

Sustainable Public Procurement Preparedness Assessment in Vietnam: A reference to the timber industry

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Table of Contents

Acknowledgements.....	1
Executive Summary.....	2
Background.....	3
1.0 Introduction.....	8
1.1 National Background of the Study.....	8
1.2 Aims and Objectives of the Study.....	9
1.3 Methods.....	10
1.4 Structure of the Report.....	11
2.0 How Public Procurement is Organized and Conducted in Vietnam.....	13
2.1 State Budget Spending Plan.....	13
2.2 Public Procurement of Assets and Merchandise.....	13
2.3 Public Procurement of Works and Constructions.....	18
3.0 Opportunities for SPP in Vietnam.....	23
3.1 Legal System.....	23
3.2 Procurement Process.....	29
3.3 Market Readiness.....	30
4.0 Hurdles for SPP in Vietnam.....	32
4.1 Legal System.....	32
4.2 Procurement Processes/ Capacity and Resources.....	33
4.3 Market Readiness.....	34
5.0 The Timber Industry.....	35
5.1 Major Features of the Timber Industry.....	35
5.2 Opportunities and Hurdles for SPP in the Timber Industry.....	36
6.0 International Donors' Perspective.....	38
7.0 Outcomes of the Brainstorming Session.....	40

7.1 SPP Preparedness Assessment Report and Brainstorming Session	40
7.2 Dialogues with Trust Fund for Forests' Project Managers and Procurers	42
8.0 Conclusions	44
9.0 Additional Recommendations for Enabling SPP in Vietnam.....	47
9.1 General Recommendations	47
9.2 Specific Recommendations for Next Steps	48
Annex 1 – Legal listing, Process Flow	50
Annex 2 – International Donors' Interviews.....	58
Annex 3 – List of Stakeholders Consulted.....	65
Annex 4 – Brainstorming Session on SPP	69

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Executive Summary

This report provides the findings of the Sustainable Public Procurement (SPP) preparedness assessment carried out in Vietnam among government agencies, international donors and the private sector. It also provides recommendations and suggestions for a plan to introduce and implement SPP as well as further steps that could be carried out immediately, given the present conditions and context.

The public sector is a very large and diversified enterprise that spends 45–65 per cent of its various budgets on procurement. Public procurement is thus an influential vehicle for governments to lead by example and “walk the talk” on sustainable development. If governments make a concerted effort to purchase environmentally-friendly and socially-preferable products and services, their substantial buying power will drive the delivery of sustainable development policies and stimulate the market for sustainable products and services.

SPP concerns those laws, policies and practices necessary to include environmental and social criteria into public procurement procedures and decisions in order to create value for government, the economy, society and the environment.

In this executive summary, we will present the national context and background of the study, the brief findings of the SPP preparedness assessment in Vietnam and the recommendations for an action plan.

Background

In the last 20 years, Vietnam's economy has shifted from a centralized command-based economy to a socialist-oriented mixed market. In doing so, it has grown quickly, with an average annual growth rate of over eight per cent from 2004 to 2007. Vietnam also became a member of the WTO in January 2007.

The governing Party has determined and is committed to a strategy for economic and social development, with the aim of fostering rapid, effective and sustainable development, with economic growth being accompanied by social development and equality and the protection of the environment.

The Vietnamese Ministry of Agriculture and Rural Development (MARD) is responsible for the development of the agriculture sector, which currently consumes 70 per cent of Vietnam's labour force and makes up 22 per cent of its GDP, including a significant contribution of its export volume (which itself counts for 72 per cent of GDP). This sector, however, is also vulnerable to globalization and the potential for environmental degradation.

The International Institute for Sustainable Development (IISD) is an international policy think tank that promotes sustainable development across several portfolios—international trade and investment, economic policy, climate change, measurement and assessment, and natural resources management.

IISD and MARD collaborated to carry out an assessment of Sustainable Public Procurement (SPP) preparedness in Vietnam with a specific focus on the timber industry (which is under the management of MARD).

The specific aims and objectives of this study were to:

1. Understand the procurement process in Vietnam at different levels (central and provincial) and for different types of procurement (merchandise, service and commissioning) and to understand the criteria used to make decisions.
2. Review the prevailing legislative framework on sustainable development and procurement and identify provisions through which SPP may be legitimized in Vietnam.
3. Identify opportunities and hurdles for enabling SPP in Vietnam.
4. Review the timber industry in Vietnam and the extent to which it could serve as an entry point to introduce SPP.

5. Make recommendations on legislative, regulatory or soft way upgrades that may be needed to support and promote SPP;
6. Define potential government and non-government stakeholders that would provide leadership in promoting SPP in Vietnam.

Findings

General findings of this study are:

- The Leading Party and the Government of Vietnam have given sustainable development a high profile on the political agenda and are taking specific actions to implement the Sustainable Economic and Social Development Strategy for 2001–2010 contained in the Report of the Ninth National Congress of the Communist Party of Vietnam in April 2001.
- The legal system of Vietnam has covered sustainable development issues well: in addition, Vietnam is going to launch new laws to regulate environment protection activities.
- There are already SPP initiatives being applied by the government agencies.
- There are hurdles for implementing and complying with the legal system with regards to environment protection; there is an urgent need for further guidelines and instructions to aid in implementing the laws.
- There is a need to enhance communication between the government and the private sector in order to better introduce this new policy and initiative.
- The government needs support from international donors to help develop new laws and train procurers of government services on implementation of this new initiative.

The specific findings of this study include the opportunities and challenges facing SPP implementation in Vietnam. Specific opportunities for introduction and implementation of SPP in Vietnam are aligned with the enforcement of the existing laws, regulations, policies, and action plans, especially those relating to environmental protection, energy saving, sustainable development and response to climate change. These opportunities provide room for a synergistic effort for SPP and include:

- The preparation and launch of the Law on Green Procurement in 2015 followed by the introduction of an instructive decree in 2017.
- The launch of the Law on Energy Saving by the end of 2009.
- The implementation of Decree 102/2003/ND-CP regarding energy saving and efficient use of energy, Decision 79/2006/QĐ-TTg approving the National Target Program for Energy Saving and Efficiency, Circular 142/2007/BTC-BCT instructing the use and management of the state budget for public administrative works towards the National Target Program for Energy Saving and Efficiency;

- The budget planning process directed to include environment criteria in spending planning.
- The Prime Minister's direction and orientation for a centralized purchasing method (Decision 179/2007/QD-TTg) which helps make the volume of orders large enough for SPP to benefit from pricing discounts;
- Introducing SPP involves market communication, including publicizing policies, standards, specifications, purchasing processes and contract award conditions, which will complement the implementation of the Law on Prevention of Corruption.
- The Prime Minister's Decision No. 153/2004/QD-TTg, publicizing the strategic orientation for sustainable development in Vietnam which implements Agenda 21 in Vietnam (the main features of which include sustainable development components) is aligned with implementation of SPP.
- The Law on Environment Protection and its instructive decrees are strong measures to enforce environment protection, especially the strategic environmental assessment (SEA) and environmental impact assessment (EIA) processes, as well as the requirement for efficient use of natural resources, including natural forests and waste management.
- The Decision No. 58/2008/QD-TTg for waste treatment of public service organizations: hospitals, dumping grounds, pesticide warehouses, chemical warehouses left by the American Army and public waste treatment works.
- The annual state budget for environment protection announced by the Ministry of Finance;
- The government agency for procurement management (the Department for Bidding Management under the Ministry of Planning and Investment) which serves as the hub for training courses and issuing certificates on bidding organization for procurers, at which the training curriculum could be improved to include SPP content.
- The timber and wood processing enterprises are capable of supplying sustainably produced products (with certificates and proofs of the origin of the wood) provided the order volume is large enough to be profitable for delivery.

The hurdles stem from the lack of compliance, which is a result of limited resources for proper implementation of the laws, lack of expertise and a minimal budget for enforcement. Specifically, these hurdles include:

- A lack of connection between the laws and limited collaboration between ministries to incorporate environmental protection criteria in the procurement process.
- Few specific guidelines for SEA/EIA methods for the economic development plans and investment projects with large environmental impacts.
- A lack of environmental labels and guidelines to help the market identify environmentally-preferable products and services.

- Limited human resource capacity with training in SPP implementation. In order to implement SPP, there is a need for sufficient numbers of workers with training in SPP who will develop the process and supervise the implementation.
- The initial purchasing costs of SPP goods and services will be higher than the existing procurement. SPP will be beneficial in the medium term, but it obviously needs extra funding at the initial purchasing point because environmentally friendly products are more expensive than regular products. Given the recent state budget deficit, implementing SPP will create another burden on the budget and budget planning officers.
- There are few green products available on the market at the moment. There are only 200 companies registered to produce “green” products (out of 400,000 companies registered in Vietnam). This creates difficulties for procurers when they decide to buy environmentally friendly products.

Recommendations

The recommendations for SPP implementation in Vietnam are specific suggestions for the next steps which the government can implement immediately. These recommendations include:

1. The complete SPP preparedness assessment needs to be shared with the Ministry of Natural Resources and Environment (MONRE), firstly with the Institute of Strategy and Policy on Natural Resources and Environment (ISPONRE) which is working to launch a green procurement law in 2015. MARD will actively cooperate with ISPONRE to support this process.
2. An early opportunity for testing theory in practice is presented through the Memorandum of Understanding between MARD and the governments of The Netherlands, Finland and Switzerland on the Trust Fund for Forests (TFF). This could include the rollout of early SPP strategies by the TFF administration and the introduction of SPP criteria into the grant contracts of beneficiaries.
3. The early promoters of the SPP, including MARD, MONRE, Greenfield Consulting, and TFF, need to develop additional expertise on SPP. A dedicated expertise-building program is needed to enable these actors to lead voluntary SPP efforts in the run-up to the green procurement law. MARD could collaborate with donors and IISD to fund and design such a program.
4. MARD could explore collaboration with The Ministry of Planning and Investment through the Department of Bidding Management to introduce a dedicated module on SPP to the public procurement and bidding training course for public sector procurers. This course is conducted by the Department of Bidding and by external training institutions that are accredited by the Department. The curriculum is developed by the department.

5. International donors could collaborate with MONRE (and subsequently MARD) to strengthen the legal guidance provided on the prevailing mandatory requirements for EIAs and SEAs for new investment and construction projects as stipulated in the Law on Environment Protection No. 52/2005/QH11, November 2005.
6. MARD could seek to further engage in the centralised procurement platform/method established through the Prime Minister's direction (Decision 179/2007/QD-TTg). The SPP preparedness assessment has established that this is yet to be widely implemented. SPP could provide an additional justification for this initiative.
7. Together with other relevant competent authorities, MARD, MONRE and donors could collaborate on strengthening the development of eco-labels and environment certification schemes to enable markets to identify and reward green goods and services.
8. MARD, in collaboration with the MONRE and the Ministry of Education, could initiate a SPP pilot project on the procurement of chain of command certified timber furniture for schools. The project may be best implemented at the provincial level in provinces where policies on sustainable forestry are already being implemented.
9. Climate change mitigation and adaptation technologies—from energy efficiency to renewable technologies—need to be made a part of the SPP solutions. Several ministries have already begun to purchase energy efficient lighting. Leadership by MARD, MONRE and partnerships with donors and NGOs will be valuable to promote further climate friendly procurement.

1.0 Introduction

1.1 National Background of the Study

In the last 20 years, Vietnam's economy has shifted from a centralized command base to a socialist-oriented mixed market, during which the economy has grown quickly. The average growth rate from 1998-2003 was 6.5 per cent, a figure which rose to over eight per cent from 2004 to 2007. Vietnam also became a member of the WTO in January 2007. However, the economy also has features that imply uncertainties for future development.

70 per cent of the population depends on agriculture (including forestry and aquaculture), but agricultural output accounts for only 22 per cent of Vietnam's GDP (MoF website).

The Vietnamese economy is heavily dependent on exports. In 2008, exports accounted for 72 per cent of GDP. Main export categories include crude oil (17 per cent), garments and textiles (16 per cent), footwear (eight per cent), rice (three per cent), coffee (four per cent), rubber (three per cent), aquaculture (four per cent) and timber products (five per cent) in 2007.

The aims and objectives of the Vietnam Communist Party's Strategy for Economic and Social Development from 2001 to 2010, are to i) achieve a targeted economic growth rate; ii) improve the human development indicators via poverty alleviation; iii) improve the levels of science and technology; (iv) improve infrastructure; and (v) enhance the government's role in key economic sectors. It states that the outlook for the strategy "is to develop fastly, effectively, and sustainably, economic growth must accompany with social development and equality and protection of environment."

In a country like Vietnam which is led by one political party, the Party's Statement of Strategy is one of the highest levels of guidelines for governance. This has been realized and implemented by the government and its agencies.

The International Institute for Sustainable Development (IISD) is an international policy think tank that promotes sustainable development across several portfolios—international trade and investment, economic policy, climate change, measurement and assessment, and natural resources management. IISD's vision is better living for all—sustainably; its mission is to champion innovation, enabling societies to live sustainably.

IISD is collaborating with the Ministry for Agriculture and Rural Development (MARD) to carry out an assessment on Sustainable Public Procurement (SPP) preparedness in Vietnam. The research is based on the fact that the public sector is a very large and diversified enterprise that spends 45–65 per cent of its budgets on procurement. This compares to 13-20 per cent of GDP in OECD countries and even more in developing and transitional economies: 35 per cent in South Africa, 43 per cent in India, and 47 per cent in Brazil (Source: IISD).

On behalf of the government, MARD has recently (on March 18, 2009) signed a Memorandum of Understanding with the Ambassadors of Finland, the Netherlands and Switzerland for Trust Fund for Forests (TFF) of Vietnam for the next period 2009-2012 to support forestry sector in Vietnam, in which there is a particular article for applying sustainable public procurement in TFF funded projects. MARD is taking the lead on SPP and therefore collaborating with IISD on this research.

IISD believes that public procurement is an influential vehicle for governments to lead by example and “walk the talk” on sustainable development. If governments make a concerted effort to purchase environmentally- and socially-preferable products and services, their substantial buying power will drive the delivery of sustainable development policies and stimulate markets for sustainable products and services.

MARD plays an important role in achieving social and economic targets of the development strategy because it’s strategies, programs, plans, and projects have influence of 70 per cent of the population who are working in agriculture, forestry, and aquaculture. MARD is also responsible for growth and development in five out of nine categories that contribute most to the annual export volume.

1.2 Aims and Objectives of the Study

The overall aims and objectives of this project are to identify opportunities to introduce and implement SPP in Vietnam through the participation of Vietnamese government and agencies and to identify a starting point for implementation.

The specific aims and objectives of this study are to:

7. Understand the procurement process in Vietnam at different levels (central and provincial) and for three types of procurement: merchandise, service, and commissioning; understand the criteria for which the decision is made;
8. Review the prevailing legislative framework on sustainable development and procurement and identify provision through which SPP may be legitimized in Vietnam;
9. Identify opportunities and hurdles for enabling SPP in Vietnam;

10. Review the timber industry in Vietnam and the extent to which it could serve as an entry point to introduce SPP;
11. Make recommendations on legislative, regulatory or soft way upgrades that may be needed to support and promote sustainable public procurement;
12. Define potential government and non-government stakeholders that would provide leadership in promoting sustainable procurement in Vietnam.

1.3 Methods

This project was conducted through desk research and interviews with stakeholders across the public and private sectors as well as the international donor and development community.

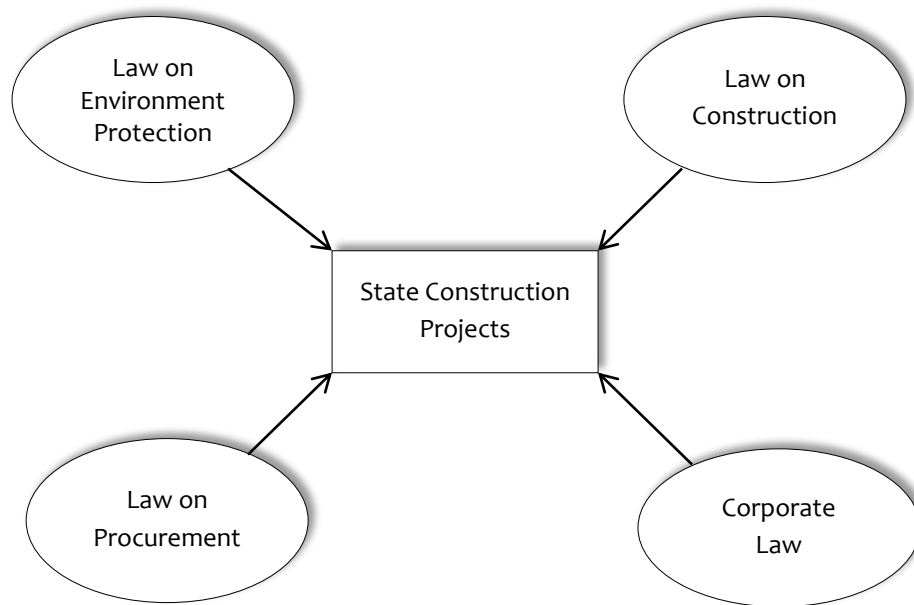
The research started with IISD-MARD (represented by International Cooperation Department (ICD)) collaboration which was informally facilitated by The Embassy of the Netherlands. IISD, in collaboration with MARD, then appointed Green Field Consulting Co., Ltd. (GFD) as the consultant. GFD is conducting this study with guidance from IISD and with inputs from MARD and the Embassy of The Netherlands. IISD provides ongoing input during the entire project. Periodic reporting meetings are held by GFD with MARD and The Embassy of the Netherlands.

It should be noted that Vietnam's public administration is still highly centralized; therefore an important step will be to understand the legal framework for the introduction of SPP in Vietnam. The desk study includes relevant national laws, regulations, and policies regarding state budget, public spending, procurement regulations (including buying of merchandise, services, and construction contracts), procurement law, environmental protection law, and construction law.

It will then be followed by a focus group discussion held with international donors and individual interviews with stakeholders. The focus group discussion will be useful in collecting stakeholders' opinions and suggestions on the various aspects of the research and achieving "buy-in" from international donors.

The research questions for interviews include general questions about the procurement regulations in Vietnam and sustainable performance in the decision-making process as well as specific questions about the possible influence and impacts of stakeholders in the procurement decision making process. The purpose of the interviews in this evaluation is mainly to discuss in depth the stakeholders' assessments and opinions to help the ICD/MARD to verify and/ or gain explanation for certain points of views. Interviews will be conducted mainly in semi-structured form and focus on limited questions.

Teleconferences will be held between ICD/MARD, IISD, the Royal Netherlands Embassy, and GFD to discuss the outputs of the desk study and interviews and to give guidelines on the steps ahead.



1.4 Structure of the Report

This report includes seven main parts:

1. The Introduction, which gives an overview of the project, the national context and background of the study, the aims and specific objectives of the study, and a description of the methods.
2. The section “How is public procurement organized and conducted in Vietnam” addresses the Law on Procurement; the roles and functions of government bodies in the planning and implementing public procurement; the steps involved in performing public procurement; and the current practices of public procurement in Vietnam.
3. The section “Opportunities for SPP in Vietnam” gives further analysis of the current public procurement practice focusing on where SPP could be introduced in three areas: i) the legal system; ii) the process itself; iii) the market.
4. The section on “Hurdles for SPP in Vietnam” will describe all the challenges for implementing SPP in Vietnam in three key areas: i) the legal system; ii) the process itself; iii) the market.

5. “Timber Industry” gives an overview of the sector and the expectations of the government for development of the sector as well as an outline of how SPP can be aligned with expectations. This section also gives analysis of the opportunities and challenges for implementing SPP in this sector.
6. International Donors’ Perspectives will give the opinions and attitudes of international donors towards SPP initiatives in Vietnam.
7. Recommendations will give suggestions on how to “walk the talk” and overcome some of the hurdles mentioned above.

2.0 How Public Procurement is Organized and Conducted in Vietnam

2.1 State Budget Spending Plan

The state budget spending plan is a step prior to public procurement in the process of planning/implementing.

According to the Law on State Budget No 01/2002/QH11 dated 27th of December 2002 and its instructive documents, every year in March and April, all state agencies prepare expenses plans for the following year and submit these to its senior staff and then to the highest authorities (ministries, ministerial agencies, provincial people's committees (PPC) of the provinces and cities that are centrally-controlled by the central government). By September, the highest authorities submit their expenses for the following year to the Ministry of Finance and then to the government. By November, the government will submit the whole spending plan to the National Assembly for approval by December 31 of that year.

According to this law (and in practice) there are many levels involved in the various steps of state budget spending planning. Each level has a certain influence on how state budget spending is planned.

Therefore, if the government sets additional targets for state budget spending, e.g. to achieve environmental sustainability and social equitabilities, this stage is one of the important steps to include further criteria in to the budget planning. All of levels involved in this stage could include considerations in budget spending plan within their responsibilities.

2.2 Public Procurement of Assets and Merchandise

The Law on Procurement No 61/2005/QH11 (dated December 12, 2005) is the highest legislative document regulating public procurement.

According to the Law (Article 18 to Article 24), there are seven methods for public procurement. Depending on the characteristics of the procurement, the authorized agencies can apply one of the seven methods below:

Method 1: Public bidding: All procurement plans must be implemented through public bidding (in accordance with the Law of Procurement) except for the cases below.

- Method 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 specification technical projects that require qualified tenderers. It needs to attract at least five qualified tenderers.
- Method 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 VND500 million, or construction works under VND1 billion, or buying recurrent goods under VND100 million
- Method 4: Direct purchasing: This method is applied in case the same bidding procurement has been done within six months previously, and for the same supplier.
- Method 5: Competitive quotation offer: This method is applied in cases where the amount of spending is less than VND2,000 million and the goods are prevailing in the market.
- Method 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.
- Method 7: Special selection of tenderer: In case there are special requirements for a procurement which which make methods 1-6 impossible, the authorized agency may prepare a special bidding plan and submit to the Prime Minister for approval.

There are 10 main steps involved in a bidding process (as per Articles 32--41 in the Law on Procurement):

10 Main Steps of the Bidding Process

- Step 1: Shortlisting of tenderers. This step is applied to procurement of assets and equipment (and Engineering, Procurement, Contracting (EPC) contracts) valued over VND300 billion, or construction and installation contracts over VND200 billion. Criteria for shortlisting include technical capabilities, financial capabilities, and experience.
- Step 2: Preparation of bidding invitations. Bidding invitations will be prepared that include technical and financial requirements as well as other criteria.
- Step 3: Invitation for bidding. The invitations for bidding will be publicized if it is a public bidding, or will be sent to selected/ shortlisted bidders if it is a limited bidding.

- Step 4: Clarification of bidding requirements. Clarification of the bidding package can be done if requested by bidder(s).
- Step 5: Evaluation of tendering packages. Invalid tendering packages will be dismissed. Technical aspects will be evaluated first, followed by financial aspects. Clarification of the tendering packages can be done if requested.
- Step 6a: Bid awarding of service tendering package. Criteria for service package include valid bidding document, bidder's experience, capabilities, human resources, and a mixed score of technical and financial proposals.
- Step 6b: Bid awarding of assets purchasing or construction or EPC tendering package. Criteria include valid bidding documentation, experience and technical and financial capabilities. Technical proposal must meet the requirements. Financial proposals are then compared between all those proposals that pass the technical requirement. Bidding award will be given to the tenderer with the lowest quote. This quote must not exceed the approved budget.
- Step 7: Reporting and examination of the bidding results. The general report will be submitted to the investor. An examination board will examine the results of the bidding and report to the authority that approves this investment/ construction project.
- Step 8: Approval of the bidding results. The authorized agency will be responsible for approval of the bidding results and the evaluation report.
- Step 9: Announcement of the bidding results. Announcement of the bidding results will be made in accordance with the approval of the bidding results.
- Step 10: Negotiation of the contract. The tenderer who receives the highest score will be invited to negotiate the contract. If the negotiation fails, the assigned subordinate will report to the investor to consider inviting the tenderer that received the second highest score.

According to this Law, all public procurement must be publicized in newspapers and on the Internet. In practice, the Ministry of Planning and Investment (MPI) is responsible for public procurement management (according to Article 7 of Decree 58/2008/ND-CP which will be addressed in the next section). MPI assigns this task to its Department for Bidding Management, which runs the daily *Bidding Journal* and the website at www.dauthau.mpi.gov.vn.

The procurement process for purchasing assets and merchandise using state budget is further directed by Circular 63/2007/TT-BTC dated June 15, 2007 issued by the Ministry of Finance and then amended by Circular 131/2007/TT-BTC dated November 5, 2007.

The main features of these two circulars are to fully authorize the purchasing power of specific levels of state administrative agencies.

According to these Circulars, Ministers, heads of ministerial agencies and Chairmen of PPCs have authority over procurement decisions for their offices. They can decentralize this authority and assign it to their subordinate offices in writing. Chairmen of PPCs also need approval of provincial people's councils. The subordinate offices are then responsible for the procurement plans under the authorized and assigned budget.

Ministers, heads of ministerial agencies and Chairmen of PPCs are also authorized for bidding plans. They can approve or assign a subordinate to approve a bidding invitation plan and bidding results.

Those provisions that provide for the decentralization of procurement responsibilities have, however, been overruled through a subsequent legal instrument.

On November 26, 2007, the Prime Minister issued Decision No 179/2007/QĐ-TTg to enforce regulations on organizing procurement (of assets and merchandise) using the state budget following a centralized method, which differs from the decentralized method of the two above circulars.

The Decision is applied to Ministries and ministerial agencies (which are called “central agencies,” located mostly in the capital, Hanoi) except for the Ministry of Defense and Ministry of Public Security, and provinces and cities which are under direct supervision of the Government. This Decision was translated into practice by the Circular 22/2008/TT-BTC issued by the Ministry of Finance dated March 10, 2008.

According to this Decision, purchasing planning must be done at the highest level of authorization to minimize purchasing costs, standardize technical specifications, avoid corruption at many levels of implementing and ensure better control of budget spending. This means that procurement at each ministry and all of its subordinates must be done through one single body appointed by the minister and procurement at each province (and all of its subordinates) must be done at one single body appointed by the chairman of the PPC.

The centralized purchasing method proceeds as follows:

- Step 1: The ministers and PPCs' chairs are responsible for planning annual procurement in accordance with the approved distributed state budget.
- Step 2: The ministers and PPCs' chairs assign one of its subordinates (hereinafter called the assigned body) to implement the procurement plan.
- Step 3: The assigned body collects the detailed requirements from all subordinates (departments of the ministry if it is from the ministries or departments of the province

if it is from the province) and prepares a detailed purchasing plan including the following criteria: categories, quantities, specifications, assurance and maintenance conditions, schedule, handover, payment method. The purchasing plan must follow the regulations about assets and merchandise equipped for state agencies.

- Step 4: The purchasing method is bid upon in accordance with the Law on Procurement. For each applicable procurement or bidding appointment (for complicated technical assets and equipment), the price will be checked and approved by the authorized pricing agency, normally the province's department of finance or the ministry of finance.
- Step 5: The assigned body hands over the assets or equipment to the agencies who will use the assets or equipment.
- Step 6: In the case of assurance or maintenance, the assigned body will be responsible for contacting the suppliers.

Our interviews point out that since this new Decision was issued, there has been very little effort to follow it by the ministries and provinces. Amongst the officials interviewed, only the Department of Finance of MONRE reported some activities for pursuing Decision 179/2007/QD-TTg.

Through our meetings with officials at different ministries (MOET, MONRE, MARD and its subordinates who are responsible for procurement) we found out that the main reason for them not complying with this Decision is that they have been following decentralized budget spending for many years. This decentralized method is very convenient for budget management and makes the procurement of assets and merchandises align more closely with the needs of the users.

Other reasons for not following Decision 179/2007/QD-TTg are that it is inefficient if the authorized buying agency that has the right to make purchasing decisions is different from the end using agency.

Both of these above points have important implications for SPP which will be discussed later in this report.

Public procurement is also under the purview of the government. The Prime Minister issued Decision No. 27/2008/CT-TTg dated September 5, 2008 to correct public procurement bidding implementation. The existing decentralized procurement method at all levels of Government (central and local) is creating hurdles for public procurement management. While the Prime Minister is making efforts to correct that through Decision 179/2007/QD-TTg, in fact this Decision is not yet effective.

2.3 Public Procurement of Works and Constructions

State investment in and construction of infrastructure projects takes the biggest portion of state budget spending annually. In 2008, it was VND99,700 billion (US\$6 billion) which accounted for 24.7 per cent of total state budget spending and 7.9 per cent of GDP—27.6 per cent of budget spending and 8.9 per cent of GDP for 2007 and 29.2 per cent of budget spending and 8.8 per cent of GDP for 2006 (Ministry of Finance website).

The construction of buildings and infrastructure projects using state budget funds (state investment and construction projects) are also highly regulated by the Law on Construction No 16/2003/QH11 dated November 26, 2003.

The Law on Procurement came into force in 2005. It further governs budget spending on state investment and infrastructure construction projects.

In order to give guidance on the application of the two laws (the Law on Procurement and Law on Construction) the Government issued Decree No 111/2006/ND-CP on September 29, 2006 to guide the implementation of the Law on Procurement and selection of contractors in accordance with the Law on Construction. This Decree was then replaced by Decree No 58/2008/ND-CP dated May 5, 2008, which is more up to date and closer to the new developments and economic requirements.

There are 12 steps in a bidding plan for work or construction spending state budget applying the public, limited bidding method (Decree 58/2008/ND-CP, Chapter II, III and V):

- Step 1: Preparation of the bidding plan. Heads of the organization (called the investor) are responsible for preparing a bidding plan based on investment decisions and other project documents.
- Step 2: Submission of the bidding plan for approval. The assigned subordinate will submit the bidding plan to the head of the agency and the authorized examining agency for approval.
- Step 3: Examination of the bidding plan. The bidding plan will be examined by the authorized examining agency. The examining agency will report to the investor. The examining agency is determined by Article 65 of the Law on Procurement.
- Step 4: Approval of the bidding plan. The investor or its assigned subordinate will be responsible for approval of the bidding plan within 10 days from receipt of the examination of the bidding plan.

- Step 5: Shortlisting of tenderers (optional—applying in accordance with Article 32 of the Law on Procurement). This step is applied to procurement of assets and equipment and EPC contracts valued over VND300 billion, or construction and installation contracts over VND200 billion. Criteria for shortlisting include technical capabilities, financial capabilities and experience.
- Step 6: Invitation for bidding. The assigned subordinate will prepare the bidding invitations. These will be sent to shortlisted tenderers (if shortlisting has taken place). Investor approves the invitations for interests.
- Step 7: Evaluation criteria for construction bidding. The three criteria for a successful tender are: i) experience and capability for completing the same projects in the same geographic conditions; ii) technical capabilities and solution feasibilities; iii) evaluation of price quote relative to the same technical specifications.
- Step 8: Evaluation of tendering packages. Technical aspects of the proposal will be evaluated first, followed by financial aspects. Technical evaluation can apply one of the following two methods: i) scoring; ii) “Pass” or “Not pass” evaluation.
- Step 9: Reporting of bidding results. The general report will be submitted by the assigned body to the investor, which include the recommendation of the winning bid (i.e. the one with the highest score).
- Step 10: Examination of the bidding results. The investor will assign an examination board to examine the results of the bidding. The examination report will be submitted to the investor and the authority that approves this investment/ construction project.
- Step 11: Approval of the bidding results. The investor will approve the bidding results based on the evaluation and examination reports and inform all tenderers of the results.
- Step 12: Negotiation of the contract. The tenderer who receives the highest score will be invited to negotiate the contract. If the negotiation fails, the assigned subordinate will report to the investor to consider inviting the recipient of the second highest score.

Details on the authority of agencies in a bidding process are shown in Annex 1.

Many interviewees raised concerns that current regulations on the implementation of bidding processes are not effective. Opinions from recent National Assembly conferences also raised concerns that, despite these regulations, many bidding packages now are formalized but not effective, and there is collusion between tenderers, mismanagement and corruption.

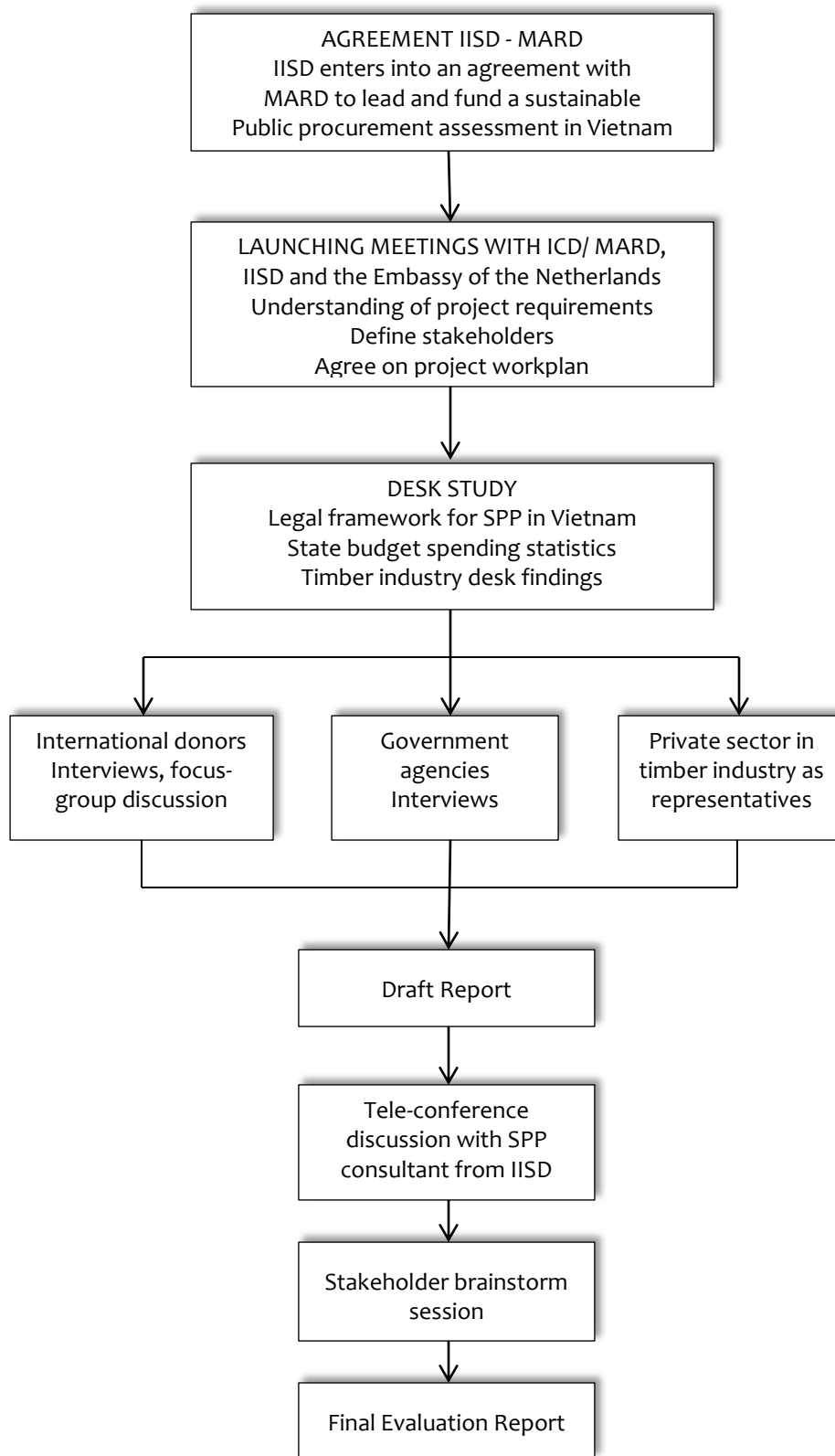


Illustration of the laws that impact state investment/construction projects.

The above illustration presents the four laws that regulate state investment and construction projects. In practice, there are many arguments over the implementation of the relevant laws for these projects. In May 2009, the government approached the National Assembly Standing Committee for amendment and supplementation of the four laws relating to investment and construction projects due to the ineffectiveness of the procurement process. These are the four primary laws: the Law on Procurement, the Law on Construction, the Law on Environment Protection, and Corporate Law. The working session is still ongoing in which the Law on Procurement contains the most articles which are up for amendment or supplementation.

Decree 58/2008/ND-CP also regulates the qualifications of individuals who are directly involved in the bidding process. They must have bidding skill certificates.

The Ministry of Planning and Investment has assigned its subordinate Department of Bidding Management to be responsible for instruction on bidding training course, requirements for bidding training centers, certificate issuing, and reports on the training and bidding results of the ministries and provinces.

The Department also manages *The Bidding Journal* and the website for publishing of bidding packages using state budget at www.dauthau.mpi.gov.vn.

The Law on Construction (Article 37) states that construction project documentation must include environment impact assessment (EIA) documentation. In 2005, the National Assembly passed the new Law on Environment Protection No. 52/2005/QH11 dated November 29, 2005, which further regulates EIA activities. The law is then further explained in Decree 80/2006/ND-CP dated August 9, 2006 which gives detailed directions for its implementation. Decree 80/2006/ND-CP was then amended and supplemented by Decree 21/2008/ND-CP dated February 28, 2008. The Law and two Decrees addresses the following areas particularly:

- **Development and Promulgation of National Environmental standards.** The Ministry of Natural Resources and Environment (MONRE) will be responsible for the development and promulgation of national environment standards and development of an enforcement plan for the standards. Public procurement must also follow these standards.
- **Strategic Environment Assessment and Environmental Impact Assessment.** Strategic Environment Assessment (SEA) is a compulsory component of a national, regional or industrial development strategy or plan; Environment Impact Assessment (EIA) is a compulsory component for any investment/construction project listed in Decree

21/2008/ND-CP which must include environmental protection measures for the project (the list of projects in Decree 21/2008/ND-CP will be presented in Annex 1—Legal listing, process flow). The SEA and EIA will be submitted to the authorities together with the investment report or feasibility study.

During this research, many concerns from government officials have also been raised about the implementation of the Law on Environment Protection in investment/construction projects. According to some environment officials, there are two main inadequacies of the environmental protection implementation:

- **There is a lack of legislative guidance on EIA methodologies for projects in specific construction sectors.** For example, there is a lack of approved methods for EIA of mining projects or hydro power plant projects, etc. These projects often impact large areas, which might include a river basin and delta. The representative from Department of EIA under the MONRE shared that for each EIA documentation submitted for approval, the department will assign experienced experts to evaluate the documentation. However, there is no legislative guidance on methods for the evaluation of the EIA.
- **Though EIA submission is compulsory for approval of a state investment or construction project, there is very little follow-up on the approved EIA,** according to the representative of the National Environment Agency. In many projects, after the EIA is approved, the project owner or investor would only implement the main investment or construction part and ignore the environmental protection solutions. The situation has gradually improved since the establishment of the Environment Police Department under the Ministry of Public Security.

3.0 Opportunities for SPP in Vietnam

3.1 Legal System

While the legal system for public procurement in Vietnam still needs improvement and the National Assembly and the government are working on that, there are obvious opportunities to introduce and implement SPP in Vietnam

Planning for the Law on Green Procurement

Recently the Institute of Strategy and Policy on Natural Resources and Environmental (ISPONRE) has been studying the development of a Law on Green Procurement. Though it is in the very early stages of development, it shows a committed step in the government's efforts to implement SPP.

The law is planned to be introduced in 2015, followed by the introduction of an instructive decree in 2017. SPP initiatives could help foster this process as well as provide experimental data for development of the law that fit well with the particular conditions in Vietnam.

The Law on Energy Saving is to be launched

According to representatives from the National Assembly Office, the Law on Energy Saving was to be passed by the National Assembly by the end of 2009. By June 2009, the Ministry of Industry and Trade will have submitted a draft law to the Government as a step in the law making process.

Energy Saving Regulations

The use and saving of energy are regulated in legal documents including Decree 102/2003/ND-CP issued September 2003 regarding saving and efficient use of energy, Decision 79/2006/QĐ-TTg issued April 2006 approving National Target Program for Energy Saving and Efficiency, Circular 142/2007/BTC-BCT issued November 2007 guiding the use and management of state budget funds for public administrative works for the National Target Program for Energy Saving and Efficiency.

These are all the legal bases for implementation of SPP. In Circular 142/2004/TT-BTC-BCT there are specific regulations on budget spending on the National Target Plan for Energy Saving, and regulations on promulgation of standards for energy saving products as well as promotion of labeling for energy saving products. It is noted that the government is ready to spend on energy saving efforts.

Interviews with government officials show that there are only preliminary efforts in complying with these regulations at the interviewed agencies, mainly in electricity saving when making purchasing decisions. These efforts are still limited, but they help implementing officials to familiarize themselves with other SPP initiatives because these are for the common purpose of environmental protection.

State Budget Spending Plan

SPP could be integrated right from the earliest stages of budget planning. According to the Law on the State Budget, all levels of government agencies are responsible for the planning of their budget spending for next year.

When budget planning officials prepare spending plans for the following year, they should already include criteria for sustainable spending and this would be reflected in budget plan submitted to the higher authorities.

Budget planning for sustainable spending could become an annual practice at all level of government agencies with legislative support, guidance and cooperation from the MOF and MONRE. It will not need any changes to the laws because the Law on Environment already supports sustainable consumption (Article 33 and 34).

Centralized purchasing method

SPP is also in line with the Prime Minister's direction and orientation for centralized purchasing method (Decision 179/2007/QĐ-TTg).

When the centralized purchasing method (the objectives of which are to reduce the procurement budget, to standardize equipment, and reduce corruption) takes effect, SPP could be implemented at the one single authorized procurement body at each ministry or PPC. This will help to mobilize efforts on capacity building and resources which need to be allocated to SPP.

Only the authorized procurement agencies need extensive training on sustainable procurement, criteria and standards and could make purchasing orders big enough to benefit from pricing policies.

Law on Prevention of Corruption No 55/2005/QH11

There are two sections in Chapter II of this Law: i) Publicizing information and transparency in agencies activities; ii) Development of standards, norms and regulations. Introducing SPP will be an excellent opportunity for these two regulations.

Introducing SPP will involve market communication and include publicizing of policies, standards, specifications, purchasing process and contract award conditions. This will increase chances for communicating, publicizing information, and transparency. Therefore SPP will complement transparency and be aligned with the Law on Prevention of Corruption.

Introducing SPP will also involve the development of shared standards and norms. Therefore enforcement of the Law on Prevention of Corruption will be aligned with and create opportunities for introducing SPP.

Realization of Agenda 21 in Vietnam

In August 2004, the Prime Minister issued Decision 153/2004/QĐ-TTg to promulgate the strategic orientation of sustainable development in Vietnam, which realizes Agenda 21 in Vietnam, Its main features are to include sustainable development components (economic growth, social equality, and environment protection) in different aspects of the economy.

The Decision identifies the first shortcomings in implementation of a sustainable development in Vietnam as a lack of proper awareness, followed by other weakness of the economy, social challenges, inefficient use of natural resources and environment pollution.

The Decision seeks to implement this strategic orientation using three pillars:

- Prioritized economic sectors towards sustainable development
- Prioritized social sectors towards sustainable development
- Prioritized use of natural resources; environmental protection towards sustainable development

Prioritizing economic sectors focuses on five components: i) Maintain high economic growth; ii) Transform production and consumption models toward environmentally friendly methods; iii) Implement “clean industrialization;” iv) Sustainable agriculture and rural development; v) Sustainable development of geo-economic zones. Remarkably, clean industrialization” and sustainable agriculture and rural development are implemented by integrated instruments including legal system improvement, economic reform, and promotion of clean technologies.

Prioritizing social sectors focuses on five components: i) Create and promote programs to alleviate hunger and poverty to further social progress and equality; ii) Reduce the rate of population growth, create more jobs for the labour force; iii) Strategic planning for urbanization and migration and for population and labour force distribution; iv) Improve education and vocational training

quality; v) Increase the number and improve the quality of health care centres, improve working and living sanitation conditions.

Prioritizing utilities of natural resources, environmental protection focuses on nine components: i) Prevention of land degradation, improvement of land use efficiency and sustainability; ii) Protection of water environments; improve the efficiency of water use; iii) Planning for natural resource exploitation, sustainable and efficient consumption of natural resources; iv) Protection of coastal, sea, and island environments, development of sea resources; v) Prevention and development of forest; vi) Reduction of air pollution in cities and industrial zones; vii) Control of noxious wastes and solid wastes; viii) Protection of biodiversity; ix) Application of measures for climate change mitigation, reduction of negative climate change impacts, and disaster prevention. Again, it is clear that implementation of these nine components must be done through integrated measures including improvement of the legal system, economic reform, applications of advanced technologies, and raising awareness.

This Decision gives a broad umbrella for implementation of SPP with emphasis on implementation steps concerning the improvement of legislative instructive documents, the application of advanced technologies, and raising awareness. “Prioritizing utilities of natural resources, environmental protection” can be translated and integrated into the procurement process with effort from relevant agencies, especially the Ministry of Planning and Investment and its subordinate Department of Bidding Management. These efforts could take place within ministerial regulations and guidelines, and do not require changes from the existing legal system, which is helpful in reducing difficulties while introducing SPP.

Law on Environment Protection

The Law on Environment Protection is a strong measure to enforce environmental protection, and is fully compatible with SPP. The law, together with its instructive documents Decree 80/2006/ND-CP and Decree 21/2008/ND-CP, regulates the following aspects:

- Development and promulgation of national environmental standards. Ministry of Natural Resources and Environment (MONRE) will be responsible for development and promulgation of national environment standards, and development of an enforcement plan for the standards. Public procurement must also follow these standards.
- Strategic Environment Assessment and Environment Impact Assessment. Strategic Environment Assessment (SEA) is a compulsory component of any national, regional or industrial development strategy or plan; Environment Impact Assessment (EIA) is a compulsory component of any investment project listed in Decree 21/2008/ND-CP which must include environmental protection measures for the project. The SEA and EIA will be

submitted to the authorities together with the investment opportunity report (or prefeasibility study).

- Reservation and efficient use of natural resources, including natural forests. This includes the protection of natural forests, and promotes the production and consumption of products which create less pollution, disintegrate easily, and/or are produced from recycled materials, and/or are produced using renewable energy and are labeled “environmentally friendly.” This is an important guideline for the application of SPP when being applied in the timber industry (which will be mentioned in the next section).
- Environmental protection in production and manufacturing activities. An environmentally friendly enterprise is defined as “having an environmental certificate; having management policy for product life cycle; reusing 70 per cent of wastes; applying ISO 14001; saving 10 per cent of energy; contributing to awareness raising and community environment protection; etc..”
- Management of wastes. Organizations and individuals which dispose of the products would be responsible for reducing, recycling, and reusing waste to minimize the amount discarded. This regulation could be applied in a procurement bidding package and give a rationale for including the disposal costs in tendering.

The law and its instructive legal documents have specific regulations for SEA and EIA as well as requirements for efficient use of natural resources including natural forests proper waste management.

One of the opportunities for SPP within implementation of this law is to develop coordination between (and buy-in from) the relevant government agencies: the Ministry of Planning and Investment, the Ministry of Natural Resources and Environment, the Ministry of Agriculture and Rural Development, the Ministry of Construction, the Ministry of Finance, and the Ministry of Public Security (which control the Department for Environment Police). The key is to enforce the law through consensus and the joint efforts of these ministries.

Initial State Budget for Environment Protection and Waste Treatment

The government is also putting great effort into addressing environmental damage and pollution. In 2003, the government set a target to provide, improve or rehabilitate the waste treatment systems of about 400 organizations in four years as a pilot project (Prime Minister’s Decision 64/2003/QD-TTg to implement the plan to completely repair the environmental damage created by 400 organizations). The project was assigned to the General Department for Environment (now renamed the National Environment Agency–NEA under MONRE). According to the representative from the General Department for Environment however, the plan was not as successful as expected due to an inadequate budget.

The government revisited this plan in April 2008 by the implementation of Prime Minister's Decision 58/2008/QĐ-TTg to use the state budget to effectively repair the environmental damage created by selected public service agencies as a support for and supplementation of Decision 64/2008/QĐ-TTg.

Decision 58/2008/QĐ-TTg clearly indicates the terms and conditions for repairing damages and the principles of repairing, funding resources. It appoints MONRE as the key agency for implementation of the plan. It was planned to start in 2008 and finish by 2012. According to the Decision, public service organizations will be prioritized for receiving support including: hospitals, dumping grounds, pesticide warehouses, chemical warehouses left by the American Army and public waste treatment works.

The government will provide 100 per cent of the cost for national public service organizations and 50 per cent for the provincial public service organizations. The plan is deployed by the NEA. According to the representative from the NEA, after eight months of the plan, with a budget of unofficial amount of VND160 billion (approx. US\$9.41 million), implementation of this plan has provided, improved or comprehensively repaired waste treatment systems for 50 organizations in 25 provinces and cities.

This spending should be recognized as one of the first significant public expenditures on waste treatment. By doing this, the government will realize the cost of waste treatment and waste disposal.

This could be used as an example of an initiative for introducing the concept of life cycle assessment and life cycle costing which is needed to implement SPP. The ideas of life cycle assessment are to include production, distribution, operation and maintenance costs and disposal costs (not only the purchasing cost) into consideration of cost when making procurement decisions.

The lessons that government procurement officials and policymaking agencies learned from this particular program could be shared to increase awareness of the necessity of implementing SPP when making purchasing decisions. SPP will require environmental criteria at all stages of procurement especially at the stage of specification design and contract award criteria. Applying environmentally friendly criteria at all stages of specification design and contract awards will help save the budget spent later on waste treatment in such cases as those mentioned above.

State Budget Allocation for Environmental Protection

The year 2009 was the first year that the Ministry of Finance made public an annual state budget for environmental protection. The approved budget totalled VND5,264 billion (US\$3 billion), including VND850 billion for national programs and VND4,414 billion for provincial programs (as a

reference, Vietnam's GDP for 2008 was US\$89 billion). Though there has not been a detailed breakdown of the budget to understand the specifics of the package, efforts to allocate a separate fund for environmental protection should also be noted.

This might imply that the budget for SPP could also be influenced by the efforts of the Government and the Ministry of Finance.

The National Target Program on Response to Climate Change

The Prime Minister issued Decision No. 158/2008/QĐ-TTg dated December 2, 2009 to approve the National Target Program on Response to Climate Change (NTP RCC). There are seven tasks of the Program, including: i) Assessment of climate change levels, and development of rising sea level scenarios; ii) Development and implementation of a National Science and Technology Program on climate change; iii) Capacity and institutional building; policy development regarding climate change; iv) Raising awareness and human resource training about climate change; v) Enhancement of international collaboration; vi) Development of a climate change criteria framework to be integrated into all socio-economic development programs and projects; vii) Development and implementation of an action plan.

This Decision creates a nationwide effort, which implies great opportunities cooperation between and coordination of public, private and civil society actors. MONRE is assigned to be the coordinator between the ministries for this program. The Decision also encourages the private sector to take part in the program, especially in education and raising awareness. Implementation of SPP can also be synergic with the activities of NTP RCC.

3.2 Procurement Process

There are certain opportunities to improve the procurement process under which SPP could be introduced.

From a practical perspective, the representative of the Department for Bidding Management under the MPI says that they are willing to include sustainable procurement content into their training courses on procurement. This Department is responsible for training and issuing bidding skill certificates for government officials who implement the procurement process. Therefore they are the hub for disseminating awareness and knowledge of SPP.

Though this cannot ensure that SPP will be implemented in practice (as it needs more support and coordination from relevant ministries), this step of including SPP into procurement training courses should be among the first actions to take for the proper introduction of SPP in Vietnam.

3.3 Market Readiness

This project takes the timber industry as an example of an opportunity to introduce SPP in Vietnam. Therefore we focus on studying the market readiness of wood processing and timber products manufacturers for SPP.

The wood processing and timber industry is a fast growing one in Vietnam. From 2000 to 2007 there was a boom in the number of wood processing and timber enterprises (WPEs) from 896 WPEs in 2000 to 2526 WPEs by 2007. 80 per cent of the enterprises are located in the southern part of Vietnam in which the economic triangle Dong Nai–Binh Duong–Hochiminh City accounts for 1440 WPEs (of 2007). Most of the WPEs are small and medium enterprises.

Of the 2526 WPEs in 2007 there were 700 WPEs specializing in export which do not sell their products domestically. Among these export-oriented WPEs there were about 421 (statistics of 2008) which were foreign direct investment (FDI) enterprises. These FDI WPEs contributed 60 per cent of the timber exports in 2008.

The volume of exported wood processing products has been increasing steadily over the last few years, including timber products and others such as bamboo and rattan, in which timber products take 80–90 per cent of wood processing products. 60 per cent of the exports are made by foreign direct investment enterprises. In 2006, the main importers included: the USA (25 per cent), Denmark (17 per cent) Japan (15 per cent), and the UK (10 per cent).

Year	Wood processing products Export volume (billion US\$)
2003	0.567
2004	1.154
2005	1.562
2006	1.930
2007	2.500
2008	2.7-2.8 (est.)

According to the FSC website, Vietnam had 169 WPEs holding Chain of Custody¹ (CoC) certificates at the end of 2008. For reference, Japan has 939 WPEs with CoC certificates. China has 722, Malaysia 91 and Indonesia has 107. According to the Department for Trade and Process of

¹ Chain of Custody (CoC) refers to management of documentation and evidence in a production process. In a wood processing enterprise, CoC would help to control the wood material inputs with documented evidence on legal status and origin.

Agriculture, Aquaculture, Forestry Products and Salt, Vietnam has the third highest number of WPEs holding CoC certificates in Asia.

Most export oriented WPEs are well aware of CoC certificates and have already obtained them, as they are prerequisites for exporting into major markets such as Japan, Europe, and the USA.

With the recent growth rate and proven management and export skills based on the number of WPEs holding CoC certificates, Vietnam's wood processing and timber products sector has a large capacity for providing certified products for the domestic market. But in fact, the export oriented enterprises are not interested in selling products in the domestic market. The main reason is that there is not enough domestic demand for wood certification and certified products.

According to some interviewed enterprise owners, their products are of better quality because they apply CoC and quality control strictly. Their pricing is also very competitive. However, domestic demand for this type of product is so small and scattered that it would have a higher price because of ineffective distribution and delivery. Therefore they have not yet established a domestic distribution network.

Linking this with SPP initiatives and the efforts to promote compliance with the centralized purchasing method regulated in Decision 179/2007/QĐ-TTg would create great opportunities for meeting many different objectives. If the centralized purchasing method reaches a high rate of compliance, and if SPP becomes policy, it would create a driving force for domestic demand for certified timber products. Qualified suppliers (with CoC certificates) would find it efficient to set up a distribution network to meet domestic market demand.

This discussion will be expanded upon in the section entitled "Timber Industry."

4.0 Hurdles for SPP in Vietnam

4.1 Legal System

Lack of connection between the laws

The most obvious hurdle in the legal system for implementing SPP and other environmental protections in Vietnam is the lack of instructions or connections to bind the EIA and other environment regulations to the implementation and procurement process.

It needs to be noted that in Vietnam, a law often take effect only if there are legislative instructive documents for implementation. Legislative instructions for implementation often exist on two levels: decrees issued by the government and circulars issued by ministries. The sectoral ministries supervise the compliance of the laws, decrees and circulars within their sectors.

EIA is regulated by the Law on Environment Protection, while procurement is regulated by the Law on Procurement. There is not a specific regulation particularly stating that environmental protection measures in the approved EIA must be included as a component in procurement. Therefore environmental protection measures are treated as non-binding items and ignored in many cases.

SPP is similar to EIA in that it needs joint regulatory efforts from all the relevant ministries. Implementation of SPP will need joint instructions from the authorities, which will involve a lot of additional bureaucracy.

Lack of specific guidelines for EIA methods

As mentioned earlier in the section “How Public Procurement is organized and conducted,” at the moment there are no legislative guidelines for EIA methods in the investment and construction projects which have vast environmental impacts, not only within the project areas but also their buffer zones. In some projects the buffer zones might be as large as an entire river basin or delta.

Lack of environmental labels and guidelines to help the market identify environmentally-preferable products and services

There is also a lack of guidelines or set of environmentally-friendly standards. Not only that, but there is no guidance on an environmentally-friendly labelling system which could further help procurement staff implement SPP.

4.2 Procurement Processes/ Capacity and Resources

Procurement Process

The existing public procurement process is under the management of the Ministry of Planning and Investment (MPI) and its subordinate, the Department for Bidding Management.

Recently there has not been enough cooperation between the MPI and the Ministry of Natural Resources and Environment to include environmental friendly criteria in the procurement process.

As the Law on Green Procurement is being planned for development, there needs to be closer cooperation between the two ministries.

Capacity and Resources

The experience and opinions from organizations such as the World Bank and Asian Development Bank who are applying strict environment policies show that implementation of environmental policies will need additional resources, including human resources capacity and budget.

At these two financial organizations there are specific officials whose main task is to make sure that financed projects follow specific guidelines on environmental sustainability. For each financed project there are separate budget components for environmental protection.

For Vietnamese government agencies, there is a shortage of both. Most procurement officials interviewed raised their concerns as:

- **There are not enough staff with training in SPP implementation.** Though the procurement staff support SPP, they are not capable of developing environmentally friendly procurement criteria. They need valid, specific guidelines and training in SPP implementation. They also need to allocate their time to ensure compliance with SPP. In other words, in order to implement SPP, there is a need for allocated staff with training on SPP who will develop the process and supervise its implementation.
- **The purchasing costs of SPP will be more greater than the existing procurement purchasing costs.** SPP be will beneficial in the medium term, but it obviously needs extra expenditure at the initial purchasing point because environmentally friendly products are more expensive than regular products. Given the recent state budget deficit, implementing SPP will create another burden on the budget and budget planning officers.

Therefore, if SPP is to be implemented, Vietnam will require:

- That the job description of procurers and procurement-related functionalities be expanded to include SPP. This would require that procurers and centralised procurement employees are trained on these aspects;
- A dedicated budget to train procurers and related job functionalities;
- A dedicated budget to hire external consultant to help design tenders and award criteria.

4.3 Market Readiness

In fact, domestic producers are not well prepared for sustainable production. Some international donors, when implementing their procurement plan for office supplies, complain that there are not enough options for sustainable products in Vietnam. Therefore, sustainable procurement for works and construction is far from becoming a reality.

There are currently only about 200 (out of approximately 400,000 companies in Vietnam) which are officially registered for cleaner production certificates. This creates difficulties at the first step (qualification) of the procurement process.

As explained above, this research only explores the private sector in the timber industry. For this sector, there are very different trends concerning the producers and suppliers. If the producers are export oriented, they are very well aware of sustainable production, chain of custody management, documentation and evidence management, and chain of control certificates as a result of pressure from importers in developed countries and of the technical barriers to trade. If the producers are domestic market oriented, they have not yet considered these issues. SPP thus presents an important opening to crown in local industries and encourage them to develop environmentally preferable products.

5.0 The Timber Industry

The timber industry has been selected as a representative sector for this study for several reasons: i) the Vietnamese government is setting a very high target for timber industry growth from now to 2020; ii) both climate change and forestry have a high profile in the political discussion both nationally and internationally; iii) timber products are consumer goods, so SPP in the timber industry will foster public awareness and education.

This is also in line with the Prime Minister's Decision 153/2004/QD-TTg to promulgate the strategic orientation for sustainable development which realizes Agenda 21 in Vietnam, the main features of which include sustainable development components (economic growth, social equality, and environmental protection) in different aspects of economic governance.

Therefore, taking the timber industry as the first entry point would help to attract attention from both the Vietnamese government and the international community. Implementation of SPP in the timber industry will also help to build the Vietnamese government's reputation for a commitment to addressing climate change its forestry strategy.

5.1 Major Features of the Timber Industry

There are very different statistics on wood consumption in Vietnam due to differing definitions of wood material. According to statistics from the Vietnam Timber and Forest Product Association, wood products manufacturing in 2008 totalled 11 million cubic metres for the entire wood processing capacity in Vietnam of which the forest wood output of Vietnam provided only two million cubic metres according to official statistics, equivalent to 20 per cent of the materials for the industry: 80 per cent of the wood is imported.

In 2004-2005 this imported wood was (according to the records of the customs office) mainly sourced from Malaysia, Laos, Cambodia, China and the U.S.. In recent years, sources for imported wood have also included European countries, South Africa and Australia. The import volume of wood materials for 2006 was US\$760 million, for 2007 was US\$1.022 billion and for 2008 was US\$1.4 billion. In recent years, wood processing export enterprises have increased imports from the U.S., Russia and South Africa and are exploring new resources for wood materials from Pacific and other European countries including Australia, New Zealand, Finland, France, Germany and Austria.

In response to efforts by the EU and the U.S. to prevent illegal wood and timber imports (through the enforcement of the FLEG-T in the EU and the Lacey Act in the U.S.), the Vietnamese timber

export enterprises will increase wood materials imported from the U.S., the EU, Japan, etc. with recognized certificates of forest management.

5.2 Opportunities and Hurdles for SPP in the Timber Industry

With the prioritization and support from the government, and with the attention and support of the international community, the forestry sector and timber industry will have favours and advantages if chosen as the entry point for SPP in Vietnam.

The government has set a high target for total output of the industry to meet US\$7.8 billion by 2020. In order to meet this target, the management agencies and private enterprises must put great efforts into improving production and especially on exploitation of the global market because export volume is the greatest motivation for the industry's growth rate over the last eight years.

Implementation of SPP in the timber industry will help the capacity building of WPEs in their management of production, labelling and exploring new global export opportunities. Implementation of SPP in the timber industry also helps the government in building its international reputation and achieving the objectives of the forestry development strategy.

When analyzing the timber industry for its preparedness for implementation of SPP, the following points should be considered:

Issues	Opportunities	Challenges
Legal frameworks	<ul style="list-style-type: none"> The Law on Environment Protection has specific articles about forest protection and sustainable consumption that support SPP in timber related industries. The Prime Minister's Decision 153/2004/QD-TTg to promulgate the sustainable development strategy, sustainable consumption (Realization of Agenda 21 in Vietnam) and the Forest Development Strategy 2006 – 2020 have particular articles on forest protection and sustainable development, and sustainable production that supports the management of timber production, technology and use of certified wood materials. 	<ul style="list-style-type: none"> There is no regulation at the moment enforcing the purchase of certified timber products There are no legislative guidelines on timber product labelling At the moment there is no Vietnamese production management standard in timber production which is the equivalent of CoC in timber production. Consulting and issuing CoC in timber production in Vietnam is done by foreign consulting companies which are pricier and require foreign language capacity from local Vietnamese enterprises There is no authorized agency for supervising the use of wood materials in the enterprises (the Department of Forest Protection only checks wood on roads)

Procurement practice/ capacity and resources of procurers and procuring agencies	<ul style="list-style-type: none"> • Training in environmentally friendly criteria and specifications and certification for timber products is simple 	<ul style="list-style-type: none"> • Since the centralized purchasing method is not applied in practice, it would be very difficult to create an order for certified timber products which is big enough and justifies delivery costs • None of the procurers are trained about environmentally friendly criteria and certification for timber products • Buying certified timber products would be more expensive than noncertified products. It will require increased budgeting for implementation. • Buying certified timber products would be even more expensive in the depressed areas because of distribution costs, especially if centralized purchasing method is not recognized.
Market readiness	<ul style="list-style-type: none"> • Vietnam has 169 wood processing enterprises with CoC certificate. These WPEs will be capable of supplying certified timber products for the SPP's orders if the orders are big enough. 	<ul style="list-style-type: none"> • The 169 CoC-certified WPEs are all export oriented and most are located in the South of Vietnam. They do not have a domestic distribution system. Since they are located in the South, orders from the North would accrue increased delivery costs • More than 2000 WPEs in Vietnam do not have CoC certification. Implementing SPP will reduce market opportunities for these enterprises and may create unfair purchasing if this is not addressed properly.

6.0 International Donors' Perspective

There are different possible approaches to SPP in Vietnam from the varying perspectives of international donors. Before addressing the approaches of the international donors towards the SPP initiative, we will address the overall context for international support of public procurement of Vietnam.

Hanoi Core Statement

It should also be noted that an important declaration of the Vietnamese government exists, called the “Hanoi Core Statement on Aid Effectiveness Ownership, Harmonisation, Alignment, Results.” It was agreed upon by the delegations present at The Mid-term Consultative Group Meeting for Vietnam, held in Can Tho city on June 2-3, 2005.

In the Statement there are two specific article (12 and 13) which indicate mutual commitment towards public procurement in Vietnam:

Article 12. The Government of Vietnam and donors commit sufficient resources to support and sustain reform and capacity building in public procurement and public financial management.

Article 13. Donors progressively rely on the Government of Vietnam's procurement system once mutually agreed standards have been attained (Indicator 5).

According to this statement, both sides will create mutual accountability so that while donors commit on capacity building, the donors also rely on the government procurement system.

WTO Committee on Government Procurement

Vietnam officially joined the WTO on January 11, 2007 but is not yet a member of WTO Committee on Government Procurement. This Committee has 38 participants, most of whom are EU members and developed countries, and 23 observers.

Within this context, the opinions from international donors could be grouped into three approaches:

- **Taking specific actions to change the public procurement process within a framework.** With this approach, the donors sign framework agreements with Vietnamese government representatives to apply SPP within their funded projects. There are no specific criteria or conditions for sustainable procurement in each project, but a common agreement on action. In this case, the Vietnamese implementing agencies will work out their own

process to include sustainable criteria in procurement procedures. Representative for this approach include Finland, the Netherlands, and Switzerland through their Trust Fund for Forest activities. Representatives of these countries have signed an MOU with MARD on extension of the TFF, in which there is a specific article for applying SPP in TFF funded projects. The Management Office (the implementing agency of TFF) will be responsible for developing guidelines for implementation of SPP for TFF-funded projects.

- **Policy improvement and institutional support.** With this approach the donors work with Vietnamese government agencies to improve the policies and build capacity towards sustainable development. Representative of this approach is the United Nations Industrial Development Organization, which has been supporting the Vietnam Cleaner Production Center since 1998 and collaborating with the Ministry of Industry and Trade and other central and provincial government agencies and the private sector on enhancement of policies and regulations on industrial development, particularly sustainable production.
- **Making recommendations and not directly interacting with public procurement.** With this approach the donors will give loans or aid to the borrowers for development projects with recommendations for government implementing agencies on sustainable procurement and purchasing criteria. But they will not directly enforce purchasing decisions. Final procurement decisions are left up to the implementing agencies and in compliance to the Vietnam legal system (Law on Procurement). Representatives for this approach include European Community delegations and Japan. The government of the South Korea is also supporting the Vietnamese government in improvement of public procurement through the pilot project of e-procurement (carried out through cooperation between the Korea International Cooperation Agency and MPI).
- **Imposing green procurement as a condition of loans or aids.** With this approach the donors require that the borrowers (the Vietnamese government) to include a package for environmental protection measures for any projects using loans or aids from the donors. In these cases the borrowers will agree to the extra loan dedicated for environmental protection with detailed negotiations in each project. The lenders will supervise the process of loan release. If there is misuse of the dedicated loan amount for the environmental protection, the lenders will suspend the loans. Representatives of this approach include the World Bank and the Asia Development Bank. World Bank procurement officers also say that SPP will only be implemented in Vietnam if the government thinks it is good for Vietnam, not due to pressure from or the influence of outsiders. Therefore, what donors could do is to convince the government that SPP is good for Vietnam in the long run, rather than trying to intervene in the existing procurement system.

More specific information regarding international donor's experiences can be found at Annex 2 – International Donors' Interviews.

7.0 Outcomes of the Brainstorming Session

7.1 SPP Preparedness Assessment Report and Brainstorming Session

On Thursday, June 25, 2007, the International Cooperation Department of the Ministry of Agriculture and Rural Development held a brainstorming session to discuss the initial findings of this research.

The invitees included officials from the National Assembly, the Ministries and related government agencies, officials from international agencies and donors and representatives of the private sector and timber enterprises.

The session agenda and list of attendants is in Annex 4.

Below are the issues raised during the discussion, including suggestions for promotion of SPP in Vietnam, and also unanswered questions that need to be addressed further after this research ends.

1. **Is centralized procurement beneficial?** Centralized procurement can help save on expenses and reduce corruption. When purchasing is centralized, it could help to make the order volume big enough to take advantage of bulk pricing. Centralized purchasing also helps save the staffing, timing, and costing of the tender, and therefore also save resources for training the staff. As centralized purchasing will put responsibilities on one authorized agency, it will help supervise the purchasing activities and reducing corruption.
2. **What is the connection with China, regarding the incentives/disincentives for SPP? Can an eco-label be applied to Vietnamese wood chips?** China is an observer and member of WTO's Committee for Government Procurement. They put the Green Procurement Law in place in 2005. At the moment China has 600 eco-label products. Vietnamese eco-labelling organizations can find a way to provide CoC-type strategies across a wider variety of products and services.
3. **Voluntary implementation is included in the MOU on Trust Funds for Forests.** MARD has voluntary actions in the commitment of MOU of TFF in which there is a particular article about applying SPP in TFF funded projects. The Vietnamese implementing agency (TFF Management Unit) will need to apply SPP to their projects. They need training and consultancy on bidding procedures to include SPP.
4. **There is a shared agenda with the Climate Change adaptation program and realization of Agenda 21 in Vietnam.** The introduction and implementation of SPP can make use of synergies and save costs, e.g. through strategic environment assessment.

5. **SPP is in line with the direction of the government.** MONRE is mobilizing the development of a Green Procurement Law which is to be implemented in 2015. MARD will coordinate with MONRE. The two ministries need close collaboration, but they also need support and influence from outsiders/third parties which will help improve the effectiveness of the collaboration.
6. **Life cycle assessment in public procurement is not yet practiced.** If green accounting is practiced, we will see cost savings as environmental benefits are included and risks (excess waste, pollution, environment degradation) are avoided. Amongst the European countries which are applying SPP, the U.K., Sweden, Finland, Austria, Germany, and the Netherlands are all saving costs on public procurement.
7. **National Planning with socio-economic development targets in progress focused on clean industries by 2020.** The government has to take the lead and play a role as a major purchaser to demand greener products. The government needs to ensure all Ministries reflect SPP in their plans
8. **There is a lack of green label products.** Therefore, at the early stages of SPP, actions need not be limited to the forestry sector, but need to expand to stationary, paper, furniture, paper, timber, food, IT equipment, textiles, energy products, transport, landscaping and building materials.
9. **Awareness campaigns are needed.** SPP needs awareness campaigns for public and leaders and strong leadership to achieve success.
10. **There must be a leading agency to promote SPP.** As implementation of SPP needs involvement from different ministries, there must be a leading agency assigned by the government dedicated to promoting collaboration between ministries and the introduction and implementation of SPP.
11. **Preparation of pro-active legislation supporting SPP.** The draft version of the Law on Energy Efficiency was submitted to the National Assembly at the end of 2009. There is an existing scheme for coordination between the ministries for drafting legislative documents and regulations but it needs improvement.
12. **Putting in place and expanding standards and information on products.** The Forestry Management Information System project also includes an information tracking system, and works in conjunction with the CoC system. This information might be disseminated to the public and the end users for wider application of SPP.
13. **IUCN and Vietnam Chamber of Commerce and Industry initiate the Vietnam Business Council for Sustainable Development.** This is a bridge for communication between the private sector and the government on sustainable development issues. This can be used as a channel to communicate about SPP between the government and private sector on legislation, policies, implementation plan, as well as other related tenders.

14. **Promoting green procurement through preferential taxation.** There should be economic tools to promote SPP, e.g. through the implementation of environmentally related taxes. There should also be an increase in the imposition of fines for poor environmental management and penalties for environmental degradation
15. **A pilot project might start with using plantation wood for furniture in classrooms in one area, such as a province.** Using plantation wood will also help promote plantation growth and forestation practice amongst farmers. At the moment plantation wood in Vietnam is used to produce chips, which have very low values and are intended for export. A pilot project which emphasizes the use of plantation wood for furniture will create added value and help promote SPP and also reforestation programs in Vietnam.
16. **“Green products” are not the ultimate goal, but sustainable management and development is.** Governments typically buy products, services, and public works. Procurement procedures are different for each of these categories. When designing SPP implementation, environmental criteria need to be integrated into each stage of the procurement process: specification, supplier qualification appraisal and tender evaluation.
17. **Early SPP tenders need to be designed around “process” characteristics.** In Vietnam, the supply of green products is still in its very early stages. For example, there is little supply of sustainable CoC certified timber, hybrid vehicles, recycled paper or organic food products. Hence early SPP tenders need to be designed around “process” characteristics and not on product specifications. This allows suppliers to be innovative in how they produce and even “define” green goods and services. Note, however, that when process criteria are used, they need to be aligned with the sustainable development priorities of the country/province/organization that is issuing the tender.

7.2 Dialogues with Trust Fund for Forests’ Project Managers and Procurers

Could the Vietnam Trust Fund for Forests guide early green procurement activity?

A key element of this project was exploring if and how the Vietnam Trust Fund for Forests (TFF), set up under the auspices of MARD, might serve as an initial pilot opportunity for green procurement.

SPP was also included as one of the deliverables in the Memorandum of Understanding (MOU) for TFF from 2009–2012. This MOU was signed in March 2009 by MARD and the Embassies of Finland, The Netherlands and Switzerland. It provides for the second phase of the TFF and will extend the life of the Fund until 2012, which will be fully aligned with the Vietnam Forest Development Strategy 2006–2020. Given that SPP was cited as one of the deliverables in this MOU, this project was designed to include the forestry and forest product industry as the focus sector.

On June 30, 2009, IISD and Green Field Consulting Co. met with members of the TFF administration and key TFF beneficiaries to discuss the SPP business case and potential rollout strategies across TFF. The discussion also included examples of some potential “green characteristics” of timber products and other frequently purchased products such as paper and office IT equipment. IISD was able to provide examples of how greener alternatives could be selected and introduced into supplier contracts. IISD also stressed that green procurement needed to be included in an incremental manner, and the starting point should be limited to small product features that will require entail minimal cost increases and less administrative efforts for both the TFF procurers and their suppliers.

There was a general consensus that green procurement could be implemented in an incremental manner, and, to this end, the following were tabled as pointers for further follow up:

- Include SPP in the revision of the TFF operations manual
- Develop a dedicated TFF policy statement
- Explore how IISD, GFD and other organizations might be engaged to develop a SPP training program and green product procurement criteria that could be used across TFF projects
- Explore how SPP can be incorporated into future grant contracts
- Present these points to the TFF board for advice and approval

8.0 Conclusions

In conclusion, it is clear that on certain points Vietnam is more advanced than other countries in the region in terms of preparation for SPP. Firstly, the existing political and legal system already supports sustainable development and provides a solid platform for SPP implementation. The government has also allocated a significant budget for energy saving programs, specific public waste treatment works, annual state budgets for environment protection, and national program responses to climate change.

Secondly, initial efforts have already been made towards sustainable procurement in government implementing agencies. Efforts are currently focusing on energy savings, such as energy efficiency lighting and vehicles.

Therefore, it can be concluded that SPP is already taking place in Vietnam, though at a very early stage. In view of this the Government of Vietnam is well prepared to take more concrete steps to implement SPP.

General findings of this study include:

- The leading Party and the Government of Vietnam have given sustainable development a high profile on the political agenda and are taking specific actions to implement the “Sustainable Economic and Social Development Strategy for 2001–2010” in the Report at the Ninth National Congress of the Communist Party of Vietnam in April 2001;
- The overall legal system of Vietnam has well covered sustainable development issues and Vietnam is going to launch new laws to regulate environment protection activities;
- There are SPP initiatives which are already being applied amongst the government agencies;
- There are hurdles for implementing and complying to the legal system with regards to environment protection; there are urgent needs for further guidelines and instructions to implement the laws;
- There is a need to enhance the communication channels between the government and the private sector in order to introduce this new policy and other government initiatives;
- The government needs support from international donors to develop new laws and train procurers in implementation of this new initiative.

There are specific opportunities for introducing and implementing SPP in Vietnam which are aligned with the enforcement of the existing laws, regulations, policies, and action plans, especially

those relating to environmental protection, energy savings, sustainable development, and climate change mitigation.

These opportunities provide room for a synergic effort for SPP and include:

- The preparation and development to launch the Law on Green Procurement in 2015 followed by the introduction of an instructive decree in 2017;
- The launching of the Law on Energy Saving by the end of 2009;
- The implementation of Decree 102/2003/ND-CP regarding saving and efficient use of energy, Decision 79/2006/QD-TTg approving the National Target Program for Energy Saving and Efficiency, Circular 142/2007/BTC-BCT instructing the use and management of state budget for public administrative works towards the National Target Program for Energy Saving and Efficiency;
- Changing the budget planning process to include environmental criteria in spending plan;
- The Prime Minister's direction and orientation for a centralized purchasing method (Decision 179/2007/QD-TTg) which helps to make the volume of orders large enough for SPP to take benefit from pricing discounts;
- Introducing SPP involves market communication and includes publicizing of policies, standards, specifications, purchasing processes and contract award conditions, which will complement the implementation of the Law on Prevention of Corruption.
- The Prime Minister's Decision No. 153/2004/QD-TTg, promulgating the strategic orientation for sustainable development in Vietnam which implements Agenda 21 in Vietnam, whose main features are to include sustainable development components, is aligned with the implementation of SPP;
- The Law on Environment Protection and its instructive decrees are strong measures to enforce environment protection, especially the SEA and EIA, as well as requirements for efficient use of natural resources including natural forests waste management;
- The Decision No. 58/2008/QD-TTg for waste treatment of public service organizations: hospitals, dumping grounds, pesticide warehouses, chemical warehouses left by the American Army and public waste treatment works;
- The annual state budget for environment protection announced by the Ministry of Finance;
- The government agency for procurement management (the Department for Bidding Management under the Ministry of Planning and Investment) which serves as the hub for training courses and issuing certificates on bidding organization for procurers, at which the training curriculum could be improved to include SPP content;

- The timber and wood processing enterprises are capable of supplying sustainable products (with certificates and proofs of wood origins) provided the order volume is large enough to be profitable for delivery.
- The Prime Minister's Decision No. 158/2008/QĐ-TTg to approve the National Target Program on Response to Climate Change (NTP RCC) implies great opportunities of cooperation and coordination between public, private and civil society actors, and can be synergic with SPP implementation.

The hurdles stem from the lack of compliance and resources in performance of the laws, expertise, and budget. These include:

- The general lack of connection between the laws and absence of collaboration between ministries to incorporate environmental protection criteria in the procurement process.
- There is currently a lack of specific guidelines for SEA/EIA methods for the economic development plans and investment projects with large environmental impacts.
- There is a lack of environmental labels and guidelines to help the market identify environmentally-preferable products and services.
- There are not enough staff with training in SPP implementation. In order to implement SPP, there is a need for allocated human resources with training in SPP who will develop the process and supervise the implementation.
- The fact that the purchasing costs of SPP will be more expensive than the existing procurements. SPP will be beneficial in the medium term, but it obviously needs extra funding at the initial purchasing point because environmentally friendly products are more expensive than regular products. Given the recent state budget deficit, implementing SPP will create another burden on the budget and budget planning officers;
- There are few green products available on the market at the moment. There are currently only about 200 (out of approximately 400,000 companies in Vietnam) which are officially registered for cleaner production certificates. This creates difficulties for procurers when they decide to buy environmentally friendly products.

9.0 Additional Recommendations for Enabling SPP in Vietnam

9.1 General Recommendations

The potential of the impending decree on environmental purchasing is providing for a consensus between ministries and a bridge between different legislation.

Taking into account the above findings and inputs and contributions from the government officials, international donors, and representatives of private sector in the timber industry we interviewed, we would recommend that:

- SPP can be introduced and implemented with the consensus and support of the central government and with the cooperation between the ministries through issuing of policies and detailed instructive documents. SPP can only be successful with close supervision and enforcement.
- A working plan for introduction of SPP must include the following activities:
 - A review of procurement procedures to include sustainable criteria into the process and contract award. This must be a joint effort of the relevant ministries;
 - A review of the National Standards to include sustainable specifications OR a guideline on environmentally friendly labelling;
 - An awareness raising program for public and private sector;
 - A training program for procurers;
 - A support program for small and medium enterprises on information accessibility in terms of new policies, new standards and certificate regulations, new bidding criteria, and how their enterprises can achieve new requirements.
- SPP should first be initiated within a sector with the least possible corruption. As public procurement is under criticism for mismanagement and corruption, especially with construction and infrastructure projects, the entry point for SPP should be a sector with fewer disputes and where implementation is less complicated in terms of technical specifications, purchasing and bidding criteria. The implication is that in more corrupt sectors, the technical specifications are often more complicated and the corrupt stakeholders will obtain more benefits from the existing procurement process. Therefore, any efforts to improve the process (and its transparency) will require more resources for training (on technical specifications and environment criteria), and will entail more resistance from corrupt stakeholders.

The timber industry is a good entry point for introduction and implementation of SPP because:

- Forest protection is of high concern to the government and international community in regards of its relations to climate change profile. Therefore it will attract attention and draw support from these key stakeholders;
- Timber specifications are not complicated and are easy from the perspective of training and compliance;
- An MOU between MARD (as representative of the government) and the Trust Fund for Forests (TFF) has been signed which includes an article on implementation of SPP in the TFF projects and in regards to forest protection. This is the first legislative document in Vietnam that compels the practice of SPP;
- This will help the wood processing and timber enterprises in production management and increase their competitiveness in the global market; therefore it will receive support from this private sector;
- Timber enterprises are capable of fulfilling domestic demand with qualified and certified timber products if there are orders of sufficient size.

9.2 Specific Recommendations for Next Steps

Based on the outcomes of the study and taking into account the current national context and resources, the following are some specific possible next steps. These are the steps which can be carried out immediately and which do not require significant or sudden changes to the existing system. After these first steps, further steps and/or a full roadmap for action at the national level could be introduced and carried out, once additional resources are available.

Specific next steps should include:

1. Sharing the complete SPP preparedness needs assessment with MONRE, firstly with the Institute of Strategy and Policy on Natural Resources and Environment (ISPONRE) which is working to launch a green procurement law in 2015. MARD will actively cooperate with ISPONRE to support this process.
2. An early opportunity for testing theory in practice is presented through the Memorandum of Understanding between MARD and the Governments of The Netherlands, Finland and Switzerland on the Trust Fund for Forests. This could include the rollout of early SPP strategies by the TFF administration and the introduction of SPP criteria into the grant contracts of beneficiaries.

3. The early promoters of the SPP (including MARD, MONRE, Greenfield Consulting, and TFF) need to develop additional expertise on SPP. A dedicated expertise building program is needed to enable these actors to lead voluntary SPP efforts in the run up to the green procurement law. MARD could collaborate with donors and IISD to fund and design such a program.
4. MARD could explore collaboration with the Ministry of Planning and Investment through the Department of Bidding Management to introduce a dedicated module on SPP to the public procurement and bidding training course for public sector procurers. This course is conducted by the Department of Bidding and by external training institutions that are accredited by the Department. The curriculum is developed by the department.
5. International donors could collaborate with MONRE (and subsequently MARD) to strengthen the legal guidance provided on the prevailing mandatory requirements for environmental impact assessment (EIA) and the strategic environmental assessment (SEA) for new investment and construction projects as stipulated in the Law on Environment Protection No. 52/2005/QH11, November 2005.
6. MARD could seek to further engage in the centralised procurement platform/method established through the Prime Minister's direction (Decision 179/2007/QD-TTg). The SPP preparedness assessment has established that this is yet to be widely implemented. SPP could provide an additional justification for this initiative.
7. Together with other relevant competent authorities, MARD, MONRE and donors could collaborate on strengthening the development of eco-labels and environmental certification programs to enable markets to identify and reward green goods and services.
8. MARD, in collaboration with the MONRE and the Ministry of Education could initiate an SPP pilot project on the procurement of chain of command certified timber furniture for schools. The project may be best implemented at the provincial level of government, in provinces where policies on sustainable forestry are already being implemented.
9. Climate change mitigation and adaptation technologies—from energy efficiency to renewable technologies—need to be made a part of the SPP solutions. Several ministries have ready begun to purchase energy efficient lighting. Leadership by MARD, MONRE and partnerships with donors and NGOs will be valuable to promote further climate friendly procurement.

Annex 1 – Legal listing, Process Flow

List of projects in Decree 21/2008/ND-CP

Appendix
List of Established Projects
Environmental Impact Assessment Report
(Promulgate with Decree No. 21/2008/ND-CP February 28, 2008)

Order	Project	Scale
1	The projects and works of national importance which need investment policy approval from National Assembly according to Decision No. 66/2006/NQQH11 dated 29 June 2006 of the National Assembly	All
2	The projects that use part or all area of national conservation parks, world historic and cultural heritages, biosphere conservation, recognized heritages, heritages protected by PPCs or central Government	All
3	Projects which have potential direct impacts to river basins, coastal areas, protected ecosystem	All
Group of construction projects		
4	Construction project of urban infrastructure, residential area.	Area 50ha up
5	Construction project of industrial infrastructure, high technology area, industrial zone, export processing zone, trade village zone	All
6	Construction project of supermarket and market	From 200 business points up
7	Construction project of sport centre	Area 10 ha up
8	Hospital construction project	From 50 sick-bed up
9	Construction project of hotel and motel	From 100 crush-room up
10	Construction project of tourist area, amusement park	Area from 10 ha up
11	Construction project of tourist service base (infrastructure and material facilities) at the coastal areas, on the islands	Level of waste water from 1,000 m3/day up
12	Golf construction project	From 18 holes up
13	Cemetery construction project (first burial, incinerator and other forms)	All
14	Construction project of underground work	All
15	Basement construction project	Deep basement from 10m up
16	Construction project of military works, military training, shooting-gallery, port of defense	All
17	Construction project of military treasure	All

18	Construction project of defense economic area	All
19	Construction project of prison, detention centre	All
Group of building materials produce projects		
20	Cement producing project	Designed capacity from 30,000 tonnes of cement/year up
21	Clinker crush project for cement production	Designed capacity from 1,000,000 tonnes of cement/year up
22	Production project of brick, tile	Designed capacity from 10,000,000 standard bricks /year up
23	Production project: of building materials	Designed capacity from 10,000 tonnes of products/year up
Group of traffic projects		
24	Construction project of underground traffic (metro, tunnel)	Length 500 m up
25	Construction project of motorway, car way from level I to level III	All
26	Upgrowth and improvement project of motorway, carway from level I to level III	Length 50 km up
27	Construction project of motorcar level IV	Length 100 km up
28	Construction project of railway	Length 50 km up
29	Construction project on the high railway.	All
30	Cable construction project	Length 500 km up
31	Construction project of eternal ports on road and rail	Length 200 m up (not including of derivation)
32	Construction project of the traffic	Resettlement require from 1,000 people up
33	Construction project of maritime port, river port	Ships of tonnage from 1,000 DWT up
34	Construction project of fishing port	Receive fishery boats from 100 times per day up
35	Construction project of aeronautical port, airport	All
36	Construction project of bus station	Area 0.5 ha up
37	Construction project of hot plastic concrete	Designed capacity from 10,000 tonnes of products/year up
Group of projects on energy, radiation		
38	Construction project of nuclear reaction pile	All
39	Construction project of service, business, production base that use radiation or arise radiation waste	All
40	Project of nuclear electricity, thermonuclear electricity	All
41	Thermo-electric project	Designed capacity from 30 MW up
42	Project of electric wind (producing electricity with wind power)	Area 100 ha up
43	Photo-electric project (solar power)	Area 100 ha up
44	Hydroelectric project	Reservoir have capacity from 300,000 m ³ of water up
45	Construction project of high voltage transmission lines	Length 100 km up
46	Production project of electric cable and wire	Capacity from 2000 tonnes of aluminum/year up (or equivalent)
Group of projects of electronic, telecommunication		
47	Construction project of signal receiving and transmitting stations	Designed capacity from 2 KW up
48	Production project of electrical and electronic units	Designed capacity from 10,000 equipment/year up

49	Production project of electrical and electronic part	Designed capacity from 500 tonnes of products/year up
50	Construction project of telecommunication line	Length 100 km up
51	Construction project of telecommunication cable	All
Group of project of irrigation, exploitation and afforestation		
52	Project of water reservoir, irrigational lake	Reservoir have capacity from 300,000 m ³ of water up
53	Project of irrigational works	Ares covered from 200 ha up
54	Project of maritime encroachment	All
55	Jetty project of riverside and coast	Length 1,000 m up
56	Projects which exploit or change the use of upstream protection forest, wave prevention protection forest, special use forests	Area 5 ha up
57	Projects which exploit or change the use of natural forest	Area 20 ha up
58	Project of afforestation and forestry exploitation	Afforestation area 1,000 hecta up; exploitation area 200 hecta up
59	Establishing project of concentratively industrial tree planting area: rubber, manioc, coffee, sugar-cane, cocoa, tea, pepper	Area 100 ha up
60	Establishing project of concentratively vegetables and flowers planting area	Area 100 ha up
Group of minerals exploitation project		
61	Exploitation project of minerals (on land) to do building materials	Exploitation capacity from 50,000 m ³ materials/year up
62	Exploitation project of minerals to do soil leverage	Exploitation capacity from 100,000 m ³ materials/year up
63	Project of exploitation, and utilization of natural resources at river bed for construction materials	Capacity from 50,000 m ³ materials/year up
64	Exploitation project of solid minerals (not use chemicals)	Mining quantity (including minerals and waste soil) from 100,000 m ³ /year up
65	Processing and exploitation project of solid minerals that contain noxious substance or use chemical substance	All
66	Processing project of solid minerals	Designed capacity from 50,000 tonnes of products/year up Rock and land quantity eliminate from 500,000 tonnes/year up with coal channel
67	Exploitation project of underground water	Exploitation capacity from 10,000 m ³ water/day and night up
68	Exploitation project of still mineral water (under soil or expose on soil surface) to bottled	Exploitation capacity from 120 m ³ water/day and night up
69	Exploitation project of still mineral water, still hot water (under soil or expose on soil surface) to do service (to have a bath, to cure and other aims)	Exploitation capacity from 500 m ³ water/day and night up
70	Exploitation project of water surface	Exploitation capacity from 50.000 m ³ water/day and night up
Group of petrol project		
71	Exploitation project of petrol, gas	All
72	Project of petrochemical filter (except refinery projects for LPG, lubricants)	All

73	Production project of petrochemical product (surfactant, plastic substance, methanol)	All
74	Construction project of petrol and gas pipeline line	All
75	Project of petrol depot	Capacity from 1,000 m ³ up
76	Construction project of petrol and gas entrecote	All
Group of project of waste treatment		
77	Recycling and treatment project of solid waste types	All
78	Grounds for burying industrial waste and toxic waste	All
79	Construction project of burying domestic wastes	Scale from 500 households up or district scale
80	Construction project of waste water treatment system for industry zones, high-tech zones, trade villages	All
81	Construction project of focused activities waste water system	Designed capacity from 1,000 m ³ waste water/day up
82	Processing and purchasing project of wasted materials (including wasted materials import)	Designed capacity from 3,000 tonnes/year up
83	Sanitation project of ship washing (all types)	All
84	Breaking project of old ships (all types)	All
Group of projects on mechanics and metallurgy		
85	Project of black and color metallurgy	Designed capacity from 3,000 tonnes of products/year up
86	Project of steel lamination	Designed capacity from 5,000 tonnes of products/year up
87	Repairmen and making project of ships	Ships with load 1,000 DWT up
88	Projects of manufacturing, assembling, repairing of new engines, cars	Designed capacity from 500 transport/year up
89	Project of motorbike repairmen, assemblage, production	Designed capacity from 10,000 transport/year up
90	Project of mechanics, machines making, equipment	Designed capacity from 1,000 tonnes of products/year up
91	Project of metal shine, spray and plate	Designed capacity from 1,000 tonnes of products/year up
92	Production project of fixative aluminum	Designed capacity from 2,000 tonnes of products/year up
93	Repairmen and production project of weapon, materials, military equipment	All
Group of project of wood processing, glass and pottery production		
94	Processing project of wood	Designed capacity from 5,000 m ³ /year up
95	Production project of plywood	Designed capacity from 100,000 m ² /year up
96	Production project of household woodwork	Designed capacity from 10,000 products/year up
97	Production project of fine arts	Designed capacity from 1,000,000 products/year up
98	Production project of glass and pottery	Designed capacity from 1,000,000 products/year up
99	Production project of sanitary porcelain	Designed capacity from 10,000 products/year up
100	Production project of enameled tile	Designed capacity from 1,000,000 m ² /year up
101	Production project of chimney, thermos	Designed capacity from 1,000,000 products/year up
Group of processing project of food and cold drink		
102	Processing project of food	Designed capacity from 5,000 tonnes of products/year up

103	Slaughter project of poultry and cattle	Designed capacity from 1,000 cattle/day up; 10,000 poultry/day up
104	Aquatic processing project	Designed capacity from 1,000 tonnes of products/year up
105	Production project of sugar	Designed capacity from 20,000 tonnes of sugar/year up
106	Production project of wine and alcohol	Designed capacity from 100,000 liter of products/year up
107	Production project of beer and cold drink	Designed capacity from 500,000 liter of products/year up
108	Production project of sodium glutamate	Designed capacity from 5,000 tonnes of products/year up
109	Processing project of milk	Designed capacity from 10,000 tonnes of products/year up
110	Processing project of oils	Designed capacity from 10,000 tonnes of products/year up
111	Production project of cakes and candies	Designed capacity from 5,000 tonnes of products/year up
112	Production project of ice water	Designed capacity from 3,000 ice cube/ day and night (for 50 kg/cube) or from 150,000 kg ice/day and night up
Group of processing project of agricultural product		
113	Production project of tobacco	Designed capacity from 30,000 package/year up
114	Processing project of tobacco materials	Designed capacity from 1,000 tonnes of products/year up
115	Processing project of cereal products	Designed capacity from 10,000 tonnes of products/year up
116	Project of rice processing and grind	Designed capacity from 20,000 tonnes of products/year up
117	Cassava processing project	Designed capacity from 1,000 tonnes of products/year up
118	Processing project of cashew nuts	Designed capacity from 10,000 tonnes of products/year up
119	Tea processing project	Designed capacity from 10,000 tonnes of products/year up
120	Coffee processing project	Designed capacity from 5,000 tonnes of products/year up with wet processing method; from 10,000 tonnes of products/year up with dry processing method; from 1,000 tonnes of products/year up with powdered coffee and instant coffee processing
Group of processing project and poultry, cattle and aquatic breeding		
121	Processing project of cattle feed, poultry, aquatic feed	Designed capacity from 5,000 tonnes of products/year up
122	Processing project of aquatic by-product	Designed capacity from 1,000 tonnes of products/year up
123	Processing project of fish paste	Designed capacity from 1,000 tonnes of products/year up
124	Project of aquatic breeding (intensive cultivation/ semi-intensive cultivation)	Water surface area from 50ha up

125	Project of extensive farming aquatic breeding	Water surface area from 50ha up
126	Project of aquatic breeding on sand	All
127	Project of concentrated cattle breeding	From 1,000 cattle up
128	Project of concentrated poultry breeding	From 20,000 heads of poultry up, with ostrich from 200 up, with partridge from 100,000 heads up
Group of production project of chemical fertilizer, vegetable protection medicine		
129	Production project of chemical fertilizer	Designed capacity from 2,000 tonnes of products/year up
130	Project of chemical depot, vegetable protection medicine	Capacity from 2 tonnes up
131	Production project of vegetable protection medicine	All
132	Projects for bottling and packaging pesticides	Designed capacity from 500 tonnes of products/year up
133	Production project of organic fertilizer, microorganism fertilizer	Designed capacity from 1,000 tonnes of products/year up
Group of project on chemical substance, pharmacy, cosmetic		
134	Pharmaceutical producing project	Designed capacity from 500 tonnes of products/year up
135	Vaccine producing project	All
136	Production project of veterinary medicine	Designed capacity from 500 tonnes of products/year up
137	Production project of chemical cosmetic	Designed capacity from 50 tonnes of products/year up
138	Production project of plastic, products from plastic	Designed capacity from 500 tonnes of products/year up
139	Production project of plastic packing	Designed capacity from 2,000,000 products/year up
140	Production project of paint, basic chemical	Designed capacity from 500 tonnes of products/year up
141	Production project of detergent and additive	Designed capacity from 1,000 tonnes of products/year up
142	Production project of powder, explosive powder, fire equipment	All
143	Production project of industrial explosion	All
144	Salt production project	Area 100ha up
Group of production project of paper and office supplies		
145	Production project of pulp and paper (from materials)	Designed capacity from 1,000 tonnes of products/year up
146	Production project of paper from pulp, recycling	Designed capacity from 5,000 tonnes of products/year up
147	Production project of office supplies	Designed capacity from 1,000 tonnes of products/year up
Group of clothing and dyed textile		
148	Dyed textile project	All
149	Undyed textile project	Designed capacity from 10,000,000 m of cloth/year up
150	Processing and production project of clothing product that haven't got	Designed capacity from 50,000 products/year up
151	Processing and production project of clothing product that haven't got	Designed capacity from 2,000,000 products/year up
152	Project of industrial laundry	Designed capacity from 50,000 products/year up
153	Production project of silk fiber and artificial fiber	Designed capacity from 1,000 tonnes of products/year up
Group of other projects		
154	Processing project of rubber latex	Designed capacity from 5,000 tonnes of products/year

		up
155	Processing project of rubber	Designed capacity from 1,000 tonnes of products/year up
156	Production project of shoes and sandals	Designed capacity from 1,000,000 products/year up
157	Production project of rubber tire and tube	Designed capacity from 50,000 products/year for cars, tractors; from 100,000 products/year up for bicycle, motor-bike
158	Production project of battery and pile	Designed capacity from 50,000 KWh/year up or from 100 tonnes of products/year up
159	Tanning project	All
160	Projects for liquidize CO ₂ gas	Designed capacity from 3,000 tonnes of products/year up
161	Production project of equipment, firefighting product	All
162	Other projects, improvement, upgrade, expend	Have quality, scale, capacity equivalent with projects from 1 to 161 except project 25 and 26 of this appendix.

Decree No 58/2008/ND-CP – three levels of authorities for construction bidding:

Level 1 *Prime Minister* is responsible for projects decided by the Prime Minister, approves the bidding plan, approves or assigns a subordinate to approve bidding results, solves bidding disputes or requests, and examines bidding guilts and law violations;

Prime Minister approves or assigns a subordinate to approve bidding plan, bidding results for projects of national secrets, urgent projects of national benefits, energy securities;

Prime Minister approves or assigns a subordinate to approve other special projects.

Ministry of Planning and Investment is responsible for examination of the bidding plans and bidding results of these projects, and selection of contractors for special projects

Level 2 Heads of ministries, ministerial agencies, PPCs are responsible for contributing comments to the projects of level 1, and approve bidding invitations, and are responsible for other tasks in accordance to the Prime Minister's assignment.

Heads of ministries, ministerial agencies, PPCs approve the bidding plans, bidding invitations, bidding results for the projects under their authorities.

Heads of ministries, ministerial agencies, PPCs approve other bidding plans, approve or assign a subordinate to approve bidding invitations, bidding results, solutions for bidding issues and disputes.

Provincial Departments of Planning and Investment are responsible for bidding plans and bidding results for these projects, and projects assigned to PPCs by the Prime Minister, and projects PPCs' authorities.

Ministers, heads of ministerial agencies assign a division to be responsible for examination of bidding plans and bidding results for projects under their authorities; and bidding invitations and bidding results for projects assigned by the Prime Minister.

Level 3 Chairmen of People's Committee of lower administrative levels, heads of local agencies approve bidding contents under assignments;

Chairmen of People's Committee of lower administrative levels, heads of local agencies approve bidding plans, approve or assign a subordinate to approve bidding invitations, bidding results for projects under their authorities.

The financial divisions of People's Committee of this level are responsible for examination of bidding contents of these projects.

Annex 2 – International Donors' Interviews

Representatives from UNIDO show strong support for SPP in Vietnam. They are among the first agencies to promote sustainable production and consumption in Vietnam through the introduction of cleaner production and their support of the Vietnam Cleaner Production Center since 1998. Their approach is to encourage SPP through the enhancement of policies and regulations on industrial development, particularly the manufacturing industries in collaboration with the Ministry of Industry and Trade, other central and provincial agencies and the private sector. They are willing to contribute comments and opinions on SPP because it is aligned with their sustainable development policies and the next phase of programming, which will focus on "promoting green industries for a low carbon economy" in Vietnam.

The interview with the World Bank included one representative from the Procurement division and one from Environment division. They shared their processes and experience in including environmental criteria in loan contracts with the borrower (i.e. the Vietnamese government). Environmental criteria are included from the state of project design and will be evaluated before the approval of the loan.

For each loan, there are two separate steps. One step is the examination of the procurement plan, performed by the procurement specialist. The other step is the examination of the integration of environmental criteria into the procurement plan, performed by the environmental specialist. Though the procurement specialist might not know much about the environmental criteria, the loan package as a whole will be assessed again under the oversight of the team leader, who will make the final decision on approval of the loan. Therefore, there is always an allocation of funds for environmental protection measures integrated into the loan. The borrower cannot refuse these measures because they are part of the conditions of the loan.

Because the funds for environmental protection measures are well allocated and released along with the main loans for the projects, these measures are successfully implemented in World Bank funded projects.

The environmental specialist may provide comments that, in order to include environment sustainability into implementation of any project, it will certainly request more staffing, more timing, and increased costs.

Representatives from the World Bank think that SPP will only be introduced and implemented in Vietnam when the Vietnamese government believes that it will benefit the country. SPP cannot be

introduced and implemented only because of pressure from the international community. Therefore, the government must be convinced about the benefits of SPP so that they can take action with consensus and determination.

The representative from the Asia Development Bank (ADB) shared that social and environmental impact assessment is a part of project design. Therefore, social and environmental conditions are included in the conditions of the loan. These conditions are non-negotiable. These social and environmental conditions will be integrated into the specifications of the procurement of the project's loan agreement.

When project design is approved (and the loan is approved), the borrowers will take responsibility for fulfilling these conditions. The standards for procurement are clearly defined in the bidding documents. Occasionally, the specifications might need modification during implementation of the projects.

ADB's project division has different sectors for different industries (such as energy, water, urban development). In each sector there are environment specialists who closely watch the implementation of the environment conditions of the project management units (PMUs). ADB will suspend the procurement if the defined standards are not met.

ADB standards for bidders and specifications of procurement are often higher than those of Vietnam. During the implementation of bidding, the Vietnamese government (or the PMU representing it) tends to lower the standards and specifications for bidders so that Vietnamese companies can directly participate in the bidding process. ADB is convincing the Vietnamese government to increase these standards to benefit the projects and the private sector of Vietnam over the long term. Vietnamese government is gradually accepting the higher standards in the recent loan agreements.

The representative from ADB also raised concerns about the existing decentralized system of public procurement which could lead to governance issues.

The representative from the EU delegation indicated that EU is always concerned with purchasing activities in EU-funded projects in Vietnam. However, in these projects, the project implementation agencies (or project owners) are ministries and PPCs. Therefore, the EU does not have direct management of the project activities. Under Vietnamese law, project owners are the ones who are responsible for bidding and purchasing activities. Therefore, the EU only gives recommendations on the environment sustainability criteria for the bidding plan without intervening directly. But the final purchasing decisions are made by the PPCs. The PPCs then comply with the Law on Procurement. There are no specific environmental criteria in this law.

One of the EU Delegation's current interests with Vietnam is the process of Vietnam joining the Forest Law Enforcement, Governance and Trade (FLEGT) mechanism. Therefore they strongly support the SPP initiative of the government as it is aligned with and supports the implementation of FLEGT.

The EU delegation's representative suggested that the introduction and enforcement of SPP, as with any other deployment process of a new law, should start with education and awareness raising, law enhancement and implementation enforcement.

The representative from the International Union for Conservation of Nature (IUCN) observed that SPP is aligned with the aims and objectives of IUCN's programs and activities in Vietnam. However, IUCN funded projects are deployed through Vietnamese implementing agencies (project owners) such as ministries and PPCs. Therefore, procurement activities are in accordance with the Vietnamese Law on Bidding as well as other related regulations, and under supervision of MPI. Sustainable criteria for these purchasing activities have been included in the bidding process, but insufficiently.

IUCN's representative also suggest that a roadmap for SPP in Vietnam must start with education and awareness raising, followed by the enhancement of policies and regulations supported by a specific plan for enforcement of implementation.

Representative from the Japan International Cooperation Agency (JICA)/ Japan showed strong support for SPP in Vietnam. He shared his experience in implementing SPP in Japan, which took 10 years from the early 90s to 2000. In response to the promotion of green consumption among the public, the government took the initiative to make a consensus to promote green procurement.

After 10 years of pursuing the issues, green procurement has been passed by the parliament and integrated in to the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (No. 100 of 2000) which takes effect as of January 6, 2001.

However, this law does not apply green procurement policies and regulations strictly to foreign loans, assistance and development project with consideration of the implementation conditions in countries such as Vietnam.

Though showing strong support for SPP in Vietnam, the representative from JICA raise a significant concern regarding the implementation conditions. He insisted that is hard to apply green purchasing even to procurement for the JICA office in Hanoi because of the lack of adequate supplies, let alone

big construction projects. He showed his enthusiasm for a pilot project for SPP in one of the JICA projects in Vietnam if it can come to an agreement.

Representative from Gesellschaft für Technische Zusammenarbeit (Ministry of Technical Cooperation, or GTZ)/Germany shared their support for SPP in Vietnam. SPP has long been implemented in Germany with consensus from the public, the private sector, and the government.

GTZ, as an implementing agency of the German government, is currently promoting sustainable development in Vietnam through some 20 projects and programs covering a range of sectors. GTZ focuses on capacity development and sustainability in these projects at different levels. Procurement of goods is a minor activity within these projects and is done by the GTZ office in Hanoi. Procurement of services is done in coordination with the project partner. GTZ procurement staff apply either EU procurement procedures or German government procurement standards depending on which one is stricter.

During the implementation of these projects, it is noted that there is improvement in the awareness, consciousness and activities of the implementing staff of the partners (i.e. Vietnamese governmental agencies at different levels). Sustainable development draws interest from both sides of project implementing agencies: GTZ and its Vietnamese partner(s). GTZ will be supporting sustainable public procurement initiative in Vietnam.

The representative from the Trust Fund for Forest (TFF) welcomed the SPP initiatives. TFF has recently signed an MOU with MARD on the objectives, priorities and management of the Trust Fund. The MOU has a particular item on procurement that states “all procurement [of the TFF projects] will be made in accordance with generally accepted principles including: i) Economy and Efficiency; ii) Competition; iii) Equal treatment of bidders; iv) Transparency and accountability; v) Ethics in procurement; vi) Sustainable public procurement.”

The TFF Management Unit is preparing guidelines on procurement in accordance with this MOU, including the implementation of SPP for TFF funded projects. However, she also mentioned her concern that SPP is too new, and that she still wonders how to embed it into guidelines in order to make its implementation more practical at the project level. She asked whether information about SPP is available for her reference to add to the guidelines.

The representative of the Finnish Embassy showed support for SPP in Vietnam. She observed that in Finland green procurement is strongly supported by the public, the private sector and the government of Finland. There have been no difficulties implementing SPP because the people are very conscious about environmental protection and social equality. The enterprises also commit strong moral standards for doing business.

Beside the regulations for SPP within Finland, the government also issued a procurement handbook for the Finnish Foreign Service for implementing development and assistance projects in foreign countries. All projects funded by the Finnish government must follow the handbook, including its guidelines on green procurement. Mostly, the Finnish companies are successful in open tendering in competition with other international companies, and they assure compliance with the procurement guidelines as their duty but also as part of their moral standards. All procurements are done by the Finnish companies implementing agencies of the projects. She observed that there was very little consideration about environmental protection and sustainable consumption amongst the Vietnamese staff at the beginning of the implementation of the projects funded by the Finns. She added that, nevertheless, awareness and consciousness of the implementing staff improved gradually during the project activities.

She suggested that promotion of SPP must start with education and awareness raising, followed by capacity building, and enforcement and penalties for faulty implementation.

Representatives of the Netherlands Embassy asserted their pioneering and strong determination in supporting SPP. They emphasized that it is a very promising tool to encourage sustainable development in the public and private sectors as well as amongst citizens. It still requires a lot of public relations efforts to increase awareness and broaden support. They also recognized that it is taking a long time to implement in the Netherlands, and that one of the biggest challenges for effective and broad implementation of SPP in practice is to engage in whole life cycle costing processes, in order to show that in the end SPP will create win-win opportunities for many stakeholders.

Sustainable development is one of the key priorities of the Dutch government and sustainable public procurement is considered to be an important policy tool in this context. Average government procurement amounts to several billion euros per annum and thus government can play an important role in stimulating the market for sustainable products by creating positive incentives. SPP is one of them. The Netherlands is developing sustainability criteria for a large number of product categories in order to strengthen the notion of sustainability within procurement processes.

In the EU context the Netherlands supports the preparation process of the Action Plan for Sustainable Consumption, Production and Sustainable Industrial Policy which is considered an important step towards a balanced approach to economic and ecological challenges.

The goal of the Netherlands government is to ensure 100 per cent sustainable public procurement at the central government level in 2010, while the target at the local government level is 75 per cent and at the provincial level 50 per cent.

In Vietnam, the Netherlands is one of the founding TFF members who strongly supported inclusion of the SPP principle in the TFF's MOU. This provided an opportunity for MARD to start field-testing this innovative concept with the TFF partners involved. The focus of the SPP initiative now should be the implementation of the MOU and SPP. The representatives of the Netherlands strongly commend the International Cooperation Department/MARD for its courage in launching this readiness assessment and look into this new and challenging area, as well as IISD for their willingness to fund this study. Putting SPP into practice will enable substantial support from public and private sectors as well as consumers to Vietnam's commitment to Agenda 21 and to the climate change mitigation response.

The representative of the Swedish Embassy shared the experiences in Sweden, where SPP was developed and has been implemented for long time. The Swedish Public Procurement Act is the key legal document that regulates the process and activities which also help reduce corruption and the pursuit of green development.

The public is well and widely aware about environment sustainability and social equality. For example, many publishers use and publicize their use of recycled paper in the Eco-Audit/Environmental Benefits Statement, even though for limited printings. The statement also gives figures on reduction of solid waste, water, greenhouse gases and energy use.

The challenges for implementation of SPP in Sweden were that it was not easy to have a consensus of different beneficiary groups in the country. SPP is ignored for some large enterprises which have influence in governance in the tenders that they are bidders. This creates room for corruption.

All Swedish-funded projects in Vietnam are implemented through the Swedish International Development Agency (SIDA), in which SPP is one of the key criteria for any grant and considered from the initial stages of project design. In Vietnam, projects are required to apply SIDA Procurement Guidelines. SIDA has also established a separate division called the Division for Legal Services and Procurement Advice to support procurement activities. SPP was first introduced in SIDA projects in 2001. The new regulations were introduced in 2004 in Article 2.8 of the Green Procurement–Environmental Considerations which emphasizes that all procurements must comply with SIDA's Policy for green procurement for cooperating partners and Guideline for Ecologically Sustainable Public Procurement.

The representative of the Korean International Cooperation Agency (KOICA) shared that SPP is also a very new concept to her. As far as she knows, it is not yet implemented in South Korea, but she thinks it will be introduced and implemented in the future.

KOICA is cooperating with the Public Procurement Agency (PPA) of MPI to transfer South Korea's e-procurement system (KONEPS) which is being evaluated as the most effective, transparent on-line bidding and procurement practice model by the UN and OECD. This project was in the pilot period from January 2009 and was expected to finish by July 2009. There are reports on the project progress but it is not available for circulation yet.

The representative is not sure if this e-procurement initiative is welcomed by the implementing agencies. This is because even though the necessity of this system is clear, it takes time and expense, and people tend to resist new methods or changes to their existing ways of working.

One of the challenges in implementing e-procurement with the Vietnamese agency is that the technical background (human and systemic) is not adequate for deploying full functioning e-procurement. Vietnamese technological background and infrastructure is far behind that of South Korea; therefore, it is very difficult to apply the existing South Korean e-procurement system to Vietnam.

Annex 3 – List of Stakeholders Consulted

No	Organization/ Contact Person	Name	Date
Government			
1	MARD International Cooperation Department	Mr. Tran Kim Long, Vice Director Mr. Pham Ngoc Mau, Expert	April 24, 2009
2	MARD Finance Department 2 Ngoc Ha, Hanoi Tel: 04 3733 5619	Mr. Nguyen Van Ha, Vice Director Mr. Pham Minh Ngoc, Expert of Administration Team	April 7, 2009
3	MARD Planning Department 2 Ngoc Ha, Hanoi	Mr. Tran Hoang Hiep, Expert of Forestry Team	April 8, 2009
4	MARD Department Construction Management 10 Nguyen Cong Hoan Tel: 04 3771 1275 Fax: 04 37711276	Nguyen Hoai Nam MSc. Expert for Appraisal of Water Construction and IT Project	March 30, 2009
5	MARD Department for Forest	Mr. Nguyen Ngoc Binh, Director	May 21, 2009
6	MARD Department for Forest Protection 2 Ngoc Ha Tel: (84-4) 3733 5678 Fax: (84-4) 3733 5685	Mr. Nguyen Huu Dung, Deputy Director	April 17, 2009
7	MARD Department for Trade, Process of Agriculture, Aquaculture, Forest Products, and Salt 10 Nguyen Cong Hoan Tel: 04 3771 1206 Fax: 04 3771 1205	Mr. Le Duy Phuong, Official Mr. Tran Huu Thanh, Expert	April 15, 2009
8	MARD Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) S 6 Nguyễn Công Trú Tel: 84-4-38219848 Fax: 84-4-39711062	Mr. Dang Kim Son, Director	April 12, 2009
9	Institute for sustainable forest management and forest certification – VIFA 114 Hoang quoc Viet Tel:(844) 3755 6250	Mr. Nguyen Ngoc Lung, Director	March 25, 2009
10	MPI Department for Bidding Management 2 Hoang Van Thu Tel: (04) 3833 3359	Mr. Tran Dang Quang	June 1, 2009
11	MOF Department for Public Assets Management 28 Tran Hung Dao Tel: (84-4) 2220.2828 Fax: (84-4) 2220.8091	Mr. Nguyen Tan Thinh, Expert	March 23, 2009

12	MONRE Finance Department 83 Nguyen Chi Thanh	Nguyen Xuan Truong Vice Director	March 30, 2009
13	MONRE International Cooperation Department 83 Nguyen Chi Thanh Fax: 04 3835 2191	Mr. Pham Van Tan, Vice Director Mr. Chu Anh Khoa, Expert	April 8, 2009
14	MONRE Planning Department 83 Nguyen Chi Thanh	Mr. Pham Thai Linh, Officer Mr. Nguyen Khac Trung, Expert	April 2, 2009
15	MONRE Department for Environment Protection	Mr. Vu Dinh Nam	April 10, 2009
16	MONRE/ ISGE International Support Group on Natural Resources and Environment	Mr. Ngan Ngoc Vy, Coordinator	March 5, 2009
17	MOIT Finance Accounting Department 54 Hai Ba Trung Tel: 04-22202222 Fax: 04-22202525	Ms. Nguyen Hong Duong	March 23, 2009
18	MOET Finance Department 49 Dai Co Viet	Ms. Nguyen Thi Kieu Oanh, Expert Ms. Nguyen Thu Ha, Expert	April 8, 2009
19	MOLISA Secretariate Office	Mr. Nguyen Ba Hoan, Vice Secretariate	April 9, 2009
20	MOLISA International Cooperation Department	Ms. Le Kim Dung, Vice Director	April 9, 2009
21	MOLISA Secretariate Office	Mr. Vo Vinh Nam, Vice Director of Accounting Division	April 9, 2009
22	MONRE Institute of Strategy and Policy on Natural Resource and Environment (ISPONRE) 1116 Hoang Quoc Viet, Cau Giay Tel: 04 3793 1629 Fax 04 3793 1730	Dr. Nguyen Trung Thang, Acting Head of Environment and Sustainable Development	May 12, 2009
23	MONRE Vietnam Environment Agency Department for EIA&A 83 Nguyen Chi Thanh Tel: 04 3773 4246	Mr. Le Hoai Nam, Deputy Director	May 20, 2009
Bilateral Agencies			
24	Forest Sector Support Partnership-Coordination Office (FSSP-CO) + Trust Fund for Forests - Management Unit (TFF- MU) 3rd Floor, Building A8, 10 Nguyen Cong Hoan Street, Hanoi Tel: (84-4) 7629412 Fax: (84-4) 7711431	Ms. Hoang Thu Nguyet, Financial Advisor	May 5, 2009

25	Community Forest Management, pilot programme, 2006 – 2007, Room 305, Block A3, 1B Bac Son Ba Dinh Dist., Hanoi	Ms. Le Thi Thua, Coordinator	May 21, 2009
26	Finnish Embassy Central Building, 6th floor, 31 Hai Ba Trung, Hanoi Tel: +84-4-3826 6788 Fax: + 84-4-3826 6766	Ms. Le Thi Thu Huong, Programme Coordinator	March 6, 2009
27	Netherlands Embassy 6th floor, Daeha Office Tower, 360 Kim Ma Tel: + 84 4 3831 5650 Fax: +84 4 3831 5655	Ms. Annelies Donners, First Secretary Development Cooperation Ms. Pham Minh Uyen, Programme Officer	April 19, 2009
28	GTZ 6th Floor, Hanoi Towers, 49 Hai Ba Trung St., Hanoi, Vietnam Tel: +84 4 3934 4951 Fax: +84 4 3934 4950	Ms. Bettina Gruber, Deputy Country Director	June 2, 2009
29	JICA 16th Floor, Daeha Business Center, 360 Kim Ma, Ba Dinh Dist., Hanoi Tel: +84 4 3831 5005~8 Fax: +84 4 3831 5009	Mr. Murase Noriaki, Representative	March 6, 2009
30	Embassy of Sweden 2 Nui Truc, Ba Dinh, Hanoi Tel: (04) 3726 0400 Fax: (04) 3823 2195	Ms. Johanna Palmberg, First Secretary, Development cooperation Section, Natural Resource and Environment, Rural Development	March 11, 2009
31	Korea International Cooperation Agency (Koica) 7th Floor, Daeha Business Center 360 Kim Ma Str., Ba Dinh Dist., Hanoi, Vietnam Tel: (04) 3831 6911 Fax: (04) 3831 6912	Ms. Hyo Jin - Kim, Deputy Resident Representative	May 25, 2009
Multilateral Agencies			
32	European Commission (EC) 17th-18th floor, Pacific Place Office Building, 83B Ly Thuong Kiet Str., Hanoi. Tel: +84 4 3941 0099 Fax: +84 4 39461701	Mr. Hoang Thanh, Programme Officer Development Cooperation	April 13, 2009
33	UNIDO 72, Ly Thuong Kiet Street, Hanoi Tel: +84 4 3942 4000 Fax: +84 4 3942 2484	Ms. Nilgun Tas, Country Director Mr. Junichi Mori, Industrial Development Officer	April 13, 2009
34	World Bank 8th Floor, 63 Ly Thai To Street, Hanoi, Vietnam Tel: 04 3934 6600 Fax: 04 3934 6597	Mr. Kofi Awanyo, Sr. Procurement Specialist (EAPCO), Procurement Hub Leader, Ext: 341 Mr. Douglas J. Graham, Environment Coordinator, Sustainable Development Program in Vietnam, Ext: 320	May 20, 2009

35	IFC 3rd Floor, 63 Ly Thai To Street, Hanoi, Vietnam Tel: 04 3934 2282 Fax: 04 3824 7898	Ms. Pham Thi Thuy Tram, Procurement Officer, Ext: 628	May 20, 2009
36	ADB Unit 701 - 706, Sun Red River, Building 23 Phan Chu Trinh Street, Hanoi, Vietnam Tel: + 84 4 3933 1374 Fax: + 84 4 3933 1373 Email: adbvrn@adb.org	Mr. Eric Gagnon, Procurement Specialist	May 21, 2009
INGOs & CSOs			
37	IUCN 44/4 Van Bao St Tel: +84 4 3726 1575	Mr. Vu Van Trieu	Mar. 25, 2009
38	TBI (Tropenbos International Vietnam) Tel: +84 54 388 6211 Fax: +84 54 388 6842 6/1 Doan Huu Trung str., Hue city	Mr. Tran Huu Nghi	March 3, 2009
39	SNV 6/FI, building B, La Thanh Hotel, 218 Doi Can Tel +84 4 3846 3791	Mr. Claude Heimo, Chief Technical Adviser / Pro-Poor Forestry Project	March 13, 2009
SOEs & Private Sector			
40	VCCI VCCI, 9 Dao Duy Anh, 4th Floor Tel +84 4 3574 4002	Mr. Nguyen Quang Vinh, Deputy Director General, Office for Business Sustainable Development (SD4B)	March 6, 2009
41	VIFORES Address: No 10 Block 14A, Trung Hoa, Cau Giay, Hanoi Tel: (84.4) 7833017 Fax (84.4) 7833016 Email: vifores@fpt.vn, infor@vietfores.org	Mr. Nguyen Ton Quyen, Vice Chairman and Chief Secretary	March 24, 2009
42	Hoang Phat Furniture Company Cum Công nghiệp Bình Phú, Thạch Thất, Hanoi Tel: (034) 3929 832	Mr. Nguyen Duy Vinh, Director	April 27, 2009
43	Truong Thanh Furniture Corporation Binh Phuoc B Ward, Binh Chuan Commune, Thuan An District, Binh Duong Province Tel: 0650 3642004 Fax: 0650 3642006 Email: contact@truongthanh.com Website: www.truongthanh.com	Ms. Dang Thi Thuy Hong, Export and Import Department	May 13, 2009
44	TAVICO TIMBER OFFICE Add: 9 Quarter, Tan Bien Ward, Bien Hoa City, Dong Nai Pro Tel: 84 613 888 100 – 101 Fax: 84 613 888 105	Ms. Hoang Thi Dung, Sales Department	May 18, 2009

Annex 4 – Brainstorming Session on SPP

Time : 08.00 am on Thursday, June 25, 2009

Venue : Conference Room No. 1, A2 Block, MARD, 10 Nguyen Cong Hoan, Hanoi

Agenda:

The workshop will be chaired by Mr. Tran Kim Long, Deputy Director General International Cooperation Department, Ministry of Agriculture and Rural Development		
08:00 to 08:15	Arrival of Participants and drinks	
08:15 to 08:30	Welcome <ul style="list-style-type: none"> • The Project Context 	Mr. Tran Kim Long
08:30 to 09:00	What is Sustainable Public Procurement (SPP)? <ul style="list-style-type: none"> • Business Case for SPP 	Ms. Oshani Perera, International Institute for Sustainable Development, Geneva, Switzerland
09:00 to 10:00	Findings of the SPP preparedness assessment in Vietnam : <ul style="list-style-type: none"> • Opportunities and hurdles further SPP activities in Vietnam 	Prof. Hoang Xuan Ty and Ms. Do Hong Anh, Green Field Consulting
10:00 to 10:15	Coffee break	
10:15 to 11:30	Group brainstorming on: <ul style="list-style-type: none"> • How to address hurdles • Potential for pre-pilot activity around • TFF and sustainable forestry • Potential for green tendering at the Ministry of Education • Other ideas and options of the way ahead 	
11:30 to 11:45	Closing remarks	Mr. Tran Kim Long
12:00	Lunch	

List of Attendants:

No	Full Name	Position	Organization
1	Annelies Donners	First Secretary Development Cooperation	Netherlands Embassy, 6 th floor, Daeha Office Tower, 360 Kim Ma, Hanoi
2	Brieke Steenhof	Forestry consultant	Freelance
3	Phung Giang Hai	Vice Director in charge of a chair Policy and Strategy	IPSARD, 6 Nguyen Cong Tru, Hanoi
4	Tran Quang Huy	Expert	Finance Department, Ministry of Resource and Environment, Unit 301 Building A, 83 Nguyen Chi Thanh, Hanoi

5	Nguyen Ngoc Tu	Officer	Institute of Strategy and Policy on Natural Resource and Environment (ISPONRE) 1116 Hoang Quoc Viet, Hanoi
6	Tran Hoang Hiep	Expert of Forestry Team	Planning Department, 2 Ngoc Ha, Hanoi
7	Nguyen Chien Cuong	Officer	Forest Sector Support Partnership-Coordination Office (FSSP-CO) + Trust Fund for Forests - Management Unit (TFF-MU) 3rd Floor, Building A8, 10 Nguyen Cong Hoan Street, Hanoi
8	Le Thi Thu Huong	Programme Coordinator	Finnish Embassy Central Building, 6th floor, 31 Hai Ba Trung, Hanoi
9	Tapio Leppanen	CTA	Fomis
10	Claude R.Heimo	CTA	PPFP
11	Nguyen Thi Phan Chung	Chief	VCCI, Office for Business Sustainable Development 9 Dao Duy Anh, 4th Floor
12	Pham Minh Uyen	Program Officer	Netherlands Embassy 6th floor, Daeha Office Tower, 360 Kim Ma
13	Nguyen Ton Quyen	Vice Director	Vietnam of Timber and Forest Products Association
14	Dang Van Vinh	Officer	Department for Trade, Process of Agriculture, Aquaculture, Forest Products, and Salt
15	Nilgun Tas	Representative	UNIDO
16	Junichi Mori	Industrial Development Officer	UNIDO
17	Nguyen Ngoc Son	Expert	Department for Science, Technology and Environment, National Assembly office, 35 Ngo Quyen, Hoan Kiem, Hanoi
18	Tran Manh Hung	Officer	IUCN, 44/4 Van Bao St
19	Huynh Tien Dung	Biodiversity Conservation Corridors Initiative (BCI) Manager	WWF, 39 Xuan Dieu, Hanoi
20	Inooe Mikikiro	Forestry Expert	JICA
21	Nguyen Thuy Anh	Program Support Officer	IUCN, 44/4 Van Bao St
22	Ngo Dieu Linh	Expert	Molisa, 12 Ngo Quyen
23	Dinh Thi Hong Phuong	Chief accountant	Department for Forest
24	Hoang Thu Nguyet	Financial Advisor	Forest Sector Support Partnership-Coordination Office (FSSP-CO) Trust Fund for Forests - Management Unit (TFF-MU) 3rd Floor, Building A8, 10 Nguyen Cong Hoan Street, Hanoi
25	Nguyen Hai Long	Expert	Department Construction Management, 10 Nguyen Cong, Hoan, Hanoi

Presentations Made at the Brainstorming Session:

- 1) What is Sustainable Public Procurement?
Oshani Perera, International Institute for Sustainable Development (IISD)
- 2) Sustainable Public Procurement Preparedness Assessment – Findings: Opportunities and Hurdles
Do Hong Anh, Green Field Consulting and Development
- 3) Sustainable Public Procurement in Vietnam : Addressing the hurdles
Oshani Perera, International Institute for Sustainable Development (IISD)