



**PRODUCT**  
[sustainable public procurement | ecolabelling]



**PROJECT “STIMULATING THE DEMAND AND SUPPLY OF  
SUSTAINABLE PRODUCTS THROUGH SUSTAINABLE PUBLIC  
PROCUREMENT AND ECOLABELLING” (SPPEL)**

**ASSESSMENT REPORT  
SUSTAINABLE PUBLIC PROCUREMENT  
STATUS IN VIETNAM**



Hanoi, April 2015

## **LIST OF ABBREVIATION**

DANIDA	Danish International Development Agency
DPM	Department of Procurement Management
EIA	Environmental Impact Assessment
EU	European Union
GDP	Gross Domestic Production
GPP	Green Public Procurement
ISPONRE	Institute of Strategy and Policy on Natural Resource and Environment
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
MOST	Ministry of Science and Technology
MOIT	Ministry of Industry and Trade
MONRE	Ministry of Natural Resource and Environment
MPI	Ministry of Planning and Investment
MTF	Marrakech Task Force
NPSCP	National Programme on Sustainable Consumption and Production
NTP	National Target Programme
ODA	
SCP	Sustainable Consumption and Production
SME	Small and Medium Enterprise
SPP	Sustainable Public Procurement
SPPEL	Stimulating the Demand and Supply of Sustainable Products through Sustainable Public Procurement and Eco-labelling
TASP	Tourism Accommodation Service Provider
UNEP	United Nation Environment Programme
UNIDO	United Nations Industrial Development Organization
VACC	Vietnam Association of Construction Contractor
VEA	Vietnam Environment Administration
VND	Vietnam Dong
WTO	World Trade Organisation

## **TABLE OF CONTENTS**

LIST OF ABBREVIATION.....	2
TABLE OF CONTENTS .....	3
<b>I. Introduction</b> .....	<b>5</b>
1.1 Background information.....	5
1.2 Objectives of the report.....	6
1.3. Methodology .....	6
1.4 Scope and limitation .....	7
<b>II. Status assessment results</b> .....	<b>7</b>
2.1 Background information on sustainable public procurement.....	7
2.1.1 Definition of sustainable public procurement.....	7
2.1.2 Experience in implementing SPP in other countries.....	8
2.2 Public procurement in Vietnam .....	9
2.2.1 Institutional landscape of public procurement .....	9
2.2.2 Procurement structure and procedure.....	11
2.2.3. Budget management .....	13
2.2.4 Public procurement mechanisms in Vietnam .....	13
2.2.5. The integration of sustainability criteria in the suppliers' and bids' evaluation....	15
2.2.6 Contract management .....	17
2.2.7. Public procurement monitoring and reporting.....	17
2.2.8 Training on public procurement management and implementation .....	18
2.2.9 The perspective of goods/service providers on SPP in Vietnam.....	19
2.3 Eco-label in Vietnam.....	20
2.3.1 Current status of eco-label in Vietnam.....	20
2.3.2 Green Label.....	21
2.3.3 Vietnam Energy Efficiency Label.....	21
2.3.4 Vietnam Green Lotus Label .....	23
2.4 The potential to implement SPP in Vietnam .....	24
2.4.1 Opportunities.....	24
2.4.2 Obstacles.....	26
<b>III. Conclusion and Recommendation</b> .....	<b>28</b>
3.1 Conclusion .....	28

3.2 Recommendation ..... 28

**Reference ..... 30**

**Annexes..... 31**

Annex 1 - Questionnaire for Procurement Officers of Central Agencies (see attached) . 31

Annex 2 - Questionnaire for Good/Service Providers (see attached) ..... 31

Annex 3 - Questionnaire for Steering Committee and State Management Agencies of  
Public Procurement (see attached)..... 31

Annex 4 – List of interviewees ..... 32

## **I. Introduction**

### **1.1 Background information**

In the past decade, Vietnam has achieved significant results in socio-economic development. The country maintained a good growth rate with an average of 7% over the 5 year period 2006-2010; the national GDP in 2010 was doubled in comparison with the year of 2000<sup>1</sup>. Vietnam was officially recognised as a middle income country and successfully withdrew from the low development situation. In January 2007, Vietnam also became a member of the WTO. The living condition of Vietnamese people improved, as the poverty rate decreased significantly.

The 5 year socio-economic development plan for the period 2011 to 2015 defined as the objectives of Vietnam: the need for rapid and sustainable economic development, in line with renovation of growth model and economic restructuring towards increasing quality, effectiveness and competitiveness; ensure the social utilities and security, enhance and improve the living condition of people; create the firm foundation to make Vietnam basically become a modern industrial country in 2020.

However, the national economy has witnessed many uncertainties for sustainable development in the future. The quality, effectiveness and competitiveness of the economy are still under-developed; the progress towards industrialisation and modernisation is still slow; there is an inappropriate distribution system; and a widening gap between the rich and the poor. The incomprehensive industrialisation and modernisation have also wasted natural resources and created a number of negative impacts to the environment.

Recently, Vietnam has been developing and implementing various policies, laws and regulations relating to environmental protection. Ensuring the environmental sustainability has been mentioned in many National Target Programmes (NTPs). The government also expressed the concern to develop Sustainable Consumption and Production (SCP), and carried out initial activities in the early 90s. In 2009, the National Strategy on Cleaner Production in Industry to 2020 had been developed by the Ministry of Industry and Trade (MOIT). At a higher level, the National Action Plan on Sustainable Consumption and Production for the period 2010 – 2020 has been developed, and is currently being implemented. As an effort to restructure the economy toward increasing quality, resource effectiveness and competitiveness, Vietnam had developed and approved the Green Development Strategy for the period of 2011-2020, with vision to 2050.

This report is developed in the framework of the project “Stimulating the Demand and Supply of Sustainable Products through Sustainable Public Procurement and Eco-labelling” (SPPEL) funded by the European Commission and implemented by the United Nations Environment Programme (UNEP). Through this project, UNEP provides support to 13 countries to develop and implement SPP policies by increasing awareness and building the capacities of policy makers and procurement managers. In 4 of them with

---

<sup>1</sup> Resolution on the 5 Year Periodical Social – Economic Development Plan from 2011 to 2015, No: 10/2011/QH13

established ecolabelling programmes - including Vietnam, the aim is to implement SPP combined with a proactive use of ecolabels. In these countries, the project seeks to align the goods and services prioritized through SPP with those covered or under development by existing ecolabels. The project also seeks to improve the effectiveness of existing national ecolabelling programmes through best practices of the EU and other internationally recognized labelling schemes. Additional activities in these countries include training and technical assistance to selected companies (especially SMEs) towards the improvement of their production process using ecolabels.

## **1.2 Objectives of the report**

This Status Assessment report aims at drawing the overall portrait of the current public procurement status in Vietnam with a view to understand the actions needed and gaps to be filled to ensure the successful implementation of sustainable public procurement (SPP). The information gathered will also serve as a baseline to track progress of SPP over time.

Conducting an assessment of the national public procurement system is a step included in the “UNEP Approach to SPP”. The latter Approach is a methodology applied at country- level, conceived as a series of steps that are recommended to governments willing to design and implement a national SPP Action Plan. The first phase of the UNEP methodology focuses on preliminary studies and exercises (status assessment of public procurement; legal review of the public procurement system; prioritisation of sustainable products and services to be introduced in the public procurement system; market study assessing the responsiveness of the market to SPP tenders) and ends with the development and adoption of a National SPP Action Plan.

The specific objectives of this status assessment report include:

- 1) Assessing the current status of public procurement in Vietnam;
- 2) Analysing the opportunities and obstacles impacting the potential implementation of SPP

The report covers all relevant aspects including public procurement practices and processes in the country, the country’s experience with sustainable public procurement (SPP) and green public procurement (GPP), stakeholders’ engagement, and the main obstacles and opportunities for the implementation of SPP in the country through the integrated use of eco-labels. The report also provides a focus on the status of public procurement implementation in interviewed organisations.

## **1.3. Methodology**

This report is developed in line with the [Sustainable Public Procurement Implementation Guidelines from UNEP](#). The consultant discussed and agreed with the Project Management Board on the scope of work, methods, main contents, and list of stakeholders to be interviewed.

**Literature review:** The initial findings of this report are obtained by analysing existing documents; including legal documents (strategies, policies, laws, decrees, decisions, official letters, etc.), scientific articles and reports, project reports relating to public procurement, environmental protection and sustainable development.

**Survey with questionnaire:** The questionnaire developed by UNEP and available in the UNEP SPP Implementation guidelines was reviewed in consultation with the Steering Committee, and was then adjusted according to the Vietnamese context. Four major groups of stakeholders participated in the survey: i) Steering Committee members and representatives of public procurement agencies; ii) procurement officers of central agencies; and iii) representatives of good/service providers (the list of interviewees is included in the annex IV). The questionnaire was also adjusted according to the different interviewee groups.

The main content of the questionnaire includes: a) procedures and mechanisms of public procurement; b) experience of implementing SPP in Vietnam; c) obstacles to apply SPP; d) training and support related to SPP.

**In-depth interview:** Following the interviews conducted using the above-mentioned questionnaire, some interviewees were invited to participate in an in-depth interview. The in-depth interview concentrated on key issues that had been raised during the survey, and aimed at having a more thorough understanding of the current situation of SPP in Vietnam. For example, the issues of procurement procedure and practices were discussed with the Department of Procurement Management (DPM), while aspects related to training on procurement were discussed in details with the Centre for Procurement Support.

#### **1.4 Scope and limitation**

Due to the limited time and the challenge of involving interviewees having a rather limited understanding of SPP, the questionnaire survey and in-depth interview were only conducted at Central level (Ministries' office, State Enterprises), hence the Provincial agencies (Provincial People Committee, Provincial People Council) were not involved in the study. The interviews with goods/service providers were also conducted in Hanoi. Stakeholders outside Hanoi were reached by email only, which proved to be very challenging to collect information.

## **II. Status assessment results**

### **2.1 Background information on sustainable public procurement**

#### **2.1.1 Definition of sustainable public procurement**

According to the survey results, public spending in Vietnam represents between 20 to 30% of the total financial budget of the State. In the context of the socio-economic development objectives of Vietnam for the period 2011 to 2020, which focus on sustainable economic development, economic restructuring toward increasing quality, natural resource effectiveness and competitiveness, as well as ensure the social security, SPP should enable governments to meet key environmental goals such as reducing greenhouse gas emissions, improving energy and water efficiency, forest protection, and supporting recycling. SPP will also help to reduce poverty and improve equity (i.e. gender, ethnic minorities, and people with different abilities). From an

economic point of view, SPP can enable and enhance the involvement and participation of Small and Medium Enterprises (SMEs) in the sustainable development of the country.

Sustainable development requires governments and organisations to consider all three core pillars, social, economic and environmental aspects in their organisation's operation. According to the UNEP guidelines, 'sustainable procurement' is defined as: "A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment<sup>2</sup>"

### **2.1.2 Experience in implementing SPP in other countries**

SPP policies and activities have been put into implementation around the world. In 2004, the European Union Parliament and Council adopted a directive to coordinate procedures in public procurement for works and services in all European Union Member States that allows for the inclusion of environmental criteria along with best "value for money" criterion. Social criteria are also being studied by the European Commission to be included into public procurement of Member States. Not only being implemented in developed countries, SPP is also being introduced and implemented in emerging and developing countries. For example, the Brazilian government adopted the November 2009 regulation stating that federal procurement is an important instrument to implement climate change policy.

A study published by UNEP in 2012 highlights additional SPP initiatives taking place in different parts of the world, in developed, emerging and developing countries<sup>3</sup>. It shows, in particular, the procurement of school item kits including a notebook made out of recycled paper, in the State of São Paulo (Brazil); the procurement and disposal of tires by the Costa Rican Government, involving efforts to reduce environmental impacts throughout the life cycle of the product; the procurement of consulting services by the Scottish Government in order to promote SMEs and supporting literacy improvements; the procurement of construction management services by YORbuild, a joint venture of the local government of Yorkshire and of the Humber Region (United Kingdom); the procurement of remanufactured consumables by the French Ministry of Education promoting companies employing disabled persons; the procurement of Light Emitting Devices (LED) by the Ministry of Transport of Hong Kong Special Administrative Region to replace all conventional traffic lights in the region; and the procurement of organic food for school canteens by the municipality of Ferrara (Italy).

---

<sup>2</sup> Source: Procuring the Future – the report of the UK Sustainable Procurement Task Force, June 2006. Definition adopted by the Marrakech Task Force on Sustainable Public Procurement. The footnote to the definition reads: Sustainable Procurement should consider the environmental, social and economic consequences of: Design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers' capabilities to address these consequences throughout the supply chain.

<sup>3</sup> UNEP (2012). The Impacts of Sustainable Public Procurement - Eight Illustrative Case Studies



A number of additional governments have embraced SPP thanks to the support of UNEP. UNEP has indeed been assisting governments in SPP implementation since 2008, through the roll-out of what is now known as the “UNEP SPP Approach”. 7 countries piloted the Approach<sup>4</sup> over the 2009-2012 period, including Chile, Colombia, Costa Rica, Lebanon, Mauritius, Tunisia and Uruguay. 17 additional countries are initiating SPP with the support of UNEP through ongoing projects such as the SPPEL project, the project “Greening Economies in the Eastern Neighbourhood” (EaP Green) and the project “Partnership for Action on Green Economy” (PAGE).

## **2.2 Public procurement in Vietnam**

### ***2.2.1 Institutional landscape of public procurement***

The Law on Procurement No 61/2005/QH11 (dated December 12, 2005) is the highest legislative document regulating public procurement. According to this law, the governmental organisations and agencies participating in the public procurement system include: State agencies, political organisations, socio-political organisations, professional- social-political organisations, professional- social organisations, social organisations, people armed forces, independent public service delivery units, State corporations and enterprises<sup>5</sup>, hereinafter called as central agencies.

Among those central agencies, the Ministry of Investment and Planning (MPI), the Ministry of Industry and Trade (MOIT), the Ministry of Science and Technology, the Ministry of Natural Resource and Environment, and the Ministry of Agriculture and Rural Development are the **organisations which have the most significant influence on the implementation of SPP** in particular, and SCP in general.

The Ministry of Planning and Investment (MPI) is performing State management functions in the fields of planning and investment, including the provision of general advisory services on strategies and planning initiatives. The Ministry of Natural Resources and Environment (MONRE) is performing State management functions in the fields of natural resources and environment protection. The Vietnam Environment Administration (VEA) under MONRE is responsible for environment protection activities at national level, including the management of the Green Label scheme. Ministry of Industry and Trade (MOIT) is performing state management functions in the fields of 12 industrial sectors and 11 trading areas; and the state management of public services in the branches and domains under the Ministry's state management. MOIT is also currently the leading institute to promote SCP in Vietnam. The Ministry of Agriculture and Rural Development (MARD) is performing state management functions in the field of agriculture, forestry, salt production, fishery, water drainage, and rural development. The forestry sector is very important concerning the public procurement of office furniture. Ministry of Finance (MOF) is performing state management functions in finance. Under MOF, the General Department of Tax Policy and the Department of Public Asset Management are most relevant in terms of product innovation for

---

<sup>4</sup> The Approach was referred to back then as the Marrakech Task Force Approach on SPP. For more information:

<http://www.unep.org/resourceefficiency/Consumption/SustainableProcurement/CapacityBuildingforSPinDevelopingCountries/tabid/101246/Default.aspx>

<sup>5</sup> Source: Law on Procurement, 2005, No. 61/2005/QH11.

sustainable development. The Department of Tax Policy is responsible for the government financing system and is responsible for considering the mechanism to promote cleaner production applications in Vietnam, while the Department of Asset Management is responsible for managing and implementing public procurement systems in the country. **Those agencies are also the biggest public buyers and are thus highly involved in the national public procurement system.**

According to the Law on Procurement, the **Ministry of Planning and Investment (MPI)** is responsible for the comprehensive State management of all procurement activities nationwide, including public procurement. At ministerial level, the MPI issued the Decision no. 438/QĐ-BKH dated on 07<sup>th</sup> April 2009 which appointed the **Department of Procurement Management (DPM)** for the direct management of procurement activities nationwide. The DPM has, *inter alia*, the responsibility to organise training activities for public procurers, in accordance to the regulation in Clause 5, Article 68 of the Law on Procurement (for more information on public procurer's training, refer to the section 2.2.4 *Training on public procurement management and implementation*). The DPM also manages the specialised internal bulletin on bidding and procurement which became, in 2007, the Bidding Review with daily publication easily accessible from anywhere in Vietnam (for more information on the public procurement mechanisms, please refer to the section 2.2.3 *Public procurement and contracting mechanisms*).

The ministries, central agencies, people committees at all levels in their scope of mission, power, have the responsibility to manage the goods and properties procurement activities of their own organisations; summarise, evaluate and report on the organisation's procurement activities; monitor, supervise, resolve complaints, denunciations and handle the violation of legislative regulations on procurement.

Concerning the legal institutionalisation, the **National Assembly** is the institution which develops the overarching Law on Procurement. After the Law is developed and approved, a Decision issued by the Prime Minister is developed to instruct the implementation of the Law on Procurement. Under the Prime Minister's Decision, the **Ministry of Planning and Investment (MPI)** and the **Ministry of Finance (MOF)** have the rights and responsibilities to issue Ministerial Circular to guide the implementation of the Law, in which detailed procedures, processes and norms are regulated.

The **Ministry of Finance (MOF)** has the responsibility to support other ministries, central agencies, and provincial people committees to establish a unit/department for centralised public procurement, and then instruct all agencies to implement the current public procurement procedure according to the laws, as well as **audit the procurement** activities of all agencies. However, the public procurement auditing reports are usually classified and unable to be reached by relevant stakeholders. Many experts stated that a public procurement auditing system should be established with the participation from different stakeholders (i.e. Government Inspector, MOF, MPI, and National Assembly). The information on public procurement should also be publicised on the internet, newspaper for better monitoring.

### **2.2.2 Procurement structure and procedure**

In 2007, the MOF issued an instruction on **decentralised public procurement**. According to this instruction, Ministries, Governmental Agencies, and People Committees at all levels are responsible for procurement activity of their organisations, according to existing laws and regulations. The procurement procedure applied by each public institution follows the below steps:

- Development of the procurement plan for the organisation
- Development of the detailed bidding content for each tender in the procurement plan
- Submission of the procurement plan to the MOF for approval
- Approval of the procurement plan for implementation by MOF

The detailed activities for the above steps were clearly regulated in the Circular no. 63/2007/TT-BTC dated on 15<sup>th</sup> June 2007 issued by MOF on “Instructing the implementation of good purchasing and procurement to maintain the regular operation of state organisations with state budget”, and the Circular no.131/2007/TT-BTC dated 5<sup>th</sup> November 2007 on the justification and amendment of the previous Circular.

However, **the decentralised procurement approach** regulated by the above-mentioned Circulars of MOF **was modified** by the decision no.179/2007/QD-TTg issued by the Prime Minister dated **on 26<sup>th</sup> November 2007** on “Issue the regulations on goods purchasing and procuring with State budget following the **centralised** approach”. This decision was applied to all Ministries, Central Governmental Agencies, other Central Agencies, and Provincial People Committees of 63 central cities and provinces; excluding the Ministry of National Defence and the Ministry of Public Security. This decision was put into implementation by the Circular no.22/2008/TT-BTC issued by MOF dated on 10<sup>th</sup> March 2008. As a result of this decision, DPM manages public procurement on behalf of all ministries and governmental agencies, as indicated in the section 2.2.1.

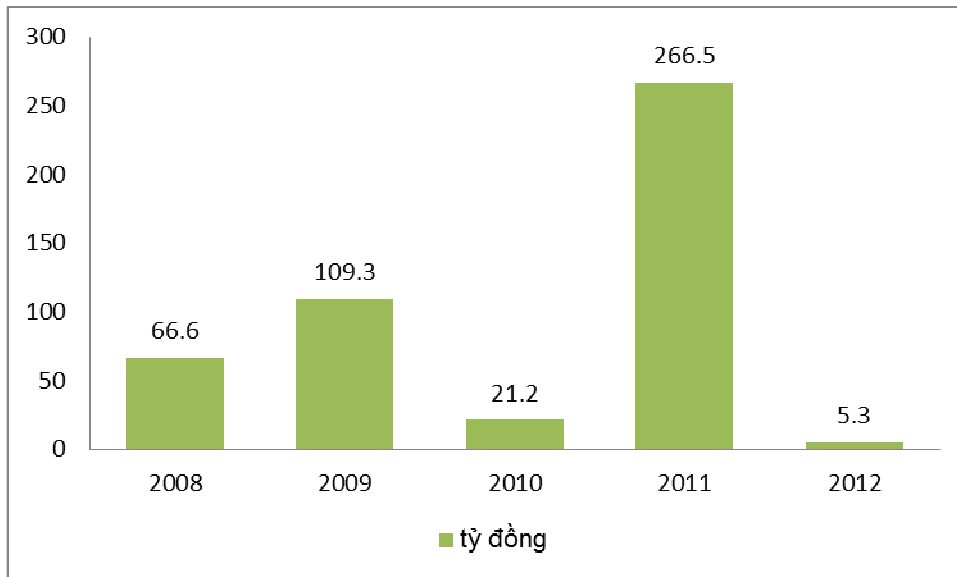
The objectives of applying centralised public procurement include: i) practice saving, anti-corruption, and prevent wasting in state budget spending; ii) ensuring the complex equipment of modern public goods and properties to best satisfy the needs for regular operation activities of the governmental bodies; iii) ensure the transparency in procurement, equipment and use of public goods and properties<sup>6</sup>.

In fact, the implementation of centralised public procurement had saved about VND 469 billion for the state budget during 5 years of piloting, from 2008 to 2012. Particularly in 2011, this approach saved about VND 266 billion (figure 1).

---

<sup>6</sup> As per the Decision by the Prime Minister number 179/2007/QD-TTg

**Figure 1 State budget saving resulting from centralised public procurement**



Source: Bidding Review (Unit: VND billion)

The Decision no.179/2007/QĐ-TTg also specifies the **steps to be followed** for public purchasing following a **centralized procurement procedure**. These steps include:

- Development of the goods/service procurement plan by the public procurement office of the central agencies.
- The public procurement office of the central agencies submits the procurement plan with an estimated budget to the centralised public procurement management and implementation agency, i.e. the Department of Procurement Management – DPM.
- The DPM leads the development of a detailed procurement plan (including a budget plan) in coordination with the procurement offices of central agencies. The DPM submits the plan to the Minister, the Director and Chairman of central agencies, and Provincial People Committees for approval.
- Based on the approved procurement plan, the DPM implements the procurement activities according to the legislative regulation on procurement.
- The DPM informs the plan and organises delivery of goods and properties for the central agencies.
- The central agencies have the responsibilities to receive, manage and use the goods and properties according to the current legislative regulations.
- The State Treasury is responsible for monitoring and auditing the public procurement activities of all central agencies spending State budget.
- In guaranteed time, the DPM has the responsibility to request the suppliers to ensure the maintenance and repair of goods, or replace activities according to the signed contract, whether there is any malfunction and/or broken happening and not causing by the users.

### **2.2.3. Budget management**

Public procurement accounts for a large share of expenditures incurred by the Government of Vietnam. Annually, the Central government decides and allocates a fixed amount of budget for different expenditures, of which a small amount can be carried over to the next year with the approval of the Government. According to the Department of Public Properties Management (under MOF), the Central budget for 2015 is VND 314,544 billion, or USD 14,425 million. Out of this overall budget, the budget for socio-economic development, national defence and security, and public administration management is VND 160,231 billion, where about 20% would be used for public procurement. This number could increase to about 50% if the budget for construction is included.

In accordance to the survey results, almost all central agencies reported that the budget for public procurement accounts from 20% to 30% of the total budget for each agency.

The Circular no. 63/2007/TT-BTC dated on 15<sup>th</sup> June, 2007 issued by MOF defined the sources of budget for public procurement, which include:

- State budget, appointed by the state authorities for annual expenditure of the central agencies;
- Credit capital, authorised by the state; other capital managed by the state;
- Grants, financial support budget, capital from international and domestic donors (individuals, organisations) which is managed by the State (except the procurement following donors' request);
- Income from fees which is used and managed according to national legislation;
- Income from operation funds, social security fund of public agencies;
- Other appropriate income according to national legislation (if available).

### **2.2.4 Public procurement mechanisms in Vietnam**

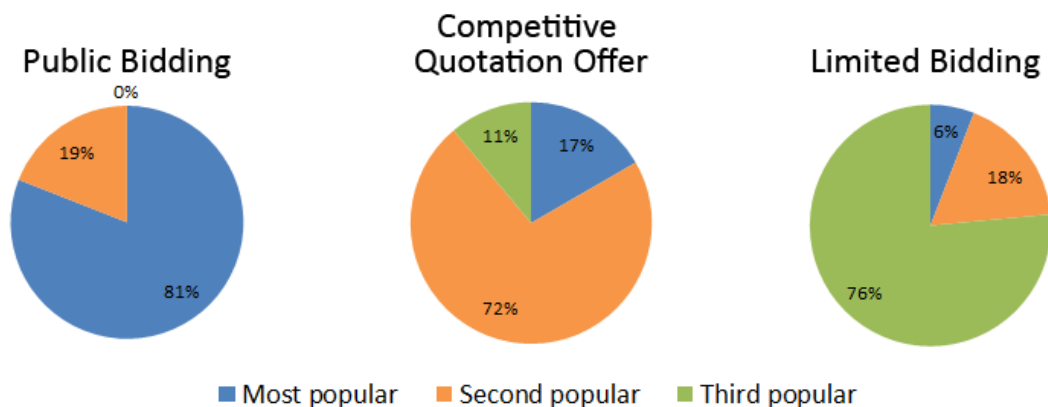
According to the Law on Procurement, the selection of public goods and service provision is conducted through the following mechanisms: public bidding, limited bidding, bidding appointment, competitive quotation offer, direct purchasing, self-procuring, and special selection of tenderer.

- 1- *Public (or open) bidding*: All procurement plans must be implemented through public bidding (in accordance with the Law on Procurement) except for the cases listed below.
- 2- *Limited bidding*: This method is applied to projects funded by Official Development Assistance (ODA) and in accordance with the donors' requirements; and to complicated specifications for technical projects that require qualified tenderers. It needs to attract at least five qualified tenderers.
- 3- *Bidding appointment*: This method is applied:
  - to urgent cases including natural disasters or serious fires
  - in accordance with agreements with international donors

- for purposes of national security and/or national secrets
  - for buying particular materials and equipment for maintenance from one single supplier which has provided the materials and equipment before
  - buying consulting services valued under VND 500 million, or construction works under VND1 billion, or buying recurrent goods under VND 100 million
- 4- *Direct purchasing*: This method is applied in case the same bidding procurement has been done in the last six months, and for the same supplier.
  - 5- *Competitive quotation offer*: This method is applied in cases where the amount of spending is less than VND 2 billion and the goods are prevailing in the market.
  - 6- *Self-procuring*: This method is applied when the project owner (or investor) is capable of being the main contractor. In this case, the cost estimation for the procurement must be approved in accordance with the regulations, and the supervisor of the procurement must be independent from the owner/contractor
  - 7- *Special selection of tenderer*: In case there are special requirements for a procurement case which make methods 1-6 impossible, the authorized agency may prepare a special bidding plan and submit to the Prime Minister for approval.

According to a research conducted by Nguyen Tung Lam (Institute of Strategy and Policy on Natural Resource and Environment – ISPONRE), public bidding is the most commonly used method in public procurement<sup>7</sup>.

**Figure 2 Popular bidding methods in public procurement**



*Source: Survey result*

The responses from the survey expressed similar results with more than 80% of the interviewees stating that public (or open) bidding is the most popular method, followed

<sup>7</sup> Lam N.T (2013). Promotion of Sustainable Public Procurement in Vietnam. ISPONRE.

by competitive quotation offer and limited bidding. The method of direct purchasing and self-procuring are only applied to purchase goods in low quantities and for small budgets.

### **2.2.5. The integration of sustainability criteria in the suppliers' and bids' evaluation**

The steps followed by the DPM to select tenderers and evaluate bids for public procurement are:

- Preparation of selection (development of awarding criteria and establishment of the evaluation council)
- Tenderers evaluation
- Evaluate the bidding documents, proposals, negotiate and award the contract
- Submit, evaluate, approve, and publish the results of tenderers' selection
- Finalise and sign the goods/service provision contract

The evaluation methods of public procurement bidding documents include: the service price method, State budget contribution method, State benefit and social benefit method, and integrated approach. The **main criteria for evaluating the bidding documents** are: experience and capacity assessment; technical criteria; financial criteria. Regularly, the suppliers are evaluated based on criteria demonstrating their capacity to supply e.g. financial stability, quality, service performance, capacity.

As defined in the Law on Procurement, **sustainable criteria** (social and environmental) **are not listed as the main criteria** for evaluating the tenderers. Some sustainable criteria were developed (i.e. percentage of female workers) but there is no obligation for public procurers to integrate them into the public procurement procedures. As a result, they have been neglected in most cases.

At the moment, there is **no national approach to SPP** in Vietnam. During the interview with MONRE specialists, the Consultant found out that SPP would be introduced in the National Programmes on Sustainable Consumption and Production (NPSCP), which is now under development by MONRE and MOIT and expected to be adopted in 2017. However, at the moment, **the Law on Procurement** is the overarching legal framework for implementing public procurement in Vietnam and it **does not foresee the inclusion of sustainable aspects** (economic, social, environment) in procurement, **except for "incentives in the selection of tenderers" which cover some social and economic aspects.**

The Article 14 in the Law on Procurement defined the incentives in the selection of tenderers as following:

1. The tenderer participating in domestic and international tender to supply goods with domestic production cost exceeding 25% will get the incentive in the selection phase.
2. The tenderer participating in an international tender to provide consultancy service, non-consultancy service, construction service, will get the incentive in the selection phase if:
  - a. National tender participating in the tender as an independent firm or as a leading firm of a joint-venture

- b. A joint-venture between an international firm and a national firm, in which the work load of the national firm accounting for at least 25% of the total budget of the tender.
3. The tenderer participating in a domestic tender to provide consultancy service, non-consultancy service, construction service, will get the incentive in the selection phase if:
  - a. The tenderer has more than 25% of the total labour is female.
  - b. The tenderer has more than 25% of the total labour is invalids, people with disabilities.
  - c. The tenderer is a small enterprise (according to the Law on Enterprises)

Depending on the nature of the tender, and procurement principles of different agencies, the incentives is calculated as extra scores for the tenderer in the evaluation phase, or as an amount of money which has to be added in the proposed budget of other tenderers without incentive. There are some special cases where the incentives are not applicable during the scoring phase. In those cases, when two tenderers came up with the same score at the end of the evaluation phase, the tenderer with the highest level of incentives will be awarded.

Although being defined in the Law on Procurement, **no legal document requires the application of sustainable criteria as incentives to select tenderers** in public procurement. Hence, there has been no monitoring mechanism yet in place to track the number of awarded tenderers with incentives, the products they provide and the value of the tenders.

Regarding the procurement activities at agency levels, all interviewees responded that no sustainable criteria have been integrated into the public procurement procedure. For the purchasing of products in small quantity (usually through direct purchasing or self-procuring methods), some “user-friendly” and energy saving criteria have been initially integrated (i.e. non-toxic cleaning goods and services; eye-protection light balls; electric saving equipment, petrol saving vehicles), based on the personal preference of the procurement officers. However, those criteria have not been quantitatively evaluated during the tenderer selection phase, and they are yet to benefit from an extra score (incentive) during the evaluation process.

Beside the above mentioned criteria, the representatives of interviewed organizations stated that they don't have a compliance audit for suppliers in the following areas: environmental impacts; education; employment conditions; use of innovative environmental technologies; promoting SMEs; promoting supplies from less privileged areas within a country; promoting technology transfer and capacity building; promoting tenders that create opportunities for disadvantaged groups. The impacts of products and services on health (i.e. toxic and harmful substances) are sometimes considered by procurers but from the users' perspectives only, especially when self-procuring or direct purchasing mechanisms are applied.

According to Point 3c of the Article 14 in the Law on Procurement, small enterprises (as defined in the Law on Enterprises) participating as tenderers receive incentives in the selection phase. As per the discussion with the representative from the Bidding Review,



the contract opportunities are advertised to small enterprises through the printed newspaper as well as via internet and email. However, there is still no guidance materials produced to encourage public authorities to support SMEs participating in the bidding process. Presently, the level of participation of SMEs in public procurement and contracting in Vietnam is estimated to be between 25 and 40%, most of all are service providers.

### ***2.2.6 Contract management***

After the tenderer has been awarded by DPM, the contract is continued to be managed by both the buyer (central agencies) and the public procurement agency (DPM). In general, the contracts are reviewed on an annual basis covering issues such as delivery, quality, cost, service, etc.

Annually, the central agencies evaluate the quality of products and services provided by the awarded tenderer to ensure the regular operation of their offices. In guaranteed time, the central agencies report to DPM whether there is any malfunction and/or broken happening and not causing by the users. The DPM has the responsibility to request the suppliers to ensure the maintenance and repair of goods, or replace activities according to the signed contract.

### ***2.2.7. Public procurement monitoring and reporting***

The Department of Procurement Management has the responsibility to coordinate the reporting procedure on procurement activities of all agencies at national level.

Annually, an Official Letter is sent by DPM to all the ministries, central agencies and people committees to request for their report which includes a monitoring section? The main aspects covered by the report include:

- Training on public procurement (including the number of training workshops, courses, organisers, number of participants in each workshop)
- Capacity of procurement officers (especially the ratio of officers having procurement certificate per the total number of procurement officers), and assessment of capacity building needs (knowledge, skills, profession)
- Procurement activities (including number of tenders, procurement methods, procurement goods/services, total value of tenders, sources of budget)
- Activities linked to the resolution of complaints, denunciations and handling of the violations made to the legislative regulations on procurement

As per the above listing, the **report does not include any information related to the integration of sustainable criteria** in the procurement activities as well as the procurement of sustainable products. For example, in the Official Letter no.8910-BKHDT-QLDT issued by DPM on “Reporting the procurement activities in 2014”, the DPM requested only information relating to number, volume, value and types of goods and services for each tender.

### **2.2.8 Training on public procurement management and implementation**

Article 5, Decree no.58/2008/ND-CP dated on 05<sup>th</sup> May 2008 issued by the Government on “Instructing the implementation of the Law on Procurement upon the selection of construction contractor according to the Law on Construction” instructs the regulation related to training and capacity enhancement on procurement. This article states that all individuals, entities directly participating in procurement activities (excluding tenderers and contractors) must undergo a training course and should receive a professional training certificate on procurement, bidding and contracting.

The MPI, in particular the Department of Procurement Management (DPM), has the responsibility to organise the training, professional training activities in accordance to the regulation in Clause 5, Article 68 of the Law on Procurement. The Clause indicates that the DPM is responsible for:

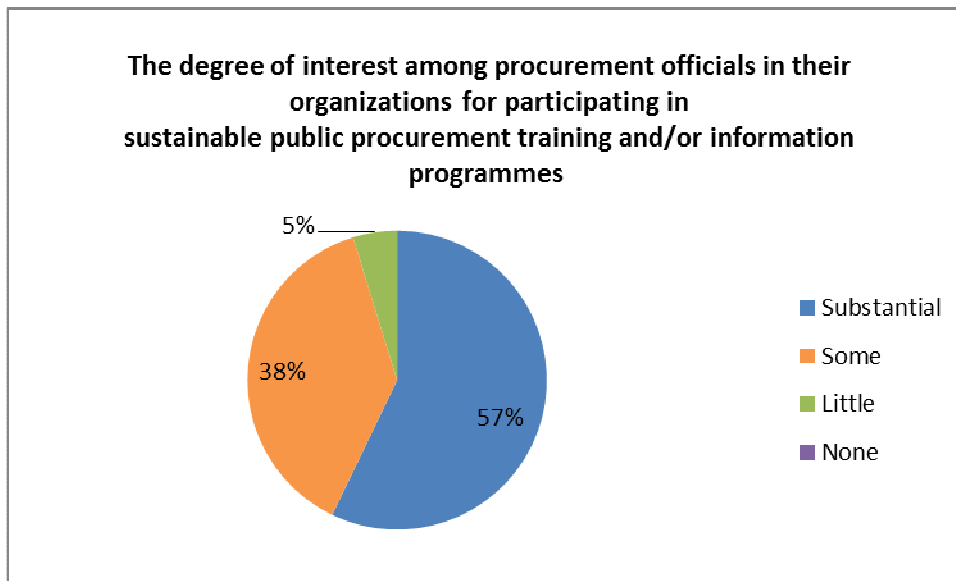
- Unifying the training and capacity building activities of all training organisations through the annual procurement report of the ministries, sectors and localities;
- Establishing the database of training organisations specialised on procurement.

All the procurement training organisations have to be certified by DPM and obtain a Business Certificate or Certificate of Establishment (for non-business organisations according to current regulations). The training organisations have the responsibility to award the participants with appropriate certificates based on their level of participation and evaluation results. All the training courses on procurement have to take place during at least 3 days. There is no official statistics on the number of training organisations specialized in public procurement and operating at country-level.

Currently, there is no official and comprehensive training document for procurement management and implementation. All training organisations have developed their own materials for their trainers and participants. According to the Centre for Procurement Supporting (under the MPI), the training mainly focus on presenting relevant legal documents linked to the public procurement system, and instructing the basic principles and procedures of public procurement. Due to the lack of SPP guidelines or legal document, **SPP aspects have not been incorporated in the training courses** for procurement officers, at both national and provincial levels.

During the survey, the interviewees self-evaluated as having limitation in knowledge on sustainable public procurement and expressed their high interest for participating in SPP and/or information programmes. They also stated that there is the need to develop an awareness raising programme at national level for both procurement officials and goods/service providers. Figure 3 showed that 95% of interviewed officials have significant interest in that kind of training or awareness raising workshop.

**Figure 3 The degree of interest in SPP training and/or information programmes**



*Source: Survey result*

### **2.2.9 The perspective of goods/service providers on SPP in Vietnam**

The first impression of the Consultant when approaching the goods/service providers (suppliers) was their hesitation in participating in the survey on SPP. 6 suppliers were approached through an Official Letter sent by VEA. 4 out of the 6 enterprises refused to participate in the survey due to the lack of personnel or knowledge on SPP. Only 2 suppliers, namely Huynh Tran JSC (Phillips Light Distributor) and IDB JSC (Hong Ha Stationery Distributor), provided feedbacks. The Consultant also utilised the network of Vietnamese Association of Construction Contractors (VACC) to mobilise the participation of the private sector. An email with the questionnaire had been sent to about 1000 members of VACC. Unfortunately, there was no feedback from any company, enterprise under the VACC in the first phase. After randomly selection of 10 VACC members, phone calls had been made to the representatives of each company to request for the participation in the research. Almost all the companies' representatives responded that they are not interested in/or have limited knowledge and understanding in the field of Public Procurement and SPP and denied to participate. There was only one company named Sieu Chung Ky JSC agreed to participate in the survey.

Despite the low participation level from the suppliers' side, the information obtained from 3 representatives of this group provided the general perspective of goods/service providers toward SPP in Vietnam. Their first remark was that **sustainable products are currently available on the market**, at both national and international level; however, they have not yet been integrated into public procurement. For examples, Huynh Tran JSC, the distributor of Phillips lights and office appliances, stated that the company is willing and ready to provide energy saving products in large quantity for public procurement at a competitive price in comparison with other products. However, one of the **obstacles** is that **these products are only purchased in small quantities**,

through direct purchasing or self-procuring methods. The second issue raised by the supplier is the lack of support or incentive mechanisms from the procurement managers to promote the purchase of sustainable products. There are no specific criteria defining what a sustainable product is, and how it could get the incentives in the tenderer selection phase.

The representatives from 3 enterprises expressed their positive thoughts on the potential of introducing and implementing SPP in Vietnam, as it is in line with the sustainable development strategy of the country. They also believe it might result in promoting innovative and sustainable production processes within enterprises.

## **2.3 Eco-label in Vietnam**

### ***2.3.1 Current status of eco-label in Vietnam***

Currently, there are three eco-label schemes in Vietnam, namely Green Label, Energy Saving Label, and Green Lotus Label.

The Green Label is the initiative of Ministry of Natural Resource and Environment (MONRE) with support from UNEP and other international donors. The Green Label programme was approved by the Minister of MONRE in 2009, through the Decision no.253/QD-BTNMT. The programme is now under the management of Vietnam Administration of Environment, an agency in charge of environment protection.

The Energy Saving Label is a project under the ***Vietnam Energy Efficiency Programme (VNEEP)*** managed by the Ministry of Industry and Trade (MOIT). The VNEEP was approved and put into implementation in 2006 by the Decision no.79/2006/QD-TTg issued by the Prime Minister. The project aims to assess the energy consumption rate of selected machines, appliances and equipment; to develop the sets of technical criteria to qualify the products whether they are energy efficient or not, and of which level they are efficient.

Dealing with the increasing challenges in sustainable development of the Vietnamese tourism sector, the Ministry of Culture, Sport and Tourism developed the Green Lotus Label programme in 2012 through the Decision no.1355/QD-BVHTTDL dated on 12 April 2012. This programme was aimed to provide the comprehensive strategy to enhance the capacity and competitiveness in term of environment protection aspect of Vietnamese tourism system through the enhancement and implementation of environmental protection system as well as environmental and social responsibility activities.

In general, the three labelling schemes are operating at national level with the participation of various ministries, science and technology institutions, and private sector. After the initial implementation phase, the Green Label and Energy Saving Label

programmes have achieved remarkable results; especially have raised the public awareness on the sustainable production and consumption.

Regarding the aspect of SPP, the three existing eco-labelling schemes in Vietnam have not been introduced and integrated in the public procurement of the central agencies. This should be a problem the SPPEL project should deal with in the near future.

### ***2.3.2 Green Label***

The Vietnam Green Label programme has been operating at national scale since March 2009. The overall objective of this programme is to improve and maintain the good living environment through reducing energy and material consumption, reducing waste and pollution from production, trading and using of goods and services.

#### ***Vietnam Green Label***



In order to protect the environment, the Vietnam Green Label is developed to assess the ability of controlling, reducing the impacts to environment of consumption goods and services, based on the “product’s life-cycle reviewing” approach. This approach enables to evaluate the environmental impacts from every stage of a product, including material exploitation, production, distribution and trading, consuming and disposal. Different sets of criteria have been developed to measure the environment sustainability of different groups of products.

Currently, the Green Label has been applied to different products, including: packages, cleaning chemical, lamps and light balls, printing ink, batteries, paint, stationery, office appliances, construction material.

### ***2.3.3 Vietnam Energy Efficiency Label***

There are two types of Energy Efficiency Label currently available in Vietnam, the certifying label and the comparative label. The Energy Efficiency Certifying label (The Vietnam Energy Star Label) is applied for the products having the same or higher energy efficiency level than the pre-defined energy consumption standard regulated by the MOIT in respective period.

The Vietnam Energy Star Label has a triangular shape with round corners, a golden star on dark green background with light green border. This label is printed or stuck onto the surface of product's package, product's body in colour or monochrome version appropriately. The labelled products have to go through a test on quality, durability, and energy efficiency in accordance to TVCN 7896:2008.

***The Energy Efficiency Certifying Label (Vietnam Energy Star)***



The Comparative Energy Efficiency Label is the label providing comparison of the energy consumption level among a group of similar products. The comparative label is expected to help the consumers to select the products with higher energy efficiency. The level of energy efficiency is illustrated by the number of star on the label, where the more stars express the higher energy efficiency and 5 stars is the highest level.

***The Comparative Energy Efficiency Label***



In accordance to the Law on Economical and Effective Uses of Energy, from 1<sup>st</sup> January 2013, all enterprises which produce, export and import home appliances and industrial equipment have to comply with the Energy Efficiency labelling.

The home appliance product group includes: straight neon light, compact neon line, compact, electrical ballasts for neon light, air-conditioner, refrigerator, domestic washing machine, electric rice cooker, electric fan, and television. The industrial equipment group includes electricity transformer and electric motor.

#### ***2.3.4 Vietnam Green Lotus Label***

The Sustainable Tourism Green Lotus Label (in short the Green Lotus) is the label granted to the tourism accommodation service providers (TASP) which satisfied the criteria for environment protection and sustainable development. The certified TASP is required to ensure the criteria on environmental protection and the efficient use of natural resources and energy, contribute to the protection of historical heritages, and the socio-economic development of the localities as well as sustainable tourism development.

Currently, the Green Lotus Label is the sole eco-label programme certifying the tourism service at national scale. The criteria applied in the programme are developed based on the existing requirements and good tourism practices in other regions internationally.

The Green Lotus Label has 5 grades, from 1 to 5 green lotuses. The number of green lotus on the label describes the effort in environmental protection and the contribution to sustainable development of the TASP. The Green Lotus Label is independent from the rate of quality (Tourism Quality Star) which is recognised by the Ministry and the Department of Culture, Sport and Tourism which has already applied.

#### ***The Green Lotus Label***



The objectives of the Green Lotus Label are to:

- Achieve significant improvements in environmental protection practices at tourism attractions;

- Higher effectiveness in protection and conservation of bio-diversity in both land and aquarium environment, in the area where Green Lotus Label certified services providers are located;
- Achieve significant decrease of energy and water consumption rate;
- Promote the use of renewable energy;
- Promote the application of appropriate waste and waste water disposal;
- Enhance the public awareness on the needs and benefits of environmental protection and develop cultural sensitiveness of tourists, accommodation service clerks, and local communities.

## **2.4 The potential to implement SPP in Vietnam**

### **2.4.1 Opportunities**

#### **Legal framework**

Currently, there are many policies, strategies and national plans which have both direct and indirect connection and relation with SCP in general and with SPP in particular. Those strategies and national plans include Green Growth, Green Economy, Environment Protection, Sustainable Development, etc.

At the global scale, the Agenda 21 developed a framework with prioritised objectives including: poverty and hunger alleviation, develop recycled and environment friendly products to replace the polluted products; protect and manage natural resources; which had built a firm foundation for the development of Vietnam Sustainable Development Strategy for the period of 2011-2020. The establishment of a National Council on Sustainable Development and Competitiveness Enhancement according to the Decision no. 641/QĐ-TTg issued by the Prime Minister dated on 31<sup>st</sup> May 2012 also created a forum to exchange ideas and interact between the ministries, sectors on the fundamental requirements for sustainable development.

The National Strategy on Environment Protection toward Sustainable Development established a baseline for promoting sustainable development in the environmental pillar. The Government also made positive moves in this issue by issuing a variety of legal documents, laws and regulations concerning sustainable development, especially sustainable consumption and production. The most noticeable legal documents in this area include: Law on Environment Protection, Law on Goods and Products Quality, Law on Effective Use and Saving of Energy, Law on Consumer Protection. As an example, the Article 141 in the Law on Environment Protection assigned to the Ministry of Natural Resources and Environment the task of developing and implementing the policy, strategy and a national plan on SCP. Also in this Law, the article 44 indicates that the State should prioritise the using of eco-friendly products according to current legislative documents. Beside the legal documents, many national plans and programmes related to environment protection have been developed and put into implementation, namely the National Programme on Cleaner Production in Industry toward 2020; the National Strategy on Green Growth for the period of 2011-2020; the Science and Technology Development Strategy for the period of 2011-2020; the Resolution on Industrialisation of Rural Area; especially the National Programmes on Sustainable Consumption and Production (NPSCP) for the period of 2011-2020, which is currently under development by MONRE and MOIT and which will then be submitted to the Government for approval.



The NPSCP for the period of 2011-2020 (draft) is an initiative which was supported by the United Nations Environment Programme (UNEP). This national programme is in line with the Strategic Orientation on Sustainable Development and the Law on Environmental Protection. The overall objective of this programme is to establish an SCP model which will best suit the Vietnamese social and economic context, and will contribute to the sustainable development of the country. Four prioritised areas with 10 specific activities were proposed in the NPSCP. The four prioritised areas include: Promote the use of environment friendly goods and services; provide sufficient information for consumers; promote green purchasing; and raise public awareness on SCP. This program is now under construction and consultation with related ministries and sectors.

The current legal framework and legislative regulations created great opportunities to promote the implementation of SCP in general and SPP in particular. The Government had approved the public expenditure for many environment programmes on energy saving, waste processing works construction, annual budget for environment protection activities and programmes on climate change adaptation. In particular, the activities such as developing sustainable production model in industry, designing sustainable products have been initially carried out, but at project scale or piloting level, mostly funded by international agencies namely UNEP, UNIDO, DANIDA, EU, etc. At the national level, a number of national plans and programmes have been also developed and started to be implemented nationwide, including Green Label Programme (MONRE), Energy Efficiency Label Programme (MOIT); Eco-Tourism Label (Vietnam Tourism Administration).

Most importantly, the Institute of Strategy and Policy on Natural Resource and Environment (under MONRE) is currently developing the Law of Green Purchasing. As planned, this Law will be issued in 2015, expecting to be followed by a Circular of Instruction in 2017. Although this Law is now under development phase, it obviously showed the great efforts of the Government in promoting the implementation of sustainable procurement and green purchasing in Vietnam.

### **Procurement procedure**

Sustainable Public Procurement has great potential of implementation at the moment, in the context of centralised public procurement according to the Decision no.179/2007/QĐ-TTg dated on 26<sup>th</sup> November 2007 issued by the Prime Minister. This approach was expected by the Government to help preventing corruption, practicing saving, ensuring the complexity and modernity of equipment and goods; and also helps to reduce the workload for procurement officers from Central Agencies. The fact that a sole agency is responsible for public procurement also creates good opportunities for mobilising resources for capacity enhancement. As already mentioned earlier, the professional training, capacity building courses on public procurement, purchasing, bidding and contracting is centrally managed by this agency which gives a high potential for the integration of training modules focusing on the identification, development and mainstreaming of sustainable criteria in procurement documents.

During the interviews, representatives of Central Agencies, State owned Enterprises and especially the representatives of state management agencies on public procurement management (Department of Procurement Management, Bidding Review) all stated that the integration of sustainable criteria into public procurement is of great necessity, and also expressed their support in promoting SPP in Vietnam. While environmental aspects are yet to be integrated in public tenders, social aspects have already been taken into consideration (gender equality, people with disabilities, ethnic minorities).

#### **2.4.2 Obstacles**

Despite the great opportunities as mentioned in the previous part, the implementation of SPP in reality in Vietnam is still facing many obstacles.

##### **Low enforcement of legal frameworks and insufficient coordination between relevant public bodies**

It has to be acknowledged that a lot of policy and legal documents relate to sustainable development in Vietnam, which in turn creates a favourable context for the environmental protection. This also creates good opportunities for the implementation of SCP and SPP. However, the low inter-governmental coordination and the lack of implementation by national authorities of the legal documents (laws, decisions, circulars) has become one of the most significant obstacles for the implementation of SPP in particular, and the implementation of SCP in general. The major reason for to this low implementation of the various legal frameworks is the lack of legal requirement for the tenderers to conduct a Life Cycle Assessment of their products while participating in the public procurement bidding.

It is also important to acknowledge that, in Vietnam, a Law is officially put into implementation when an instruction document is issued. This instruction document can be issued by 2 levels: through a Decree of the Government and a Circular of the concerned Ministries. EIA is regulated by the Law of Environment Protection, while the procurement procedures and mechanisms are regulated by the Law on Procurement. Currently, there is no point, clause or article in these two Laws indicating that environmental protection measures, sustainability standards, and environmental impacts have to be integrated in the awarding criteria during the evaluation and selection of tenderers. The environment criteria are now considered as non-obligator and are often neglected in many cases.

The implementation of SPP, specifically the integration of sustainable criteria (i.e. EIA) in procurement procedure, needs a stronger and closer coordination between relevant ministries and sectors (e.g. MPI and MONRE). A legal document addressing this gap needs to be issued in the near future, by the Government or at least at inter-ministerial level involving both MPI and MONRE, with participation from MOF, MOIT. The Law on Green Purchasing is now under development by MONRE and is expected to enable a tighter partnership between MPI, MONRE and other ministries to promote SPP in Vietnam.

The loose connection and interaction between legal documents, as well as the low cooperation and coordination between relevant Ministries, became huge problems

constraining the introduction of SPP. The procurement activities in general and centralised public procurement in particular are currently managed by the Department of Procurement Management (MPI). Meanwhile, the environment protection activities are mostly managed by the Vietnam Environment Agency and other agencies under MONRE. The eco-labels are also managed separately by different sectors (e.g. Green Label under MONRE, Energy Efficiency Label under MOIT with low coordination and lack of a national platform/programme on eco-labelling. The low coordination of all above ministries and sectors are creating many difficulties to integrate the sustainable criteria into public procurement procedure.

### **Resources for SPP implementation**

The experience from international donors and organisations showed that the implementation of environment protection regulations requires additional resources, including human and financial resources. Vietnam lacks both resources. In the case of public procurement, there is no additional budget for SPP implementation as well as a low awareness and capacity on how to integrate sustainable criteria into public procurement.

Almost all of the procurement officers of Central Agencies expressed their concerns about the following issues:

- The technical specifications of products to be purchased by the central agencies have been developed mostly based on financial and quality terms. The environmental and social impacts have not been considered as the major criteria for tenderer selection even though some “user-friendly” and energy saving criteria have been initially integrated (i.e. non-toxic cleaning goods and services; eye-protection light balls; electric saving equipment, petrol saving vehicles). Those criteria are only applied by the buyers where direct purchasing or self-procuring mechanisms are used.
- The procurement officers of all organisations have participated in training courses on procurement, bidding and contracting delivered by training organisations specialised in public procurement and certified by the Department of Procurement Management. However, the contents of those training courses were limited in the scope of instructing procurement procedure and related legal documents. The contents on SPP introduction, integrating sustainable criteria into public procurement were not covered in the training courses. Although the procurement officers expressed their awareness on the importance of environment protection and the interests in implementing SPP, there is no instruction on integrating sustainable criteria into public procurement available for referencing.
- The cost for applying SPP is perceived as being much higher than the procurement of conventional products and services currently conducted in the central agencies’ offices. All of the interviewees raised the ideas that sustainable or eco-friendly products have higher prices than the conventional ones. This could be of great impact to the annual expenditure plan of their agencies and might create more work for the budget planners.

### **III. Conclusion and Recommendation**

#### **3.1 Conclusion**

The initial efforts of the Government of Vietnam and related ministries on introducing sustainable public procurement and raising awareness on this matter, through both direct and indirect approaches, are remarkable and have achieved initial results. Among the government agencies, MONRE is the leading institution to promote the implementation of SPP in Vietnam, through conducting many researches, projects, as well as managing the Green Label Program at national level. A variety of national plans, programmes also illustrated the great efforts of the Government in sustainable development, covering or relating to the SCP and SPP activities. Many international organisations and donors (i.e. UNEP, UNIDO, DANIDA, EU) also committed their supports in capacity building and technical advisory to introduce and promote the implementation of SPP and develop the national eco-label programme for Vietnam.

In the procurement practices and procedures aspect, the regulations on creating priorities for enterprises applying social criteria (gender equality, job creation for people with disabilities, ethnic minorities) were stated in the Law on Procurement to implement in public procurement. Meanwhile, the environment protection criteria are currently applied for the energy saving products (light balls, lighting system, office facilities and equipment and transportation vehicles).

Although having numerous opportunities, Vietnam has still been facing many obstacles and difficulties which constrain the implementation of SPP. Firstly, the lack of harmonization between legal documents led to the low coordination and cooperation between ministries responsible for procurement and environmental affairs (MPI, MONRE) and other related ministries (MOF, MOIT, MOST). The awareness and capacity of procurement officers on SPP are still very low. The training material on SPP, with contents on integrating sustainable criteria into public procurement has not been comprehensively developed.

#### **3.2 Recommendation**

SPP has a great potential for implementation through the amendment of existing laws or the development of new legal document defining a comprehensive division of roles within the Government, guaranteeing a close coordination and cooperation between related ministries and sectors. Specific clauses to instruct the implementation of SPP also need to be developed. In order to do this, in the short-term, a research to review the current legal framework of public procurement, sustainable development and related fields should be conducted to understand the current status of the legal system and identify the potential legal entry points to promote SPP. This legal study will focus in particular on the Law of Green Purchasing which is currently being developed by the Ministry of Natural Resources and Environment (MONRE) and will be issued in the course of 2015.

A programme to introduce and promote SPP at national level should be developed and carried out including communication activities to raise awareness, enhance capacity for procurement officers, and develop a training material which instruct the integration of

sustainable criteria into public procurement. The existing eco-labels programmes (Green Label, Energy Efficiency Labels, and Green Lotus for Tourism) also need to be widely introduced and integrated in the SPP programme. The Sustainable Public Procurement and Eco-labelling project (SPPEL) led by UNEP, in the context of which this Status Assessment report is being produced, will aim at addressing this recommendation.

Regarding the tenderers side, the goods/service providers need to raise their awareness on SPP and offer products and services with sustainable technical specifications to respond to the demand of the public sector. The producers need to update the technical requirement of products from the buyers side, of which the current technical specification for current eco-labels (i.e. Green Label) could be used as a reference for innovation. The innovation of the producers could be the production of new (sustainable) products; or the use of new (sustainable) ways of producing (material, technology). The promotion of such initiatives from the private sector is of great importance and needs further support from the Government, through a financial subsidy mechanism, by raising the businesses awareness about sustainable production practices, and mostly by developing a public demand of sustainable goods and services, and thus preventing the dependency on international markets.

## Reference

1. Hoang Xuan Ty, Do Hong Anh and Oshani Perera (2009). Sustainable Public Procurement Preparedness Assessment in Vietnam: A reference to the timber industry. IISD.
2. Law on Procurement 2005. No. 61/2005/QH11.
3. Law on Procurement (revised) 2013. No. 43/2013/QH13.
4. Decree no.58/2008/ND-CP dated on 05<sup>th</sup> May 2008 issued by the Government on “Instructing the implementation of the Law on Procurement upon the selection of construction contractor according to the Law on Construction”
5. Resolution no. 10/2011/QH13 on the Socio-Economic Development Plan for the 5 Years Period of 2011-2015.
6. Nguyen Thanh Lam (2013). Promotion of Sustainable Public Procurement in Vietnam. Institute of Strategy and Policy on Natural Resource and Environment. ISPONRE.
7. Decision no.179/2007/QD-TTg issued by the Prime Minister dated on 26<sup>th</sup> November 2007 on “Issue the regulations on goods purchasing and procuring with state budget following the centralised approach”
8. Circular no. 63/2007/TT-BTC dated on 15<sup>th</sup> June 2007 issued by Ministry of Finance on “Instructing the implementation of good purchasing and procurement to maintain the regular operation of state organisations with state budget”.
9. Circular no.131/2007/TT-BTC dated 5<sup>th</sup> November 2007 on “Justification and amendment of the Circular no.63/2007/TT-BTC dated on 15/06/2007 issued by Ministry of Finance”.
10. Tran Hung (2008). National public procurement system assessment report - BLI 2008. Ministry of Planning and Investment.
11. UNEP - Sustainable Public Procurement Implementation Guidelines

## **Annexes**

**Annex 1 - Questionnaire for Procurement Officers of Central Agencies (see attached)**

**Annex 2 - Questionnaire for Good/Service Providers (see attached)**

**Annex 3 - Questionnaire for Steering Committee and State Management Agencies of Public Procurement (see attached)**

#### Annex 4 - List of interviewees

No.	Organisation	Name	Method	In-depth
<b>Steering Committee</b>				
1	Department of Public Properties Management (MOF)	Chu Thi Thuy Chung	Meeting	Yes
2	Vietnam Efficiency Institute (MOST)	Nguyen Thu Hien	Email	Yes
3	Department of Science and Technology (MOIT)	Nguyen Huy Hoan	Meeting	No
4	Department of Science, Education and Environment (MPI)	Nguyen Dieu Trinh	Meeting	Yes
5	Department of Finance (MONRE)		Meeting	No
6	Department of Legislation	Nguyen Hong Quang	Meeting	No
7	Vietnam Environment Agency		Meeting	Yes
<b>Central agencies</b>				
8	Ministry of Agriculture and Rural Development	Ngo Nguyen Nhan	Meeting	Yes
9	Ministry of Health	Nguyen Anh Tuan	Email	No
10	Ministry of Construction	Hoang Manh Linh	Email	No
11	Ministry of Natural Resource and Environment		Email	No
12	Ministry of Education and Training	Nguyen Dinh Manh	Email	No
13	Committee for Ethnic Minority Affair	Vu Huu Hoat	Email	No
<b>State owned enterprises and groups</b>				
14	Vietnam Textile and Garment Group	Nguyen Thu Ha	Meeting	Yes
15	Northern Food Corporation (Vinafood1)	Nguyen Vu Hoan	Meeting	No
<b>Good and service providers</b>				
16	Phillips	Tran Huynh	Email	No
17	Sieu Chung Ky JSC	Phan Quoc Vinh	Email	No
18	Hong Ha stationery (IDB)	Le Thu Trang	Email	No
<b>Public procurement management agencies</b>				
19	Procurement Support Centre	Anonymous	Email	No
20	Procurement Management Department (MPI)	Phan Thi Quynh Van	Interview	Yes
21	Bidding Review	Le Toan Thang	Interview	Yes