IMPROVING GOVERNANCE FOR ECONOMIC GROWTH

BACKGROUND

Vietnam has made remarkable progress in its development journey over the past 30 years. With key economic reforms initiated in 1986 to move toward limited market orientation, Vietnam transformed from one of the world’s poorest nations to a lower-middle-income country. The Government of Vietnam’s (GVN) ultimate goal is to grow from lower-middle-income status to upper-middle-income status by 2035. To maintain the exceptional growth trend, while avoiding the middle-income trap, Vietnam must address key challenges including economic policy and governance, infrastructure, productivity and efficiency, private sector competitiveness, and workforce capacity.

PROVINCIAL GOVERNANCE

USAID is developing provincial governance capacity in leadership, management, and governance by utilizing Vietnam’s internationally recognized Provincial Competitiveness Index (PCI). PCI encourages competition between provinces to improve governance and economic competitiveness. For nearly two decades, with USAID support, the PCI has fostered greater inclusion in the policy reform process by engaging the private sector in legal and regulatory reform, to spur lasting and transformative improvements in the way provincial leaders respond to the needs of the private sector to unlock growth. USAID is also accelerating Vietnam’s E-government adoption in accordance with international standards and best practices to improve participation, transparency, and service delivery to its citizens.

PRIVATE SECTOR COMPETITIVENESS

USAID is promoting a competitive private sector by expanding Vietnamese small and medium enterprises’ (SME) access to local, regional, and global supply chains; increasing the capabilities of businesses owned and led by women and vulnerable populations; and, strengthening the legal and regulatory framework for private sector growth across the nation. USAID is also helping Vietnam improve inefficient customs and border procedures to comply with the World Trade Organization Trade Facilitation Agreement, reducing time and expenses for international trade. Through these efforts, USAID is facilitating open, equitable and inclusive economic growth in Vietnam.

INNOVATION AND ENTREPRENEURSHIP

Vietnam recognizes its future lies beyond labor-intensive manufacturing. Supporting Vietnam’s transition to a knowledge economy, and as a regional technology hub by 2045, necessitates focus on improving digital adoption and greater workforce readiness. USAID is facilitating Vietnam’s transition to a digital
economy that prizes technological innovation and entrepreneurship, SME digital transformation, and upgraded workforce capacity to respond to the needs of tomorrow.

**INVESTMENT FOR SUSTAINABLE GROWTH**

With USAID’s assistance, Vietnam enacted its first public-private partnership (PPP) law in June 2020. In consultation with the private sector, USAID is supporting Vietnam’s operationalization of the PPP law into actionable and transparent regulations and policies; including the adoption of international best practices; promoting inclusiveness and equity; and expanding opportunities for women’s participation in Vietnam’s growing economy. USAID is building Vietnam’s capacity to structure and implement blended finance projects, leveraging existing public funds to attract private sector investments. By strengthening Vietnam’s ability to attract private investors, Vietnam is better positioned to effectively manage its public resources, ensure quality services for citizens at fair market prices, and sustainably finance its own development.

**PROJECTS**

- **USAID Trade Facilitation Program** supports the Government of Vietnam to adopt and implement a risk management approach to customs and specialized inspection agencies, and reduce time and cost to trade. [2018-2023, $21.7 million]
- **USAID Linkages for Small and Medium Enterprises (LinkSME)** strengthens SME support organizations to facilitate supplier-buyer relationships between Vietnamese SMEs and lead firms located in Vietnam, and expand capacity to participate in manufacturing supply chains. [2018-2023, $25.3 million]
- **USAID Strengthening Provincial Capacity** Improves local economic governance and development opportunities. [2019-2022, $7.6 million]
- **USAID Vietnam Leads** improves Ho Chi Minh Academy’s capacity to train senior provincial officials. [2019-2022, $1.99 million]
- **USAID Provincial Competitiveness Index (PCI)** improves Vietnam’s business environment, measures economic governance, and promotes local socio-economic development. [2019-2022, $1.1 million]
- **USAID Improving Private Sector Competitiveness** fosters an innovative and dynamic Vietnamese private sector by removing policy, market, and firm-level constraints inhibiting the growth of small and growing businesses, including those owned or led by women and vulnerable populations. [2020-2023, $36 million]
- **USAID Digital Frontiers** conducts two landscape assessments (E-government and Innovation & Industrial Revolution 4.0) and supports Vietnam’s e-Government adoption. [2018-2022, $4 million]
- **USAID INVEST** stimulates PPP investment in high-impact areas including infrastructure, energy, financial inclusion, and health. [2019-2023, $8.25 million]
- **USAID-funded cooperation with the U.S. Customs & Border Protection** boosts Vietnam’s trade facilitation and specialized inspection capacity. [2015-2022, $750,000]
- **USAID Workforce for an Innovation and Start-up Ecosystem (WISE)** expands the specialized skills segment of Vietnam’s labor market to improve the upward mobility and competitiveness of Vietnam’s workforce. [2021-2023, $2 million]
- **USAID Building VCCI’s Capacity, Resilience, and Financial Sustainability** strengthens VCCI’s role to coordinate the voice of the private sector, promote administrative reforms, and
facilitate public-private partnerships in developing the country’s much needed infrastructure. [2021-2023, $1.45 million]

- **USAID Supporting the Ministry of Finance’s Public Financial Management** strengthens the Ministry of Finance’s capacity in state finance management to improve the effectiveness and transparency of public financial management. [2021-2023, $1 million]