Strengthening Developing Country Governments’ Engagement with Corporate Social Responsibility:

Conclusions and Recommendations from Technical Assistance in Vietnam

FINAL REPORT

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1. Executive summary and recommendations

The World Bank’s program *Strengthening developing country governments’ engagement with Corporate Social Responsibility* was set up to explore the potential roles of the public sector within developing countries to encourage and strengthen corporate social responsibility, or CSR. It has been based on activities and dialogue on specific sectoral or thematic issues in four countries (Angola, El Salvador, The Philippines and Vietnam), plus commissioned research on cross-cutting themes. It began in April 2002 and concluded with an international conference in November 2003.

The concept of CSR is based on the recognition that businesses are part of society, and that they have the potential to make a positive contribution to societal goals and aspirations in ways that are both good for business and good for development. But why should a government engage with the CSR agenda? Four arguments have emerged:

- To enhance international competitiveness;
- To address current gaps in government capacity;
- To create synergies that use the complementary competencies of government, private and civil society actors to achieve common goals;
- To ensure that CSR practice is in line with national policy goals.

In Vietnam, the technical assistance aimed to build CSR awareness among key stakeholders and government officials, to engage and stimulate broader stakeholder dialogue on government roles in strengthening CSR. It focused on labor standards in the footwear and textile industry. The supporting research analyzed barriers to CSR awareness and implementation within a sample of enterprises (based on ownership, scale and location) and amongst key stakeholders.

The research revealed the following *barriers and challenges:*

- There are wide variations in awareness and understanding of CSR among and within Vietnamese firms.
- Implementation of multiple buyers’ CSR Codes of Conduct, or CoCs, by one Vietnamese supplier of is creating inefficiencies.
- Differences between the national Labor Code and CoCs are resulting in firm-level confusion, e.g. freedom of association and overtime.
- Inconsistencies in national regulations create inefficiencies in CoC implementation, e.g. wage rate, benefits and employment conditions.
- Unequal access to financial and technical resources is creating CSR disparities at enterprise level, especially for SMEs.
- Shifting, anonymous, complex supply chains inhibit longer-term commitment to CSR.
- The lack of transparency over current CSR practices is hindering potential market reward.
The research also revealed **advantages and opportunities:**

- A section of Vietnamese firms have gained clear market benefits from their CSR practices: new and expanded contracts from international buyers.
- The same section of Vietnamese firms say that they have experienced productivity gains from more contented and healthier workers.
- CSR implementation has the potential to facilitate law enforcement at enterprise level.
- Buyers are looking for collaborative solutions that would allow cost sharing and greater impact, in areas such as capacity building.

Based on the research findings in Vietnam, and comparable work in other countries in this program, the World Bank makes the following six sets of **recommendations** to the Government of Vietnam:

#1. MOLISA should continue its work of the last 12 months in providing factual information on CSR codes to Vietnamese enterprises and their stakeholders. This should involve continued data gathering to enhance information dissemination approaches; a website and written materials, perhaps in collaboration with the business associations.

#2. MOLISA should encourage collaborative approaches amongst buyers towards monitoring and agreement on one single audit for multiple buyers from the same factory, focused on the high percentage of shared CSR code content.

#3. MOLISA should lead a process to get CSR capacity-building undertaken collaboratively, in a manner that pools the complementary competencies of buyers and other stakeholders, and reaches a larger group of Vietnamese suppliers and potential suppliers. This should have a particular focus on SMEs.

#4. MOLISA should build on its comparison of CSR code content and Vietnamese national law, to determine shared content, and to advise on areas of discrepancy. This should include discussion with buyers and CSR standards agencies about those areas where harmonization appears possible, such as freedom of association. It should also include discussion with buyers on a common strategy to reach consensus, for example on overtime. This work should be led by MOLISA’s Legal Department.

#5. MOLISA should seek learning opportunities for its labor inspectorate through improved collaboration with the private sector monitors and auditors associated with CSR codes, both for-profit and not-for-profit. This could include data sharing, with buyers providing aggregated data from their CoC monitoring, that would reveal useful patterns of violation patterns and trends. It could also include information sharing on inspection techniques. The Labor Inspectorate should be fully briefed on the comparative analysis of the national labor code and CSR codes, and able to offer advice and support to Vietnamese firms in dealing with these matters, maintaining the sanctioning power of inspectorates, but shifting the focus to technical assistance for
those firms that are developing their own CSR benchmarks and improvement plans. MOLISA should pilot joint visits for its inspectors with those of CoC inspectors, to reduce the time burden on enterprises of multiple visits, and to increase learning opportunities for MOLISA inspectors and for the private inspectors. MOLISA should re-prioritize the workload of its inspectorate, with less emphasis on those enterprises that are subject to regular robust monitoring and inspection through CoCs, and more on those enterprises that are not involved with any CoC and typically have far lower labor standards.

#6. MOLISA should encourage increased transparency and reporting on labor standards, including firm-level reporting on core data. This would help individual firms distinguish themselves in a highly competitive marketplace, and the data could also be aggregated anonymously at national level to show how seriously the country takes this issue. MOLISA should work with MPI on the new Trade Promotion Agency which the Government has decided to create, since labor standards data generated by firms would be directly helpful to this promotional effort. Vietnam needs to compete internationally on the basis on cost + quality + demonstrated standards.
2. Summary report of global findings from the World Bank CSR program

The concept of corporate social responsibility (CSR) is based on the recognition that businesses are part of society, and that they have the potential to make a positive contribution to societal goals and aspirations. The CSR agenda places significant emphasis on relationships between enterprises and their stakeholders, both internal (e.g. workers, shareholders and investors) and external (e.g. customers, suppliers, civil society and community groups). Yet one set of key actors is often omitted from this conversation – the government. This is despite the overarching role of the government in setting the framework within which businesses operate, and the potential for aligning the outcomes of business activity to public policy goals.

To some extent, the absence of attention to the role of the government is a reflection of the immaturity of the CSR agenda, and that the term “CSR” has not yet taken hold within many government agencies. Yet there already is a wealth of examples of government actions that can and do promote corporate social responsibility, many of which have not been undertaken explicitly as CSR initiatives. These include traditional activities of labor and environmental regulators and inspectorates, and elements of the work of investment and export promotion agencies. Government agencies that do not use the term CSR are not necessarily doing any less than those that do. Indeed, they may prefer to deal with the challenges brought by the CSR agenda through more established terminology and approaches, in order to focus on the necessary responses and to communicate these to other actors.

Just as the significance of the government is often underplayed within the CSR agenda, so the link between public governance and CSR is seldom given due attention. But governance is an overriding factor in defining the type and trajectory of CSR that will emerge, and the respective roles of different stakeholders. Where the state provides a transparent and predictable business environment, with clear signals for business and enforcement of the law, not only are minimum standards more likely to be upheld, but also the efforts of private sector and civil society actors to promote better social and environmental practices through voluntary measures will be
supported. In Angola, companies investing in the oil sector are realizing that if they are to respond to civil society demands that the revenues they generate are harnessed in support of public good such as poverty reduction, they need government support in ensuring transparency. The extent to which the government can underpin CSR through good governance has a strong bearing on the necessary roles of other actors.

But why should the government engage with the CSR agenda at all?

The first reason is the desire to maintain and enhance international competitiveness. In El Salvador, the Government sees CSR as a route to long-term national competitiveness, by capitalizing on the willingness of employers to invest in education and their desire for an educated workforce.

There are indications that CSR issues are increasingly influencing the investment and purchasing decisions of some multinational enterprises. This survey of 107 MNEs in the extractive, agriculture and manufacturing sectors found that over 80% of respondents consider the CSR performance of potential partners and locations before they enter into a new venture, with just under half choosing one host or source country over another on the basis of CSR issues. Indeed, the most striking link between CSR and competitiveness is made through codes of conduct, developed by buyers to manage social and environmental issues within their supply chains. These have become among the most widespread tools of the existing CSR agenda, alongside the compliance or monitoring schemes that are used to ensure that suppliers implement the codes. In Vietnam, the direct benefit of helping the domestic footwear sector to understand and adhere to labor codes of conduct is securing international contracts that would otherwise be awarded elsewhere. There may also be indirect benefits for individual enterprises in terms of productivity and quality improvements, and for the sector as a whole in attracting other buyers and investors. Cambodia accepts that its textile industry cannot compete with China simply on the basis of low input costs, and instead is seeking to position itself as a location for ‘responsible’ purchasing by building the capacity of suppliers to implement labor codes of conduct.

If codes of conduct can lead to the exclusion of enterprises (particularly SMEs) from international supply chains, there is a clear rationale for government support to help enterprises respond to them; we discuss possible interventions below. Having said this, it is important not to overstate the significance of codes of conduct. It is clear that they are being applied within the supply chains of a core of multinational enterprises in certain industrial sectors, notably garments and footwear, and to some extent agribusiness. For enterprises aiming to supply these sectors, there is increasing

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2 Jørgensen et al. (2003) note that there is currently little understanding of the indirect business benefits of adhering to codes of conduct, such as improved productivity and lower staff turnover.

3 For detailed information and analysis of codes of conduct applied to five sectors (apparel; footwear and light manufacturing; agribusiness; tourism; mining; oil and gas), see G. Smith and D. Feldman 2003
pressure to implement codes of conduct. But this is often not the case for enterprises in other sectors or for those supplying domestic markets.

A second reason for government engagement with CSR is to address current gaps in government capacity. This is a pragmatic response to situations where government agencies lack capacity to secure enforcement of legislation (for example in countries where codes of conduct are seen as a good tool to enforce implementation of the law) or resources for government expenditure (for example in El Salvador, where the fiscal gap undermines government investment in education). The idea of CSR filling temporary gaps also extends to the global regulatory context – CSR may prove to be a symptom of the current lack of a mature global governance framework, and developments in global governance may eventually reduce the need for codes of conduct and other CSR tools.4

Thirdly, the government can apply CSR to facilitate partnerships and create synergies that use the complementary skills of government, private and civil society actors to achieve public policy goals. Even where there are fully functioning and well-resourced regulatory structures, it still makes sense to make the most of what different stakeholders can offer. For example, in El Salvador, the business community is able to provide financial expertise and mentoring for school managers, while in the Philippines, the Department of Environment and Natural Resources sees communities as “active partners, not beneficiaries” in the context of the mining sector.5

A fourth rationale for government engagement with the CSR agenda is to ensure that it is in line with the interests of local stakeholders and with national policy goals. The current CSR agenda, and its emphasis on top-down codes of conduct, reflects its primary association with large multinational companies and their stakeholders, particularly consumers, investors and international civil society organizations. As discussed above, government interventions may be necessary to ensure that domestic companies (particularly SMEs) are able to meet the supply chain requirements imposed by foreign buyers. But there is also a need to support the positive practices of domestic companies, including those operating outside international supply chains. Local visions of what it means to be socially responsible may well be quite different to those of international buyers. In Vietnam, some invitees to a conference on CSR assumed that the topics to be discussed would be assistance for flood victims and other needy people, rather than labor codes of conduct. In the Philippines, there is a need for mechanisms that involve and engage local stakeholders.

5 Edwin G. Domingo, Assistant Director, Mines and Geosciences Bureau, Department of Environment and Natural Resources, addressing the International Conference on Public Policy and CSR, Washington, D.C. 8-9 November 2003.
in planning a sustainable future for the mining sector. Workers and their representatives, the perceived beneficiaries of codes of conduct, are not often involved in their development or even in the implementation. The government has an interest in promoting worker involvement in CSR and, more generally, in promoting stable and effective systems of industrial relations.

Given the complexity of these drivers for government engagement, it may be useful to take a systematic approach to deciding on the most appropriate responses. The range of roles that government agencies might play can be situated within an overarching framework under four broad categories: mandating, facilitating, partnering and endorsing. The aim should be to map the overlaps between the CSR agenda and existing government activities, and to identify interventions that align business activities with public policy goals. For example, the Government of El Salvador is seeking to integrate CSR into a national plan for education, and sees its roles as, firstly, to establish clear policies in relation to CSR, and secondly, to facilitate partnerships between the private sector and educational institutions. The Government of Angola has passed legislation to set targets for hiring of local labor by foreign oil companies, in order to develop local skills and training.

There is clearly a range of activities that the government could play with respect to codes of conduct and other supply chain requirements. Ensuring consistent and transparent enforcement of the law is fundamental to supporting responsible business activity. A logical next step is providing information, training and other capacity building for local enterprises, both in terms of what standards are required and how they relate to national legislation. This could involve key stakeholders such as trade unions, industry associations and civil society groups. By coordinating the different actors, the government may be able to encourage collaborative capacity building that pools resources and expertise. But a more dynamic response would be to attempt to shape the codes of conduct and their implementation processes, both in the interests of domestic enterprises and the economy as a whole, and to maximize the benefits in terms of higher standards. For example, stakeholders in Vietnam have discussed the notion of a national framework for codes of conduct, which might form a basis to encourage coherence between different buyers’ codes and national legislation, and may even facilitate joint audits of factories.

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6 See Fox, Ward and Howard (2002) for a discussion of this framework and examples of public sector action under each of the categories.
7 See the Diagnostic and Appraisal Tool developed by Michael Warner for the CSR Practice, which takes users through a series of steps, helping them form recommendations on appropriate public sector interventions and instruments.
9 Jørgensen et al. (2003) note that one of the main barriers to implementation of codes of conduct by suppliers is the fact that different buyers interpret even identical provisions in codes of conduct in different ways. This appears to be a greater barrier than the absolute number of different codes.
But there remains a need to explore how auditors inspecting against private codes of conduct, and the information gathered by them on standards within individual enterprises, could usefully complement and build the capacity of government inspectorates. By doing so, there may be scope to raise standards not only in export sectors, but also in enterprises producing for the domestic sector and in industries beyond those touched directly by codes of conduct. And questions remain about the limits to the implementation of codes of conduct in sectors characterized by short-term contracts and complex supply chains.

While the case of Angola demonstrates how the CSR agenda relies on transparency with regard to the activities of the government, government also has a role to play in ensuring the provision of transparent and reliable information on the activities and impacts of enterprises. It is in the interests of individual companies to differentiate themselves within a market in which discerning buyers (and increasingly, investors\(^{10}\)) favor high standards. There may be a role for the government in establishing a comparative framework to allow this, possibly linking higher standards to incentives such as tax concessions or export licenses.\(^{11}\) In addition to these enterprise-level effects, data collected could be aggregated and used at a national level in positioning the country as a location for responsible sourcing or investment.

To make the most of the leverage that transparency can bring to bear on corporate performance, it may also be necessary for the public sector to support the capacity of civil society to demand and make use of this information, thus creating additional local pressure for better practice. Providing balanced information on the positive and negative impacts of business activity also has the potential to bring stakeholders into constructive debates. For example, in the Philippines, there is a clear need for broad civil society engagement and a mechanism that builds mutual trust and informed choices between stakeholders, as well as expanding each stakeholder’s awareness of the possibilities presented by the mining sector.\(^{12}\)

In exploring and performing its potential roles, the government can play an important function in shaping a national CSR agenda not only responds to external pressures such as codes of conduct, but is also in line with local needs. In assessing the opportunities that CSR provides, the challenge is for governments to identify priorities and incentives that are meaningful in the national context, building on the strengths of local enterprises as well as those of foreign multinationals. By doing so, there is a

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\(^{10}\) For example, ten leading banks recently adopted the Equator Principles, a voluntary set of guidelines for managing the social and environmental issues related to the financing of development projects.

\(^{11}\) For example, the Government of Cambodia has linked the granting of export licenses to garment manufacturers to their engagement in an ILO standards scheme.

significant opportunity for the government to harness current enthusiasm for CSR to
delivery against public policy goals and priorities.

3. The CSR program in Vietnam

About this section
This section summarizes the objectives and activities of the CSR program in Vietnam and the research framework.

Strengthening CSR is seen as an important mechanism for building Vietnam’s comparative advantage as a responsible sourcing location for global companies. The goal of the technical assistance to the Government of Vietnam has been to identify potential government roles in strengthening CSR, to build agreement around that analysis and to develop a subsequent implementation plan to serve as a roadmap for future action by the government.

The objectives of this technical assistance were:

1. To build awareness about CSR among key government officials (representing government ministries and agencies concerned with social and economic policies), to engage in a discussion about government roles in strengthening CSR;
2. To identify realistic and appropriate government roles for strengthening CSR in Vietnam using labor standards and the footwear industry as a case study;
3. To support government in stimulating broad dialogue with key stakeholders in key export sectors about proposed government roles in strengthening CSR.

In partnership with the Institute for Labor Sciences and Social Affairs (ILSSA) and the Ministry of Labor, Invalids and Social Affairs (MOLISA) the key activities implemented under this Program of Technical Assistance included:
- Multi-stakeholders’ Seminars on CSR (HCMC and Hanoi)
- Establishment of a multi-sectoral Advisory Group
- Research to support further study of proposed public sector roles to strengthen CSR

The research framework
The research was undertaken by a team from ILSSA, coordinated with the Advisory Group as stakeholder representatives, to ensure common understanding and enhanced ownership of the research process and outcomes.
Goal of the research

To strengthen CSR by providing input to a dialogue on stakeholder roles with specific focus on government roles, to strengthen corporate social responsibility (CSR) in Vietnam and feed into the government’s strategic planning on Vietnamese business competitiveness within a globalizing economy.

Objective of the research

To identify the challenges/barriers and opportunities in the existing CSR environment in Vietnam, with a focus on identifying government roles in addressing the challenges/barriers and extending the opportunities with respect to CSR implementation, and policy dialogue.

Intermediate objectives

1. To provide viable options for addressing challenges to information dissemination among the various CSR stakeholder groups;
2. To identify the challenges/barriers and opportunities and prioritize viable options for addressing challenges to CSR implementation by identifying the
   – comparative impact in improving working conditions through various CSR practices;
   – comparative costs vs. benefits, and associated tradeoffs of the various initiatives;
   – sustainability of the comparative approaches and the associated assumptions of stakeholder roles and capacity in ensuring the sustainability of the approach or in compelling companies to undertake CSR.
3. To determine the government’s role in
   – supporting and strengthening existing initiatives/approaches and;
   – stimulating broader implementation of particular models embodied in various initiatives for adoption/implementation by various scales and profiles of enterprise.

The research focused on the apparel and footwear sectors in Vietnam, given their importance to the national economy, their demonstrated susceptibility to market-based CSR pressures, and their urgent need to adapt to a quota-free world post 2005.

Enterprises represented in the research were both from the north and south covering enterprises of varying scale and types, targeting both the suppliers and the buyers, surveying state-owned enterprises (SOEs), and national private enterprises, serving both national and international markets. The sample was self-selected, with enterprises volunteering to share their experience on CSR implementation: this suggests caution in extrapolating conclusions for the sector as a whole.

The researchers selected enterprises in three categories: 1) those undertaking CSR; 2) those initiating CSR and; 3) those presently not engaging in CSR. The research framework was based on why there is CSR engagement (i.e. the drivers); how enterprises engage in CSR (i.e. the profile of the CSR strategy); what is the content (i.e. the systems and mechanisms); and what next has been planned. This framework formed the basis for semi-structured interviews, questionnaires and focus group discussions.
<table>
<thead>
<tr>
<th>Enterprise profile</th>
<th>CSR implemented</th>
<th>CSR initiated</th>
<th>CSR detached</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale/ ownership/ sector /</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reason for disengagement</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**How Approaches/Strategies**
- Nature/profile of CSR initiative
- Process of initiation; assistant & support
- Stakeholder engagement/capacity (union, community, etc.)
- Status of implementation of labor legislation
- Level of awareness of CSR
- Stakeholder engagement/capacity (union, community, etc.)

**What Systems/Mechanisms**
- Process and content of implementation
- On-going barriers/challenges
- Auditing process
- Costs and benefits (short & long term)
- Effect and impact (in & outside the work place)
- Reporting initiatives
- Working conditions/ outside the work place
- On-going barriers/challenges

**What next Further Approaches/Systems**
Time frames & targets
Barriers and trade-offs
Time frames & targets
Barriers and trade-offs
Time frames & targets
Barriers and trade-offs

### Background to the two sectors
International economic integration for Vietnam takes an important step forward with the implementation of the bilateral trade agreement with the United States; application for WTO accession, and; the ASEAN Free Trade Agreement (AFTA), which requires the reduction of tariffs and import barriers among all ASEAN member nations by 2006. This will further advance Vietnam’s process of integration, exposing domestic enterprises to expanded opportunity as well as fierce competition within the current export-led growth strategy of Vietnam.

The labor-intensive apparel and footwear sector are important sectors for economic growth for Vietnam, accounting for approximately 23% of exports. The WTO Agreement on Textile and Clothing calls for the elimination of quotas by 2005 and is expected to cause major shifts in global production. This offers both an opportunity and a challenge for Vietnam: government allocated quotas will be replaced by market-based decisions. In a highly competitive marketplace with no quotas, most experts agree that Vietnam will be unable to compete on the basis of cost + quality alone. Building Vietnam’s comparative advantage will require an enhancement of Vietnam’s reputation on the basis of cost, quality and demonstrated standards.
The implementation of CSR at enterprise level focuses mainly on labor and environment issues. Most individual buyers specify their requirements within a Code of Conduct (CoC). The research documenting enterprise level experience within Vietnam, shows many enterprises see benefit in raising their standards in this way, due to their improved reputation, better working conditions, increased productivity and quality.

Vietnam is not alone in seeking to attract and retain buyers by emphasizing labor standards: the Government of Cambodia, for example, has pioneered a transparent factory monitoring and reporting initiative with its 200 garment factories, and is competing aggressively to retain CSR-sensitive buyers and investment post 2005.

**Textile sector status**

By December 2002, 1200 textile firms were operating in Vietnam, with 1 million workers. 65% are SMEs. By quantity, non state-owned enterprises constitute the highest proportion; by investment, foreign invested enterprises top the list.

**Table 1: Structure of Textile enterprises by investment rate and ownership**

<table>
<thead>
<tr>
<th></th>
<th>State-owned enterprises</th>
<th>Non state-owned</th>
<th>Foreign invested enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>By quantity</td>
<td>22</td>
<td>44</td>
<td>34</td>
</tr>
<tr>
<td>By proportion of investment to total investment in textile industry</td>
<td>28</td>
<td>32</td>
<td>40</td>
</tr>
</tbody>
</table>

*Source: Vietnam Textile Association (VITAS)*

In 2002, the textile sector stood second after petroleum and gas, responsible for 15% of national exports. Between 1995-2002, exports increased from US$850m to US$2750m. The Vietnam-United States Trade Agreement and the US Bilateral Agreement on Textiles and Garments generated favorable conditions for the export of Vietnamese textile and garment products, seen as a temporary period (2003-2004) for the Vietnamese sector to identify business partners and increase exports.

The sector relies on cheap labor, overwhelmingly young female migrant workers. Productivity and quality are still low, prices are not competitive. Many firms have poor management and technology. Almost 80% of materials and accessories are imported: cotton, rush, thread, chemical, dye, accessories.

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13 Based on Sub-segment Report on the Textile Sector, ILSSA-WB Initiative.
Footwear sector status\textsuperscript{14}

There has been rapid growth in the footwear industry in recent years, in terms of number of firms, output and export turnover.

### Table 2. Total of production and export turnover of Footwear Industry

<table>
<thead>
<tr>
<th>Products</th>
<th>Unit</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoes styles</td>
<td>Production</td>
<td>Mil. Pairs</td>
<td>212.65</td>
<td>240.82</td>
<td>302.80</td>
<td>320.01</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>Mil. Pairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handbag</td>
<td>Production</td>
<td>mil. Units</td>
<td>27</td>
<td>28.5</td>
<td>31.3</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>mil. Units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanned Leather</td>
<td>Production</td>
<td>Mil. Sqft</td>
<td>10.75</td>
<td>12.57</td>
<td>15.1</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>Mil. Sqft</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total export turnover</td>
<td></td>
<td>mil. US$</td>
<td></td>
<td></td>
<td>1.000.82</td>
<td>1.334.46</td>
</tr>
</tbody>
</table>

Source: LEFASO

Between 2000-2002, footwear exports increased from US$1,468 bn to US$1846bn.

### Table 3: Export turnover by ownership forms

<table>
<thead>
<tr>
<th>Ownership</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>VN Enterprise State-owned</td>
<td>787.33</td>
<td>778.95</td>
<td>811.25</td>
<td>884.08</td>
</tr>
<tr>
<td>Non state-owned 100% of foreign capital</td>
<td>386.61</td>
<td>331.49</td>
<td>347.86</td>
<td>31.1</td>
</tr>
<tr>
<td>Joint-venture</td>
<td>471.58</td>
<td>479.76</td>
<td>536.22</td>
<td>47.9</td>
</tr>
<tr>
<td>Total</td>
<td>1345.5</td>
<td>1468</td>
<td>1575</td>
<td>1846</td>
</tr>
</tbody>
</table>

Source: Report of LEFASO

Main export markets are in the EU, with Germany, the Netherlands, France, Belgium, and the UK accounting for nearly 80% of exports. Sport shoes and women’s shoes are on the increase, with fabric shoes getting a smaller share of exports, but a larger share of the domestic market. The output of leather products is increasing rapidly.

Vietnam is among the 10 largest footwear producers and exporters worldwide, with 350 enterprises employing 450,000 workers in HCM City, Dong Nai, Binh Duong, Hanoi and Hai Phong. Many firms are boosting their investment and improving production capability, especially FDI and joint venture enterprises.

### Table 4. Development target of Footwear Industry to 2010

<table>
<thead>
<tr>
<th>Products</th>
<th>Unit</th>
<th>2002</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All styles of shoes</td>
<td>Production</td>
<td>1000 pairs</td>
<td>360.000</td>
<td>470.000</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>1000 pairs</td>
<td>333.150</td>
<td>427.700</td>
</tr>
<tr>
<td>Hand bags</td>
<td>Production</td>
<td>1000 units</td>
<td>33.700</td>
<td>51.700</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>1000 units</td>
<td>32.000</td>
<td>50.500</td>
</tr>
<tr>
<td>Tanned Leather</td>
<td>Production</td>
<td>1000sqft</td>
<td>25.000</td>
<td>40.000</td>
</tr>
<tr>
<td></td>
<td>Export</td>
<td>1000sqft</td>
<td>12.000</td>
<td>25.000</td>
</tr>
</tbody>
</table>

\textsuperscript{14} Based on Sub-segment Report on the Footwear Sector, ILSSA-WB Initiative.
The sector has not been subject to an export quota regime, and is exposed to fierce competition, now increased by economic integration. As with textiles, Vietnamese production capacity lags behind regional competitors, with outdated technology insufficient high-skilled workers, and poor design.

4. Research findings; recommendations for public sector roles

About this section
This section summarizes key findings of ILSSA’s research in the two sectors, and offers World Bank recommendations on appropriate public sector roles to help address identified challenges. The recommendations are in blue and bold.

The research found that almost all suppliers, textile and footwear, first confront CSR through Codes of Conduct, or CoCs, developed by individual buyers. This relationship sees the buyer specifying social and environmental standards through the code, and acting as the monitoring partner (directly or through third-party involvement). Suppliers implement the buyer’s code, in the hope of improving their reputation and attracting larger and more stable contracts. Suppliers commonly work with more than one buyer, and therefore implement more than one code, with the number ranging between 2 -6 at any one time. Suppliers reported that the buyer is the primary source of information. The business associations (VITAS - textile or LEFASO – footwear) also play a role in basic information dissemination, but do not disseminated detailed information about CoC content or requirements.

This relationship between supplier enterprises and buyers creates a top-down approach, with most Vietnamese firms passively implementing their buyers’ codes, rather than proactively seeking increased market share through CSR practices. However, the research found that some suppliers that were initially responding to their short-term buyer requirements now see CSR investments can help them win more stable and numerous contracts. A small number have also identified that CSR investments can increase worker satisfaction and hence factory production, with less worker turnover or ill health.

Firms told the researchers that CSR implementation is contributing towards enterprises meeting their customer demands with regard to delivery time, improving-product quality, and noticeable reduction of defective products. For some firms, order quantity and customers are increasing, especially from those US buyers (export turnover into US market is up to 11% from 7%), with a high tendency to consider CSR
considerations while engaging in production contracts overseas. In some cases Vietnamese enterprises have built their reputation with clients, such that they not only purchase directly from enterprises but also choose enterprises as manufacturers when signing business contracts through intermediate partners. Further, enterprises implementing one CoC can provide other potential clients with confidence that requirements will be met.

#1 Knowledge/Information disparity

The CSR agenda is relatively new in the country, although safeguards for workers rights and working conditions are well articulated in national legislation. The term “CSR” is not widely used and often creates confusion when translated into Vietnamese due to its dual business and social agenda. The research revealed that knowledge and understanding of CSR varies between firms, and within them. The majority of Northern enterprises work mainly as subcontractors for mid-level or intermediary partners (Korea, Taiwan), who often focus only on quality, quantity, delivery time, monitoring and supervision as technical concerns, with third party assessment and monitoring, while consultancy, information provision on CSR for enterprises remain limited. Southern enterprises have more chances to promote enterprise development as they are often acting as subcontractors or producers for brands such as Nike, Adidas, Reebok, Timberland, Bata. These buyers inform and provide CSR advisory support to the suppliers.

The consequence is that understanding and capacity within enterprises and their key stakeholders often varies, with senior management having the most knowledge and workers the least. Unsurprisingly, CSR and OSH staff have a greater awareness than finance staff. Managerial staff often lack CSR competence, restricting their ability to provide appropriate guidance: many managers have been promoted from the workers, and lack professional and management skills.

This pervasive lack of awareness and capacity contributes to Vietnamese firms generally being “passive implementers” of CSR, reacting to buyer requirements, rather than proactive seekers of market gain through improved standards. Each Vietnamese firm has to analyze potential CSR costs and benefits, in the context of their own resources, competencies and business plan, but few have access to the information that would enable them to do so.

Recommendation: MOLISA should continue its work of the last 12 months in providing factual information on CSR codes to Vietnamese enterprises and their stakeholders. This should involve continued data gathering to enhance information dissemination approaches: a website and written materials, perhaps in collaboration with the business associations.

#2 Multiple code management
All CSR codes cover the same broad areas, but implementation requirements vary widely. The research found suppliers adopting multiple CoCs, dealing with different implementation requirements for the same provision (e.g. fire extinguisher position and other health and safety specifications). This causes inefficiencies due to multiple audits, time and resources used to comply, and different management requirements, creating an unnecessary burden for suppliers. The extent to which suppliers comply is highly dependent on the supplier’s profit margin and capacity. The research found a lack of proactive and more sustainable engagement on the part of Vietnamese firms. This reactive approach contributes to the tendency of Vietnamese firms perceiving CSR-related improvements as a cost not as an investment.

Recommendation: MOLISA should encourage collaborative approaches amongst buyers towards monitoring and agreement on one single audit for multiple buyers from the same factory, focused on the high percentage of shared CSR code content.

#3 Unequal access to capacity-building resources
The multi-stakeholder Advisory Group for this program was intended to support and inform the research work; it also illustrated the need for partnerships that use the complementary competencies of government and the private sector to achieve common goals. The suppliers and buyers, the trade union responsible for protecting the rights of the worker, the business associations, NGOs – all of these actors have skills and resources that could be brought to bear on the capacity-building challenge. (Refer Stakeholder Driver Matrix: Appendix B)

Enterprises expressed the lack of a level “playing field” to investment and capacity-building resources, based on ownership and scale. They argued for incentive systems, advisory services and revised policies on capital borrowing, with improved access for all types of enterprises, to encourage improved CSR-related standards.

Recommendation: MOLISA should facilitate a process to get CSR capacity-building undertaken collaboratively, in a manner that pools the complementary competencies of buyers and other stakeholders, and reaches a larger group of Vietnamese suppliers and potential suppliers. This should include: data gathering on responsive capacity building packages and approaches; identifying relevant buyers to participate in capacity building activities; facilitating collaboration between buyers and business associations to develop capacity building packages for suppliers, sub-contractors and potential suppliers as well as other key stakeholders. This should have a particular focus on SMEs, and MPDF could play a useful role through their relationship with the business associations, helping achieve economies of scale in delivery of training and information, and in negotiating with buyers.

#4 Differences between the Labor Code and CSR codes
CSR codes generally refer to national legislation as the standard of reference, and state that national law must be respected. These statements are backed up by codes’
rigorous monitoring and inspection systems. The research confirmed that CSR implementation is therefore helping ensure law enforcement at the firm level. CoCs and their associated guidelines are also raising awareness on labor standards, and in some factories are facilitating continuous improvement, including to standards that exceed national law stipulations.

However, a small number of elements of some CSR codes do not currently align with national legislation requirements. Critical elements include overtime and freedom association.

- **Overtime**: Some CoCs allow a maximum that is higher than the maximum of 300 hours/person/year stipulated by the Labor Code. Research interviews with workers, particularly from rural areas, show that most want to work overtime to increase their income while also saving on subsistence expenditures, as they often have meals, bathe, wash at the enterprise premises. Interviews with enterprises’ senior management revealed that almost all are not currently complying with the Labor Code regulation, but were instead allowing 450 - 600 hours/person/year of overtime. The key objective in the overtime debate is not reducing worker’s income, but instead is that the expected productivity gains from reducing overtime translate into higher wages or at least equal total income: the real issue is productivity, and has strong potential for a “win-win” outcome if framed as a multi-stakeholder dialogue with a focus on capacity building/productivity.

- **Freedom of association**: Under Vietnamese law, workers are given the right to have their own organization. However, this organization must be the Trade Union which is part of the Labor Federation system and must be approved by the same. Other forms of association are not legally recognized. Some CoCs, on the other hand, require that if freedom of association is restricted by law, the employer provides parallel means of independent and free association. This discrepancy is creating confusion for Vietnamese firms, and masking the real question - the capacity and genuine interest in defending worker’s interests.

**Recommendation**: MOLISA should build on its comparison of CSR code content and Vietnamese national law, to determine shared content, and to advise on areas of discrepancy. This should include discussion with buyers and CSR standards agencies about those areas where harmonization appears possible. On overtime, robust evidence from other countries shows that a reduction in excessive overtime generates productivity gains for the enterprise, as well as improvements to worker health. On freedom of association, the fact that SAI, for example, is currently certifying Vietnamese firms suggests that harmonization is possible. MOLISA should include discussion with buyers on a common strategy to reach consensus, especially on overtime. This work should be led by MOLISA’s Legal Department, with input from industry, workers and outside experts.
#5 Parallel inspection systems of factory standards

The research revealed parallel inspection and support systems. The national labor inspectorate has approximately 400 inspectors, seeking to ensure that the Labor Code in enforced in all workplaces in Vietnam. At the same time, an increasing number of Vietnamese firms are adopting CSR codes that involve regular and robust monitoring systems, and external audit of standards. The first of these two systems is regulatory, with the potential penalty of state sanction; the second is voluntary, with the potential penalty of market loss and the potential reward of increased business. The research revealed that the current disconnect between the two systems is imposing significant opportunity cost on the Vietnamese firms that ironically have the highest standards and least need of such scrutiny. This finding is consistent with other reports that enterprises throughout the country regularly complain about their production activities being hindered by repeated inspections from different State agencies.

Recommendation: MOLISA should seek learning opportunities for its labor inspectorate through improved collaboration with the private sector monitors and auditors associated with CSR codes, both for-profit and not-for-profit. This could include data sharing, with buyers providing aggregated data from their CoC monitoring, that would reveal useful patterns of violation patterns and trends. It could also include information sharing on inspection techniques. The Labor Inspectorate should be fully briefed on the comparative analysis of the national labor code and CSR codes, and able to offer advice and support to Vietnamese firms in dealing with these matters, maintaining the sanctioning power of inspectorates, but shifting the focus to technical assistance for those firms that are developing their own CSR benchmarks and improvement plans. MOLISA should pilot joint visits for its inspectors with those of CoC inspectors, to reduce the time burden on enterprises of multiple visits, and to increase learning opportunities for MOLISA inspectors and for the private inspectors. MOLISA should re-prioritize the workload of its inspectorate, with less emphasis on those enterprises that are subject to regular robust monitoring and inspection through CoCs, and more on those enterprises that are not involved with any CoC and typically have far lower labor standards. These steps should be linked to the ILO project which is seeking to build capacity of the inspectorate and enhance efficiency by working toward integration of the various departments and ministries responsible for inspection.

#6 Transparency

As in any market-based system, CSR depends on accurate information flows in order for firms to receive a market reward for their CSR investments. Similarly, in Vietnam wishes to position itself internationally as a country that takes standards seriously and that CSR-sensitive buyers can source from with confidence, the country needs data to back up its claims of high standards. Other countries are experimenting with new information systems, but Vietnamese firms to date are highly secretive about the detail of their labor standards. Transparent, voluntary reporting on labor standards at
enterprise level will help individual firms distinguish themselves in the global marketplace, and will enhance Vietnam’s reputation as a place to do business.

Recommendation: MOLISA should encourage increased transparency and reporting on labor standards, including firm-level reporting on core data. This would help individual firms distinguish themselves in a highly competitive marketplace, and the data could also be aggregated anonymously at national level to show how seriously the country takes this issue. MOLISA should work with MPI on the new Trade Promotion Agency which the Government has decided to create, since labor standards data generated by firms would be directly helpful to this promotional effort. Vietnam needs to compete internationally on the basis on cost + quality + demonstrated standards.
APPENDICES
### Appendix A: CSR implementation matrix for Vietnam

<table>
<thead>
<tr>
<th>Item</th>
<th>Footwear</th>
<th>Textile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td>All enterprises undertook</td>
<td>All enterprises undertook</td>
</tr>
<tr>
<td><strong>Improvement</strong></td>
<td>40% bought all new equipment; 80% supplemented with new equipment; 40% supplied by buyer</td>
<td>Some enterprises bought all new; some supplemented; some upgraded/repairs</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>Steady rise between 1997-2002 ranging between 200-600 hours/person/year for footwear, while textile sector more stretched than any other sector can go up to 13 hrs/day or 450-600 hours/person/year. Enterprises in the South have higher overtime hours compared to those in the North. 100% have overtime, especially during peak production periods. 100% enterprises productivity not high during overtime work and the expenditures on electricity and water increase considerably, but they still mobilize workers to work overtime to meet the contractual time requirements, which are increasing in term of both quantity and quality. Most of workers, particularly workers from rural areas want to work overtime for income. Overtime working helps save on subsistence expenditures, as they often have meals, bathe, wash at the enterprise.</td>
<td></td>
</tr>
<tr>
<td><strong>Overtime</strong></td>
<td>Shifting to a time rate system, with wage levels determined by productivity, nature of complexity of work, skill level; Overtime paid by law; According to some enterprise directors, in situations of strong competition, many buyers intentionally create the false pressures in term of time for product delivery in order to reduce the unit cost within the contract.</td>
<td>Rate system based on time or by product; Foreign-invested use time rate; Wage equal to or greater than the stipulated minimum wage – wage range among 30% of enterprises 300,000-400,000 VND/month; 70% 600,000-1,000,000</td>
</tr>
<tr>
<td><strong>Wages</strong></td>
<td>SOE &amp; foreign-invested highest proportion of workers (70% for social insurance; 96% for medical insurance). But not high due to high labor turnover (migrant labor); low awareness; bad implementation; workers prefer it as part of the salary.</td>
<td></td>
</tr>
<tr>
<td><strong>Social &amp; Medical</strong></td>
<td>Reorganization increased productivity; decrease in number of workers in each production line</td>
<td>Rearrangement reduced production time; fewer defective products</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>Training</td>
<td>Only one enterprise had formal technical training unit, while others provide on-the-job training. The work force primarily consists of rural migrants - not very skilled or educated. Labor turnover high, with average seniority only 3.5 years therefore, training an ongoing activity; Most workers trained at vocational institutions not able to immediately meet production requirements and required further skill training; Fresh graduates form vocational training institutions recruited by foreign invested enterprises, for instance, undertook a 3 month trial period for upgrading skills; Labor safety and hygiene task were introduced through training - 92% workers responded they had been trained labor safety and hygiene annually.</td>
</tr>
<tr>
<td><strong>Labor</strong></td>
<td>Child labor</td>
<td>Forced labor</td>
</tr>
<tr>
<td><strong>Organization &amp;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Training</strong></td>
<td>A minimum age of 18 is normally followed, however, some enterprises do employ down to 15 year olds in areas of scarcity of labor, often with local authorities certification</td>
<td>Certain enterprises take deposits from workers while employing them; some restrict visits/time to the toilet</td>
</tr>
<tr>
<td><strong>Discrimination</strong></td>
<td></td>
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</tbody>
</table>
OSH: Differed at enterprise level by quality and quantity, with foreign-invested performing well and domestic enterprises not fully or well equipped. Most have installed safety/hygiene equipment like ventilators, cooling systems; OSH initiatives in the footwear sector launch campaigns to promote clearer production, communicating tasks such as technical safety, fire, and exposure safety. A person in charge of OSH is assigned in each production workshop.

Health: 90% had a clinic with medical officers; 3 foreign-invested provided doctors; 50% had first-aid facilities in workshops. Often provision of services for women workers.

Hazardous work and protection: Differed at enterprise level by quality and quantity, with foreign-invested performing well and domestic enterprises not fully or well equipped. All have labor protection equipment, with foreign-invested more strict about usage of equipment; still low awareness among workers, therefore, enterprises use awareness-raising, regular supervision, with a number of enterprises developing regulations for hazardous work ranging between 30,000-500,000 VND/month in textile enterprises.

Fire prevention and safety: All enterprises have facilities, with quality and quantity varying, with domestic-owned enterprises with more limited capacity. Southern enterprises (mostly foreign-invested) better than Northern. 90% of workers provided training annually.

Supervision: All undertaken improvement activities, increasing responsibilities for trade unions, although trade unions have limited knowledge/capacity. Direct buyer or third party monitoring adopted depending on the buyer; assessment report provided to enterprises listing required remedial measures. Monitoring frequency depends on the concern of the buyer, which is proving to be a burden and affecting the implementation of CSR initiatives.

Monitoring: Direct buyer or third party monitoring adopted depending on the concern of the buyer, which is proving to be a burden and affecting the implementation of CSR initiatives. Some monitoring (L & F, Factor, Sourcing) relies on other custom er’s assessments. A monitoring group usually includes 1-2 people. They work for 1-2 days, with the customer paying all costs. Multiple CoC adoption increases the burden on the enterprise, affecting production schedules and resources due to multiple audits.

Reporting: Reform in most enterprises in terms of content, frequency, and procedure. No separate reporting system related to CSR implementation and there seems to be no apparent change in the reporting process among enterprises as well as CoCs. The content of the reporting system, however, have become more detailed and cover labor protection, the prevention and safety of workplace accidents, working hours, rest periods, wages, salary, labor productivity, product quality, and labor safety.
### Appendix B: Stakeholder driver matrix for CSR in Vietnam

<table>
<thead>
<tr>
<th>Operational conditions Source of Drivers</th>
<th>Level/type of industry/stakeholder most relevant to (A)</th>
<th>Stakeholder opportunity/ incentive (B)</th>
<th>Strength of Drivers (C)</th>
<th>Process of responding &amp; capacity (D)</th>
<th>Effectiveness of Driver in achieving goals (E)</th>
<th>Effect/Impact (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International policy level</strong></td>
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</tr>
<tr>
<td>(ILO Conventions; Declaration on Human Rights; etc.)</td>
<td>• BR: CoCs are based on International Conventions</td>
<td>• SP to deliver to the CoCs for winning contract agreements</td>
<td>• BR/SP: The driver compels action, but based on a more “top-down” approach</td>
<td>• SP implement CoCs in order to win larger and more numerous contracts</td>
<td>• SP: Foreign invested are most successful</td>
<td>• BR: brand value, revenue generation, customer attraction, license to operate, risk mitigation</td>
</tr>
<tr>
<td></td>
<td>• Govt: Signatory to some of the relevant Conventions</td>
<td>• CF: Consulting/ business opportunity</td>
<td>• SP: Restricts bottom-up initiative for SP</td>
<td>• SP: Capacity to engage differs within and between enterprises</td>
<td>• SP: SMEs cannot afford to engage</td>
<td>• SP: revenue generation, customer attraction (buyer)</td>
</tr>
<tr>
<td></td>
<td>• INP: Law enforcement</td>
<td></td>
<td></td>
<td>• SP: The financial dept. often is not actively engaged</td>
<td></td>
<td>• WK/TU: Worker well-being</td>
</tr>
<tr>
<td><strong>Trade &amp; Investment Promotion</strong></td>
<td></td>
<td></td>
<td></td>
<td>• SP: The senior management, CSR, OSH officials more active</td>
<td></td>
<td>• Govt: Trade &amp; investment, national law compliance, worker well-being</td>
</tr>
<tr>
<td>(National and enterprise level)</td>
<td>• Govt in response to (exporting and importing countries) bilateral trade agreements</td>
<td>• ENT are exposed to competition and opportunity</td>
<td>• ENT can increase size and number of orders over time</td>
<td>• TU lack capacity to engage fully</td>
<td>• SP: Foreign invested are most successful</td>
<td>• Govt: Economic growth</td>
</tr>
<tr>
<td></td>
<td>• SP enterprise promotion/ improvements to attract contracts from buyers</td>
<td>• ENT provided the options and opportunity to engage</td>
<td>• SP/BR: But also tend towards unstable contractual arrangements due to price competition and lack of maintenance of standards</td>
<td>• SP: Uneven awareness levels hamper implementation (within an enterprise) and engagement (among enterprises)</td>
<td>• SP: SMEs cannot afford to engage</td>
<td>• SP: Reputation/ brand protection, revenue generation</td>
</tr>
<tr>
<td></td>
<td>• BA promoting trade and investment</td>
<td></td>
<td></td>
<td>• WK: At times piece-meal/patchy improvements</td>
<td></td>
<td>• BA: Increased interest from BA members; assistance to profile trade promotion strategy; increased number of contracts among members</td>
</tr>
<tr>
<td></td>
<td>• BA promoting trade and investment</td>
<td></td>
<td></td>
<td>• BA: Lack of information dissemination and capacity restricts engagement</td>
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<tr>
<td></td>
<td>• BA promoting trade and investment</td>
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<td></td>
<td>• BA promoting trade and investment</td>
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</tr>
<tr>
<td>Partnership/ stakeholder/civil society demands (National and international level)</td>
<td>BR: Responsive to consumer and civil action group demands</td>
<td>Govt: To ensure law enforcement</td>
<td>WK: Protecting workers’ rights</td>
<td>SP: Building reputation and contract stability</td>
<td>BA: Trade promotion</td>
<td>CF: Consultancy opportunity</td>
</tr>
</tbody>
</table>

**NOTE:** Buyers: BR; Suppliers: SP; Workers: WK; Trade Union: TU; Enterprises: ENT; Business associations: BA; Consulting firms: CF; Inspectorate: INP

(A): Level/type of industry/stakeholder most relevant to: Not all drivers pertain to all types or level of enterprises/stakeholder

(B): Stakeholder opportunity/incentive: What drives other stakeholder incentive and what is the existing opportunity to engage?

(C): Strength of Drivers: Whether the driver is sufficient to compel action

(D): Process of responding & capacity: Who decides to respond or ignore a driver within the enterprise and what is their level of capacity to engage?

(E): Effectiveness of Driver in achieving goals: What are the levels of achievement at various types/levels of enterprise

(F): Effect/Impact: e.g. brand value, revenue generation, customer attraction, worker well-being, license to operate, impact on national legislation compliance
Appendix C: Government Role Matrix - Strengthening CSR in Vietnam

<table>
<thead>
<tr>
<th>Government role</th>
<th>Specifications</th>
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</table>
| **Mandating**                        | • Legally creating a level “playing field for all types of enterprises - Concretize, organize and monitor adequate and comprehensive implementation of policies related to land use, investment, finance and taxation.  
• Defining minimum standards for business performance, embedded within the legal framework e.g. setting the activities of regulators and inspectorates, and legal and fiscal penalties and rewards.  
• Build comprehensive, adequate legal system to harmonize employee and enterprise benefits, and national benefits, with relevance to the international integration process in order to facilitate and encourage enterprises to engage and effectively implement CSR.  
• Modify the role of the inspectorate in order to promote CSR performance in enterprises.  
• Assess, check and modify contents of Vietnamese law that are not relevant to reality, e.g. legal maximum level of overtime. |

| **Facilitating**                      | **Incentive creation**  
• Enabling or incentivizing companies to engage with the CSR agenda or to drive social and environmental improvements. E.g. ‘enabling’ legislation; raising awareness; stimulating markets through public procurement; funding research; and building the capacity of civil society organizations and businesses to engage with CSR.  
• Stimulating markets through “responsible” government procurement.  
• To build up a CoC framework which relates to the main contents of CoCs, while relating to national standards.  
• Create opportunity for small and medium sector and enterprises by building a fund to support small and medium enterprises in garment and textile industry with clear targets. |

|                                      | **Reporting and information systems development**  
• Encouraging key stakeholders (enterprises, inspectorate, buyers, etc.) not only provide, collect and share meaningful and accurate information on activities and impacts, but also facilitate supporting the capacity of civil society to make use of this information, and in doing so creating pressure for better practice through voluntary reporting, which then can be used for trade promotion activities.  
• Relevant government agencies as well as unions and business associations update information related to CSR performance at national and global level in order to disseminate, advise and guide domestic enterprises to effectively implement CSR’s contents as well as Vietnamese law.  
• Consolidate employment service and labor market information system.  
• Strengthening information distribution through media, radio, newspaper, website of CSR content, approach, successful CSR approaches and experiences. |

|                                      | **Training and capacity building**  
• Develop CSR training program in collaboration with relevant stakeholders like business associations, buyers, for increasing awareness of management staff, trade union staff and workers about CSR; the advantages of CSR performance, and; about both implementing process and measurement, and using a cost-benefit analysis framework.  
• Building the capacity of the trade union as an information provider to help workers understand CSR and help connect employees’ benefit and enterprises’ benefit; to build capacity in supervision; to communicate timely inventions, initiatives, legitimate requirements of employees to enterprise’s managers, key stakeholders. |
<table>
<thead>
<tr>
<th>Partnering</th>
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</thead>
<tbody>
<tr>
<td>Acting as participants, conveners, or facilitators within strategic partnerships and in dialogue between stakeholders</td>
</tr>
<tr>
<td>• Collaborate with business associations for them to provide information related to CSR performance of domestic and international enterprises; provide information related to international import market, demand and requirement of market; organize seminars and workshops in order to exchange information about CSR performance among enterprises.</td>
</tr>
<tr>
<td>• Explore consultancy service development with business associations, enterprises, buyers, etc.</td>
</tr>
<tr>
<td>• Collaborating with trade unions on research projects with MOLISA in order to help the Government to modify the Labor Law and related mechanisms and policies based on benefit harmonization among partners in labor relationship and its relevance to the international integration process.</td>
</tr>
<tr>
<td>• Create collaboration between enterprises and MOLISA and other relevant ministries to review relevant vocational training curricula</td>
</tr>
<tr>
<td>• Create multi-stakeholder consultative groups with participation of relevant ministries like Ministry of Trade, Ministry of Industry, MOLISA, etc. and other key stakeholders to develop public dialogue and CSR related stakeholder consultation, exchange best experiences, solutions or shortcoming points between CoC and Vietnamese legislation and common constraints faced in implementing CSR; CSR as part of trade promotion activities.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Endorsing</th>
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<tbody>
<tr>
<td>Providing political support and public sector endorsement of the concept of CSR and particular CSR-related initiatives</td>
</tr>
<tr>
<td>• To reward enterprises implementing CSR effectively: establish and endorse a “CSR Best Practice Award” jointly between Ministry of Trade, Ministry of Industry, VCCI and the business associations</td>
</tr>
<tr>
<td>• To acknowledge that achieve CSR good practice standards within the domestic market</td>
</tr>
<tr>
<td>• To launch a CSR week at enterprise level.</td>
</tr>
</tbody>
</table>
LIST OF REFERENCES


M. Warner, Diagnostic and Appraisal Tool, for the CSR Practice, World Bank.
