



for a living planet®

MAPPING EXISTING POLICIES, INITIATIVES, STAKEHOLDERS AND GAPS TO SUPPORT TEXTILE SECTOR WITH SUSTAINABILITY TRANSITION IN VIETNAM

REPORT ON KEY FINDINGS

Prepared by MCG Management Consulting

December 2018

For further information, please contact:

- Ms. Shannon Siyao Wang, WWF Greater Mekong, shannon.siyaowang@wwfgreatermekong.org
- Mr. Viet Hoang, WWF Vietnam, viet.hoang@wwf.org.vn

Table of Content

- 1. Background.....3
- 2. POLICY review3
- 3. Existing initiatives review5
- 4. Textile sector stakeholder map8
- 5. SMEs in the textile sector in Vietnam 10
- 6. Conclusions on opportunities and potentials for WWF textile 11

1. BACKGROUND

Textile industry is one of the key economic drivers in Vietnam as the textile and garment export valued at USD 31 billion in 2017, increased at 10.23% compared to 2016 figures¹; and is expected to reach USD 34 billion by the end of 2018². The sector is a heavy energy and water user/polluter while remains weak in waste treatment. Normally, textile manufacturing consumes a significant amount of energy for machinery operation and great volume of domestic water for water boiling and wet processing that poses high risks to the environment such as discharging polluted wastewater from chemical dyeing. In pace with socio-economic growth, the textile industry is highly motivated to transform its existing branding of being “low cost and low environmental standard ‘Made in Vietnam’” to “sustainably ‘Made in Vietnam’” to attract further foreign investments and to gain a competitive business edge.

The project *“Greening Vietnam’s textile sector through improving water management and energy sustainability”* of WWF was developed to transform the textile sector in Vietnam and engage sectoral and environmental governance in order to bring social, economic and conservation benefits to the country and the entire Mekong region.

This mapping exercise is one of the first activities of the “Greening Vietnam’s Textile Sector” project. WWF contracted MCG Management Consulting (MCG) to undertake the following tasks:

- Review and map out policy landscape in the textile sector,
- Stock take all existing initiatives led by international organizations, bilateral / multilateral donors, NGOs and brands supporting textile sector,
- Map out all relevant stakeholders the WWF textile project needs to engage with in Vietnam, and
- Zoom into the SMEs in the textile sector in Vietnam, in particular in the Mekong Delta area and HCMC.

The report presents key findings of the above tasks.

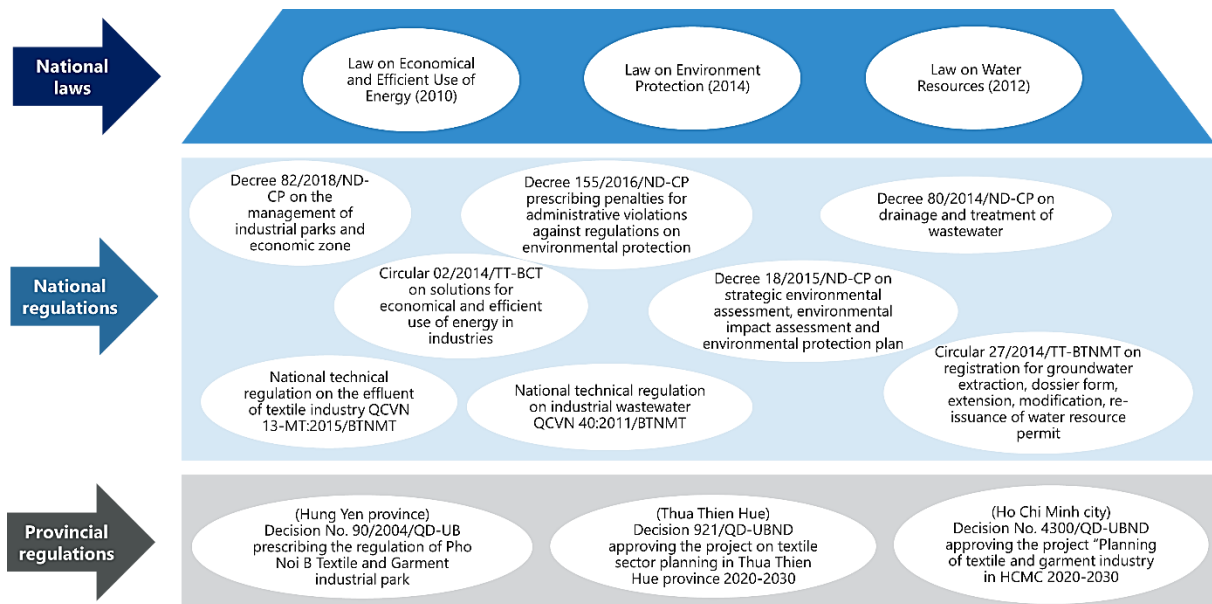
2. POLICY REVIEW

The section maps out policy landscape in the textile sector through reviewing all existing and planned national, sector and local level plans, policies, strategies and regulations of the textile sector development in Vietnam, with a specific attention to water, energy, climate. The following figure illustrates major policies that have certain impacts on the textile sector of Vietnam (*see annex A for more detail*).

¹ Stated by Mr. Cao Quoc Hung, Deputy Minister of Industry and Trade in the “Vietnam Textile Conference 2017” held by VITAS on 15/12/2017 in Danang. <https://congthuong.vn/nam-2017-kim-ngach-xuat-khau-det-may-cua-viet-nam-dat-31-ty-usd-97417.html>

² Apparel Resources, 2018. An Overview of Vietnam Textile and Garment Industry. <https://www.slideshare.net/apparelresources/vietnam-textile-and-garment-industry-97397255>

Figure 1: Summary of main textile related policies



Source: compiled by MCG Consultant team, 2018

Water and energy issues of Vietnam textile sector are covered in three main laws: Law on Economical and Efficient Use of Energy (2010), Law on Environment Protection (2014), and Law on Water Resources (2012). At national level, the Government has issued a series of regulations on environmental protection, which requires factories to comply with from the project development to factory operation stage. During project development stage, depending on the size and type of the project, companies are required to apply for business permits after submitting environmental impact assessment. During operation phase factories must comply with environmental protection commitments through periodic or continuous monitoring reporting system according to Decree 18/2015/ND-CP on strategic environmental assessment, environmental impact assessment and environmental protection plan, Decree No. 80/2014/ND-CP on the drainage and treatment of wastewater. Companies which fail to comply with those regulations on environmental protection will be punished according to the Decree No. 155/2016/ND-CP.

At sector level, the Ministry of Natural Resources and Environment (MONRE) has stipulated QCVN 13-MT: 2015/BTNMT National technical regulation on the maximum allowable values of pollutants in textile wastewater.

The Prime Minister of Viet Nam has issued a strategy on Development of Vietnam Textile and Garment Industry 2015-2020 (Decision No. 36/2008/QĐ-TTg). As a follow up action, the Ministry of Industry and Trade (MOIT) has launched a Master Plan for Vietnam Textile Industrial Development 2020-2030 (Decision No. 3128/QĐ-BCT). Both of the Master plan and Strategy set an objective to develop textile and garment into a key and spearhead export industry, increasingly meet domestic consumption demands, create many jobs for the society, and raise the industry's competitiveness as well as steady integration into regional and world economies. However, many targets in this Master Plan are out of date, therefore VITAS has been proposing a new strategy to replace the current master plan and current strategy.

Besides, the Prime Minister has recently approved the national program on development of supporting industries during 2016-2025 (Decision No. 68/QĐ-TTg) which sets some specific target for textile, garment and leather, footwear industries. Until the updated strategy for textile and apparel development is in place, this national program will be guiding the sector development.

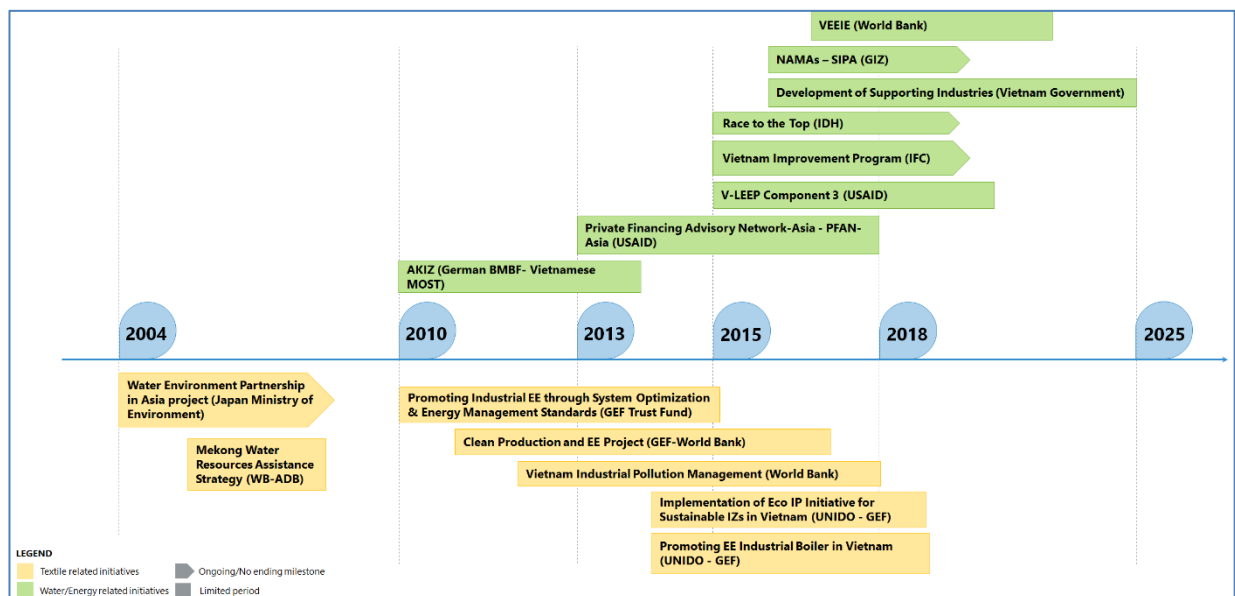
At provincial level, some provinces have developed their own plans for the Textile and Garment Industry, such as Ho Chi Minh city, Thua Thien Hue province. These provincial plans are adopted from the goals of the government's strategy and the MOIT's master plan.

In conclusion, the legal framework developed for Vietnam textile industry in terms of environment, water, energy and climate performances is fairly comprehensive. Still, there are few existing gaps that need to be addressed: (1) to develop a new strategy replacing the Master plan and current Strategy³; and (2) to adopt international technical standards into national technical regulations/ guidelines

3. EXISTING INITIATIVES REVIEW

This section summarizes 15 initiatives supporting directly and indirectly the textile sector to improve water, energy and climate performances led by international organizations, bilateral/multilateral donors, NGOs and brands over the past 15 years. The Figure 2 shows the timeline of these initiatives (see annex B for more detail).

Figure 2: Initiatives in textile sector



Source: compiled by MCG Consultant team, 2018

³ With the new Law on Planning, it is unknown whether the MOIT or the Government office will approve the new strategy

The period before 2015 saw some initiatives driving broader industrial sector towards cleaner production, reducing greenhouse gas emissions, promoting energy efficiency in order to cope with climate change. The World Bank (WB) and Asian Development Bank (ADB), United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), together with Global Environment Facility (GEF) Trust Fund, Nordic Development Fund and Green Credit Fund had led these initiatives. The budget for these initiatives ranges from over USD 4 million to more than USD 150 million, including grants, counterpart funds from implementing agencies, and Vietnamese Government loans. The key initiatives are:

- Promoting Industrial Energy Efficiency through System Optimization and Energy Management Standards, 2010 – 2015, by UNIDO-GEF Trust Fund, total project cost is USD 6.59 million
- Clean Production and Energy Efficiency Project, 2011-2017, by WB-GEF Trust fund and Vietnamese Government loans, total project cost is USD 4.15 million
- Vietnam Industrial Pollution Management project, 2012-2018, WB and Vietnamese Government loans, total project cost is USD 58.85 million
- Promotion of Energy Efficient Industrial Boiler Adoption and Operating Practices in Vietnam, 2015 – 2019 by UNIDO-GEF Trust Fund, total project cost is USD 12.11 million
- Implementation of Eco-industrial Park Initiative for Sustainable Industrial zones in Vietnam, 2014- 2019, by UNIDO-GEF Trust Fund and Green Credit Fund, total project cost is USD 53.23 million
- Vietnam Energy Efficiency for Industrial Enterprises, 2017 – 2022, WB, total project cost: USD 158.00 million

The international organisations such as IFC, GIZ, USAID have been leading technical programs facilitating energy efficiency and water consumption in textile companies towards sustainable production more recently. The textile and apparel sector also welcomed the participation of international textile and garment brands such as VF Corporation, Target Corporation, PUMA, New Balance, Adidas, and Levi Strauss & Co alongside traditional donors. These technical initiatives are under USD 10 million and mostly supporting the industry through technical assistance, and/or investment in equipment and technology. The highlight programs are:

- Race to the Top apparel and footwear sectors in Vietnam, implemented by IDH, 2015-2020
- Vietnam Improvement Program, 2015-2020, implemented by IFC, USD 9.9 million
- Nationally Appropriate Mitigation Actions - Support to Vietnam for the Implementation of the Paris Agreement, 2016-2019, implemented by GIZ
- Improving energy efficiency investments in Vietnam's textile and garment plants, 2013 – 2018, implemented by USAID

Figure 3 reveals the main stakeholders and beneficiaries of the initiatives. At the country level, the bilateral/ multilateral donor partner working with MONRE, MOIT, and MPI in developing and adopting national policies to implement energy efficiency, environmental protection to implement the government's commitment to climate change response. Key activities for these stakeholders include policy researches, organising public-private dialogues, technical standards development (WB, UNDP, USAID, ADB).

At provincial level, bilateral/multilateral donors through international organizations (IFC, GIZ, IHD) support managing agencies at provincial level (*Provincial People's Committees, specialized departments, provincial Industrial Park management units*) to implement pilot activities, raise awareness among stakeholders and promote the implementation of policies and regulations.

At sector level, business associations (such as Vietnam Textile and Apparel Association - VITAS, LEFASO, Vietnam Cotton and Spinning Association – VCOSA) and textile and garment companies in tier 1 and 2 who are international brands' suppliers are main beneficiaries of many technical support programs led by IDH, GIZ, IFC. Some typical activities of technical assistance projects are:

- Training & workshop on energy efficiency and energy management: providing full financial support to all participants
- Technical support in water and energy saving, chemicals reduction, environmental protection: Full or partial financing for companies in tier 1, and some companies in tier 2
- Investment in EE equipment and technology, wastewater solutions: partial funding, or providing preferential loans for companies in tier 1

Figure 3: Existing initiatives by value chain

	Materials	Spinning	Weaving & Knitting	Dyeing & Finishing	CMT	Initiatives
Companies in tier 1			<ul style="list-style-type: none"> Training & Workshop on energy efficiency and energy management Technical support in water and energy saving, chemicals reduction, environmental protection Investment in EE equipment and technology, wastewater solutions 			<ul style="list-style-type: none"> IDH, Race to the Top, 2015-ongoing IFC, Vietnam Improvement Program (VIP), 2015-ongoing GIZ, NAMAs-SIPA, 2016-2019 WB, Vietnam Energy Efficiency for Industrial Enterprises, 2017-2022 WB, Vietnam Industrial Pollution Management project, 2012-2018 WB, Clean Production and Energy Efficiency Project, 2011-2017
Companies in tier 2			<ul style="list-style-type: none"> Training & Workshop on energy efficiency and energy management 			<ul style="list-style-type: none"> IDH, Race to the Top (RttT) USAID, Vietnam Low Emission Energy Program (V-LEEP), 2015-2020
Companies in tier 3						
Companies in tier 4						
MOIT		<ul style="list-style-type: none"> Strategy to reduce GHG emission in the textile industry Master plan on energy efficiency 				<ul style="list-style-type: none"> GIZ, Nationally Appropriate Mitigation Actions - Support to Vietnam for the Implementation of the Paris Agreement (NAMAs-SIPA), 2016-2019 USAID, Vietnam Low Emission Energy Program – Component 3, 2015-2020 UNIDO, Promotion of Energy Efficient Industrial Boiler Adoption and Operating Practices in Vietnam, 2014
MONRE		<ul style="list-style-type: none"> Guideline book on ZDHC 				<ul style="list-style-type: none"> IDH, Race to the Top, 2015-ongoing
LEFASO, VCCI						<ul style="list-style-type: none"> Sustainable development indicator (CSI) for the leather and footwear sector
MPI, Industrial Parks	<ul style="list-style-type: none"> Industrial waste water treatment regulations 					<ul style="list-style-type: none"> UNIDO, Implementation of Eco IPs Initiative for Sustainable industrial zones in Vietnam, 2014-2019 BMBF-MOST, AKIZ – Vietnamese-German joint research, 2010-2014

Source: compiled by MCG Consultant team, 2018

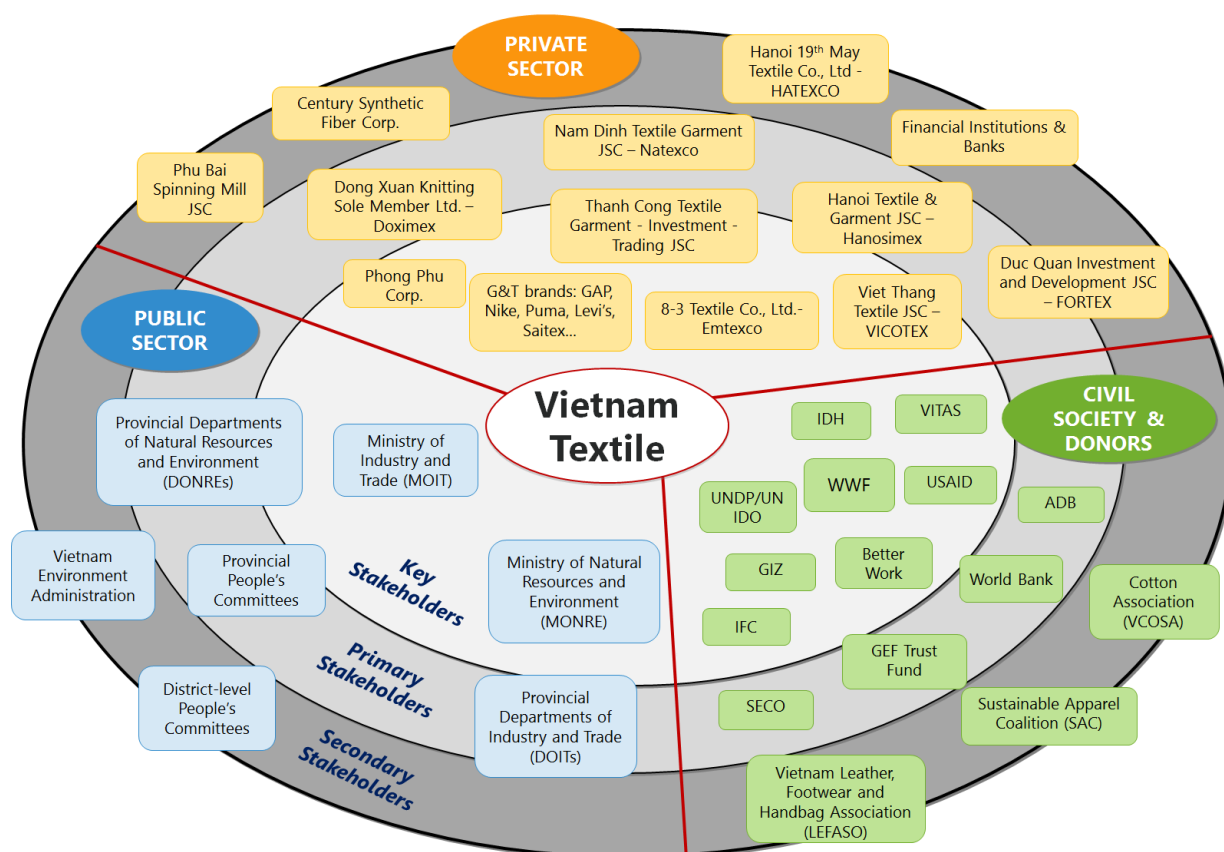
From our observation, there is a lack of support for companies in tier 3 and 4 in the country, which can be explained by their relative small size and uncertainty in measuring the level of impacts. Support for adoption of international standards into environmental regulations for the textile industry in Vietnam has only just started recently.

4. TEXTILE SECTOR STAKEHOLDER MAP

From the above analysis, the stakeholder map (below) helps to identify and visualize the actors who are relevant for WWF's Greening Vietnam's Textile Sector project. The results of the stakeholder analysis will support WWF to decide partners and targeted stakeholder groups in its project implementation to achieve its project goals. The map is structured like an onion into different layers of stakeholders (key, primary, secondary) and different segments by their nature (public, private, civil society).

In Figure 4, the different organizations (stakeholders) hold diverse positions of importance and relevance for WWF textile in Vietnam:

Figure 4: Textile sector stakeholder map



Source: compiled by MCG Consultant team, 2018

Table 1. International brands and related initiatives in Vietnam

#	Textile and Garment international brands	Involved initiatives in Vietnam
1.	GAP	• IDH - Race to the Top (RttT)
2.	Levi Strauss & Co	• IDH - Race to the Top (RttT) • IFC - Vietnam Improvement Program (VIP)
3.	Marks & Spencer	• IDH - Race to the Top (RttT)
4.	Nike	• IDH - Race to the Top (RttT)
5.	Puma	• IDH - Race to the Top (RttT) • IFC - Vietnam Improvement Program (VIP)
6.	Saitex	• IDH - Race to the Top (RttT)
7.	VF Corporation (VFC)	• IFC - Vietnam Improvement Program (VIP)
8.	New Balance	• IFC - Vietnam Improvement Program (VIP)
9.	Adidas	• IFC - Vietnam Improvement Program (VIP)

Source: compiled by MCG Consultant team, 2018

“Key Stakeholders” are those with significant influence on textile sector, as they are able to use their resources, competence, mandate or position of power to exert significant influence. WWF will need to engage these key stakeholders to ensure its textile project’s objectives and strategic orientation can be achieved. WWF should actively seek cooperation with the key stakeholders in order to reach its objectives. Depending on the type of cooperation measures, key stakeholders need to be selected carefully to make implementation more effective and efficient or even succeed at all.

Primary Stakeholders are those directly affect, either positively or negatively on textile sector either as subcontractors, cooperation partners or designated beneficiaries, or because they stand to gain – or lose – power and privilege, or because they are negatively or positively affected by a strategy change of WWF’s textile project in some other way. A regular exchange with primary stakeholders or representative groups of them is therefore advisable

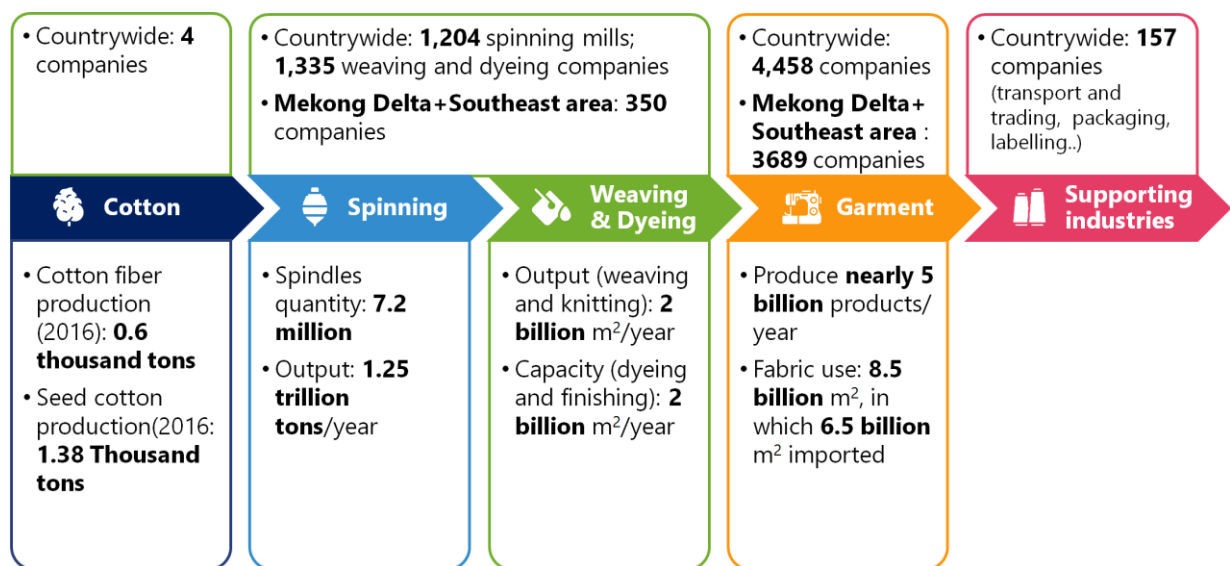
Secondary Stakeholders, the “intermediaries”, are persons or organizations who have indirectly influence on textile sector. Selectively, cooperation with secondary stakeholders could create synergies and mutual benefit, as some future activities of WWF’s textile project might need their support but would also help them to reach their own project or organizational objectives.

The stakeholder map should be considered as a living document that needs to be updated regularly to remain relevant for WWF’s project regarding selection of cooperation partners, clients or sub-contractors. Over time, organizations can change their status, can become more or less relevant for WWF Textile, disappear or newly appear in the map. Therefore, an annual internal discussion on stakeholders relevant for WWF Textile and a subsequent adjustment of the map is highly advisable.

5. SMES IN THE TEXTILE SECTOR IN VIETNAM

According to the VITAS's report in 2018, Vietnam garment and textile industry has 7154 enterprises, of which about 15% weaving and dyeing enterprises locate in Mekong Delta and Southeast area. The Figure 5 presents an overview of the textile and garment enterprise distribution along the textile value chain, and in the Mekong Delta and Southeast area (including HCMC).

Figure 5: The textile and garment enterprise distribution



Source: VITAS (2016), VCOSA (2016) and Number of companies in Mekong Delta and Southeast area calculated by MCG Consultant team

The below table summarizes the characteristics of four types of textile and garment companies in Vietnam.

Main characteristics	
Tier 1 Companies	<ul style="list-style-type: none"> - Direct supply to big brands (such as Nike, Adidas, GAP, etc.) - Large-sized enterprises (>300 to thousands of employees) - Received foreign investment - Active in Energy Efficiency
Tier 2 Companies	<ul style="list-style-type: none"> - Subcontract to big brands - Large to medium-sized enterprises - Mostly Vietnamese companies - VITAS's members
Tier 3 Companies	<ul style="list-style-type: none"> - Medium to small-sized enterprises (<200 employees) - Vietnamese companies - VITAS's members

Tier 4 Companies

- Small to micro-sized enterprises
- Private business/ business households (<100 labors)
- Washing and dyeing workshops
- Not VITAS's members

6. CONCLUSIONS ON OPPORTUNITIES AND POTENTIALS FOR WWF'S PROJECT IMPLEMENTATION

After reviewing policy and existing initiatives on the textile sector development, and looking into textile SMEs in Vietnam, the following conclusions can be drawn:

VITAS and the MOIT are preparing to revise the out-of-date Strategy and Master Plan on Development of Vietnam Textile and Garment Industry. This would be a good opportunity for WWF project team to make recommendations on greening the textile industry in the new strategy/ program of Vietnam Textile and Garment Industry. Energy saving and use of chemicals in the textile sector of Vietnam need more attention, in particular if fiber and fabric production development will become more crucial for Vietnam to be eligible under various free trade agreements. WWF project team should work with the MOIT as the lead agency, VITAS as representative of the textile industry and other interested parties including GIZ, USAID, and WB.

Vietnam still needs to upgrade the national standard for textile waste water, develop technical standards for energy consumption, and chemicals usage in the textile industry. WWF can work with IHD, USAID, and WB/IFC to support Vietnamese specialized agencies (MONRE, DOT) in this regard.

Overall, SMEs are involved in weaving and dyeing in the Mekong Delta area and Ho Chi Minh City accounts for a small percentage, about 100 enterprises. Long An, Tien Giang and Can Tho province are favorite locations for many textile SMEs to operate. Most of them are small and micro-sized business, usually suppliers/ sub-contractor of large companies, and less interested by supporting projects/ programs. Directly supporting those SMEs to increase technical capacity and access finance can be a good idea, but WWF needs further research and analysis on the level of commitment to the project and SME's ability to absorb technology. At the local level, WWF's textile project can work with local agencies such as Provincial People's Committees, or the management of industrial zones to access those textile companies.