



## **Current Status of Sustainable Development Models in Vietnam**

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### **ABSTRACTS**

The current state of sustainable development models in Vietnam reflects a growing awareness and implementation of environmentally and socially responsible practices across various sectors. In recent years, there has been a notable increase in initiatives aimed at promoting sustainable development, driven by both government policies and private sector efforts. One prominent area of focus is sustainable agriculture, where practices such as organic farming, agroforestry, and integrated pest management are gaining traction. These approaches prioritize environmental conservation, soil health, and biodiversity while also enhancing the livelihoods of farmers and promoting food security. In the energy sector, Vietnam is making strides towards renewable energy adoption, particularly in wind, solar, and hydropower. The government has set ambitious targets for renewable energy capacity expansion, aiming to reduce reliance on fossil fuels and mitigate climate change impacts. The manufacturing industry is also undergoing a shift towards sustainability, with increasing emphasis on resource efficiency, waste reduction, and green production processes. This includes initiatives to improve energy efficiency, implement eco-friendly technologies, and promote circular economy practices. In urban development, sustainable urban planning and infrastructure projects are emerging to address the challenges of rapid urbanization and environmental degradation. Efforts are being made to enhance public transportation systems, promote green building standards, and create green spaces for urban residents.

Despite these positive developments, challenges remain, including limited awareness, financial constraints, and regulatory barriers. To overcome these challenges and further advance sustainable development in Vietnam, concerted efforts are needed from all stakeholders, including the government, businesses, civil society, and the general public. Collaboration, innovation, and long-term commitment will be key to realizing a more sustainable future for Vietnam.

*Keywords: sustainable development, CSV, SIB, ESG*

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### **1. Overview of sustainable development models**

#### **1.1. What is the sustainable development model?**

Sustainable development is a concept defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” comprehensive and multi-dimensional, to create recovery and sustainable economic development in the recession era. It not only focuses on generating economic benefits but also ensures a balance between social, environmental and economic factors. Sustainable development puts people at the center, ensuring that every decision and action benefits people and society. This is a global goal expressed through the United Nations' Sustainable Development Goals (SDGs), including 17 goals and 169 targets to address major economic, social and environmental challenges. school.

Sustainable development models (SDGs) are global goals set by the United Nations to address economic, social and environmental challenges announced in 2015 and expected to be implemented. by 2030. It affirms business and production activities that do not harm the environment and natural resources.

#### **1.2. Popular sustainable development models:**

##### **1.2.1. CSV (Creating Shared Value) model**

CSV (Creating Shared Value) is a business model that simultaneously creates social value and economic value in a sustainable way for both businesses and communities. Here, "shared value" or shared value is not just a simple social value or economic value but a parallel combination, the synthesis of both factors. This model not only meets the business's vital goal of increasing economic value, but also does so through planned and intentional social value-adding activities.

CSV has many different levels: from providing society with better products, at more reasonable prices; or participate in good management of natural resources, promoting socio-economic development; to creating conditions to promote the development of all local economic sectors.



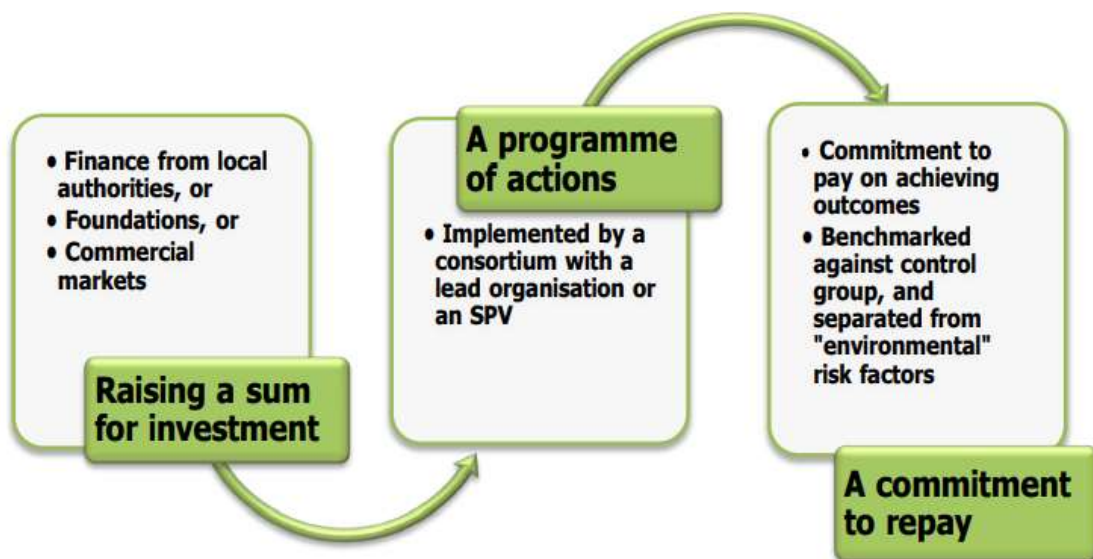
Covid-19 is a wake-up call for many businesses, requiring the introduction of innovative models like CSV to bring value to society, while minimizing the consequences caused by Covid-19. During Covid-19, Walmart - the leading retailer in the US - created an online ordering form and customers directly visited the supermarket to pick up items, instead of having to jostle to buy goods. This helps people maintain social distancing, especially for older people over 50, who find it difficult to "win" purchases in supermarkets. While many businesses had to close due to Covid-19, Walmart still created 500,000 jobs at 4,000 locations; Reduces CO2 emissions by 75% compared to traditional e-commerce. Walmart not only brought positive social impact, but also increased revenue by 10%, especially doubling e-commerce revenue.

**1.2.2. SIB model (Social Impact Bonds)**

SIBs (Social Impact Bonds) are funding mechanisms that invest in social outcomes, including 3 elements: Monetary investment (e.g. £x million from local authorities, commercial investors, charity or foundation)

A program of action to improve the prospects of a group (for example a support and counseling service for people leaving prison, with the aim of reducing reoffending)

Commitment by national or local authorities, or organisations, to implementing linked payments accounts to improve social outcomes achieved by the group (e.g. paying back £x million accounts initial investment and a convenient profit margin, maintained by reducing costs to the Department of Justice through reductions in recidivism and the prison population)



SIBs are often best able to perform in matters where there are misaligned incentives to develop, finance, and provide resolution services that can save costs and achieve better results from the whole. system set.

SIB's next approach to the key actors involved. In what follows, we have established several models to help understand the likelihood of a breach. In practice, hybrid models that blend different support resources are very possible - but pure commercial models are possible in the future, when well-proven financing methods have emerged and there is an understandable widespread among buyers as to how to work with payment results in some mode. Below we briefly describe the main options: 'Cooperative bonds'; 'Social impact of public sector bonds'; 'social action bonds'; and connected approaches that harness financial exploitation from a range of sources. We then discuss the unit types of choice for the bond's structural delivery mechanism.

### **1.2.2.1. Types of SIB models**

#### **1.2.2.2. Alternative distribution structure**

##### *a. Reasonable arrangement*

Description: An organization uses its existing resources to fund a package of interventions designed to achieve social impact. It will have an agreement with the government (local or national) to receive a series of future payments if specific milestones are achieved (involving lower costs to the government). If successful, the funds received from payers will cover the costs of implementing the interventions plus an additional profit.

Case study: A housing association uses its reserves to fund an initiative to increase workforce participation or training. The initiative reduces welfare costs for central government as more people get jobs and fewer claim unemployment benefits. Central government agreed to make a series of payments to housing associations based on a reduction in the number of people claiming unemployment benefits. These payments will cover the costs of implementing the program as well as provide a financial return for the housing association, if targets are met.

##### *b. Main distribution agency:*

Description: Funding is raised from philanthropic and private sources and transferred directly to the Lead Delivery Agency responsible for implementing the intervention package. The Primary Delivery Agency may also be a partial sponsor of the bond. The Lead Delivery Agency will then deliver a package of interventions – either directly or by sub-contracting to another agency. Payers will make direct payments to donors based on the impact of interventions.

Case study: A local authority raised £2 million in funding from a major charity which it then funded. This maintains a program of working with young people at risk of becoming NEET. The central government agrees to pay according to the number of young people engaged in employment, study or training compared to the number of unemployed youth. The payments are part of national government savings (mainly social welfare) and allow the initial £2m loan to be repaid and provide profits to charities and local authorities .

##### *c. Organizing for specific purposes:*

Description: Special purpose entity (SPV) - is a legal entity (usually a limited company) established to carry out specific objectives and they are an integral part of a public partnership common investment across Europe based on the type of project finance. In this case, the SPV will receive the upcoming investment from the donors and act as the lead organization responsible for ensuring implementation intervention program. The SPV will transfer funds to contracted provider agencies and manage contracts with each agency to monitor their performance. It will also receive payments from payers, based on the success of interventions, and pass them back to funders. SPV will not provide any services itself.

Case study: The first SIB to use the SPV model was a pilot by Social Finance in Peterborough to reduce the likelihood of prisoners re-offending. An SPV was established to manage the finances, contracting the St Giles Trust to provide intensive support to 3,000 short-term prisoners over a six-year period. Investors will receive a share of long-term savings from the Government ranging from 7.5% to a maximum of 13% based on the impact of SIBS (this debt repayment commitment has been significantly backed by the Big Lottery Fund).

### **1.2.3. ESG model (Environmental, Social, and Governance)**

ESG is abbreviated by the first 3 letters of Environment - environment, Social - society and Governance - corporate governance. This is a set of 3 standards to measure factors related to the sustainable development orientation and activities of businesses. ESG helps organizations identify risks and opportunities, as well as the impact of applying them to operations.

E - Environmental: Group of standards related to issues of environmental protection and natural resources, such as: impacts from climate change and carbon emissions, water and waste management, and mining. resources from forests, etc.

S - Social: A group of standards related to the entire society, from basic issues such as customer satisfaction to comprehensive issues such as diversity, equity and inclusion, privacy, data security and privacy, community relations, etc.

G - Governance: Group of standards related to organizational activities such as issues related to corporate governance, intellectual property rights protection, etc..



ESG indexes and reports have become an important factor as a basis for many global investors to consider investing in Vietnamese businesses. Financial investors look for businesses that promote ESG as a core value in their operations, focusing on issues that concern all employees, the community, and the business industry around the world.

Business partners are interested in implementing corporate social and environmental responsibilities to sustainably develop production and supply chains in the market. For example, businesses producing wooden furniture for export focus on the origin of wood materials from wood suppliers to ensure forest resources.

Today, consumers in modern society set requirements for product quality and price, while also demanding sustainability and environmental friendliness in each product. Latest data from Edelman's Trust Barometer report shows that the way businesses treat employees and suppliers is influencing consumer purchasing behavior. Accordingly, one-third of consumers have stopped using a brand that they perceive is not behaving appropriately in the face of a crisis; 71% say that if they feel a brand puts profits before people, they will never trust that brand again.

## 2. Current status of sustainable development models in Vietnam

There are a number of sustainable development models being implemented in Vietnam. Here are some popular models:

- **“Sustainable agriculture”** Includes methods such as organic agriculture, forest planting, and integrated pest management. The goal of sustainable agriculture is to increase environmental sustainability, soil health and biodiversity, while improving farmers' income and wellbeing.
- **“Renewable energy”** Includes wind power, solar power and hydropower projects. Vietnam is increasing investment in renewable energy sources to reduce dependence on fossil energy and reduce emissions that are harmful to the environment.
- **“Green Industry”** Businesses are transitioning to sustainable production and business processes, including increasing resource efficiency, reducing waste and promoting a circular economy .
- **“Sustainable Urbanism”** Includes sustainable urban planning and infrastructure projects, including improving public transportation systems, promoting green building standards and create green spaces for urban residents.
- **“Sustainable tourism”** Developing tourism in a sustainable way to protect natural and cultural resources, while creating economic and social benefits for local communities.

These models are contributing to promoting sustainable development and environmental protection in Vietnam.

Some large enterprises have been applying the CSV model effectively. For example, Nestlé, with its CSV strategy, has created great value in the food supply chain and provided a stable source of income for partner farmers. In the dairy industry, Vinamilk is considered an outstanding enterprise in its sustainable development orientation. Vinamilk has applied circular economy throughout the company's entire value chain, helping to reduce and reuse input resources and save production costs.

Many Vietnamese businesses have made changes in management thinking on sustainable development and incorporated ESG into their business strategies. On July 18, 2022, the Ho Chi Minh City Stock Exchange announced 20 businesses selected from the VN100 index (including the 100 largest listed companies in the Vietnamese stock market) and rated comprehensive assessment in 3 aspects of ESG criteria: environment, society and governance. Among them, Vietnam Dairy Products Joint Stock Company (Vinamilk) is one of the typical enterprises that affirms its position through the assessment of sustainable development enterprises and has maintained continuously for 6 consecutive years as a unit is in the Top 10 sustainable development enterprises of Vietnam in the manufacturing sector.

SIBs in Vietnam are often small in terms of personnel but are at the forefront of promoting diversity and inclusion in business. Nearly all SIBs have female employees, and three-quarters of these businesses have people with disabilities on their staff. In particular, research shows that businesses that balance social and economic goals are sustainable business models. 70% of SIBs are doing profitable business, 59% of SIBs in Vietnam choose to balance

social and economic goals, 34% focus on social goals. In particular, jobs, healthy and happy lives for everyone and environmental protection are SIB's top three impact areas.

Currently, the 3P model (People, Planet, Profit) is applied by many businesses based on the theory of the core sustainable trio. Evidence for People is specific programs such as Management Trainee of multinational corporations such as Unilever, Pepsi, P&G,... This program helps educate and train new graduates to grasp new knowledge, practical knowledge and skills to meet work needs. When students are trained, businesses can create specific values for the community and society. A good example for Planet is OMO. This washing powder company always has many of its own CSR programs including two outstanding activities: educating and helping children develop better and environmentally friendly activities. OMO's environmentally friendly activities include researching and requiring suppliers to provide or use more environmentally friendly ingredients such as recycled plastic that is not toxic to the environment every year. school, etc.

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## **4. Challenges and opportunities of sustainable development models in the recession era**

### **4.1. Challenge**

To be able to maximize the potential of CSV, businesses need stakeholders and the community to change their perceptions, behaviors and habits. Making it clear to stakeholders what the business is doing and why they are doing it is the task of the media. For example, improving farmers' understanding of coffee beans, farming techniques, etc. Nestlé's campaign is a strategic campaign, training and propaganda that requires perseverance as well as the companionship of the media, press and local authorities.

Some difficulties in developing ESG for Vietnamese businesses, such as issues related to multiple sets of standards and indicators being used by some organizations to evaluate sustainable development of businesses. in Vietnam such as: CSI Sustainable Business Index; ISO26000 series of standards; Sustainable Development Index (VNSI),... or businesses can be at risk if they do not manage the ESG program well due to lack of experience and limited skills, because the ESG implementation plan needs coordinated throughout the enterprise; otherwise, or if there is a problem at any stage, it can lead to inconsistency and great impact on the enterprise.

SIB offers a lot of potential but is not without challenges - some of which are inherent to SIB and will have to be tested to overcome such as: Risk management; Implementation risks; Risk measurement; Basic risks; Unforeseen consequences; Design & implementation.

The development of the 3P model: inevitable changes of the times. In the context of the Covid-19 pandemic and economic recession, the story of business restructuring and flexible adaptation to the new situation is more urgent than ever. In particular, changing the business model, from production to distribution, transportation, and consumption, is the best solution to help businesses develop in the new situation. 3P models developed according to many different concepts also come from flexible applications of businesses to adapt to real situations. For a long time, most businesses only focus on profits and do not care about issues such as society, the environment or how to maintain sustainable, long-term business development. long. It is that indifference that has caused the consequences that people currently have to suffer such as: Unusual climate changes, environmental pollution, depleted natural resources, hunger, poverty, natural disasters, and epidemics. , etc.

### **4.2. Opportunity**

Practicing the shared value (CSV) model will give businesses a great motivation to change production processes and methods. This helps the unit to make the most of shared values in its own production chain. A prominent example is the technology to utilize exhaust heat to regenerate electricity from businesses operating in the fields of thermal power and cement. Taking advantage of waste products generated during the production process will help businesses achieve both goals of reducing greenhouse gas emissions and reducing energy costs for businesses.

Practicing ESG appropriately helps businesses reduce costs, create sustainable profits, and open up business cooperation opportunities with advanced businesses and investors in the world. At a leading ceramic manufacturing enterprise in Vietnam, previously, the cost of energy supplied to ceramic kilns accounted for more than 50% of total operating costs. However, now this business realizes that there are very simple actions to effectively save kiln operating costs, such as drying ceramics and drying firewood before firing. Practicing these solutions helps businesses reduce fuel costs by about 20 - 25%, while limiting the amount of greenhouse gas emissions released into the environment.

As a new financial instrument, SIB offers great potential to increase the scale and quality of investments to improve social welfare. The opportunities that SIB brings include: Saving public finances; Fix poor incentives; Promote evidence-based action; Exploit new funding sources; Actual risk transfer; Allocation for maximum impact; Commercial investors; Charity donors; Delivery agent.

Only when faced with challenges in the process of developing the 3P model, will human awareness awaken. Businesses realize that if they do not promptly change to adapt, the consequences from the above challenges will become pressure and difficulties hindering business development. From there, there also emerged a need to develop social and environmental factors in parallel with economic development. And that is why the development trend based on sustainable values becomes a solid foundation to help businesses survive amid all changes.

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## 5. Conclude

This study has shown an in-depth reflection on the importance of designing and implementing sustainable development models in current business operations. Besides, integrating business, social and environmental factors not only creates sustainable business value but also plays an important role in solving global challenges such as climate change and climate change. environment. At the same time, the study also emphasizes the importance of innovation and creativity in building sustainable development models such as CSV, SIB, ESG or 3P to ensure efficiency and competitiveness of businesses in the market. school today. Applying these models is not only a trend but also an important step to create a sustainable future for both businesses and society.

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