



Enhancing Government – Business Integrity Cooperation in Vietnam

From Awareness to Action – A Recommendation Paper

FOREWORD

The Vietnam Chamber of Commerce and Industry (VCCI) has been active in promoting the business integrity agenda in Vietnam since 2006. In 2016 – 2017, under “Project 12 - Enhancing Integrity Initiative in Business”, VCCI’s Office for Sustainable Development, in collaboration with IBLF Global, implemented a project entitled “Helping SMEs to resist corruption in Vietnam”. This project delivered a training programme for SMEs and an online toolkit¹, and also generated a policy paper that recommended establishing a Government–Business Integrity Initiative, to bring together government agencies and the private sector in a coordinated effort aimed at resisting bribery in Vietnam.

The policy paper was presented to the Deputy Prime Minister of Vietnam in April 2017 and discussed in a meeting with the DPM and relevant ministries in December 2017. The Vietnamese Government voiced full-hearted support for the initiative, and agreed to announce VCCI as the leader of the initiative, with support from various Government agencies led by the Government Inspectorate of Vietnam (GI).

This follow-up study organised by VCCI in the period September to January 2017, reviews previous integrity initiatives in Vietnam with the aim to identify challenges and lessons learnt and to put forward concrete recommendations and next steps for a Government Business Integrity Initiative. Business integrity has many aspects. Common understanding

¹ The online Toolkit may be visited at <http://kdlc.vn/>

refers to corruption-related behaviours such as bribery, facilitation payments, acceptable of gifts or other favours, favouritism in awarding contracts and conflicts of interests.

This is not the first time that the business community has advocated for a business integrity initiative. There have been previous attempts at bringing together the Government and business in the fight against corruption. A common recognition of the critical role of the private sector in preventing corruption was achieved at the annual Anti-Corruption Dialogue between the Government of Vietnam and international development agencies which took place from 2012 to 2014. The Dialogue was actively supported by multinational companies. Since then, the business community has engaged in various integrity initiatives.

Nevertheless, we feel that now is the right time to come up with a more concerted effort to make change happen. This is the right time, because the Vietnamese Government is introducing a new version of the anti-corruption law, which will help create a cleaner business environment in Vietnam. It is also the right time, because we can see that piecemeal efforts have not been successful. While individual efforts should be appreciated, we have not had the step change that is going to bring Vietnam into the ranks of a leading global economy. We see many countries in South East Asia developing very rapidly, and a strong national anti-corruption strategy which integrates business into the fight against corruption nearly always forms part of their economic growth plan². With many

² A recently published report by Norton Rose Fulbright law firm demonstrates the benefits and experience of 41 countries that have introduced policy change by means of a national anti-corruption strategy: <http://www.nortonrosefulbright.com/knowledge/publications/147479/countries-curbing-corruption>

other countries in South East Asia competing quite effectively, it is important for our country to be ahead of the curve.

This research paper takes a closer look at the outcomes and effectiveness of some of the recent anti-corruption projects, especially as they relate to business. This is not an academic paper and we do not propose primary data to support our recommendations. Instead we have listened carefully to the opinions and experience of the people who have been leading anti-corruption efforts in the recent past, and tried to derive lessons for future interventions.

The paper concludes with recommendations to government regulators and business leaders the outline of a multi-year plan for business and government to combat corruption together. By learning about what worked and what did not work in previous attempts at countering corruption, and incorporating these learnings into the proposals for GBII, VCCI is ensuring that the GBII will be both effective and successful.

The researchers drew on many sources of information in compiling this report, including desk research, and interviews with representatives of companies, government agencies and civil society organizations. A fact-finding mission to London was organised in January 2018, and the participants from 4 of the most relevant ministries, have contributed their findings to the report. The report was also discussed in detail at a stakeholder workshop in March 2018, before being submitted to the Government for final approval. We are grateful to the many dozens of people who contributed to the report by sharing their ideas and experience.

VCCI's hope is that this report, and the recommendations contained within it, will point the way towards a new era of cooperation between the Vietnamese Government and the business community in the fight against corruption, and that in 2018 we will see the first fruit from the successful implementation of the Government–Business Integrity Initiative.

VIETNAM CHAMBER OF COMMERCE AND INDUSTRY

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Finally, the opinions expressed in this publication are the author's own and do not necessarily reflect the views of VCCI, British Embassy Hanoi and the above–mentioned, individuals, or their agencies.

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ABBREVIATIONS

CCIA	Central Committee of Internal Affairs
CSR	Corporate Social Responsibility
DPM	Deputy Prime Minister
GBII	The Government – Business Integrity Initiative
GI	The Government Inspectorate of Vietnam
GDP	Gross Domestic Product
ICT	Information and Communication Technology
OECD	Organization for Economic Cooperation and Development
SDGs	Sustainable Development Goals
SHTP	Saigon High Tech Park
SMEs	Small and Medium Enterprises
TI	Transparency International
UNCAC	United Nation Convention against Corruption
VBF	Vietnam Business Forum
VCCI	Vietnam Chamber of Commerce and Industry



THE CONTEXT AND
THE BUSINESS CASE

1. THE CONTEXT AND THE BUSINESS CASE

Vietnam continues its robust economic development, with GDP growth above 6% and stable projections for 2018.³ The domestic economy is growing, and foreign investors are optimistic about business prospects in Vietnam.⁴ The Government is pushing ahead with reforms to increase innovation and competitiveness in the private sector to maintain current growth and avoid the middle-income trap. A Law on SME support has recently been passed to facilitate development of the sector as a key driver for further economic growth.

Alongside efforts to implement e-government and cut red tape to reduce the burden of doing business in Vietnam, Prime Minister Nguyen Xuan Phuc publicly announced the Government's determination to build an "Integrity" Government by increasing transparency and mobilising multiple actors to work together.⁵ The Government embarked on a process of revising Vietnam's anti-corruption legislation to institutionalise UNCAC requirement. A draft revised Law on Anti-corruption requiring obligations of companies to put in

place preventive measures to prevent corruption was tabled at the Autumn session of the National Assembly in October 2017. While deputies expressed concern that broadening scope of the law to even certain groups of companies could overload the government's anti-corruption agenda, since the system is still struggling with tackling corruption in public sector, it was agreed that the draft law will be presented to the Spring 2018 session for another debate before approval in Autumn 2018.

Proposed provisions relating to business integrity in draft revised Law on Anti-corruption submitted to National Assembly in October 2017, include:

- Strengthening regulations on integrity of public officials (code of conduct, receiving gift, integrity education and responsibilities of government agencies in introducing integrity into education, Articles 23 to 27) and asset declaration, verification, monitoring, handling violations (Articles 37 to 65).
- Introducing control of conflicts of interest, covering a definition; responsibility to inform and report on conflicts of interest; information processing and reports; violation handling and control measures organizations (Articles 28 to 30).
- Providing thresholds of payment through bank accounts (Articles 36).
- Promoting a non-corrupt culture in doing business and requiring companies to develop code of conduct and internal control system to prevent corruption, manage conflict of interests, and report signs of crime to competent authorities (Articles 104 and 105).
- Applying requirements for preventive measures (information disclosure, conflict of interest, responsibilities of heads of organizations, assets declaration) and inspection role of Government Inspectorate to publicly listed companies, credit institutions and investment funds (Articles 106 to 108).

³ IMF Staff Report for the 2017 Article IV consultation (<https://www.imf.org/en/Publications/CR/Issues/2017/07/05/Vietnam-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45045>)

⁴ Provincial Competitiveness Index 2016 (<http://eng.pcivietnam.org>)

⁵ Conclusion No 10 dated 26/12/2016 of the Politburo (<http://thanhtraviệtnam.vn/tin-trong-nganh/mot-so-noi-dung-noi-bat-cua-ket-luan-10-kl-tw-cua-bo-chinh-tri-175281>) expanding gradually scope to prevent anti-corruption in private sector; Resolution No. 10-NQ/TW, dated 03/6/2017 of the 5th Plenum of the XIIth Conference on Private Economic Development (<https://baotintuc.vn/chinh-tri/nghe-quyet-hoi-nghi-trung-uong-5-khoa-xii-ve-phat-trien-kinh-te-tu-nhan-20170606120529775.htm>); Revised Penal Code (effective from 01/01/2018) governs corruption in the private sector.

The efforts of the Government are important when seen in the context of the continued high level of corruption in Vietnam. According to the Vietnam Provincial Competitiveness Index, the percentage of companies paying “informal charges” increased from 50% in 2013 to 64% in 2014 and remained unchanged at 66% in 2015 and 2016. Another survey by the Vietnam Business Forum in 2017 expressed foreign investors’ concerns that high corruption risk in Vietnam poses huge challenges to multinational companies, which are required to comply with their rigorous domestic anti-bribery legislation.⁶ Furthermore, companies’ trust in the state’s ability to detect corruption and prosecute companies engaging in it is limited, according to Towards Transparency in a study of corruption in doing business in Vietnam.⁷ A majority of local SMEs, who participated in VCCI’s Project “Helping SMEs to resist corruption in Vietnam” in 2016 – 2017, felt corruption was a “serious problem”, “ruins the business environment”, and once started “never stops”.

We will leave aside the moral and social arguments for dealing with corruption, although these are of course important for the development of any society. Looking at the business case for why the Vietnamese Government and companies should invest in anti-corruption, a quick glance at some key global

6 *Analysis of corruption risk for investors in Vietnam, February 2017* (<http://www.vbf.org.vn/en/documentation-center/governance-and-transparency-working-group.html?view=docman>)

7 *Anti-corruption in doing business: An Assessment from enterprise perspective, Towards Transparency (TI’s National Contact in Vietnam), 2017 with support from the British Embassy in Vietnam* (https://towardstransparency.vn/wp-content/uploads/2017/05/4.-BUSINESS-CASE-REPORT_Executive-Summary_ENG.pdf)

rankings shows why this is important. In the World Bank’s Ease of Doing Business index 2018⁸, Vietnam is in 68th position and in the World Economic Forum’s Global Competitiveness Index 2017 – 2018⁹, Vietnam is in 55th position. Generally, these are very respectable scores for a medium-low income economy, and over time we are seeing an upward trend in Vietnam’s rankings on most of the global indicators.

However, the underlying figures show that corruption holds Vietnam back, compared to other countries in East Asia. This is borne out by global competitiveness rankings. According to the World Economic Forum’s figures¹⁰, Vietnam is in 81th position for Ethics and Corruption and 109th position for Irregular Payments and Bribes out of 137 countries. The WEF Index shows that corruption is considered the third most problematic factor for doing business in Vietnam. Transparency International’s Corruption Perception Index puts Vietnam in 107th place out of 180 countries¹¹ in 2017.

For policy makers, this points to the importance of prioritising the fight against corruption as these indices are highly influential in guiding international business in how they make investment decisions. Globally, the widespread introduction into national laws of international anti-corruption legislation such as the OECD Convention on Combating Bribery of Foreign Public Officials, and the stronger enforcement of the US Foreign

8 <http://www.doingbusiness.org/reports/global-reports/doing-business-2018>

9 <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

10 <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

11 https://www.transparency.org/news/feature/corruption_perceptions_index_2017

Corrupt Practices Act, UK Bribery Act and similar legislation in other countries¹², has created real pressure on foreign investors or those doing business with local companies in Vietnam, to rigorously implement their compliance programs. This, in turn, has put pressure on Vietnamese companies that are in the supply chains of global multinationals to raise their standards to the levels required under international practice. Vietnam's positioning in the lower half of the world's economies for a high level of corruption does the country considerable damage in terms of international investment, and restricts the ability of Vietnamese companies to operate abroad or be part of global supply chains.

However, for all the efforts that went into these projects, and for all the positive outcomes, the reality of Vietnam's position in the world points to the fact that a lot more needs to be done on corruption before Vietnam can earn a reputation as a truly attractive place for investment.



¹² Other countries to have introduced robust anti-corruption legislation and enforcement in recent years include Canada, Australia, Germany, Norway, Sweden, France



METHODOLOGY

2. METHODOLOGY

This paper's aim was to review recent anti-corruption projects and initiatives in Vietnam in order to learn from them and then to build a proposal and recommendations for a future Government – Business Integrity Initiative.

The projects which we reviewed can be found in Annex 1. They included the following broad categories:

- Surveys;
- Reports;
- Training and awareness raising;
- Multi-stakeholder policy dialogues.

Three questions guided the researchers. These were:

- 1) What were the most significant projects about which information is available over the period 2012 – 2017?
- 2) What worked and what did not work in previous and existing anti-bribery efforts in Vietnam?
- 3) From these projects, what are the specific recommendations which could create measurable impact in achieving a more transparent and cleaner business environment in the period 2018 – 2023?

There were four methods for gathering information:

- 1) A desk review of surveys and studies conducted by various organizations in Vietnam during the period 2012 – 2017.
- 2) Interviews of stakeholders, previously involved in business integrity initiatives or with expert knowledge of business

approaches to fighting corruption. Thirty-six interviews were conducted from 27 September to 30 November 2017. Stakeholders interviewed were from foreign and local manufacturing and consulting companies, business and industry associations, government and non-government organizations in Hanoi and Ho Chi Minh City. Given that the aim of the paper was to search for ideas, the people interviewed should not be interpreted as a fully representative sample of all government, non-government organizations and the business community involved in the fight against corruption.

- 3) A fact-finding mission to London in January 2018. The delegates were senior representatives of the main ministries involved in promoting a sound business environment for domestic and foreign trade and investment: the Government Office, the Central Committee for Internal Affairs, the Government Inspectorate of Vietnam, as well as VCCI and the British Embassy in Hanoi. Over a week they met with representatives from the UK Government, business and civil society organizations.
- 4) A consultation workshop in Hanoi in March 2018 bringing together leaders and anti-corruption experts from government, business and civil society where the findings and recommendations of the report were discussed in detail and final amendments made before publication.

This is not an academic paper and we do not propose primary data to support our recommendations. Instead we have listened carefully to the opinions and experience of the people who have been leading anti-corruption efforts in the recent past, and tried to derive lessons for future interventions.

A high-angle, top-down photograph of a large group of people, mostly children and young adults, standing on a white surface. They are arranged in a large, stylized number '2'. The '2' is formed by two main lines of people: one line curves from the top left, down to the bottom left, and then up to the top right; the second line starts at the top right, curves down to the bottom right, and then up to the top left, meeting the first line. The people are wearing a variety of colorful clothing, creating a vibrant pattern within the shape. The overall composition is clean and minimalist due to the white background.

KEY FINDINGS

3. KEY FINDINGS

Our review found that business integrity initiatives during the period 2012 – 2017 generated interest and built momentum to improve a transparent business climate in Vietnam. However, outside the quite limited reach of the projects, indifference and skepticism about anti-corruption remain widespread, and undermine the efforts that are being made.

The main issue is that companies, especially smaller companies, are not convinced that fighting corruption will be better for their business than acquiescing to it. Their experience is that without bribery, it will be difficult to survive commercially.

Therefore, the key challenge for future interventions will be to demonstrate the commercial benefits for companies of being ethical and compliant and how the government could incentivize such behaviors. Without this incentive, it will be difficult to encourage companies to behave differently or even to attract their attention to the issue.

In addition to making the business case, it will be important to help companies develop their capacity in building corporate compliance systems and a culture of integrity through educational and training programs with far greater reach than those of recent years.

This section outlines our research findings as a basis for the recommendations for GBII.

Finding 1 – Integrity initiatives resonate with business although attitudes vary between multinational and Vietnamese companies, and size of company. There is insufficient evidence to suggest that these initiatives have resulted in concrete actions at a company level or a significant change in business climate.

Increasing pressure of anti-bribery legislation and enforcement internationally has forced international companies operating in emerging markets like Vietnam to address bribery in their business transactions. MNCs are subject to robust scrutiny of their local compliance programs by their global and regional headquarters. They strictly apply their compliance programs to their employees, in their supply chain, and with their business partners. The MNCs are, at least in theory, an important way of disseminating anti-bribery compliance knowledge and good practice to Vietnamese companies.

The larger Vietnamese companies investing abroad or attracting foreign investment, like their international counterparts, are well aware of their foreign partners' requirements for compliance and anti-bribery. These companies have taken measures to develop their corporate governance and related compliance policies in accordance with good international practices. For example, Vinamilk developed its Code of Conduct in 2009, when the company was preparing for a listing on the Singapore Stock Exchange. Vinamilk was the top performer with a 100% score in organizational transparency and a 38% score in reporting on anti-corruption programs amongst the thirty five largest Vietnamese companies operating abroad. FPT, one of the

largest ICT groups in Vietnam, was another high performer.¹³ There is however little evidence about how widespread or effective compliance programs are in the larger Vietnamese companies, and there is anecdotal evidence and the increasingly prosecutions to suggest that corruption remains widespread.

Vietnamese SMEs respond to international pressure on an ad hoc basis. The extent to which the Vietnamese companies in the MNCs' supply chains are really abiding by the principles and rules they sign up to is to be understood. We should note that the MNCs we spoke to often do not have direct contracts with local companies, instead preferring to work with Vietnamese companies through the intermediary of agents from Taiwan, South Korea and other offshore centres. Depending on how widespread this practice is, it may be a sign of MNCs' caution about exposing themselves to third party risk in Vietnam. To the extent that this is true, it limits the ability of MNCs to effectively disseminate the message about responsible business practices.

Respondents cited that improving compliance and integrity are not yet priorities for Vietnamese SMEs given the challenges they face on a day-to-day basis. SMEs in Vietnam, as in other emerging markets, face a conflict between maintaining ethical business practices and making profits. During the anti-corruption interventions which we reviewed, SMEs expressed concerns over their vulnerable position in reporting bribery, and a lack of resources to resist bribery solicitation.

¹³ *Transparency in Corporate Reporting – Accessing the 30 largest companies in Vietnam, Towards Transparency, 2017* (https://towardstransparency.vn/wp-content/uploads/2017/05/TRAC-Vietnam-Final_EN.pdf)

For example, SMEs often have no option other than to pay bribes for customs clearance.

Companies view bribery as inevitable in the current business environment in Vietnam. Others believe that they have no choice but to pay bribes to maintain their business. It is not evident that the SMEs which have participated in integrity training provided by MNCs, VCCI, Towards Transparency and other groups, are fully integrating their newly acquired knowledge into their management systems.

Respondents of this study referred to the weak corporate governance amongst Vietnamese companies of all sizes create opportunities for misconduct. This is backed up by the fact that Vietnam is ranked the lowest among six regional countries (Indonesia, Malaysia, Philippines, Singapore and Thailand) according to ASEAN Corporate Governance Score Card Report 2013 – 2014 conducted by the Asian Development Bank.¹⁴

Organizations such as VCCI, VBF, Foreign Chambers of Commerce and Towards Transparency have conducted trainings to improve business integrity in Vietnam. However, there is little available statistical evidence of the impact of these initiatives. The general impression was that their impact was somewhat limited in terms of breadth and depth. Relatively few companies have been through these programs, and the extent to which behaviors have changed after the training need to be measured.

¹⁴ <https://www.adb.org/sites/default/files/publication/42600/asean-corporate-governance-scorecard.pdf>

Finding 2 – The business environment is not enabling a compliant business culture. Incentives and training in addition to sanctions need to be developed to encourage companies to be compliant.

International experience of successful anti-corruption strategies shows that sanctions need to be balanced with rewards to create an enabling business environment. In addition to legal reform, much to be done to strengthen enforcement and punishment in parallel with creating incentives, persuasion and training in Vietnam.

On preventive side, the government has increasingly recognized the role that companies can play in managing compliance and promoting anti-corruption amongst employees and other companies in their supply chains and markets, as seen in the draft revised Law on Anti-corruption mentioned above. If approved by the National Assembly, relevant government agencies, business associations and other non-state organizations have much to do to support companies in introducing corporate governance and basic management systems, and compliance programs.

On punitive side, active and visible enforcement of the law is the most effective way of discouraging corruption according to the VBF Analysis of Corruption Risk in Vietnam.¹⁵ Respondents of this study also referred to recent high-profile corruption cases which have made companies think twice about engaging in bribery. Notably, large SOEs or SOE-related

prosecutions such as Vinalines, Vinashin, Petro Vietnam and Ocean Bank, whereby corporate top leaders were prosecuted. Increase of enforcement and punishment of the biggest cases can act as a powerful example to all market actors. Enforcement attention to smaller companies is equally important to prevent smaller companies to operate “below the radar screen” with impunity.

The risk is a disconnect between the government’s strengthening of the anti-corruption legislation and the likely impact of the reform, which may be limited. A top-down enforcement policy based on prosecutions and punishment is certainly likely to have an impact, but only on a very limited part of the business community. Without incentives and rewards that show the benefit of being compliant, the many other companies that are not in the line of sight of the enforcement authorities will ignore the new rules. And without training of companies, the companies, especially the SMEs, will simply not have the understanding, awareness and capacity to abide by the new rules.

Finally, the companies we interviewed, while supporting more focus on private sector integrity, felt that government agencies and ministries really need to get to grips with eliminating abuses that directly impact business. The areas of focus are those where companies come into direct contact with government: for example, applications for business permits, construction licenses, customs clearance and government tenders. Just as capacity building is required in business, so too it is required for government officials.

¹⁵ <http://www.vbf.org.vn/en/documentation-center/governance-and-transparency-working-group.html?view=docman>

Finding 3 – There is a lack of business ethics education for young people towards integrity entrepreneurs in the near future.

Introducing business ethics education to future generations of business people, managers and entrepreneurs is critically important to build a foundation for a healthy business environment in the future. Respondents felt that young people lack this fundamental knowledge of what is right or wrong in business practices, from a legal, moral and ethical point of view. In their opinion, it is crucial to provide theoretical and practical training to young people starting up their own businesses, young entrepreneurs and students (especially business students) to pave their way towards a commitment to responsible business practices in the long term.

The government issued several decisions on introducing anti-corruption into school curriculum since 2009 – Decision 137/2009/QĐ-TTg (December 2009), Directive 10/CT-TTg (June 2013) requiring inclusion of anti-corruption in high schools' and universities' curricula from the school year 2013 – 2014.¹⁶ More recently, the draft revised Law on Anti-corruption adding requirement for anticorruption education from high schools and above (Article 27). In addition to efforts in the official curriculum, other non-state actors such as Towards Transparency initiated an extra-curriculum training course for youth on integrity (Vietnam Integrity School) in summer 2017. More than forty participants from three regions in Vietnam gathered in Hanoi for a three-day training course and network building. An informal Vietnam

¹⁶ The Directive was developed based on pilot implementation under Project 137/2009/QĐ-TTg of 2nd December 2009 approved by the Prime Minister.

Integrity School network was established after the course to maintain further exchange of ideas. Professional accounting associations interviewed during this study are keen to include integrity in annual co-operation programs with universities. While success or impact of such initiatives is to be measured, such initiatives are to be encouraged to have a widespread outreach beyond these few small projects.

Finding 4 – Collective action between business and government exists in limited form, but results in little action and measurable impact.

Our research shows that closer co-operation between government and the private sector is instrumental in the next phase to move this agenda forward. The benefits of such an approach can be seen in a few examples where business-government cooperation would be beneficial:

- 1) Common platforms for identifying legal reform and policy change: Business associations such as VCCI or VBF have made significant attempts to create a shared platform to effectively engage with the government to deliver concrete action, but its effectiveness could be improved to lead to concrete follow-up actions. Business community welcomed the government's recent efforts such as consultations on revision of Law on Anti-corruption, particularly on applying the preventive measures and inspection to publicly listed companies, credit institutions and investment funds. The best way of achieving change in business behavior is to have business as part of the solution rather than part of the problem. A dialogue of substance can really help to make change happen.

- 2) **Scaling up innovative approaches to anti-corruption:** Vietnam has seen collective business approaches to tackling bribery, but further efforts are required to scale up these initiatives. For example, Saigon High Tech Park (SHTP) has pioneered an integrity pledge since 2009 to demonstrate its Board Management's commitment to a transparent operating environment. To date, twenty-three tenant companies signed a Memorandum of Understanding committing to no bribery and took measures to improve their internal compliance systems. Multinational companies in the Park facilitated the process and shared their experience and practices. The pledge has stimulated interest in replicating this model in Da Nang and Hoa Lac High Tech Parks. The initiative is on-going, however, SHTP is facing a lack of resources to monitor and provide further training to tenant companies to broaden its impact. The challenge is maintaining the momentum, and sharing the experience on to other business communities throughout Vietnam. The same will apply for many other successful past and future interventions of this kind.
- 3) **Coordination of anti-corruption initiatives:** Since the abolishment of Annual Anti-corruption dialogue between Government and international community in 2015, the level of coordination among donors and with the Government has been diminishing. The risk of a lack of coordination is clear—duplication of efforts by different international donors, and gaps in addressing the full range of corruption challenges. Where resources are limited, a recognized centre of coordination or at least a hub for exchange of information about projects would be a way to increase efficiency and enhance the effectiveness of anti-corruption interventions.
- 4) **Combining business and government solutions:** The Government of Vietnam is continuing public administration reforms with the introduction of e-government in conducting routine government services, namely business registration, tax, customs and procurement. On the business side, foreign companies and some large Vietnamese companies are implementing measures to mitigate bribery risk and apply ethical policies in their supply chain in Vietnam. Government support and engagement in collective action initiatives, that are suitable in Vietnam's context, are the way to go to address both "demand side" (government official requests for bribe) and "supply side" (company giving bribes) to improve the business environment in Vietnam. Vietnam could be innovative in identifying new forms of collective action that work for the country or in a sectorial context. For SMEs in particular, being part of a broader compliant community helps build confidence to play their role in reducing bribery.
- 5) **Adequate resources for interventions:** Anti-corruption is such a complex issue that it requires concerted efforts in building the right legal framework, enforcement and changes in business behavior and practices, over a period of years. Adequate financial and human resources are a critical factor for success. Previous funding from international donors has played an important role during the last five years as well as funding from the Vietnamese Government, but has not been sufficient for achieving a lasting impact. Whatever the anti-corruption strategy in the years to come, it should be backed with the necessary funding to make it a success.



RECOMMENDATIONS
TOWARDS A
GOVERNMENT - BUSINESS
INTEGRITY INITIATIVE

4. RECOMMENDATIONS TOWARDS A GOVERNMENT - BUSINESS INTEGRITY INITIATIVE

OBJECTIVES

Anti-corruption is a complex issue that will require various stakeholders to work together, therefore our recommendations focus on creating the conditions for a joint effort by companies, government and non-government organizations to fundamentally change business practices.

Our research, the findings and the policy priorities summarized in Annex 2, suggest that the Government and business community should create a wide-ranging, multi-faceted, multi-year coordinated anti-corruption working plan, in compliance with Resolution No. 126/NQ-CP dated 29th November 2017 promulgating the Government Action Plan on preventing and combating 2020. This working plan will be put together under the leadership of VCCI and the Government Inspectorate (GI) in collaboration with relevant stakeholders as decided by the Deputy Prime Minister in accordance with Note No. 22/TB-VPCP dated 12th January 2018.

Along with the strategic document and blueprint will be the creation of platforms, networks and structures that will enable these policies to be implemented, the results to be measured and assessed, the experience and best practices to be exchanged and the most successful cases to be shared with a wider audience and scaled up.

We shall call this strategy and its implementation: “Government-Business Integrity Initiative” or GBII. The overall goal of GBII will be to create a platform, where efforts in improving business culture is formally supported and coordinated with government actions.

The Government’s unambiguous endorsement of, and participation in, GBII will be critical to send a strong signal to the business community on its commitment to creating an enabling environment for business to operate in with integrity. Above all, trust and credibility are essential in the process of mobilizing collective efforts.

The following is an initial outline of GBII, for discussion during the March workshop in Hanoi.

WHAT WILL THE GBII DO?

Overall goals: Foster close cooperation between government and private sector in the fight against corruption. Support the government in promoting the law, regulations and their enforcement to foster a compliance-enabling environment.

The main activities include:

1) Consultations on regulatory environment:

Provide feedback to the government about the effectiveness of anti-corruption legislation and ways of incentivizing business to improve business standards.

- a) Establish a regular consultation forum between government and business on legal and regulatory reform on issues related to corruption, such as

e-government (e-procurement, e-customs), beneficial ownership, whitelists and blacklists, whistle-blowing techniques and protection.

- b) Recommend and develop public policies that will raise business standards in Vietnam. These could include:
 - i) Mandatory regulations such as a corporate governance code (including ethical principles, codes of conduct, compliance policies, conflict of interest management, etc.) or to be provided in the revised Law on Anti-corruption as being proposed;
 - ii) Voluntary standards such as ISO 37001:2016, an Anti-Bribery Management System Standards, proposals for establishing a new economic crime fraud unit at an appropriate ministry;
 - iii) Draft templates of codes of conduct for voluntary or compulsory use in Vietnamese companies.

2) Project-development, measuring and impact:

Create a system of measuring and monitoring of anti-corruption initiatives in order to understand their effectiveness and support project design and implementation in the future.

- a) Support the design, funding and implementation of specific projects in various sectors of the economy to incentivize good behavior, for example:

- i) Develop government-business initiatives to encourage open procurement, to reduce informal payments, and to reduce cash-usage from the economy. These could include white lists, awards, and other methods;
 - ii) Develop management training programs for medium-sized companies based on analysis of data from annual Provincial Competitive Index (CPI) and other indices;
 - iii) Organize surveys of business for feedback on procurement, customs, tax and other areas of corruption risk.
- b) Develop a proposal and draft legislation for a national body comprising representatives from government, companies, VCCI and civil society to be the monitoring body that will review the implementation and effectiveness of the new Anti-Corruption law. This body will publish its findings on a 6-monthly basis for a period of 3 years.

3) Training:

Develop training programs, certification and other capacity building initiatives for companies and government officials focused on target audiences: large Vietnamese companies (private and SOEs), SMEs, young people and public officials which have a direct contact with the private sector).

- a) Provide face-to-face training, mentoring and on-line educational tools for target audiences aimed at raising knowledge about compliance and changing business behavior in handling ethical dilemmas.
- b) Introduce business ethics and integrity to higher education curriculum, especially in business schools. Possible approaches are:
 - i) Extra-curricular talks or events for business, finance and law students at universities in partnership with professional associations;
 - ii) Strengthen existing business ethics training in official university curricula;
 - iii) Support independent training program for youth for example Integrity Summer School;
 - iv) Support development of integrity for youth, using Industrial Revolution 4.0 to attract and make it relevant to youth including start up.

4) Advocacy and scaling:

Raise awareness of the benefits of good corporate governance and responsible business practices to a broader audience through public events such as business-government workshops and roundtables, multi-media articles, TV and on-line public relations. Also represent the achievements of GBII to international audiences. Scale up successful projects to include new companies, regions, sectors of the economy.

- a) Through public campaigns and training, explain to SMEs the costs and benefits of corporate governance, and better management in terms of competitiveness and resistance to corruption.
- b) Develop industry-government forums in five industry sectors to discuss and propose detailed mechanisms for reducing bribery incidence in each of those sectors. These bodies can also exchange best practice on implementing compliance policies amongst employees and in their supply chains.
- c) Take the same approach on a regional basis, for example in 2 cities and 2 regions.
- d) Broadcast GBII achievements and successes to international stakeholders. With help of international organizations, NGOs and Vietnam's Embassies abroad, share best practices and successes from Vietnam to the international investment community.

5) Coordination:

Coordinate anti-corruption interventions and act as an information hub at a national level.

- a) Create a Vietnam Anti-Corruption Resource Portal, built on existing Project 12 site <http://kdlc.vn/>. Expand it to be a coordination hub for all participating organizations to exchange best practices. The portal can provide:

- i) Free on-line training modules for companies;
- ii) Latest news on anti-corruption from Vietnam and abroad, corporate governance and compliance toolkits;
- iii) Case studies of success stories and forum for exchange of best practices.

GBII TIMING, STRUCTURE AND RESOURCES

The GBII should start in September 2018, and should have a long-term vision to 2025, with a three-year plan, and annual plans underlying it. It will have a roadmap with a phased-approach to ensure a sustainable set up.

Each area of focus could be a component led by a range of government agencies, business associations, multilateral organisations, academic or NGOs with different implementation arrangements and funding sources.

The GBII will be led by VCCI with GI as co-managers. There will be an advisory committee, composed of business leaders and senior representatives from relevant ministries and other stakeholders that will approve the GBII action plan, and a small secretariat, run by VCCI.

The DPM should require the leadership committee to report back to him in April and on a biannual basis thereafter.

ANNEX I. STUDIES AND PROJECT REPORTS

1. Report on Corruption from the Perspective of Citizens, Firm, and Public Officials, GI, 2012.
2. ASEAN Corporate Governance Score Card Report 2013 – 2014, Asian Development Bank.
3. The Vietnam Provincial Competitiveness Index 2014 – 2016, VCCI.
4. The Cost of Corruption in Vietnam, Edited Report, Vietnam Chamber of Commerce and Industry, The Development Policies Research Centre (DEPOCEN) and T&C Consulting, 2015.
5. Report on “Anti-Corruption of business activities in Vietnam: The situation of legislation, international experiences and some solutions on improvement of anti-corruption laws”, GI, 2016.
6. Anti-corruption in Doing Business: An Assessment from Enterprise Perspective, Centre for Social Governance Research (CENSOGOR) et al, 2017.
7. Report of Study: Analysis of Corruption Risks for Investors in Vietnam, Centre for Social Governance Research (CENSOGOR) and Vietnam Business Forum, 2017.
8. Transparency in Corporate Reporting: Assessing the 30 largest Companies in Vietnam – TRAC Vietnam 2017, Towards Transparency, 2017.
9. Recommendations to the Vietnamese Government to support companies and enterprises, VCCI and IBLF Global, 2017.

ANNEX II - BUSINESS INTEGRITY INITIATIVES IN VIETNAM, 2012-2017

1. The Vietnam Business Forum¹⁷, co-chaired by VCCI and a rotating foreign Chamber of Commerce established a new Working Group on Governance and Transparency in 2012. The Working Group developed three positions papers and a Survey Report covering the most pressing issues on corruption that business are facing in Vietnam and provide recommendations to the Government of Vietnam at the bi-annual VBF Meeting since 2013 to present.¹⁸
2. A series of events organized by both VCCI and foreign Chambers of Commerce, during 2012 – 2015, galvanized hundreds of companies which expressed a willingness to engage further. The high point in this process was a Business Integrity Conference chaired by former Prime Minister David Cameron during his visit to Vietnam, together with Deputy Prime Minister Nguyen Xuan Phuc (now Prime Minister), in July 2015. The event brought together more than one hundred foreign and Vietnamese CEOs of companies and financial institutions inspired a lively debate of companies' commitments and integrity dilemmas they were facing when fighting bribery in Vietnam.

¹⁷ The Vietnam Business Forum co-chaired by VCCI and a rotating foreign Chamber of Commerce, is a

¹⁸ See details in <http://www.vbf.org.vn/en/about-vbf/working-groups/governance-and-transparency-working-group.html>

3. Saigon High Tech Park, building on a bilateral agreement with Intel – a tenant company in 2007 committing to business ethics and anti-corruption, expanded an integrity agreement to more than 30 tenant companies in the park in 2012. The SHTP Board of Management committed to assist signatory companies in handling corruption problems with local authorities if they arise. With further technical support from Towards Transparency and financial support from the British Embassy/DFID, SHTP helped these companies to strengthen their own corporate compliance systems to proactively analyse and manage risks to fulfil their integrity commitment. The project built an on-line self-assessment portal, where participating companies can self-assess their internal control system and are awarded from one to five “stars” depending on their level of compliance.
4. In 2014, a group of forty companies and organizations, with the support of British Embassy/DFID and Towards Transparency planned to form a Vietnam Integrity Alliance as a platform to bring together committed companies to work together in promoting doing business with integrity. The idea was to create a springboard for more concrete actions in policy advocacy, awareness raising and experience sharing, but the initiative faced controversial debates on its form and mandate. The group then decided to be housed under the VBF Governance and Transparency Working Group and changed its name to the Governance and Integrity Working Group.

5. In 2016, VCCI worked with its UK partner IBLF Global to provide training for SMEs, adapted an online anti-bribery toolkit created in early 2015 following request from the G20 and B20 and developed a policy paper titled “Recommendations to the Vietnamese Government to support companies and enterprises” proposing a Government – Business Integrity Initiative to be set in motion in early 2017. Over three months, VCCI organized 24 training workshops for over 1,100 SMEs in seven cities. In addition, VCCI signed “Integrity has no borders” pledge, as a member of ASEAN CSR Network to commit to realization of the “ASEAN 2025: Forging Ahead Together” through upholding international standards and norms, including UN Global Compact’s Tenth Principles and harmonization of business integrity standards across the region. VCCI organised training workshops on Code of Conduct for more than 100 SMEs in four provinces in August 2017.
6. Towards Transparency is a key actor in supporting many of the above initiatives. To understand companies’ efforts in preventing bribery, TT conducted a study on corruption risks for investors¹⁹, which measures practical benefits that proactive anti-corruption measures could bring to 35 companies in Vietnam. While more than half the companies interviewed have policies to

prevent bribery risks, the result also showed that many companies used third parties to mitigate regulatory risks. Another TTs report “A Transparency in Corporate Reporting (TRAC) 2016” assessed disclosure of the thirty largest companies registered in Vietnam, showed limited practices in publishing information on ownership structures and anti-corruption programs.

7. In addition to the surveys mentioned in above sections, other reports to be mentioned are: the Government Inspectorate’s Report on Corruption from the Perspective of Citizens, Firms, and Public Officials²⁰ with was developed with support from the World Bank, UNDP and DFID Vietnam in 2012; the 2016 Report on “Anti-Corruption of business activities in Vietnam: The situation of legislation, international experiences and some solutions on improvement of anti-corruption laws”.

¹⁹ This report is part of the project entitled “Promoting the application of international standards on business integrity to enhance international integration and improve business environment in Vietnam”, conducted by the Centre for Social Governance Research (CENSOGOR) in collaboration with Vietnam Institute for Economic and Policy Research (VEPR), with the support of the Prosperity Fund of the United Kingdom managed by the British Embassy in Hanoi.

²⁰ <http://documents.worldbank.org/curated/en/989741468133546312/pdf/738070R0EVID0000January02013000ENG.pdf>

ANNEX III – SUMMARY OF POLICY PRIORITIES

	POLICY PRIORITY	EXPLANATION	ACTION REQUIRED
1	Involve the private sector.	Private sector is part of the solution and needs to be fully involved in the design of policy solutions and implementation.	<ul style="list-style-type: none"> • Develop a Government-Business Anti-Corruption Strategy. • Agree a new Government-Business consultation structure to allow exchange of ideas and scaling up.
2	Strengthen the legislation and enforcement.	Punishment of wrongdoing is an important disincentive. For it to be effective, it needs to be seen to be working, and not just with a small number of high-profile cases.	<ul style="list-style-type: none"> • Ensure that new anti-corruption legislation strengthen anti-corruption measures in companies. • Develop an implementation plan for all aspects of the new anti-corruption legislation.
3	Identify positive benefits for the private sector.	Future interventions need to emphasise the incentives and benefits of doing business in another way, not just the downside.	<ul style="list-style-type: none"> • “Package” compliance within a broader agenda of corporate governance and management process development. • Help companies grow profitably in a sustainable way.

	POLICY PRIORITY	EXPLANATION	ACTION REQUIRED
4	Design interventions focused on target groups.	Different groups require different approaches. Companies, law firms and accountancy firms, business schools should be enlisted to support development of materials.	<ul style="list-style-type: none"> • MNCs. • Vietnamese SOEs. • Vietnamese private. • Vietnamese SMEs. • Young people. • Government officials in direct contact with business.
5	Scale up through diverse channels.	Business associations are considered a neutral party to act as facilitators. To achieve a broader impact, it is important to identify active and champion business associations to engage in GBII as main players.	<ul style="list-style-type: none"> • VCCI. • VBF. • Foreign Chambers of Commerce. • Industry associations. • Others.
6	Define and measure success.	For the sake of impact assessment, there needs to be a strong commitment to defining and measuring success. The results of interventions should be made publicly accessible.	<ul style="list-style-type: none"> • Feedback. • Surveys. • Focus groups. • Research.

	POLICY PRIORITY	EXPLANATION	ACTION REQUIRED
7	Coordinate strategy and interventions between business and government.	There should be a coordinated and collaborative approach with business engagement. The coordination should ensure that opportunities for learning, exchange of best practices, and filling gaps are made the most of. And that unnecessary duplication is avoided.	<ul style="list-style-type: none"> • Central coordinating group of companies and government agencies run by VCCI and GI (As determined by DPM). • Central hub with web-site to facilitate exchanges across participating groups.
8	Identify funding sources and budget.	The anti-corruption strategy should be backed with the necessary funding to make it a success.	<ul style="list-style-type: none"> • Vietnamese Government. • Donors' Funds. • Philanthropic and corporate foundations. • Voluntary contributions and pro-bono activities.

OFFICE FOR BUSINESS SUSTAINABLE DEVELOPMENT
VIETNAM CHAMBER OF COMMERCE AND INDUSTRY
Address: 4 Fl., VCCI Building, No. 9 Dao Duy Anh Street, Hanoi
Tel: 84 - 24 - 35743492
Website: <http://kdlc.vn/>

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