



**Aligning Aid for Trade projects with national  
development strategies - Links between Enhanced  
Integrated Framework and Aid for Trade**

# **THE CASE OF VIET NAM**

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# Outline

- **Vietnam's Economic Development, Trade Performance, Policies And Challenges**
- **Viet Nam National Development Strategy with focus on Trade and International Economic Integration**
- **Aid For Trade In Viet Nam**
- **Aligning Aid for Trade projects with National Development Strategies: The Vietnamese Experience: Lessons learned and the New context**

# **Vietnam's Economic Development, Trade Performance, Policies And Challenges**

**Viet Nam has recorded rapid growth, impressive expansion of trade and significant poverty reduction.**

- Average growth rate of GDP of more than 7 percent per annum**
- Real GDP per capita increased more than 3 times in 20 years, one of the highest in the world**
- Both exports and imports grew by around 20 percent per annum on average during this time period.**
- Foreign direct investment (FDI) grew from a nearly 1 billion USD in 1990 to 20 billion in 2010.**
- Poverty has been significantly reduced from 58 percent in 1993 to 14.5 percent in 2008.**

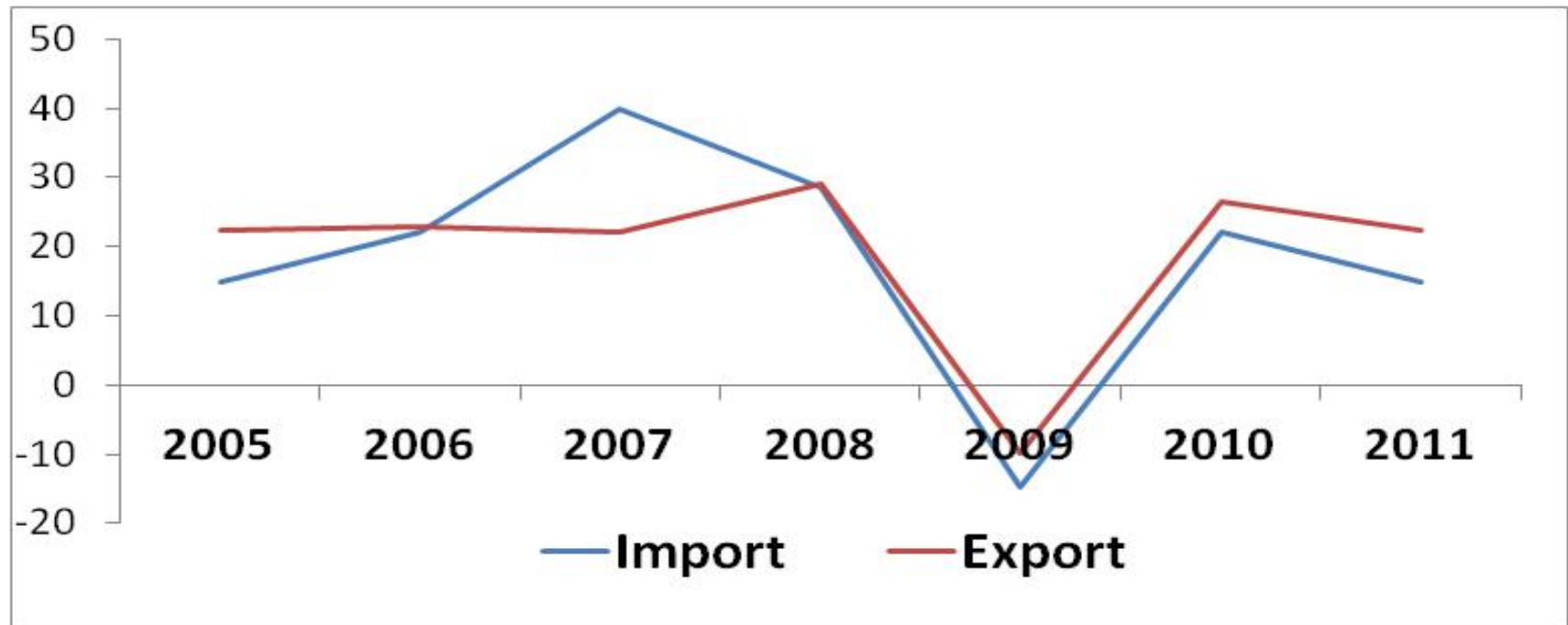
# Vietnam's Economic Development, Trade Performance, Policies And Challenges

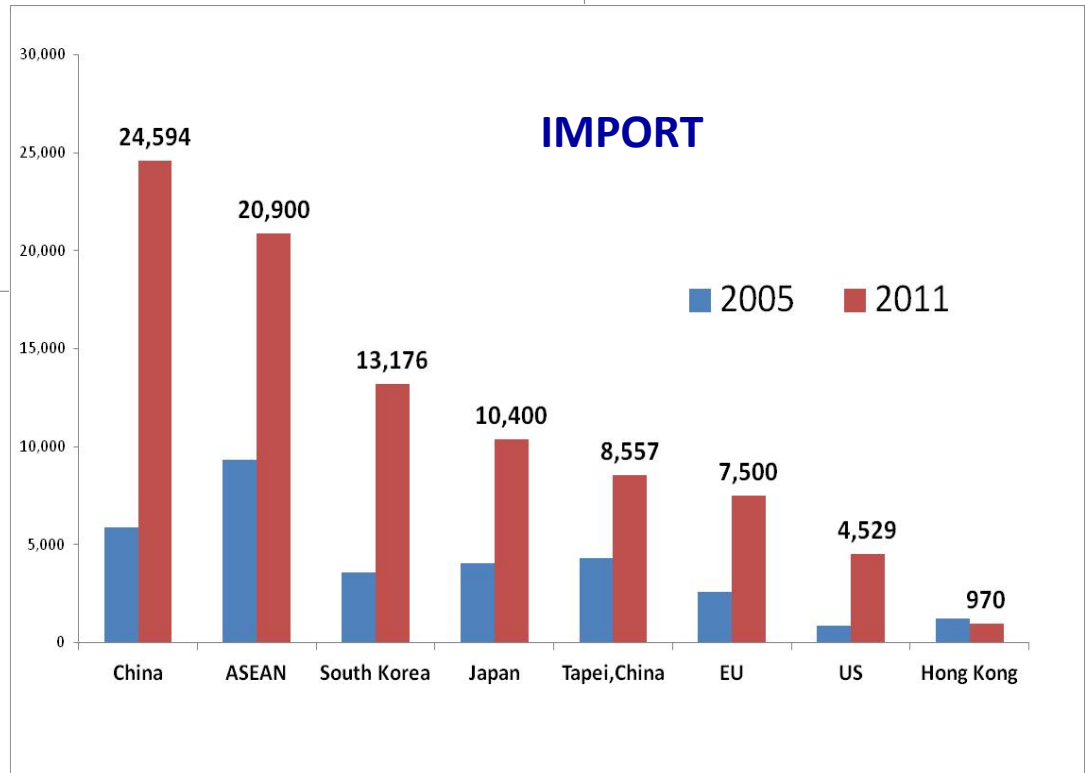
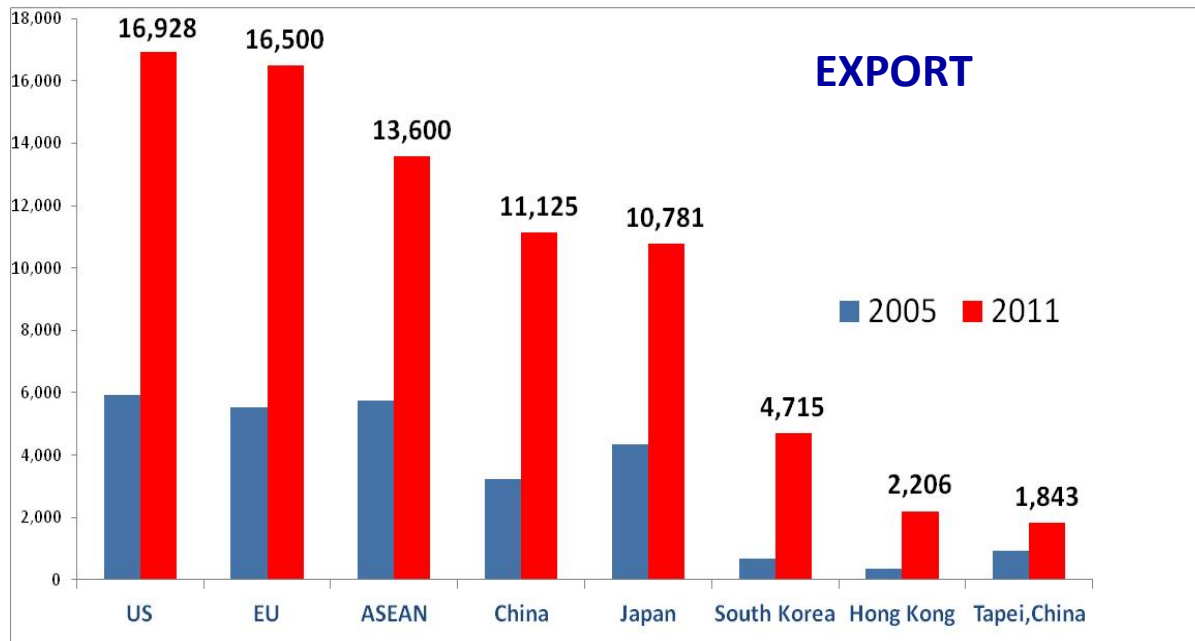
Trade has been an engine for growth and trade liberalization took place with limited adverse impact.

Both exports and imports **grew steadily**, except for 2009 but recovered rapidly

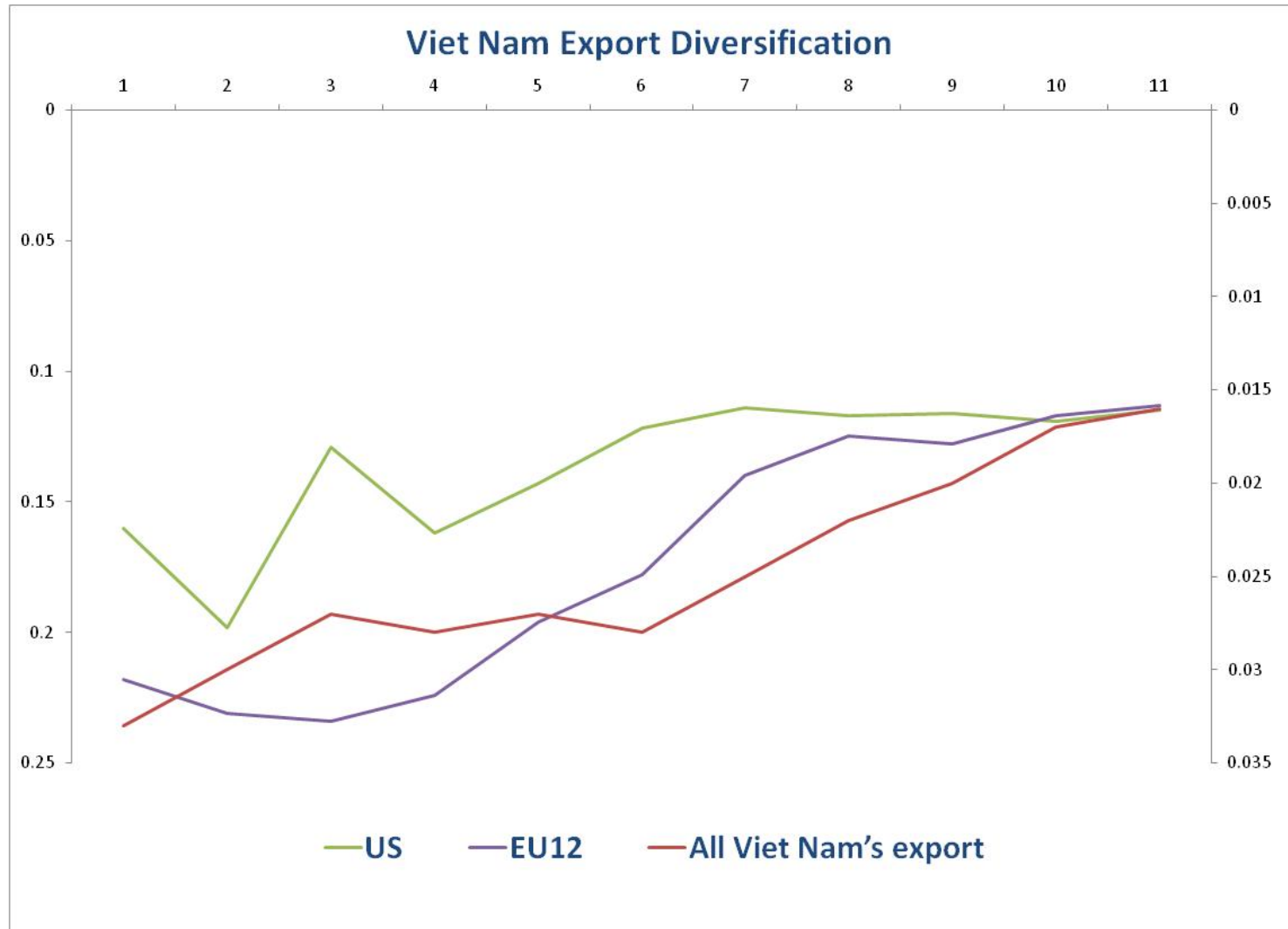
Market and Commodity **Diversification** have been quite impressive

Good sign of engaging in **the Global Production Network** ( the case of electronics in recent years





# Viet Nam Export Diversification 2001-2011

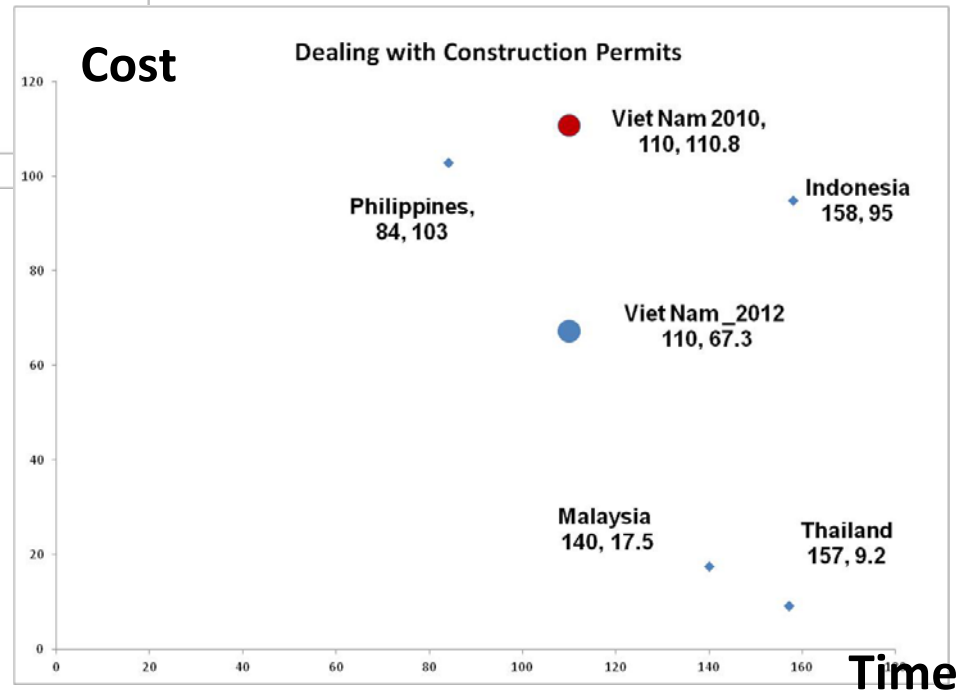
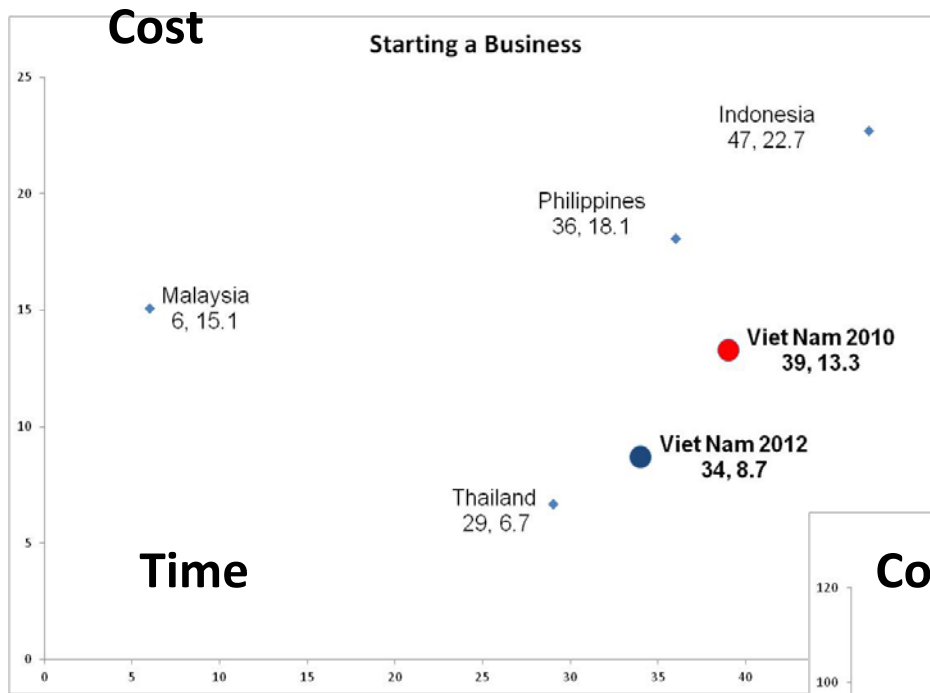


# **Vietnam's Economic Development, Trade Performance, Policies And Challenges**

**There are, however enormous challenges ahead**

- Most export items, especially agriculture-related are very vulnerable to external price and demand shocks that adversely affects farmers and small business
- Lack of market information and underdeveloped logistic support seriously undermine the trade performance.
- Rigid exchange rate control,
- Raising costs of labor, shortage of skilled labor force
- Underdeveloped infrastructure
- The country's international competitiveness in decline from 59<sup>th</sup> in 2010 to 75<sup>th</sup> in 2012

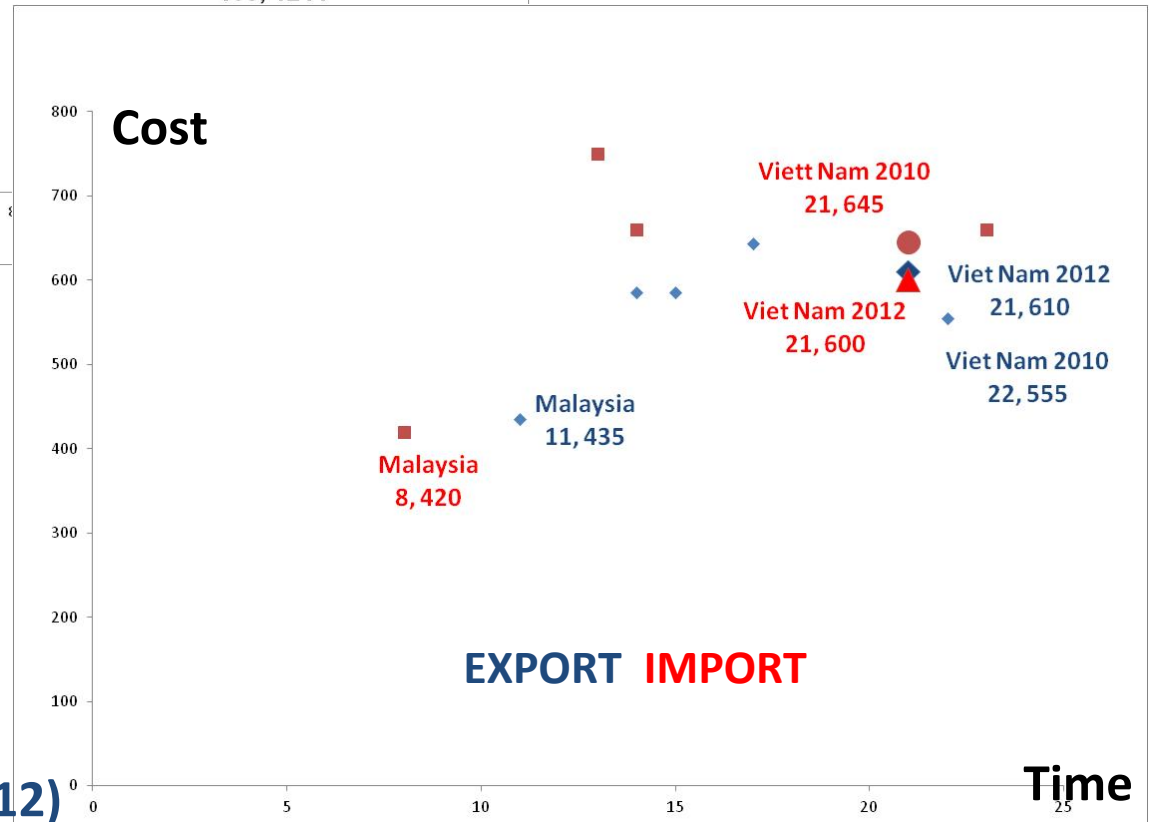
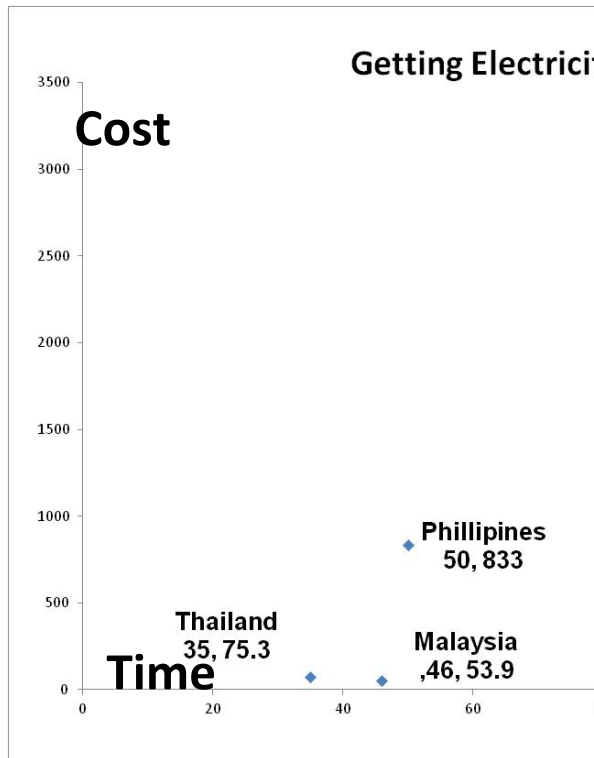
# COSTS OF DOING BUSINESS



Source: Doing Business (2012)



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Source: Doing Business (2012)

# Viet Nam's Global Competitiveness Rankings

## Quality of Infrastructure

No	Indicators	Rank		Value		Change in value (%)
		2010-11	2012-13	2010-11	2012-13	
	Global Competitiveness Index	59	75	4.3	4.1	-3.9
	<b>2th Pillar: Quality of Infrastructure</b>	<b>83</b>	<b>95</b>	<b>3.6</b>	<b>3.3</b>	<b>-6.1</b>
<b>2.01</b>	<b>Quality of overall infrastructure</b>	<b>123</b>	<b>119</b>	<b>3.0</b>	<b>3.2</b>	<b>6.6</b>
2.02	Quality of roads	117	120	2.7	2.7	-0.7
2.03	Quality of railroad infrastructure		68		2.6	
2.04	Quality of port infrastructure	97	113	3.6	3.4	-4.3
2.05	Quality of air transport infrastructure	88	94	4.2	4.1	-1.7
<b>2.06</b>	<b>Available airline seat kms/week, millions</b>	<b>36</b>	<b>33</b>	<b>493.4</b>	<b>674.5</b>	<b>36.7</b>
2.07	Quality of electricity supply	98	113	3.6	3.1	-13.6
<b>2.08</b>	<b>Mobile telephone subscriptions/100 pop.</b>	<b>58</b>	<b>18</b>	<b>100.6</b>	<b>143.4</b>	<b>42.6</b>
2.09	Fixed telephone lines/100 pop.	35	86	34.9	11.5	-67.1

# Viet Nam's Global Competitiveness Rankings

## Business Sophistication

No	Indicators	Rank		Value		Change in value (%)
		2010-11	2012-13	2010-11	2012-13	
	Global Competitiveness Index	59	75	4.3	4.1	-3.9
	<b>11th Pillar: Business Sophistication</b>	<b>64</b>	<b>100</b>	<b>4.0</b>	<b>3.6</b>	<b>-10.2</b>
<b>11.01</b>	<b>Local supplier quantity</b>	<b>61</b>	<b>38</b>	<b>4.9</b>	<b>5.0</b>	<b>2.8</b>
11.02	Local supplier quality	91	99	4.1	4.1	-1.3
11.03	State of cluster development	13	36	4.9	4.2	-13.1
11.04	Nature of competitive advantage	110	139	2.8	2.5	-10.0
11.05	Value chain breadth	76	114	3.4	3.0	-13.0
11.06	Control of international distribution	72	108	4.0	3.6	-9.2
11.07	Production process sophistication	69	118	3.6	3.0	-16.8
11.08	Extent of marketing	51	110	4.4	3.5	-21.7
11.09	Willingness to delegate authority	64	105	3.6	3.3	-10.4

# National Development Planning: The Vietnamese context

Development planning has a long tradition in Viet Nam.

- The adopted planning cycle starts with 10-year Socio-Economic Development Strategies, approved by the Communist Party of Viet Nam Congress where strategic vision and goals are put forward for long-term development time horizon of 10 to 20 years.
- The 5-year national Socio-Economic Development Plans (SEDPs) where specific objectives and targets are set out and institutional and financial arrangements are made.
- The annual socio-economic plans serve as a plan implementing tools.

## **National Development Planning: The Vietnamese context**

- At the local and ministerial levels development strategies, master plans, targeted programs are also developed to address specific development objectives at these local and sector levels.
- In addition, there are a number of projects and national targeted programmes. Currently, there are 16 national targeted programs which cover a wide range of areas such as poverty reduction, HIV/AIDS, climate change, new rural development and employment creation

# **National Development Planning: The Vietnamese context**

## **Major challenges**

- **Weak coordination**
- **Linkages between direct, intermediate and final outcomes**
- **Incentives for local government and line ministries**
- **Monitoring and evaluation**

# **Viet Nam's country development strategy and vision for trade policy**

**Viet Nam has a clear development vision in general and in the area of trade development in particular**

**This vision has been reflected in a number of policy documents**

**Ten-year Socio-Economic Development Strategy (SEDS)  
2010-2020 with three areas of 'breakthroughs'**

- (i)improving market institutions;**
- (ii)promoting human resources/skills development  
(particularly skills for modern industry and innovation) and**
- (iii)infrastructure development**

# **Viet Nam's country development strategy and vision for trade policy**

**The five-year Socio-Economic Development Plan** set targets for exports and imports

- Average growth rate of total goods export turnover for 5 years 12-14% per annum
- Export turnover per person, VND 35-38 or USD 1,400-1,520 per person

**Master Plan on Trade Development by Ministry of Industry and Trade**

- To accelerate export and import of goods via expanding markets and sustainable development of industries and sectors.
- To foster the negotiation with trading partners to improve market access for the Vietnamese goods
- To develop different supporting activities; develop a system to provide enterprises with information and market forecast; fostering trade promotion activities; developing trade promotion activities; promoting the roles of business associations



# **Viet Nam's country development strategy and vision for trade policy**

**Trade Policy Framework has been clearly defined in a number of policy documents**

- Economic Integration has been considered as a important policy milestone in the overall economic reforms**
- A special agency “ National Committee for International Economic Cooperation (NCIEC)” is established to coordinate economic integration issues, although inter-ministerial coordination needs further improvement**

# **ODA management in Viet Nam**

- **ODA has been resumed for Viet Nam since 1993**
- **Viet Nam has a large donor community (28 bilateral and 23 multilateral in 2009),**
- **Viet Nam is one among the top five recipients of ODA in the world**
- **ODA accounts for 12-13% of the total state investment budget.**
- **ODA is considered as an important channel of technical assistance and knowledge transfer as well**

# **ODA management in Viet Nam: Government and donor coordination**

- **Strong country leadership in aid management**
- **Structures and processes are well established**
- **High level of efforts from development partners in aligning to Viet Nam's development priorities and use of country systems**
- **Aid effectiveness and development effectiveness**

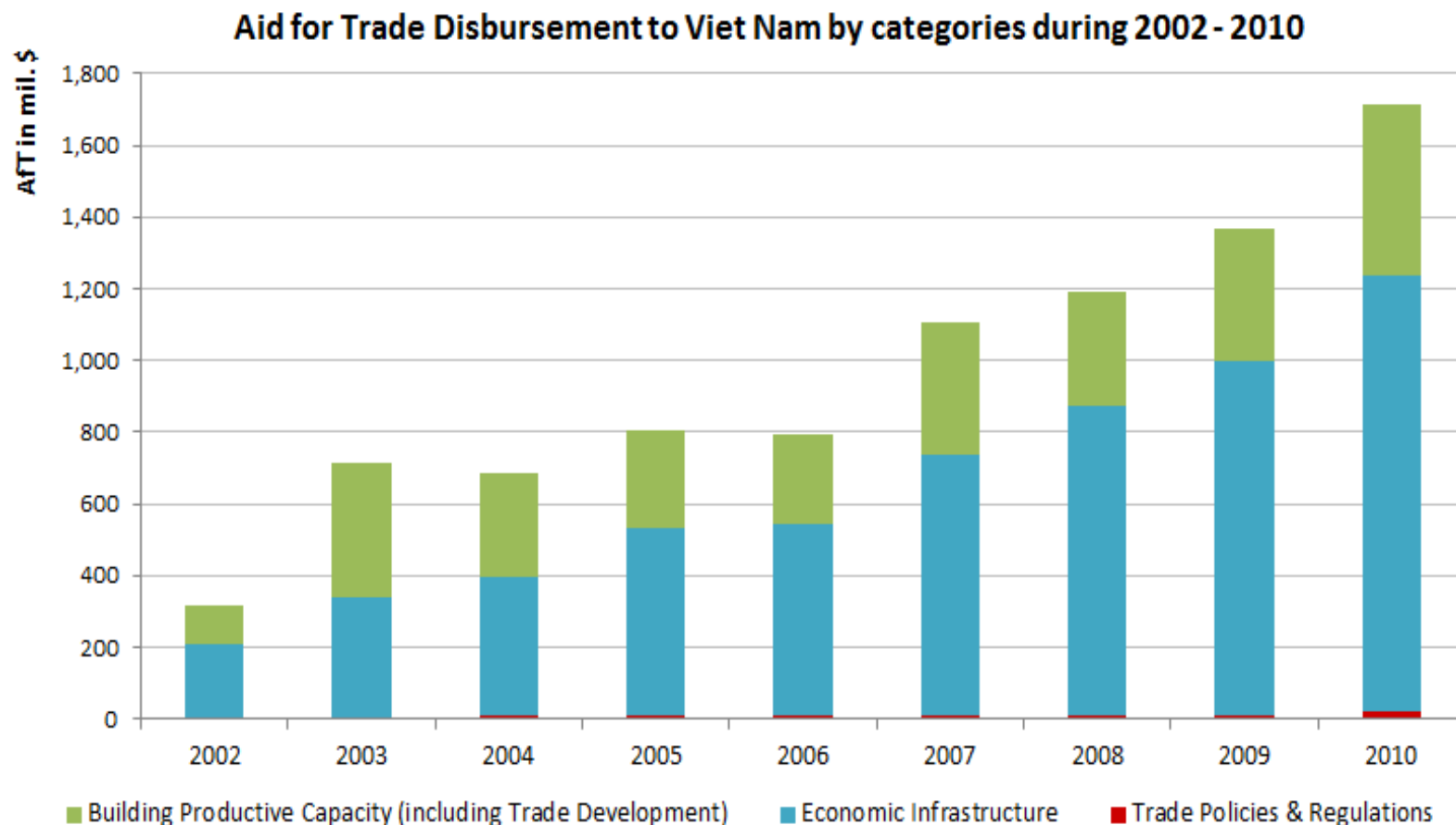
## **Challenges**

- **Implementation is complex**
- **Broad development priorities and lack of policy instruments**
- **Complexity of decentralization and weak inter-agency coordination**
- **Limited sector-level capacity**

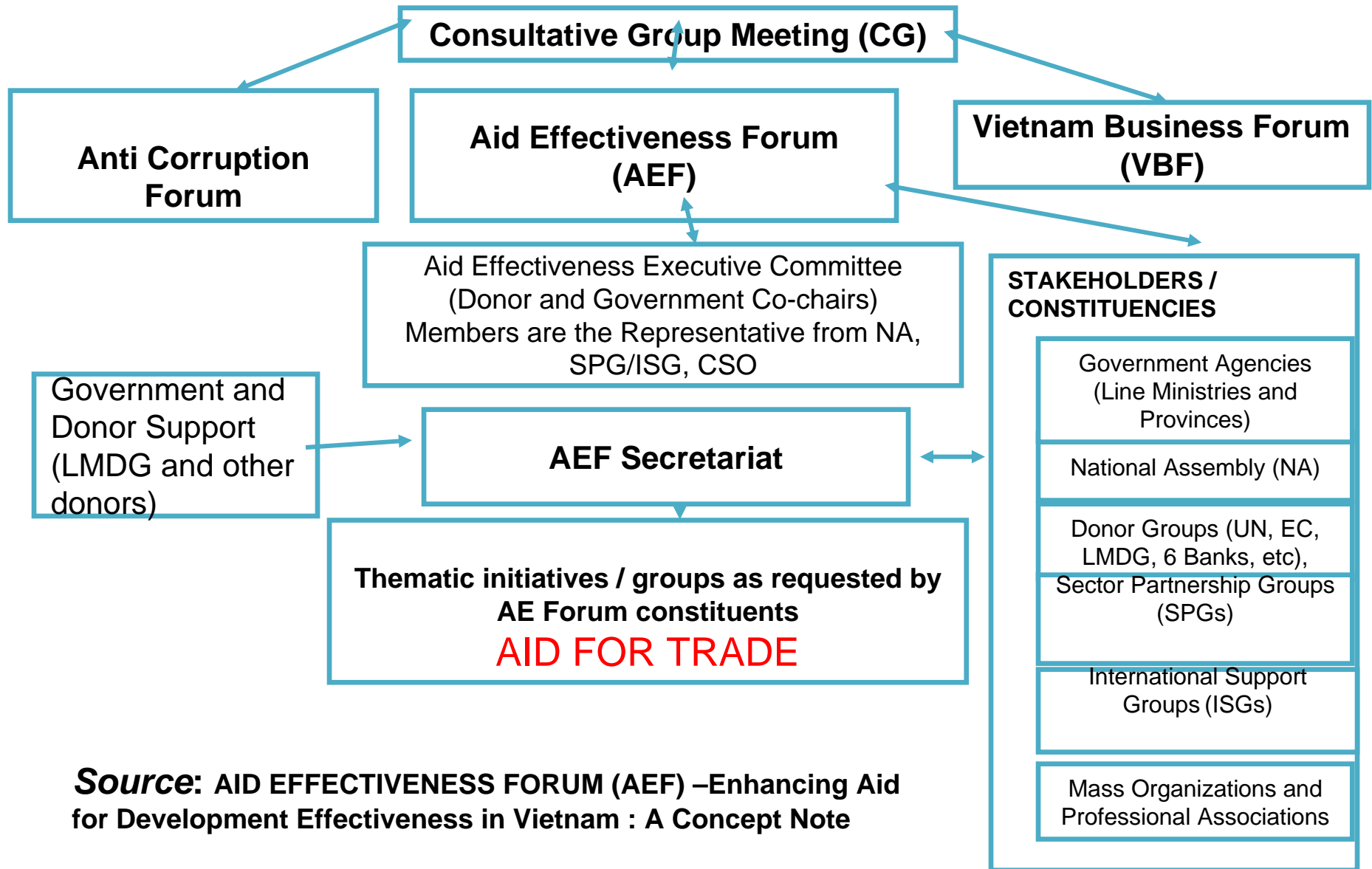
# Aid For Trade In Viet Nam

## ODA & Aid for Trade Trend 2002 - 2010

**Aid for Trade = 52% of total ODA (\$315 in 2002 to \$1,716 mill in 2010)**

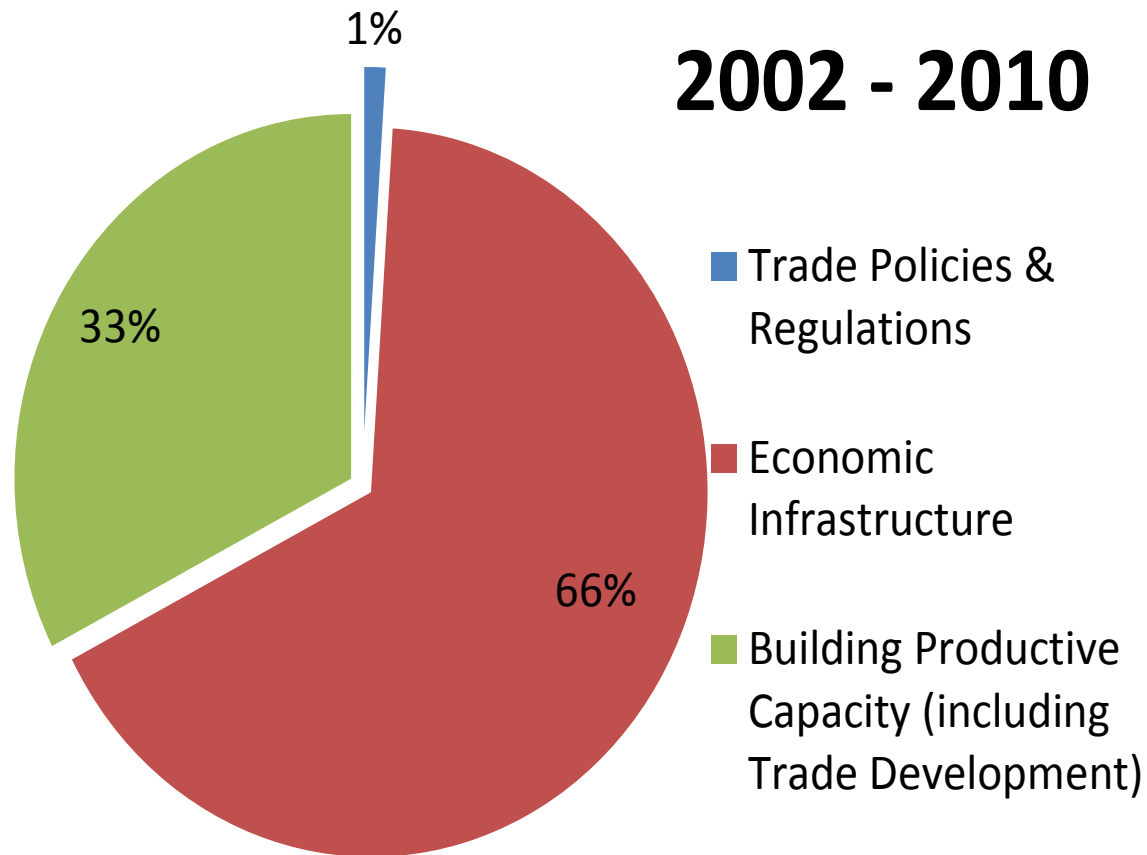


# Aid Effectiveness Forum (AEF) Structure

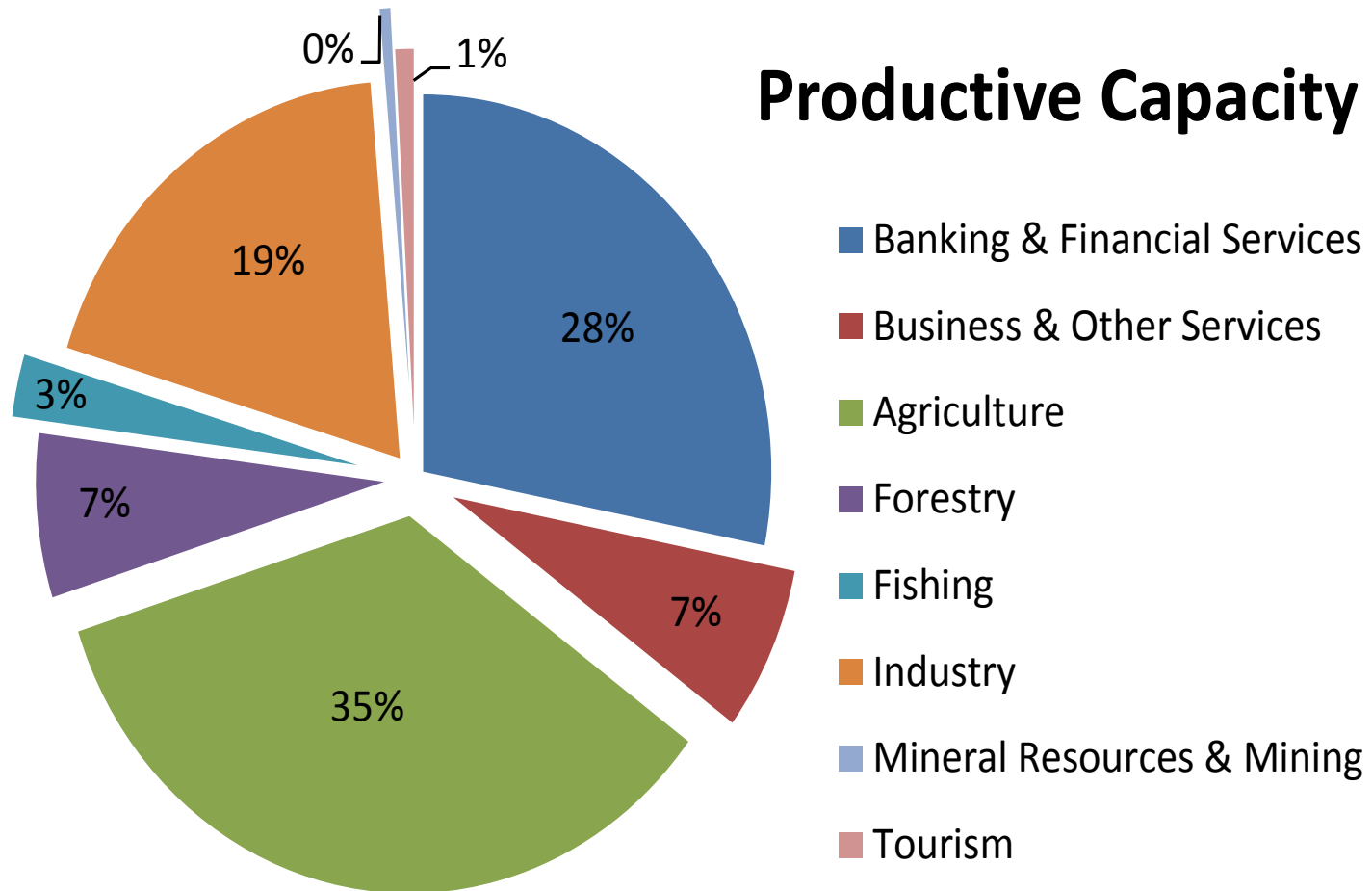


**Source:** AID EFFECTIVENESS FORUM (AEF) –Enhancing Aid for Development Effectiveness in Vietnam : A Concept Note

# Aid for Trade allocation by category

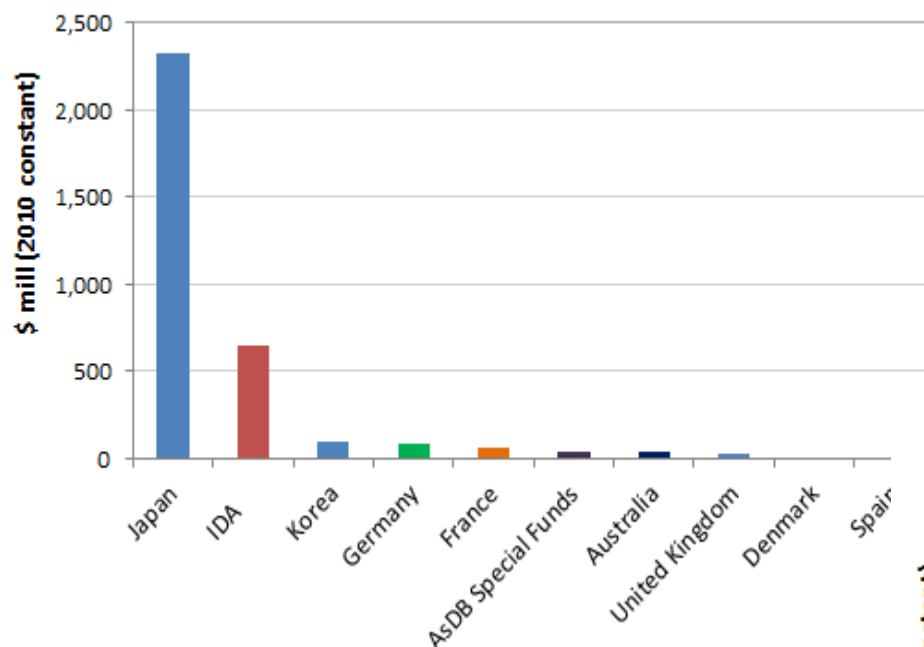


# Aid for Trade allocation by category

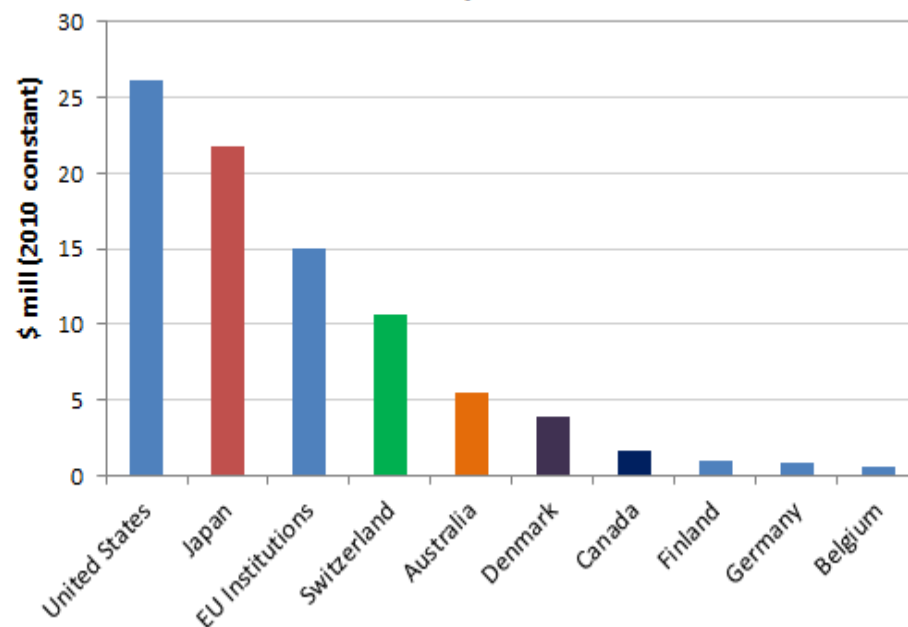


# Aid for Trade top-ten donors, 2002 - 2010

**Viet Nam's Top Ten Aft Donors by Disbursement for Economic Infrastructures in 2002 - 2010**



**Viet Nam's Top Ten Aft Donors by Disbursement for Trade Policy in 2002 - 2010**





# **Lessons learned**

## **Improving Government and Donor Coordination**

- To improve inter-ministerial and inter-provincial coordination relating to Aid for Trade through the AfT Inter-Ministerial Working Group;
- To improve communication, donor coordination and division of labor through Trade-Related Assistance Working Group, while consider putting in place a Trade Sector-Wide Approach for Viet Nam;
- To improve dialogues among government and development partners and support active participation of the private sector, civil society and other stakeholders in Aid for Trade agendas through Aid Effectiveness Forum (AEF) and Vietnam Business Forum (VBF).