money with Public Private Partnerships, by combining skills, knowledge and resources from both the public and the private sector

The Public Private Partnership is an infrastructure procurement method used by governments across the world, alongside more traditional methods for delivering infrastructure to communities. The aim of the Public Private Partnership is to deliver improved services and better value for money, primarily through appropriate risk transfer, encouraging innovation, greater asset utilization and integrated management. Achieving better value for money should

become a key requirement for the Government of Vietnam; a Public Private Partnership draws upon the best available skills, knowledge and resources, whether they come from the public or the private sector.

INGOs recommend that the Government of Vietnam develop a national Public Private Partnership policy. This policy should provide a framework in which the public and the private sectors can work together to improve public service delivery through private sector provision of public infrastructure and related services. The government has already developed a Public Private Partnership policy for the rural water supply sector, but we propose development of specific policies for each sector with a focus on poverty reduction.

The objectives of the proposed Public Private Partnership framework should include:

- Encouraging the private sector investment in public infrastructure and related services where value for money for the government can be clearly demonstrated;
- Encouraging innovation in provision of infrastructure and related service delivery;
- Ensuring rigorous governance over the selection of projects for Public Private Partnership;
- Competition for contracts and work awarded by contract; and
- Providing a framework and streamlined procedures for country-wide application.

Vietnam needs to create a healthy environment with fair treatment for all stakeholders. This should include putting an end to preferential treatment of public or state-owned enterprises in public tenders and bidding. Anti-corruption measures should be intensified and fair treatment should be stipulated in order to develop a sustainable private sector.

INGOs would like to highlight several concerns regarding Public Private Partnership that were raised by different agencies. The Intergovernmental Committee of Experts on Sustainable Development Financing has cautioned that ‘projects often struggle to deliver as planned with a 25-35% failure rate of Public Private Partnerships in developed countries due to delays, cost overruns and other factors, and even higher failures in developing countries’. The World Bank’s Internal Evaluation Group has noted that Public Private Partnerships ‘generally do not provide additional resources to the public sector’. The International Monetary Fund (IMF) has cautioned that Public Private Partnerships in infrastructure can: 1) forecast future demand poorly; 2) move spending off the budget and thus bypass spending controls; 3) move debt off the balance sheet and create contingent and future liabilities; and 4) reduce budget flexibility in the long term. The IMF’s concerns are based on research, which shows that 55% of all Public Private Partnerships get renegotiated, on average every two years, often degrading the original projected benefits.

We recommend that experiences from other countries be taken into account when designing policies and during implementation, so that Public Private Partnership can provide a much needed added value and contribute towards poverty reduction, as well as create new markets for Vietnam.