

**STATEMENT OF VIETNAM NON-GOVERNMENTAL ORGANIZATIONS IN VIETNAM
DEVELOPMENT FORUM IN DECEMBER 2017
“LEVERAGING PRODUCTIVITY GROWTH FOR SUSTAINABLE DEVELOPMENT”**

Prime Minister Nguyen Xuan Phuc, Chairing Committee, ladies and gentlemen

We, Vietnamese non-governmental organizations, very much appreciate the efforts of the Government to organize Vietnam Development Forum 2017 with topic “Enhancing Productivity - Leverage for Sustainable Development”. To contribute to this topic, we would like to propose the following:

1. Regarding the global trend and solutions for Vietnam in terms of productivity growth, we suggest to focus on promoting **Cooperation in creating shared value (CSV) and partnership with civil society organizations (CSOs)**.

One of the global trends towards productivity-enhancing and improving competitiveness of businesses requires enterprises to “Create shared value” (Porter and Kramer, 2013). This is considered as “theory to success”, “solution for the future” for the enterprises to integrate social issues and challenges into the process of creating economic value of the business. Addressing and creating social impacts is not merely a segment of the business such as corporate social responsibility or development philanthropy but should become a central activity throughout the development process of enterprises. At 3 levels of CSV, enterprises need to:

- (1) Meet the social needs by the mean of products, approach customers who haven’t been served or haven’t been served well;
- (2) Redefine “performance” in the value chain by using resources, suppliers, logistics and staff in a more effective way;
- (3) Improve local business environment by enhancing skills, supply base, legal environment and supporting the community organizations where the business participates in.

In the context of international integration, Vietnamese enterprises need to make efforts to change the modern business method and reach the levels of CSV; in particular, cooperation in creating shared values with civil society organizations, local non-governmental organizations and community-based organizations is a strategy solution to businesses. This is a strategic solution as some reasons:

- The diverse CSOs throughout Vietnam, who serve a wide range of community groups, have the expertise and credibility to meet and represent various needs from the community. The symbiotic partnership with CSOs can provide businesses with a way to **approach diverse community groups** and “**leave no one behind**”, maximize local resources to reach the “**value chain**” performance, establish status and trust amongst the community, internal and external

customers, improve business environment and environmental and social benefit, as well as help achieve long-term vision and position of the business. In addition, CSOs as partners are also an active and effective force to both support and supervise the development of businesses at CSV levels; particularly in monitoring, consultation evaluation, independent critic to ensure that the enterprises are doing well in terms of human rights and business (enterprises practice to effectively protect the rights of vulnerable groups of customers both inside and outside the enterprises (workers, local community, children, women, the elderly, people with disabilities, ethnic minorities, etc.)), ethical business, and environment protection in the locality. Enterprises and CSOs can cooperate in an effective and win-win manner to enhance the productivity and competitiveness. The differences in both resources and organizational forms can be a complement to each other and make CSOs an attractive partner to enterprises who want to move towards sustainable development. The important thing is that these differences shall not be based on disciplines of compromise in which the partnership is built because CSOs act as independent consultants. Therefore, partnership with CSOs benefits enterprises in special aspects and perspectives.

In order to assist enterprises in achieving the above shared value creation, we recommend: (1) developing a strategic business support roadmap for adaptation and development; (2) promoting cooperation between businesses and local CSOs - which are the partners that both support and monitor and independently evaluate the process of creating the social impact of the businesses; (3) promoting an enabling development environment for cooperation between the two sectors which are enterprises and CSOs (for example, policies encouraging cooperation, tax incentives, etc.) in order to have a lasting positive impact for enterprises, economy and social development.

2. Equality and respect for diversity to ensure the sustainable productivity-enhancing

Furthermore, the productivity growth will only be sustainable if equity is ensured in access to productivity-enhancing investment including investment in a wide range of industries, types of businesses and regions, and respect for diversity is ensured. Besides, labor productivity growth also goes hand in hand with equality of benefits from productivity and reinvestment in non-product segments such as education and health to ensure economic development matches social development.

- Equality in access to productivity-enhancing investment

All the industries and business models have the rights to access productivity-enhancing investment rather than just focus on fast-growing industries which provide immediate financial source of revenue but affect the development. For example, in agriculture, large farms owned by big companies that use closed system technology and manufacture process are often considered as having higher productivity with greater economic efficiency. However, if this kind of farming is widespread, it will eliminate smallholder farming practices, dissolve indigenous knowledge of ethnic minority communities and cause the loss of smallholders' livelihoods which leads to extreme poverty. Though the monoculture helps increase short-term productivity, it leads to

long-term consequences of biodiversity loss, soil degradation or external resource dependence (seeds, fertilizers, insecticides, etc.).

In addition, to enhance productivity, the accumulation of land or application of high-tech science can lead to marginalization of groups such as small farmers, ethnic minorities, women with small children, people with disabilities, the elderly - who may be due to biological, cultural and social specialties are sometimes not recognized as positively contributing to productivity growth. This is also the case in remote areas where production costs are high with conditions for expansion and productivity-enhancing are not in favor.

Therefore, a number of solutions need to be considered: (1) There is a master plan to ensure the diversified and natural development of different types of production/business to create a diverse ecosystem; (2) Attention should be paid to productivity-enhancing and economic efficiency of indigenous business models which link to people's livelihood and long-term social benefits for the community; (3) There should be a policy to ensure that large-scale industrial/technological industries and sectors should be responsible for connecting and supporting small and well-diversified business models and regulatory frameworks to stipulate the relationship and competition in production and business to ensure the major business models do not swallow the native business models; (4) There should be policies to support marginalized groups in order to avoid further marginalization in the process of economic development.

- ***Equality in the benefits from productivity-enhancing***

The gap between rich and poor is increasing in Vietnam. According to Oxfam's report "Narrowing the Gaps" in Vietnam, the income of the richest Vietnamese in one 1 day is higher than that of the poorest Vietnamese in 10 years¹. Ethnic minority groups account for less than 15% of the population but up to 70% of the extreme poverty². The average income of male laborers is 33% higher than that of female workers³. If the benefits of productivity-enhancing continue to be distributed unequally in society, workers are not paid well, social conflicts will increase and long-term productivity growth will be reduced. Besides, if the profits of productivity growth are not reinvested in non-production sectors such as education and health, and the promotion of mechanisms to ensure the participation of people in general and vulnerable groups in particular will leave negative impacts to the future of vulnerable groups as well as the whole society.

We recommend (1) Developing a roadmap for implementation and monitoring of the Sustainable Development Goal SDG 10; (2) Identifying clear targets for reinvestment in health and education

¹ Narrowing the Gaps, Oxfam 2016

² East Asia and Pacific Economic Update by the World Bank 2015

³ Nguyen Duy Loi. Employment, income and social protection for female workers in the informal sector in Vietnam

from economic growth, the establishment of investment monitoring mechanisms and public funds, and mechanisms for people participation in a direct way or through their representative organizations; (3) Enhancing the role of independent monitoring by CSOs in ensuring the rights and equality of access and benefit sharing among vulnerable groups as well as possible impacts on productivity-enhancing process through a clear and constructive legal corridor, and formal engagement mechanisms.

- **Equality guaranteed in diversity:**

The international integration of the economy together with the dynamic development of Vietnamese society has made the force of production more and more diversified. Diversity in age, culture, physical capacity (disability), race, religion, gender, and sexual orientation are not only present in multinational corporations; it is also common in companies, organizations in the country. Many studies in the world show that this diversity is the strength of the businesses and organizations as it can provide them with many different experiences, knowledge and innovations. It helps increase creativity and enhance collective productivity. However, this diversity is only positive if the differences are respected in the corporate culture and the non-discriminatory rights of minority groups are protected by law. Thus, in order to enhance the productivity of the economy in general and of enterprises in particular, Vietnam needs to uphold positive element of diversity in the labor force. Specifically, the Labor Code is being amended to include a separate chapter on anti-discrimination in all of its forms. The principle is that all workers are treated equally regardless of gender, age, ethnicity, sexual orientation and gender identity, disability and HIV status. Such a Labor Code will help shape the corporate culture, respect diversity, encourage creativity, and be compatible with the global business culture that values corporate social responsibility and protects human rights in business.

In particular, to enhance productivity and ensure human rights, labor rights, environmental protection and diversity towards sustainable development under the SDGs and national economic development strategies, we have added a specific remark on the rights of workers and the environment

3. Productivity-Enhancing should ensure the rights of workers

Three groups of factors including human, technology and institutions help enhance labor productivity, thereby promote sustainable economic growth. Amongst them, human resources are identified as the most central, critical and inclusive which determine the basic elements. To increase the quality of human resources, it is necessary to ensure the rights and interests of workers. Specifically:

- **Ensure income for employees**

Salaries are the main source of income to maintain and improve the lives of the employees, their families and the reproductive source of the employees. When the employee's life is assured, they

will be secured enough to work and try to work effectively, hence the enhance of labor productivity.

Salary should be considered as an investment in human capital, investment for development, a decisive factor in improving the competitiveness of products. The salary and bonus policy in the enterprise for laborers in their appropriate production process will be the driving force to promote labor productivity. Low, unfair, and not based on personal productivity salary can lead to conflicts between employees and employers which affect the interests of the parties in the economy.

- **Occupational safety for workers must be taken as first priority**

The rapid development of the industry and the attraction of investment at all costs in Vietnam have created major gaps in the control of the safeguarding of workers' health and safety. Workers having to work overtime too much in compare to the state's regulations with working conditions being a hazardous environment lead to a serious decline in the health of the current and future generation. For example, the electronics industry is a new industry that attracts a lot of labor. However, many studies in the world and some preliminary surveys in Vietnam show that this is the industry with exhausting and toxic conditions, many dangerous chemicals used in the production process that severely affect the health of workers, the community and the environment.

- **Employment protection for the employees**

In the relationship with the employers, the employees are always at a more disadvantageous position, dependent and under the control and management of the employers. The law also acknowledges that. In fact, the recognition of the law results in the abuse of power of the employers leading to the disadvantages of workers and conflicts between employers and employees. Protecting the employees therefore firstly deal with and protect their employment for them to maintain their lives. Especially when Vietnam is participating in the 4.0 industrial revolution, it is forecasted that a large number of workers will lose their jobs. Moreover, the principle of employment protection for employees is also expressed in the fact that labor contracts can only be postponed or terminated in case it is in accordance with the provisions of labor law in order to protect the interests of the employees.

- **The rights to form, join independent labor unions**

The unions are the representative organizations who take care of and protect legitimate interests of the laborers. However, the elections of union officials affected by business owners without an independent voice have limited their influence and trust of workers in the unions. Therefore, Vietnam should allow the establishment of independent labor unions so as to protect workers' rights in the best way possible.

- **Investment in training and improving skills for laborers**

Vietnam is currently at a serious shortage of skilled and technically qualified workers, especially middle-level workers, which only meet about 20-30% of labor demand. Since domestic enterprises are mainly small and medium, they do not pay much attention to vocational training while state investment is unfocused with weak administration and loose connection between labor supply and demand. The higher the level of trade liberalization, the more competitive resource appropriation and opportunity access are, the more likely it is to maximize the profits and promote creativity. The policy to attract talents in Vietnam has also been respected, but the effect is rather low, the brain drain is still a reality. Therefore, vocational training should be more substantive to serve the needs of enterprises. At the same time, we must take advantage of the challenges of trade liberalization to change our vocational training and learn the lessons by international trading to support training associated with technological capacity building. Annually, enterprises need to have appropriate investment in training and improving the skills of laborers for a sustainable development.

4. Productivity-enhancing should ensure environment protection responsibility

With the prospect of becoming one of the leading economies in the Asia-Pacific region, Vietnam needs to gradually leverage its enterprises not only in terms of labor productivity and investment efficiency, but also in the field of environmental responsibility. As mentioned, at present, rapid industrial development and the attraction of foreign investment at all costs have had a negative impact on the environment and society. This trade-off in the long run will pose a risk of economic instability since the cost of dealing with the consequences will be much greater. We recommend specific actions as follows:

- **It is necessary to set up a basic system of social-environmental standards in financial investment activities**

The State Bank should develop a guiding mechanism for the application of basic social-environmental standard systems in financial investment activities. In the short term, Vietnamese commercial banks should be encouraged to have requirements and procedures for assessing and evaluating environmental and social risks of investment credit sources, capital contribution and lending by commercial banks to enterprises. Encouragement of the application of voluntary standards at a higher level to banking and financial institutions, such as the Equator Principles for Voluntary Social-Environmentally Standards for Financial Investors, the UN Principles for Responsible Investment. In the long run, it is necessary to apply compulsory social-environmental risk control in the appraisal of loan projects to commercial banks.

- **Encouragement of the application of specific environmental protection policies and codes**

The government should have a mechanism to encourage businesses in Vietnam to adopt corporate social responsibility (CSR) policies, implement the Global Reporting Initiative (GRI, coordinated by the VCCI in Vietnam). Support and encourage enterprises to integrate environmental-social impact into their annual reports, especially those that have participated in the stock market. For businesses investing in high risk areas such as resource exploitation, the

Government should encourage investors to consult and apply international codes of environmental and social responsibility such as Guiding Principles on Business and Human Rights of the United Nations Human Rights Council, the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security of the World Food Security Commission (CFS).

For Vietnamese enterprises investing overseas, the Ministry of Planning and Investment should have regulations and guidance on compliance requirements on social-environment standards. It should also encourage businesses to adopt higher voluntary standards. Trade and investment promotion agencies should integrate local environmental and social regulations as well as indigenous cultural aspects when providing information to Vietnamese enterprises. For countries that do not have a complete legal framework, in addition to complying with local laws, Vietnamese enterprises are encouraged to apply the relevant Vietnamese regulations on Environmental Impact Assessment, environmental standards and other safety policies. It is necessary to develop and encourage Vietnamese enterprises to apply national environmental and social guidelines in their overseas cooperation and investment to protect and promote the image of Vietnamese investors in the host countries. We encourage and give preferential favor for investors to carry out community support activities in the recipient countries.

- Inclusion of participation of the community and local CSOs in the consultation and information transparency

The Ministry of Natural Resources and Environment shall evaluate, reform policies and guide the implementation of requirements on consultations of community and social organization in investment projects according to the regulations on environmental impact assessment. A meaningful consultation process can help the investors get the support of the local community in decisions related to project development.

The transparency of the project information also helps the company avoid criticism from public opinion that may affect the image and reputation of the business, making the investment negotiations in the future face more difficulties.

The statement is prepared for Vietnam Development Forum 2017 by:

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