

Vietnam

The Development Challenge: Vietnam is undergoing a transition from a centrally planned to a market-oriented economy. Since 1986, Vietnam has succeeded in achieving rapid economic growth, doubling the size of its economy and reducing poverty by half. However, with a GDP of \$34.1 billion and GDP per capita of \$441 in 2002, Vietnam still ranks among the poorest 25 countries in the world. Foreign debts accounted for 42% of GDP by the end of 2002. Although Vietnam's social and political environment is rated as more stable than that of neighboring countries, foreign direct investment has decreased in recent years due to a lack of transparency, uncertainty and inconsistency in the legal and taxation system, and high costs of doing business.

Vietnam is pursuing its goal of acceding to the World Trade Organization (WTO) by the end of 2005. To achieve this goal, the Government of Vietnam (GVN) must undertake fundamental reforms in the economic, financial, and administrative spheres. Despite criticism of its slow implementation of administrative and regulatory reforms, the GVN continues to manifest uneven political will to undertake rapid reforms due to concerns that these would lead to social unrest, economic instability, and political upheaval. Hundreds of existing laws and regulations will need to be amended, new ones put in place, and law enforcement strengthened as the GVN pursues its roadmap to global integration. Legal and regulatory reform is possibly the greatest challenge and it is precisely the area in which USAID can best assist.

The passage of the Enterprise Law in early 2000 has spurred the establishment of more than 72,000 new businesses. Private small and medium-sized enterprises now account for almost 50% of GDP and create most of the 1.4 million new jobs needed each year by a young and growing workforce. However, private businesses are handicapped by limited access to bank credit and management skills, a restrictive regulatory environment, and an absence of incentives in land rental and taxes. Vagueness, unexpected changes and divergent interpretation of laws and regulations lead to serious problems in consistent implementation and enforcement for businesses. Improving private sector competitiveness is a main challenge if Vietnam and the United States are to benefit from new opportunities that arise as the country reforms. USAID activities focus on these areas.

Vietnam has continued to improve key human development indicators over the last few years. The UNDP's 2003 Human Development Index Report ranks Vietnam 104th in the world, citing Vietnam as a model for many areas of social development. Adult literacy is estimated at 94% and life expectancy is 68 years. The country, however, still faces many social challenges. The disparity of living standards between regions and social groups is on the rise. One-third of children under five are underweight and the child mortality rate is 42 per 1000. Economic growth is associated with deteriorating air and water quality and environmental hazards, threatening health status and economic sustainability. The HIV/AIDS epidemic is now generalized in border provinces, posing one of the greatest human development challenges for Vietnam. HIV incidence is increasing throughout Vietnam. By mid 2003, the number of HIV/AIDS infected people was estimated at 71,500.

U.S national interests in Vietnam include maintaining Vietnamese cooperation on POW/MIA accounting, furthering normalization of ties; fighting terrorism, HIV/AIDS and transnational crimes; encouraging compliance with international standards of human rights and the rule of law; and supporting economic reforms that create opportunities for U.S businesses. For the United States, Vietnam's integration into the world economic and trading system is critical for regional security, prosperity, and peace.

The USAID Program: USAID's program focuses on the following:

- Accelerating Vietnam's transition to an open and market-based economy;
- Improving access to services for selected vulnerable groups; and
- Improving sustainable urban and industrial environmental management.

To meet the first objective, USAID provides advisory assistance to help the GVN implement required reforms consistent with WTO requirements and its commitments under the U.S. Bilateral Trade

Agreement, which was ratified on December 11, 2001. New activities launched in FY 2003 have begun to help the private sector compete successfully in global markets. These programs ensure that Vietnam will continue to liberalize and follow a strict roadmap toward global economic integration. Regarding better access to services for vulnerable groups, USAID - through the Displaced Children and Orphans Fund and other regional funds - helps Vietnam provide war victims, displaced and orphaned children, people with disabilities, victims of trafficking, and HIV/AIDS infected people with increased access to services. Economic Support Funds (ESF) support USAID's work in the rehabilitation of trafficked women and children from the Mekong Delta provinces, as well as research and development of effective interventions to prevent trafficking in persons. The third objective, improvement of sustainable environmental management, is being met through the United States-Asia Environmental Partnership Program (US-AEP). This program provides short-term technical assistance, training, exchanges, and small grants to help Vietnam improve environmental policies and governance systems; improve the quality of and access to potable water and sanitation services; improve air quality management; and improve the efficiency of resource use.

Other Program Elements: The Office of Foreign Disaster Assistance supports improving Vietnam's disaster preparedness capacity and disaster mitigation. As part of the Regional Cocoa Alliance, USAID supports a Cocoa Development Project in the Mekong Delta and Central Highlands. Through the Association Liaison Office, USAID has provided a grant to Purdue University to support a Higher Education Partnership with the Vietnamese University of Agriculture and Forestry (UAF) to develop a training curriculum for improved environmental management. UAF also is carrying out research on coffee and cocoa that is supported by a grant under the USAID/Sustainable Agriculture and Natural Resource Management Collaborative Research Program. The Regional Information and Communication Technology (ICT) Initiative, managed by USAID's Economic Growth, Agriculture, and Trade Bureau, implements a number of ICT activities to support e-commerce, internet development, and strengthening the capacity of software cluster in Vietnam.

Other Donors: In the Donor Consultative Meeting in December 2003, donors pledged \$2.8 billion of Official Development Assistance to Vietnam in 2004. Japan remains the largest donor in Vietnam, focusing on infrastructure projects in the transport and energy sectors as well as economic growth and poverty reduction programs. Second, the World Bank concentrates on the transport and energy sectors, modernization of the banking system, poverty reduction, and rural development. As the third largest donor, the Asian Development Bank focuses its disbursements on encouraging private sector development, state-owned enterprises (SOE) reform, and social development. The International Monetary Fund provides loans to support policy reforms in banking, SOE reform, public expenditure management, private sector development, and a fiscal and monetary program. Other important bilateral donors include Australia, Canada, France, Denmark, the Republic of Korea, Sweden, and the United Kingdom, which direct their assistance mainly toward social and human resource development, health, rural development, and natural resource management. United Nations agencies, including UNDP, UNICEF, WHO, UNFPA, and UNAIDS, continue to provide assistance in agriculture, health, and social development. Given this donor portfolio and USAID's comparative advantages, USAID expects to collaborate with the World Bank, the UNDP, the IMF, and other bilateral donors in the areas of HIV/AIDS protection and prevention, trade liberalization and legal reform, and private sector development.

Vietnam PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	4,106	5,300	6,600	5,700
Development Assistance	6,950	7,671	3,000	4,500
Total Program Funds	11,056	12,971	9,600	10,200

STRATEGIC OBJECTIVE SUMMARY				
440-006 Accelerated Transition to a Market-Based Economy				
DA	5,450	6,371	3,000	4,500
440-007 Assistance to Selected Vulnerable Groups				
CSH	4,106	5,300	6,600	5,700
DA	1,500	1,300	0	0

Acting Mission Director,
Leon Waskin

Data Sheet

USAID Mission:	Vietnam
Program Title:	Accelerated Transition to a Market-Based Economy
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	440-006
Proposed FY 2004 Obligation:	\$3,000,000 DA
Prior Year Unobligated:	\$249,000 DA
Proposed FY 2005 Obligation:	\$4,500,000 DA
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2007

Summary: This economic growth strategic objective seeks to deepen liberalization of trade and investment regimes required for the implementation of the Government of Vietnam (GVN)'s commitments in the Bilateral Trade Agreement (BTA) with the United States; and to support the development of the Vietnamese private sector by enhancing its competitiveness in the market economy.

Inputs, Outputs, Activities:

FY 2004 Program:

Support for Trade Acceleration Program (STAR-Vietnam) (\$3,000,000 DA). USAID will continue to move forward with a range of technical assistance to support the GVN's efforts to deepen trade and investment reforms and to finalize legal and policy reforms in a number of areas for the sound implementation of its BTA obligations. The focus will be placed on analytical support in amending laws and regulations that aim at meeting the commitments phased in over the first 36 months of the BTA. Funds will be used to provide support for overall BTA implementation efforts covering legal analysis of BTA requirements, economic assessment of the BTA's economic impacts, and comments on laws and regulations that need to be revised to comply with BTA requirements. This activity is undertaken by IBM Business Consulting Group (formally Price Waterhouse Coopers).

Trade and law exchange and partnership program. Under this program, USAID will use resources previously appropriated to continue to support study missions that link key GVN policy makers and lawmakers with appropriate U.S Government counterparts to discuss key issues in BTA relevant to WTO membership. The discussions will cover the main themes of the BTA chapters in financial services, transparency, investment relations, and dispute solving mechanisms. These policy dialogues and exchanges aim at promoting vibrant public-private partnerships and provide the GVN's officials with insights into the BTA commitments, and key tools and expertise needed to make sound policy decisions crucial to BTA implementation. The Educational Forum of the U.S-Vietnam Trade Council is managing this program.

Vietnam competitiveness initiative. Through the provision of technical assistance and training, USAID will help the Vietnamese private sector overcome impediments that constrain its development and growth, specifically in the areas of government regulation, access to business development services and information, and credit. Addressing these constraints will help promote further development of the private sector, create a more robust job market, and spur Vietnam's successful integration into the global economy. USAID will utilize Development Credit Authority facilities to mobilize private capital to finance the growth of small- and medium-sized enterprises and business and management skill training. Funding for these activities was obligated in FY 2003. Development Alternatives Inc. is conducting this activity in partnership with The Asia Foundation.

Program administration (\$249,000 DA Prior Year Unobligated). USAID will use prior year unobligated funds for program administration and management under this program.

FY 2005 Program:

BTA implementation support (\$2,500,000 DA). Given that Vietnam has pledged to implement by December 2005 - i.e., within four years after entry into force - virtually all commitments under the BTA, USAID may extend the current BTA support program to continue on-going technical assistance activities and expand the program to include other activities that respond to the emerging needs of various GVN counterpart agencies as they follow through on BTA commitments. The IBM Business Consulting Group will be involved in implementation of this activity.

Competitiveness (\$2,000,000 DA). USAID plans to continue support to strengthen and expand the domestic private sector; improve the regulatory environment to make it more conducive to private sector development; build the capacities of business associations; enhance the competitiveness of industry clusters and business incubators; and improve private sector access to information, training and credit. Development Alternatives Inc. will continue to implement this project.

Performance and Results: Over the last year, STAR-Vietnam has helped strengthen the legal framework crucial for BTA implementation. With its assistance, the GVN has changed numerous laws and developed key implementing regulations in compliance with BTA standards in many realms of commercial relations, legal transparency, IPR protection, dispute settlement, market access for trade in services, foreign investment, customs procedures, and business facilitation. Since the STAR-Vietnam Program began, approximately 6,000 GVN officials, lawyers, and business representatives have been involved in BTA training, legal education, and policy consultations and study missions to the United States. Since the ratification of the BTA in December 2001, there has been a robust upsurge in the two-way trade flow between the United States and Vietnam. In 2002, Vietnamese exports to the United States more than doubled, and U.S. exports to Vietnam were up almost one third. The trend remained strong in the first nine months of 2003. Through the Vietnam Competitiveness Initiative, USAID has helped related business associations build long-term partnerships for the pilot industry clusters of software, fine art ceramics, and fruits. More than 100 businesses in these industries benefited from public-private partnerships and collaboration, and continue some level of competitiveness work on their own.

Progress toward this objective by FY 2007 will be demonstrated by:

- Facilitating a broader set of changes in the legal framework to bring it into full compliance with BTA requirements and in support of private sector development;
- Building institutional and skill capacities of the GVN bodies charged with implementing and enforcing the new and revised laws and policies effectively;
- Creating links between the public and private sectors to facilitate policy dialogue on directions for further reforms; and
- Enhancing the capacity of the private sector to take advantage of trade and investment liberalization.

US Financing in Thousands of Dollars

Vietnam

440-006 Accelerated Transition to a Market-Based Economy	DA	ESF
Through September 30, 2002		
Obligations	12,147	1,239
Expenditures	2,791	1,239
Unliquidated	9,356	0
Fiscal Year 2003		
Obligations	5,617	0
Expenditures	4,713	0
Through September 30, 2003		
Obligations	17,764	1,239
Expenditures	7,504	1,239
Unliquidated	10,260	0
Prior Year Unobligated Funds		
Obligations	249	0
Planned Fiscal Year 2004 NOA		
Obligations	3,000	0
Total Planned Fiscal Year 2004		
Obligations	3,249	0
Proposed Fiscal Year 2005 NOA		
Obligations	4,500	0
Future Obligations	5,000	2,000
Est. Total Cost	30,513	3,239

Data Sheet

USAID Mission:	Vietnam
Program Title:	Assistance to Selected Vulnerable Groups
Pillar:	Global Health
Strategic Objective:	440-007
Proposed FY 2004 Obligation:	\$6,600,000 CSH
Prior Year Unobligated:	\$1,003,000 CSH; \$229,000 DA
Proposed FY 2005 Obligation:	\$5,700,000 CSH
Year of Initial Obligation:	FY 1991
Year of Final Obligation:	FY 2008

Summary: The overall goals of health and humanitarian program assistance in Vietnam are to prevent the spread of HIV/AIDS and mitigate its effects on those infected and affected by HIV; assist in the development of opportunities for displaced children and orphans and people with disabilities; reduce infant, under five, and maternal mortality; mitigate the effects of disasters; and prevent trafficking in persons.

Inputs, Outputs, Activities:

FY 2004 Program:

Prevent the spread of HIV/AIDS (\$4,500,000 CSH). USAID will help prevent and mitigate the effects of the explosive HIV/AIDS epidemic in Vietnam. The funds will be used to develop the capacity of Vietnamese institutions to develop policies and implementation plans for HIV/AIDS; to improve the national second generation HIV surveillance system; and to continue to expand prevention activities within selected provinces for at-risk populations. USAID efforts will promote training, education, policy advocacy, and condom social marketing for the prevention of HIV/AIDS and related sexually transmitted diseases. Funds will support the dissemination of stigma and discrimination research findings and the development of HIV/AIDS anti-stigma materials. New activities will include the development of effective harm reduction and HIV/AIDS prevention for the nation's rapidly-growing intravenous drug using population, the development of new and effective models for care and support, capacity building, and networking for people living with HIV/AIDS, technical assistance in rolling out the national strategy for HIV/AIDS at the provincial level, and the development of a national-level institutionalized training curriculum for policy makers to implement a multisectoral response to the epidemic. The program implementers are Family Health International, the POLICY Project, and the International Center for Research on Women. In FY 2004, USAID will also select one new partner with which to work.

Displaced children and orphans (DCOF) (\$1,300,000 CSH, \$1,003,000 CSH Prior Year Unobligated). USAID DCOF programs will continue to support children with disabilities (CWDs) through advocacy, national and local-level awareness raising the needs of CWDs, inclusive education for primary school children, and vocational training and job creation for adolescents with disabilities. The program implementers are Catholic Relief Services, World Concern Development Organization, Pearl S. Buck International, Save the Children US, and the Hesperian Foundation.

Other vulnerable children (OVC) (\$800,000 CSH). Funds programmed for "Other Vulnerable Children" will be used to finance activities assisting blind children, including prevention and treatment activities; assisting orphans; supporting NGOs that work with children and adolescents with cognitive and/or physical disabilities; and working to prevent abusive child labor and trafficking in children.

Leahy War Victims Fund (LWVF) (\$229,000 DA Prior Year Unobligated). USAID is also helping vulnerable groups gain access to services through use of the Leahy War Victims Fund (LWVF). LWVF funds will be used to promote rights and opportunities for people with disabilities (PWDs) by reinforcing the implementation of a legal framework to protect the rights of PWDs, enforcing barrier-free access

nationally for PWDs, improving the capacity of government institutions to provide quality assistive devices for PWDs, and supporting the establishment and development of self-help groups for PWDs.

Trafficking (fully-funded). USAID will use funds previously appropriated to continue to support the rehabilitation and reintegration of trafficked women and children who have returned to Vietnam. This project will also help raise the capacity of the Vietnamese Women's Union in managing and coordinating activities against trafficking in persons. The program is being implemented through the International Organization for Migration (IOM).

FY 2005 Program:

Prevent the spread of HIV/AIDS (\$3,400,000 CSH). With increased HIV/AIDS resources, USAID anticipates expanding effective programs within selected provinces, developing provincial level implementation plans and institutional capacity, promoting an effective policy environment, improving surveillance; and expanding model interventions for care and support. Program implementers will be the same as in FY 2004.

Displaced children and orphans (\$1,200,000 CSH). DCOF funding will be used to support a comprehensive approach to disability-related programs including education, advocacy and employment in focused provinces. Program implementers will likely be Catholic Relief Services, World Concern Development Organization, Pearl S. Buck International, and Save the Children US.

Performance and Results: USAID Vietnam's programs in the disabilities and HIV/AIDS sectors seek to build capacity at both the national and local levels and to contribute to the development and implementation of advocacy, policies, and strategies in these sectors. This year's USAID-funded research on the socio-economic impact of HIV/AIDS has contributed to the development of the first National Strategy on HIV/AIDS in Vietnam. FHI's prevention program effectively reached 3,733 injecting drug users, about 7,188 prostitutes, and more than 115,746 high-risk men with messages about safe behaviors and harm reduction through innovative one-to-one peer education outreach in the workplace. Millions were reached with HIV/AIDS prevention, care, and support messages through USAID-supported mass media behavior change campaigns in focal provinces. With USAID assistance, PWDs in Vietnam have enjoyed greater opportunities, legal support and better services. Children with disabilities have been identified and helped to join normal school programs as well as to participate in vocational training. The National Coordinating Council on Disabilities has expanded its membership to include key Ministries and, with the active participation of PWDs, has begun efforts to undertake comprehensive strategic planning to assure a coordinated multisectoral response to meeting the needs of PWDs.

US Financing in Thousands of Dollars

Vietnam

440-007 Assistance to Selected Vulnerable Groups	CSH	DA
Through September 30, 2002		
Obligations	10,456	21,217
Expenditures	4,558	19,707
Unliquidated	5,898	1,510
Fiscal Year 2003		
Obligations	4,500	1,507
Expenditures	4,912	1,694
Through September 30, 2003		
Obligations	14,956	22,724
Expenditures	9,470	21,401
Unliquidated	5,486	1,323
Prior Year Unobligated Funds		
Obligations	1,003	229
Planned Fiscal Year 2004 NOA		
Obligations	6,600	0
Total Planned Fiscal Year 2004		
Obligations	7,603	229
Proposed Fiscal Year 2005 NOA		
Obligations	5,700	0
Future Obligations	9,200	0
Est. Total Cost	37,459	22,953