



AVPI Policy Briefing

Commercial Collaboration Driving Sustainable Development

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Australia - Vietnam
Leadership Dialogue



Australian Government
Department of Foreign Affairs and Trade



Australia Vietnam
Policy Institute

Australia Vietnam Policy Institute (AVPI)

The AVPI is the first policy institute focused on Australia's relationship with Vietnam, acting as a partnered public policy hub centred around engagement, collaboration and impact.

The AVPI enables and facilitates discussions on strategic and economic issues in the Australia–Vietnam bilateral relationship. Through disseminating the latest research, identifying upcoming trends and sharing practical insights from people with on-the-ground experience, the AVPI helps to advance a cooperative and secure environment for business and investment.

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Vietnam Sectoral Dialogues

Roundtables Series

Commercial Collaboration Driving Sustainable Development

Wednesday 20 July 2022 – Hosted Online (via Zoom)

The AVLD-AVPI roundtable brought together business, technology and start-up leaders from Australia and Vietnam to discuss areas of collaboration, with the aim to stimulate more commercial opportunities between both countries which are aligned with the United Nations Sustainable Development Goals (SDGs). The cross-sectoral discussion explored approaches for developing a shared vision for long-term sustainable growth with a new partner in a commercial collaboration. Views on adopting voluntary standards and principles that go beyond compliance were exchanged, followed by a discussion on communicating to stakeholders about the importance of inclusive and sustainable business development.

Areas covered included, but were not limited to, sustainable food production and agriculture, blue economy, and technologies supporting environmental sustainability and social inclusion. Based on the discussion, the areas of sustainable growth, commercial collaboration and social enterprise emerged as key opportunities for sustainable commercial collaboration in the Australia-Vietnam relationship. This policy brief further explores these themes in the context of sustainable frameworks including the SDGs and highlights practical case studies exemplifying sustainable commercial collaboration in the bilateral relationship.

KEY THEMES



SPEAKERS

Louise Tran

CEO and Founder, OzHarvest & AVLD Alum

Dr Kim Wimbush

Aus4Innovation Program Director, CSIRO & Vietnam CSIRO Counsellor

Dr Lyndal Hugo

CEO and Founder, Orlar

Han Tran

Senior Project Officer, UNESCO Vietnam

Huyen Luong

CEO and Founder, EcoVietnam

William Taing

Co-Founder and Director, Beanstalk & AVLD Alum

MODERATOR:

Jana Phan, PhD

Director – Stewardship and Sustainability Policy, CropLife Australia & AVLD Alum

Developing a Sustainable Shared Future

The biggest challenge that lies ahead for countries across the globe, including Vietnam, is to build a future that fosters economic growth which is inclusive and sustainable.

Economic growth as measured by Gross Domestic Product (GDP) or GDP per capita indicates rising prosperity of a nation and its ability to invest in physical and social infrastructure for continuing growth and flourishing.

There is a growing appreciation by governments and multinational organisations to take a more holistic view and approach towards economic growth, augmenting purely financial or economic measurements with other measures, such as life expectancy, life satisfaction and well-being.

Further to this, inclusive economic growth focusses on the pace, pattern and structure of economic growth. It incorporates a wider lens and approach towards economic growth that is broad-based across sectors, and inclusive of whole sections of the country's labour force. Inclusive economic growth works towards narrowing inequalities among genders, ages, ethnicities, family backgrounds, and geography. Sustainable economic growth builds on these frameworks and focuses on environmental resilience, reductions in climate risk and intergenerational fairness and equitable outcomes².

Sustainable Development

The United Nations Commission on Environment and Development (the Brundtland Commission) defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”³.

The Brundtland Report, released in 1987, established a platform to develop the concept of sustainable development and provided guiding principles for its implementation across the globe.



¹. “Can Tourism Promote Inclusive Growth? Supply Chains, Ownership and employment in Ha Long Bay, Vietnam”, *The Journal of Development Studies*, (2018).

². “Our future lives and livelihoods: Sustainable and inclusive and growing”. McKinsey and Company, (2021).



Sustainable Development Goals

In 2015 the United Nations and its 193 member countries adopted the ambitious Sustainable Development Goals (SDGs) – a 15-year plan that addresses 17 global and interconnected issues, including the reduction in poverty and hunger, putting an end to discrimination and preventing the long-term consequences of climate change³.

They (SDGs) seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.

National governments; multinational organisations; small, medium and large businesses and not-for-profit organisations; universities; and local communities have engaged with the SDGs across the globe to promote sustainable growth and a bright future. Both within Vietnam and Australia, individuals and organisations are using SDGs to locate and guide their visions for their communities at a local and a global scale.

³. [“Report of the World Commission on Environment and Development: Our Common Future”, United Nations, \(1987\).](#)

What does it mean in Vietnam?

Vietnam has registered impressive economic growth since the induction of Doi Moi economic reforms in 1986 with an annual average growth rate in real GDP per capita exceeding 5% for the period 1986–2020. Vietnam has also proven to be resilient to Covid-induced shocks, maintaining a growth rate of 2.9% in 2020. This rapid economic growth has resulted in substantial decline in poverty with headcount poverty rates⁴ falling from a high of 94.3% in 1992 to 22.7% in 2018. The remarkable economic growth of Vietnam has also remained largely broad-based, accompanied by falling income inequality as measured by Gini coefficient. Though, the Gini coefficient, overall, has fallen from 0.43 in 2016 to 0.37 in 2020 regional and rural urban differences continue to exist.

The two major economically developed regions of the country Red River Delta and the Southeast recorded larger declines in income inequality compared to Northern Mountains, North Central Coast, and Central Highlands, where ethnic minorities tend to live. **The gap between the lowest and highest income groups have declined over the years for urban areas and continues to rise for rural areas⁵.**

Vietnam is also highly susceptible to climate change due to its location, long coastline, large river deltas and dependence on climate change vulnerable sectors such as agriculture. Vietnams natural resources and inter-country environment will face increasing pressure as economic growth continues and the population becomes more affluent and increases consumption.

The main hurdles towards achieving inclusive economic growth in Vietnam remain unequal benefits of urbanisation, limited livelihood opportunities for people in remote and rural areas, inequitable access to social services, and weaknesses in public financial management and accountability⁷.

Currently, there are government programs designed to overcome these hurdles, such as the Australian Embassy Vietnam program ‘Investing in Women’, which provides support to businesses to improve their workplace gender equality policies and practices, increase impact investment in women-owned small and medium enterprises, and support local organisations to influence attitudes to workplace gender equality. However, more commercial collaborations, both domestically and across the bilateral relationship, are required to address these challenges and drive inclusive growth for mutual benefit.

⁴. Poverty headcount ratio is the percentage of the population living on less than \$5.50 a day at 2011 international prices.

⁵. General Statistics Office, “The trend of inequality in income distribution in Vietnam 2016–2020 period”, Vietnamese Government, (2021).

⁶. “Inclusive and sustainable growth assessment Vietnam 2016–2020”, Asia Development Bank, (2020).

Orlar

Orlar is an agritech company founded in Vietnam in 2017 with an innovative new vertical greenhouse farming method.

Orlar was founded by Dr Lyndal Hugo, an Australian with a background in Argoscience, a PhD in environmental chemistry from Sydney University and a post-doctoral fellowship on pesticide residues in Southeast Asian food chains.

Orlar has glasshouse farms in Vietnam's central highlands which contain vertical farming pods filled with a patented Australian rock medium. The rock promotes the growth of 81 species of microbes to enhance the growth of lettuces, tomatoes, edible flowers and other fruit and vegetables.⁷ This allows Orlar to supply locally grown, pesticide-free produce and vegetables with minimal environmental footprint.



Orlar is a fantastic example of Australian ingenuity, innovation and business experience, being harnessed in Vietnam through commercial collaboration and partnership for mutual advantage.

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“I knew there was a massive need for clean food in Vietnam and other developing nations. We could have made more money a lot faster elsewhere, but we could not have had the same impact and created the same long-term goodness that we have here. We didn’t want to just make the best food. We came here to build a clean, affordable, ethical, sustainable, fresh food company that creates jobs and invests in people”

– Dr Lynda Hugo⁸

⁷. [“Vietnam based Australian company Orlar is making a big impact in sustainable agriculture”, AusCham \(2020\).](#)

⁸. [“The Orlar ESG Dashboard”, Orlar International.](#)

How does adopting voluntary standards help with sustainable growth and what are they

Voluntary Sustainability Standards (VSS) are private standards that require products to meet specific economic, social, and environmental sustainability metrics.

Organisations individually adopt VSS certifications and labels to indicate the successful implementation of VSS and differentiate products and services at market.

VSS requirements are not standard and can vary significantly within and between industries and countries, mainly because VSS are mostly designed and marketed by NGOs or private firms. In a recent report by United Nations Conference on Trade and Development (UNCTAD), European University Institute and others suggests that generally VSS standards are aligned with a few of the United Nations' Sustainable Development Goals (SDGs).⁹

The market for VSS certified goods and services remains centred in Europe and North America, fuelled by the increased demand for sustainable exports from developing countries¹⁰. This demand highlights why the most used VSS apply to agricultural commodities such as coffee, cocoa, tea, bananas, sugar and cotton that are being exported by developing countries.

The Unilever Sustainable Agriculture Code is an example of a private company with company led standards. Unilever defines these standards as 'a collection of Good Practices which aim to codify important aspects of sustainability in farming and to apply them to our Supply Chain'¹¹. This Code is evaluated by Unilever themselves and a second party. It differs from a non-government organisation (NGO) led initiative such as Rainforest Alliance, whose Certification Program is a set of standards adopted by many organisations who wish to be recognised for their sustainable supply chains¹².

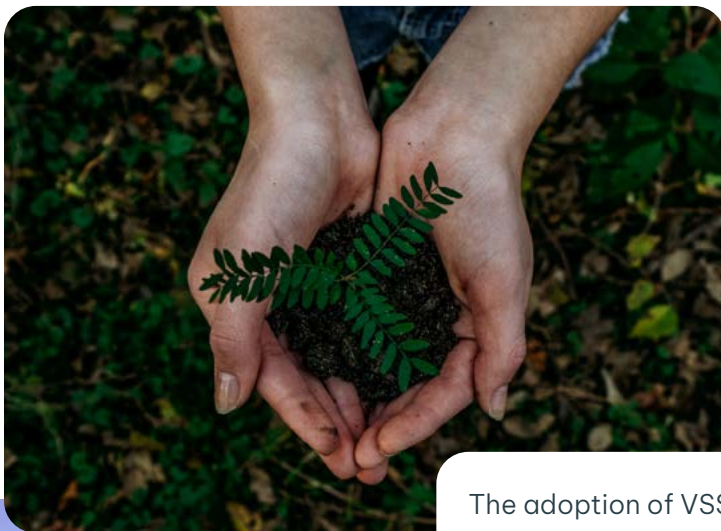
⁹. "SDGs-aligned voluntary standards promote sustainable production, trade: UNCTAD, Partners Report." United Nations, (2020).

¹⁰. "Framework For The Voluntary Sustainability Standards Assessment Toolkit." UNCTAD (2020).

¹¹. "Sustainable Agriculture Code 2017." Unilever, (2017).

¹². "Why Certification." Rainforest Alliance, (2022).





The adoption of VSS allows consumers to make more informed choices and motivates them to support organisations who adhere to a sustainable supply chain. They have the potential to capture a growing market share of socially and environmentally conscious buyers, as well as secure the next generation of their workforce, with some academic evidence suggesting that graduates are interested in working for firms that catalyse positive societal changes in conjunction with growth and profit maximisation.¹³

One of the biggest potential problems with VSS adoption from the viewpoint of consumers is SDG-washing or ‘green-washing’. This is the practice of businesses pointing out the ways in which they align with the SDGs without making a meaningful contribution to them.¹⁴ Consumers are increasingly becoming aware of ‘green-washing’, which can potentially reduce the potential commercial benefits of VSS adoptions. Showcasing action and change as part of an organisations’ corporate social responsibility (CSR) is crucial to the success of any VSS-related corporate strategy and there is evidence to suggest that genuine CSR can lead to increases sales and profitability.¹⁵

For Australian firms operating in Vietnam, a credible VSS strategy should focus on addressing societal issues broadly recognised as important in Vietnam. For instance, since Doi Moi, inequality has increased in Vietnam with certain parts of the population benefitting more than others from the opportunities generated by globalisation. For example, VSS strategies in Vietnam that focus on inclusivity of marginalised communities in some rural areas can showcase real commitment to using corporate activity to catalyse change. These commitments need to be carefully documented to showcase to potential buyers a commitment towards achieving the SDGs.

^{13.} Barrena-Martínez et al. (2014). “Corporate Social Responsibility in the Process of Attracting College Graduates.”

^{14.} “How can investors move from greenwashing to SDG-enabling?”, United Nations, (2020).

^{15.} Lee, K. H., & Shin, D. (2010). “Consumers’ responses to CSR activities: The linkage between increased awareness and purchase intention” (2014)

Social Enterprise

There is a growing movement of social enterprises who are stepping up to address social, environmental, cultural and economic challenges in Vietnam. Going one step further than implementing Voluntary Sustainability Standards (VSS), these enterprises aim to generate financial profit with the purpose of addressing local, domestic or global issues.

Social enterprises can be both for and not-for-profit organisations; it is the final use of surplus capital (profit) that dictates whether an organisation can be thought of as a social enterprise.¹⁶

Vietnam is demonstrating an enthusiastic approach to fostering new structures of entrepreneurship and tackling persistent social, environmental and economic issues.

In 2014, the Vietnamese Government created a new business structure specifically for social enterprises. The legislation prescribes that to be classified as a social enterprise the key objective of the organisation must be to resolve social or environmental problems, or service public interests; with at least 51 per cent of annual profit used for reinvestment to service the social, environmental purposes as registered.¹⁷

This classification provides a clear signal to the market, both consumers and other businesses, that a social enterprise in Vietnam is certifiable through the existing regulatory and governance frameworks of the state. The classification may also prove to be an advantage to entrepreneurs when seeking licences and certifications from the Vietnamese Government; and allows for distinct forms of funding, sponsorship and investment from Vietnamese and foreign individuals, enterprises and NGOs to cover operational and administrative costs.¹⁶



The Vietnamese social enterprise sector has been steadily growing and is an important part of the start-up ecosystem.¹⁷

The Australian Government should assess this innovation in structure for its ability to foster a social enterprise industry in Australia. Currently, most social enterprises are classified as not-for-profits or are for-profit enterprises that seek other forms of classification and assessment, such as VSS.

¹⁶ British Council Vietnam, “Social Enterprise in Vietnam”, British Council, (2012).

¹⁷ British Council Vietnam, “Social Enterprise in Vietnam”, British Council, (2019).

BUSINESS CASE STUDY

VietHarvest

VietHarvest is a social enterprise founded in 2020 that redistributes quality surplus food to underserved communities in Vietnam, while educating the community about food waste, food security, and sustainability.

VietHarvest was inspired by the model of Australia's OzHarvest, a leading food rescue organisation that redistributes food going to waste and delivers it to charities that help feed people in need.¹⁸ OzHarvest has a strong influence on its Vietnamese counterpart, with OzHarvest CEO and Founder, Ronni Kahn AO sitting on VietHarvest's Advisory Committee

OzHarvest and VietHarvest offer an example how Australia and Vietnam can learn from one another and that some social enterprises have the opportunity to work across both countries. However, it's important to note that you can't just 'copy and paste' an Australian business model and expect it to operate successfully in Vietnam.

Understanding the local context, establishing on-the-ground relationships and being sensitive to the needs of the community you are working in are critical to the success of a social enterprise, not just in Vietnam, but any country.



¹⁸. "Who we are", VietHarvest, (2022)

Emerging Insights

Sustainable development supports a more balanced approach to growth that progresses development across three underlying pillars: social inclusion, environmental sustainability and economic prosperity¹⁹.

Sustainable growth is vitally important to the future of Australia and Vietnam

Sustainable growth is building momentum globally, with increased awareness and urgency around the SDGs leading more businesses to focus on models that are both good for people and the planet. Technology is accelerating this shift, highlighting the role digital innovation plays in addressing real challenges such as food waste, and sparking opportunities like greenhouse vertical farming. As Australia and Vietnam continue to deepen bilateral ties and focus on strengthening two-way trade and investment, it is commercial arrangements based on best practice that will promote sustainable growth. Vietnam's willingness to lean into partnership and ambiguity creates opportunities for sustainable collaboration that Australian businesses and entrepreneurs can tap into. More robust commercial collaboration utilising networks such as AVL D is needed to continue driving sustainable growth and support shared sustainable impact goals across the bilateral relationship.

Social enterprises provide a new framework for innovation and collaboration

Social enterprises present a new breed of business leaders and entrepreneurs who understand the need for sustainable approaches across the value chain and prioritise building community-led approaches, equitable pathways to technology adoptions, and shared ownership models that empower communities.

Through adopting voluntary standards of sustainability and communicating the importance of inclusive and sustainable business development to stakeholders, organisations can lead the way forward and become ambassadors for sustainable growth.

There are many opportunities to build better connections between Australian and Vietnamese social enterprise networks through senior government engagements and the inclusion of social enterprise leaders in country business and trade tours. Fostering intentional two-way engagement of this nature will enable Australia and Vietnam to collaboratively leverage system-thinkers that understand what is needed to build a shared sustainable economy and ecosystem.

¹⁹ United Nations Brundtland Commission, "Report of the World Commission on Environment and Development: Our Common Future", United Nations, (1987).



Soft skills are critical for fostering sustainable commercial partnerships

Soft skills such as resilience, empathy and cultural consciousness are incredibly important when collaborating across borders.

To successfully foster commercial collaborations for sustainable growth, it is critical to build networks based on shared missions and purpose in Vietnam. Take a long-term view and develop trusting partnerships.

Small gestures of partnership go a long way, such as learning some conversational in-country language; or seeking to understand the rhythms of the country or local community where you are conducting business, including significant holidays and cultural events. To succeed in Vietnam, there is a need to spend time in market to understand and empathise with local challenges. Make an effort to show how your solution will make a positive difference to the local community and invest in building the relationships that will help make that difference a reality.

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