



**USAID/Vietnam
Office of Governance and Economic Growth (OGEG)**

Aid for Trade: Partnering to support Vietnam's Economic Diversification

October 10, 2022



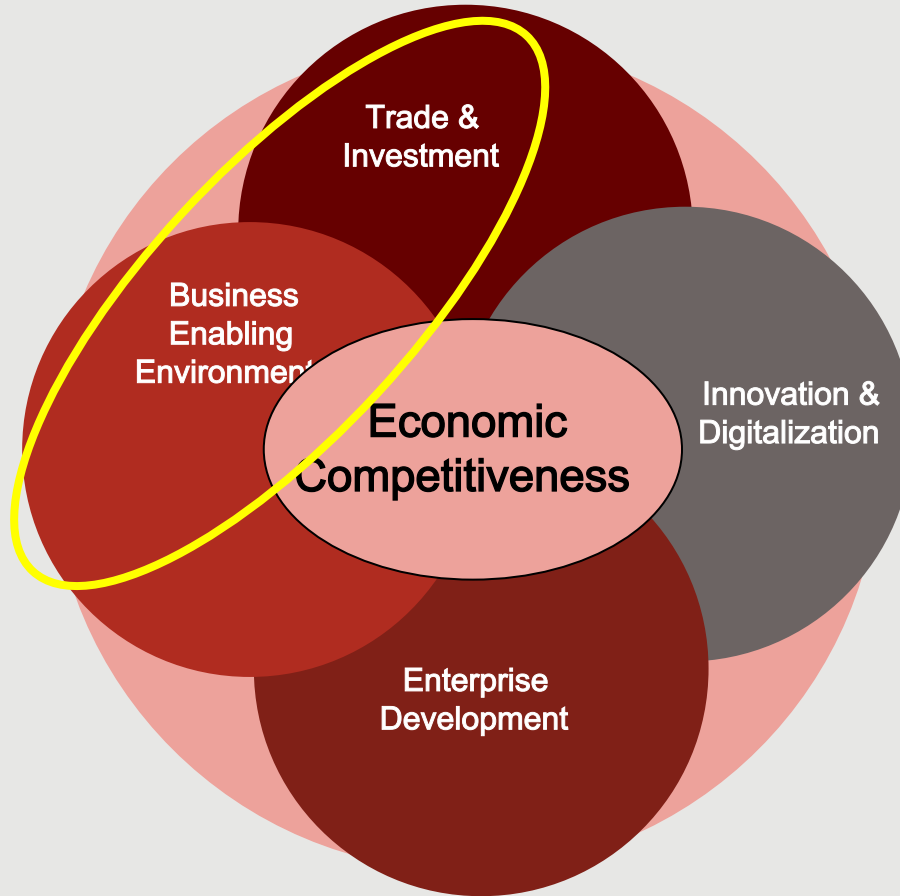
VIETNAM SNAPSHOT

- **Vietnam's development over the past 30 years has been remarkable.**
 - Transformation from one of the world's poorest nations into a lower middle-income country
 - High GDP growth rate of 6 % - 8%
 - GDP per capita increased by 2.5 times (US\$3,700 in 2021)
 - U.S. - Vietnam bilateral trade: \$451 million in 1995; \$111 billion in 2021.
 - Poverty rate declined sharply from >70% to <6% (US\$3.2/day PPP)
- **Vietnam is experiencing rapid demographic and social change:**
 - Population of 98.5 million in 2021
 - 70% of the population under 35 years of age
 - Emerging middle class, currently accounting for 13% of the population

VIETNAM SNAPSHOT (cont.)

- **Vietnam is a more favorable place for FDI**
 - Vietnam is among top 20 economies of FDI inflows in 2021
- **Provincial leaders focused on enabling environment**
 - All 63 provinces produced action plans to attract FDI
- **Private sector a growing pillar of influence**
 - Important contributor to economic growth and job creation
 - Voice for reform in economic governance
- **A growing technology supply chain cog**
 - Electronics/technology manufacturing supply chain continues to relocate from China to Vietnam (primarily assembly)

PORTFOLIO SNAPSHOT

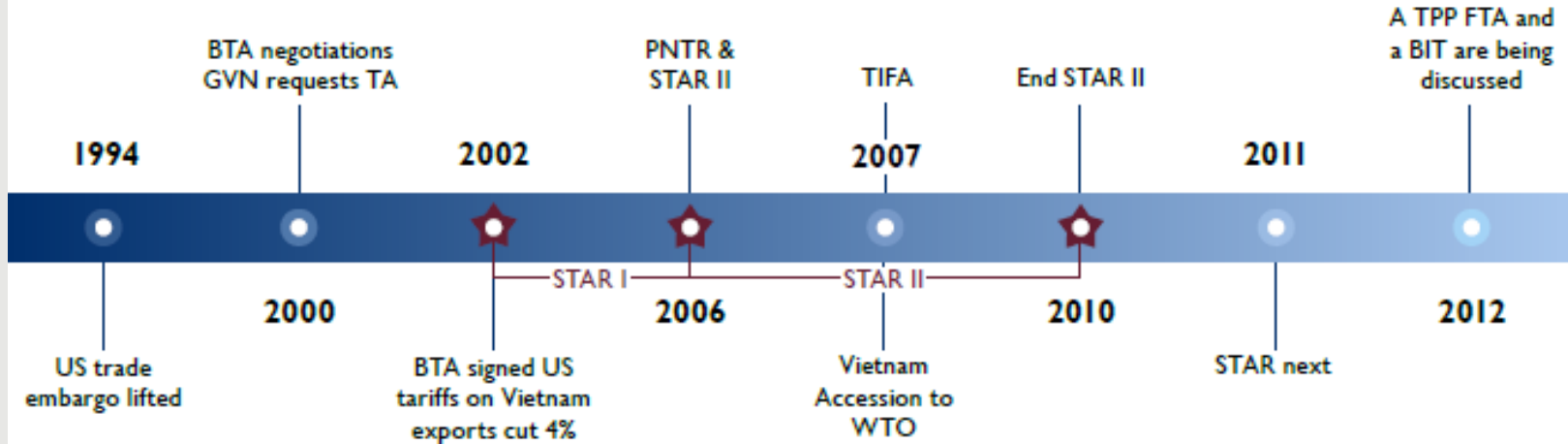


Vietnam, a rising STAR

2001 and 2013, USAID partnered with Vietnam to implement a series of projects under the Support for Trade Acceleration (STAR) umbrella to normalize bilateral diplomacy and expand trade ties.

- 2001 – 2006, \$13.6 million: the first major technical assistance project since diplomatic relations were normalized and the first major USAID project worldwide designed in collaboration with the office of the U.S. Trade Representative (USTR) in support of a trade agreement. Followed by: STAR II (2006 – 2010, \$5.4 million) and STAR Plus (2010 – 2013, \$11.7 million)

Timeline of Important Trade and STAR-Related Events



Lessons Learned from STAR

Trade capacity building is more successful when projects...

- Are Pegged to Legislation or Treaty Mandates

The STAR projects took place in the context of the recently ratified BTA between Vietnam and the United States and built towards Vietnam's accession to the World Trade Organization. Those **treaties' obligations provided a specific framework for the project**. Buy-in was ensured because Vietnam had ratified these agreements: it was in their interest to conform to them to enjoy the expansion in trade that they promised. Later, the TIFA, Trans-Pacific Partnership and the TFA, as well as laws like Resolution 19, provided motivation for STAR Plus and GIG.

- Are Demand Driven

The STAR projects were designed to be **flexible enough that they could respond to the evolving needs of the host country**. Aligning the project's activities with the host government's priorities also ensured buy-in and adoption.

- Account for Implementation

The focus on legislative and regulatory reform that characterized the earlier projects is vital, and a cost-effective use of USAID resources. But **attention must also be paid to implementation, especially at lower and local levels of government**.

Building on a solid foundation

In 2015, the National Assembly passed **Resolution 19**, which called for **simplifying 50 percent of requirements for business** and “reducing the number of imports and exports subject to multi-ministry inspections by 50 percent”

With Resolution 19 and WTO Trade Facilitation Agreement (TFA), a direct follow-up to the STAR projects, the five year **Governance for Inclusive Growth (GIG) (2013 -2018, \$42 million)** project focused on legislative and regulatory reforms spurred by Resolution 19 and TFA, and the current **Trade Facilitation Program (TFP) (2018 – 2023, \$21.7 million)** focuses on specialized inspection reform in support of TFA commitments.

USAID cooperation has expanded beyond trade to support Vietnam’s goal of transitioning from a low-skilled labor intensive industrial model to a more knowledge based economy that aims to move up the value chain. Investment needed...

Supporting the business enabling environment (investor confidence) and foreign direct investment through demand driven approaches:

- Provincial Competitiveness Index (PCI): competition between provinces to improve enabling environment for businesses; and
- PPP Law drafting support and capacity building to empower provinces to shape FDI projects.

The Power of Provincial Reform

National priorities are addressed at provincial level



Infrastructure Development

Foreign borrowing or private sector investment?



FDI Selection

decided by subnational governments



Public Procurement



Environment and Climate Change



Change awareness

Governance is critical.
Improved governance is central to development agenda.



Empower private sector

PCI augments private sector's voice on economic governance, driving change



Drive change in governance

Evidence-based economic governance

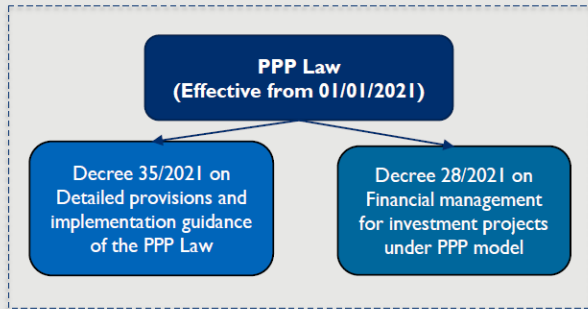


Enhance local governments' proactivity

Promote proactivity and innovation at provincial level, shape reform models from bottom up

Sustainability through reinforcement

PPP-specific laws and regulations



Non-PPP specific regulations

General Laws	Specialized Laws
<ul style="list-style-type: none">• Law on Public Investment• Law on Construction• Law on Planning• Law on Bidding• Law on State Budget• Law on State Audit• Law on Management and the uses of Public property• Law on State Capital Management• Law on Urban Planning• Law on Investment• Law on Enterprises• Land Law• Law on Securities• Law on Credit Institutions	<ul style="list-style-type: none">• Law on Electricity• Law on Road Traffic• Law on Education• Law on Medical Examination and Treatment• Law on Water Resources• Law on Information Technology• Law on Civil Aviation



VCCI BOOTCAMP TRAINING CURRICULUM: TABLE OF CONTENTS

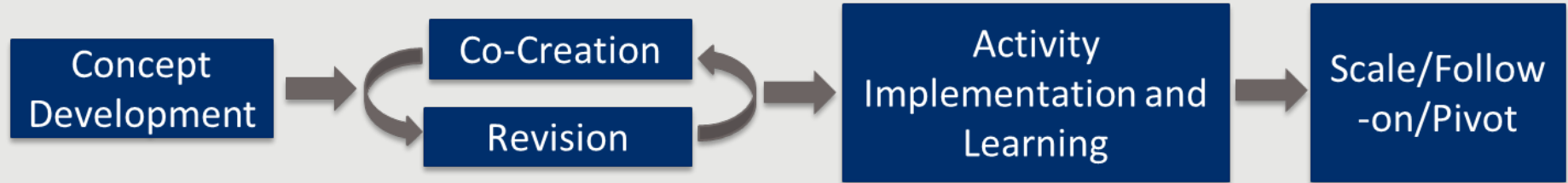
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Partnering to support Vietnam's growth objectives

Threads of interest, woven into programming:

- Digital workforce readiness
- Greening supply chains and ESG adoption
- Continued broad spectrum legal and regulatory reform to support businesses
- Deeper engagement at the provincial level

Working with Vietnam to support Vietnam, a process:



THANK YOU!



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