



## COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS) MAY 29, 2020 – MAY 29, 2025

### Extended Summary

USAID/Vietnam’s Country Development Cooperation Strategy (CDCS) Goal Statement is an “Open, prosperous, and secure Vietnam that is effective and inclusive in tackling its own development challenges.” This ambitious goal statement reflects the ideas underpinning the Journey to Self-Reliance (J2SR) and the Indo-Pacific Vision, particularly with the expectation of increased inclusion through participation of the Government of Vietnam (GVN), private sector, and local organizations (LOs) working collectively to address Vietnam’s development challenges. The Mission will work to achieve this goal in the following development areas: economic competitiveness; prevention and control of infectious diseases; environmental security; and overcoming war and Agent Orange legacies.

Vietnam has its own development vision which it has been implementing for many years. It has articulated its development priorities in its [Socio-Economic Development Strategy \(SEDS\) for 2011-2020](#).<sup>1</sup> The GVN’s ultimate goal is to move from lower-middle-income status to upper-middle-income status by 2035. SEDS emphasizes continued economic growth, avoiding the middle-income trap, and pursuing industrial revolution 4.0. The strategy was further operationalized through the [Vietnam Economic Policy Framework of 2018](#) that articulates the key areas of reform in order to achieve upper-middle-income status by 2035. It places heavy emphasis on private sector development and acknowledges that environmental sustainability and improvements to government effectiveness are critical for continued and sustainable growth. These priorities have been reinforced by additional GVN plans including the SEDS 2021 - 2030 and [Vietnam to 2035](#). The CDCS aligns with the GVN’s draft ten-year Socio-Economic Development Strategy (SEDS) 2021 - 2030, which seeks to develop an integrated, efficient, and sustainable economy through improving the business environment to create a strong fabric of local firms; supporting the creation of linkages, innovations, economic modernization, and private sector development; making the environmental regulatory framework effective and enabling a green transition; and boosting state efficacy through modern institutions and effective governance.

USAID is fully committed to and supports Vietnam’s J2SR which is reflected in the Country Roadmap. Looking at the Vietnam Fiscal Year (FY) 2020 [Roadmap](#), the country is positioned in the northeast quadrant, indicating a high degree of both commitment and capacity. While a majority of indicators are high, including child health, the Roadmap does not measure other health issues, such as the emergence of drug-resistant tuberculosis, ongoing outbreaks of highly pathogenic influenza in animals and humans, and the continued threat of the Human Immunodeficiency Virus (HIV) epidemic among key populations. Further, the high score for the biodiversity & habitat protection sub-dimension does not reflect the decline in biodiversity and continued wildlife trafficking. The lowest scores are in open government and LO/media effectiveness.

Vietnam is of great strategic importance to the United States for humanitarian, historical, and diplomatic reasons, priorities reflected in Congressional directives that currently mandates USAID programming for dioxin/agent orange; disability; governance; biodiversity/countering wildlife trafficking; sustainable landscapes; higher education; and tuberculosis; in addition to the President’s Emergency Plan for AIDS Relief (PEPFAR) funds for HIV. USAID’s programming aligns with the overall U.S. Government goal of supporting a strong, prosperous, and independent Vietnam. Under U.S.

<sup>1</sup> The GVN is in the midst of developing a 10-year strategy as a follow-on to this SEDS. Based on conversations with GVN representatives, USAID/Vietnam anticipates that many of the same priorities will continue. USAID is also part of a broader donor coordination group as a way to engage in the GVN’s strategy development process. Following the release of the updated GVN strategy, USAID/Vietnam plans to review its strategy to ensure relevance and alignment with GVN priorities.

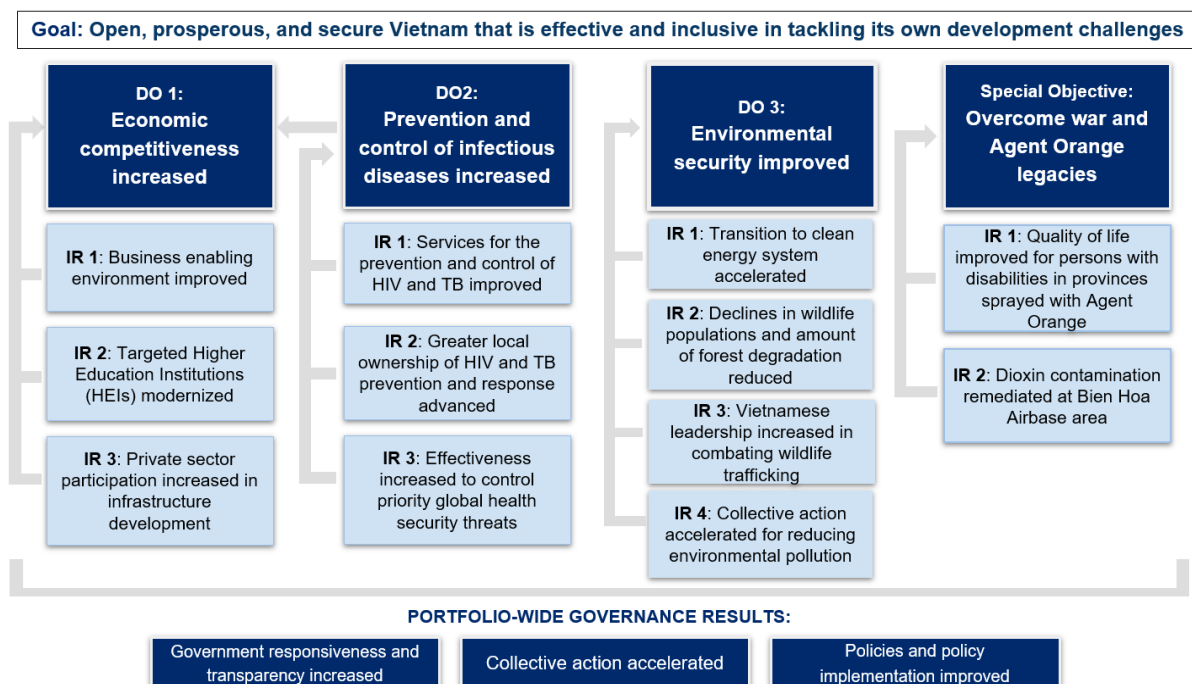
Foreign Assistance objectives, USAID programming builds our bilateral relationship with Vietnam and is in alignment with the Indo-Pacific Vision.

*An Actor-aware Approach:* The Mission’s focus in the goal statement on supporting Vietnam to tackle its own development challenges reflects the most important lesson from the previous CDCS: in order to further self-reliance, USAID must ensure that local champions own the results. Therefore, at the heart of this CDCS are three pillars of influence who are responsible for furthering Vietnam’s journey to self-reliance: the GVN, the private sector, and LOs. And beyond that, inclusivity has a deeper meaning of citizen engagement, including men, women, boys, girls, youth, elderly, persons with disabilities, and other marginalized populations.<sup>2</sup> USAID/Vietnam will reinvigorate efforts to include those most vulnerable through program and activity design.

*Turn to the private sector to identify business opportunities within development challenges:* The private sector is a smaller, but rapidly growing pillar of influence, especially as a driver of the anti-corruption agenda, and in seeking and setting social and environmental standards. The Mission’s [Private Sector Engagement \(PSE\) Strategy](#) focuses specifically on creating shared value partnerships; the Mission works with its implementing partners and the private sector to identify where development challenges present business opportunities, leading to market-driven (as opposed to donor-driven) solutions. USAID/Vietnam will continue to invest in PSE and explore potential partnerships in new areas.

*Expand the role of LOs and leverage the collective action model:* The Mission will continue working with LOs where it has GVN’s concurrence and be opportunistic in expanding engagement where it sees openings. Based on stakeholder consultations and the Mission’s experience implementing Local Works programming, the Mission will explore and expand the collective action model for other areas of work, such as biodiversity, HIV prevention, and disabilities. Collective action, also known as collective impact, is a coordinated effort among a group of key actors representing various sectors (government, private sector, and LOs) that addresses a common agenda or specific social problem.

**Figure 1: Results Framework**



<sup>2</sup> USAID/Vietnam CDCS Gender Analysis, December 2019. “In the next five years, we will intentionally and systematically promote gender equality in all our work. We will do this by ensuring all our project and activity designs are informed by gender analyses and report on indicators that demonstrate gender equality outcomes - not just outputs - related to women’s leadership, women’s economic empowerment and increased access to services that prevent and respond to gender-based violence.”

## DO 1: Economic Competitiveness Increased

*Vietnam needs to address systemic challenges if it hopes to eventually achieve middle-income status.* Vietnam's rapid growth has been fueled by several factors, including national policies that enable growth, a proliferation of free trade agreements, and growing foreign direct investment (FDI). At the same time, continued and sustained growth has been constrained by the continuing dominance of State-Owned Enterprises (SOEs), a public financial management system that has led to ever-rising debt levels, a workforce competitiveness gap that is widening compared to other ASEAN countries, and women's limited access to markets, finance, trade, and value chains. Additionally, rent-seeking and corruption impinge on efforts to level the playing field, and more rigorous, market-oriented policy reforms have stalled. Future growth will need to emphasize productivity gains and a shift towards an economy driven by higher-skilled value addition.<sup>3</sup>

USAID/Vietnam views its relationship with the GVN as a partnership, and sees opportunities to achieve scale impact by tapping the GVN's resource pool and commitment by strengthening its capacity. USAID/Vietnam will accomplish this by focusing on central GVN institutions to improve competencies and skills, accountability, and responsiveness. All assistance is undertaken with an eye towards ownership and eventually transitioning development assistance-funded gap filling to the GVN. To this end, USAID will leverage programmatic tools and approaches that facilitate GVN leadership and promote accountable governance of the country's development challenges. Vietnam is in a unique stage of its J2SR as donors are withdrawing from Vietnam or scaling down assistance due to Vietnam's rapid growth since starting its process of reforms in the 1980s.<sup>4</sup> Thinning donor presence, while a testament to Vietnam's exceptional reform minded and growth oriented government, also leaves Vietnam vulnerable. USAID is bolstering institutional capacity and accelerating Vietnam's market-oriented reforms to unlock resources to pave the way for Vietnam's next stage of self-led and sustainable growth unleashing more broad-based prosperity, creativity, equity, and accountability by 2035.

While commitment to improving the business enabling environment is high at the national level, commitment and capacity to implement policy reforms and facilitate innovation at the provincial level varies and transparency in governance could be improved. In addition, while the GVN has dramatically reduced the number of SOEs over the last two decades and created space for small and medium enterprise (SME) growth,<sup>5</sup> the current policy framework still favors large firms. Vietnamese SMEs lack the managerial capacity and foundational business skills to effectively grow their business and have limited access to current technology, technical knowledge, and capital.

The GVN views improvements to the country's higher education system as one of the most critical drivers of innovation and economic growth in coming years. To survive and thrive in the changing education sector landscape, universities must become capable of producing a workforce that is better equipped to meet the labor demands of a rapidly modernizing economy.<sup>6</sup>

It is estimated that Vietnam will need to invest \$20 billion annually in order to keep up with increasing demand for energy, transport, and telecommunications services. Much of this infrastructure financing will need to come from the private sector, and the lack of transparency, investor confidence, and transaction facilitation pose additional challenges.

Under Economic Competitiveness Increased (DOI), USAID/Vietnam will focus its efforts on three areas: the business enabling environment, higher education, and infrastructure. *IF* USAID/Vietnam

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<sup>3</sup> Country Economic Review, USAID/Vietnam, 2019.

<sup>4</sup> For example, the World Bank is scaling down lending, and the British Department for International Development (DFID) and the Swedish International Development Agency (SIDA) have shuttered their operations in Vietnam. Further, Vietnam's self-imposed debt-cap limits the extent of borrowing from development finance institutions (DFIs). USAID/Vietnam is serving a critical role in helping Vietnam navigate the challenge from traditionally borrowing from DFIs to accessing finance in partnership with the private sector to solve development challenges in a more sustainable way.

<sup>5</sup> Takeyama, 2018. Exact figures not available; estimated 12,000 SOEs in 1990 and only 700 in 2018.

<sup>6</sup> Vietnam Tertiary Education Assessment, USAID/Vietnam, 2019.

further improves the business enabling environment (including at the provincial level), modernizes Higher Education Institutions (HEIs), and expands private sector infrastructure investment, *THEN* Vietnam can build upon already impressive economic growth to become more competitive. These areas represent a comparative advantage for USAID and have high GVN commitment. USAID/Vietnam's value-add is to accelerate and amplify the reform process, leveraging our comparative advantage as a convener and a facilitator to redefine our relationship with the GVN.

USAID/Vietnam will achieve this by:

- Working with the GVN and the private sector to deepen policy reform capacity and implementation; develop a framework for a digital economy; and increase Small and Medium Enterprise (SME) modernization and productivity.
- Modernizing HEIs so they are more sustainable and able to meet labor market demand.
- Helping Vietnam reduce pockets of corruption; build private sector confidence in public infrastructure projects; and increase capacity for implementing blended public-private finance infrastructure projects.

**Illustrative outcomes under DOI:**

- Provincial Competitiveness Index (PCI) median score for target provinces increased
- Value of private sector resources leveraged with USG assistance
- Progress of HEIs towards academic accreditation and financial autonomy
- Increase (over baseline) of number of private sector bidders in public infrastructure

## **DO 2: Prevention and Control of Infectious Diseases Increased**

Health is one of the 12 pillars of competitiveness in the World Economic Forum's Global Competitiveness Framework. A healthy workforce is vital to a country's productivity. Workers who are ill cannot achieve their potential and are less effective – leading to significant costs to businesses. Hence, USAID/Vietnam has intentionally connected DOI and DO2 to acknowledge the contribution of its focus on HIV, tuberculosis (TB), and epidemic threats to Vietnam's economic competitiveness.

*Vietnam has yet to control the HIV and TB epidemics in-country.* HIV and TB are life-threatening infectious diseases, together killing approximately 18,000 people a year in Vietnam. Both HIV and TB are preventable. With care and life-saving treatment, HIV can be managed as a life-long chronic infection, and TB can be cured. The national HIV prevalence in Vietnam is 0.3 percent of the general population, with an estimated 230,000 people living with HIV (PLHIV).<sup>7</sup> In 2019, 135,055 PLHIV were enrolled in HIV treatment (up from 49,492 people in 2010) and a remarkable 95 percent of people on treatment have an undetectable viral load.<sup>8</sup> HIV case detection has improved dramatically but still remains the biggest challenge. HIV incidence peaked in 2002 and has declined gradually, with new infections decreasing from a high of 28,000 to approximately 10,000 each year.<sup>9</sup>

Under Prevention and Control of Infectious Diseases Increased (DO2), USAID/Vietnam will build sustainable health systems that support Vietnam's efforts to plan, finance, and implement solutions for the country's HIV, TB, and Global Health Security programs. *IF* USAID/Vietnam supports improved HIV and TB response services in high prevalence locations to achieve epidemic control *AND* transitions to greater local ownership (GVN in collaboration with LOs and the private sector) of the HIV and TB response *AND* increases government effectiveness to manage other epidemic threats (priority zoonotic diseases and antimicrobial resistance threats), *THEN* the GVN can better sustain effective

<sup>7</sup> [UNAIDS. Vietnam](#)

<sup>8</sup> When an HIV positive patient achieves viral suppression, not only does s/he have a significantly increased likelihood of improved health outcomes, but it also largely decreases their likelihood of transmitting HIV

<sup>9</sup> HIV and AIDS Data Hub for the Asia and Pacific Region, Vietnam Country Snapshot, HIV new infections <https://www.aidsdatahub.org/Country-Profiles/Viet-Nam>

prevention and control of these infectious diseases. DO2 will contribute and link to DOI, as health is one of the 12 pillars of economic competitiveness in the World Economic Forum's Global Competitiveness Framework.

USAID/Vietnam will achieve this by:

- Improving Vietnam's evidence-based policy making process and transforming the system's ability to deliver preventive services at the primary care level.
- Modifying its model of technical assistance to include a greater focus on addressing systemic challenges in the GVN's financing of the health sector, thereby increasing local ownership, sustaining government effectiveness, and moving the health sector forward in the country's J2SR.
- Engaging Vietnam's SHI system to catalyze and sustain domestic resource mobilization for health, improve financial protection for the poor and marginalized (decreasing impoverishment from out of pocket payments) in accessing quality HIV and TB services, and increase efficiencies in health spending.

**Illustrative outcomes under DO2:**

- HIV & TB epidemic control in target provinces:
  - 90% of people living with HIV know their HIV status
  - 90% of people who know their status on treatment
  - 95% of people on treatment with suppressed viral loads
  - Number of DS-TB or DR-TB cases successfully treated
- Greater local ownership
  - Domestic sources of financing (numerator) out of total HIV and TB expenditures for Vietnam (denominator)
  - HIV prevention and TB components included in the Social Health Insurance package
- Epidemic threats: Reduced mean time from sample collection to laboratory report of results for suspected avian influenza

### **DO 3: Environmental Security Improved**

*Rapid economic growth must be balanced with environmental security to ensure continued and sustainable growth in the long-term.* The GVN recognizes the need for this balance in its strategies and development frameworks and places environmental sustainability on par with economic prosperity. The GVN has been increasingly concerned about the impact of climate change, which makes its population - most of whom live in coastal lowlands - extremely vulnerable.<sup>10</sup> The GVN developed a national strategy (2011-2020) to address climate change and recognizes the potential for green growth to curb these risks.

A recent USAID assessment<sup>11</sup> found that to keep pace with increasing energy demand, electricity sector investments will need to accelerate substantially, to around \$8–10 billion annually through 2030. Without foreign capital, technology, and expertise, the GVN predicts power shortages beginning in 2021, which will hinder economic growth.<sup>12</sup> While status-quo energy developments are contributing to lower air quality - which is of high concern to Vietnamese citizens - Vietnam has excellent renewable energy sources, with costs decreasing rapidly. GVN commitment in this area is high; over the last year,

<sup>10</sup> USAID, Climate Risk Assessment for Vietnam, 2019

<sup>11</sup> USAID/Vietnam, Energy Activity Design Outbrief, May 16, 2019

<sup>12</sup> State Department Cable, Vietnam - Asia EDGE: Electricity Starts to Flicker, Vietnam Turns to U.S. Private Sector, July 16, 2019.



Vietnam saw rapid private-sector solar power development totaling from 5-10 percent of Vietnam's energy capacity.

Vietnam's forest area is estimated to be 14.5 million hectares, or 44 percent of the total land area, with roughly 4.1 million hectares of plantations. Forest cover is increasing, with the most rapid growth in production forests. Forest quality is widely described as decreasing; that is, there is a trend of highly diverse natural forests being displaced or degraded, with a loss of plant and animal biodiversity in those forests.<sup>13</sup>

Southeast Asia is a major center for the wildlife trade as a consumer, transit route, and supplier of wildlife products. Over the past decade, increasing levels of disposable income and lenient government policy in Vietnam have enabled a dramatic increase in the illegal trade and consumption of rhino horn and ivory from Africa and enabled increased consumption of tiger bone wine, pangolins, and other endangered terrestrial and marine species by a variety of consumer groups including businessmen, government officials, and upper and middle-income households, among others. At the same time, rapidly changing attitudes in modern Vietnam, where 65 percent of the population is under the age of 30, are fueling a booming market for luxury products and giving rise to conspicuous consumption behaviors, such as ivory for jewelry and decorations.<sup>14</sup>

Under its Local Works programming, USAID/Vietnam has been piloting efforts to address air quality issues through collective action efforts between local organizations, the government and the private sector. The GVN's willingness to engage on these issues has demonstrated promising opportunities and political will to address air quality and collaborate with a variety of stakeholders. At the same time, there is still a lack of available data and information on the sources and effects of environmental pollution, presenting key challenges to evidence-based decision making and action.

Under Environmental Security Improved (DO3), USAID/Vietnam will focus on assisting the GVN to further grow a clean, secure, and market-driven renewable energy sector, protect forests and biodiversity, counter wildlife trafficking, and curb environmental pollution. *IF* USAID/Vietnam can leverage government, private sector, and LO engagement to address environmental challenges (energy, declines in biodiversity, wildlife trafficking, and pollution), *THEN* USAID can mitigate or reverse environmental threats to Vietnam's self-reliance. Continuous economic growth must be balanced with environmental security to ensure continued and sustainable long-term growth. Improvement of environmental security is critical for sustainable, green economic growth and prosperity. USAID/Vietnam will take an intentional approach to redefining the relationship with the GVN, by utilizing a multi-pronged approach with LOs, the private sector, and the GVN to further environmental security and sustainability.

USAID/Vietnam will achieve this by:

- Increasing the market size and improving the enabling environment for deployment of advanced energy systems; mobilizing public and private investment in the energy sector; improving energy sector planning and operational practices; and encouraging the adoption of competitive procurement practices; and increase the market size for energy technology and services.
- Raising conservation awareness for forest dwelling communities and supporting improved livelihoods through sustainable agricultural methods; building capacity for government and NGO stakeholders in collective action; increasing law enforcement; mobilizing domestic resources for conservation of forests and wildlife; and improving forest management practices, reducing emissions, and strengthening forest governance.
- Strengthening inter-agency and international cooperation to control wildlife trafficking; improving and increasing the effectiveness of existing legal regulations related to the

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<sup>13</sup> Vietnam Tropical Forest and Biodiversity Analysis (FAA 118 & 119) Report for CDCS 2019-2024.

<sup>14</sup> EVN's presentation, August 2019 (4464MW solar capacity accounts for 8% of total installed capacity of Vietnam).

protection and conservation of wildlife species as well as combating wildlife trafficking and possessing/storing; strengthening law enforcement; and assist the implementation of action plans and strategies on biodiversity and species conservation.

- Tapping the potential of citizens and LOs to motivate collective action to address Vietnam’s increasingly severe pollution issues and working with universities, researchers, and the GVN to increase data on environmental pollution issues in order to increase stakeholder capacity and support evidence-based decision-making.

**Illustrative outcomes under DO3:**

- USD investment mobilized in renewable energy
- Quantity of GHG emissions, measured in metric tons of CO2 equivalent, reduced or sequestered as a result of USG assistance
- Increase in seizures of illegal wildlife being trafficked in Vietnam
- Number of policies on environmental pollution developed and/or adopted

**Special Objective: Overcome War and Agent Orange Legacies**

A sizable portion of USAID/Vietnam’s annual budget (~40 percent for FY 2018 budget) is focused on addressing the Agent Orange legacy from the U.S.-Vietnam War. The primary purpose of this work is to overcome the past, build trust, and strengthen bilateral relations. It enables continued security cooperation between the U.S. and Vietnam and a strong relationship for the achievement of USAID’s other development objectives. It also contributes to a continued positive impression of the United States. The Integrated Country Strategy notes, “[USG’s] work on [war legacy] issues - perhaps more than any other - helps explain why more than 90 percent of the Vietnamese people view Americans favorably.”<sup>15</sup> Work under this Special Objective also directly aligns with the Indo-Pacific Vision by advancing the security partnership, ensuring environmental safeguards, and strengthening LOs.

*Vietnamese stakeholders believe that the conditions of disability for a large number of persons with disabilities (PWDs) are attributable to dioxin contamination. USAID supports PWDs regardless of the cause of their disability; however, efforts are geographically focused on rural and remote communes in eight of the ten provinces heavily sprayed with Agent Orange during the Vietnam War in line with Congressional intent.*

Passage of the National Disabilities Act of 2010 (supported by USAID and modelled off of the Americans with Disabilities Act) and rollout of SHI has established a national Vietnamese framework for PWDs to access social and rehabilitation services and improve their quality of life. Unfortunately, provincial and district level implementation remains weak. A very small number of disability service providers are well-trained; for example, the number of physical therapists in Vietnam is 0.01 - 0.05 per 10,000 population (in Indonesia and the United States, the ratio is 2 and 6 per 10,000 respectively). Moreover, the out-of-pocket costs for rehabilitation, particularly for assistive devices, are still barriers to treatment.

Those with disabilities also continue to face stigma and discrimination: only 18 percent of PWDs are aware of their rights and have knowledge of disability policies.<sup>16</sup> High levels of stigma and discrimination also contribute to higher rates of gender-based violence (GBV) for those with disabilities.<sup>17</sup> These challenges have been taken on by local organizations focused on disability rights.

Given the widespread use of Agent Orange throughout Southern Vietnam during the war, post-war research on dioxin contamination initially suspected widespread residual contamination. However, by 2006, the GVN and international researchers agreed that elevated dioxin contamination was limited

<sup>15</sup> Vietnam Integrated Country Strategy, pg. 4.

<sup>16</sup> USAID/Vietnam Disability Project Baseline survey, 2015

<sup>17</sup> Action for Community Development Center, GBV situation assessment

to a few hot spots - Bien Hoa, Phu Cat, and Danang Airports - where Agent Orange was spilled during storage or handling. Phu Cat has since been remediated by a United Nations Global Environmental Facility project, and USAID and the Vietnamese Ministry of National Defence (MND) successfully completed remediation at Danang Airport in 2018. USAID is now committed to cleaning up approximately 52 hectares of dioxin contaminated soil at the Bien Hoa Airbase area, the last major dioxin hot spot in Vietnam.

Under Overcome War and Agent Orange Legacies (Special Objective), USAID/Vietnam will tackle the two lasting effects of the Agent Orange legacy by supporting the improvement of the quality of life of persons with disabilities in provinces sprayed by Agent Orange and remediating dioxin at Bien Hoa Airbase and its surrounding areas. *IF* USAID/Vietnam supports improvements in the quality of life for PWDs in provinces sprayed with Agent Orange and remediates dioxin at Bien Hoa Airbase and its surrounding areas *AND* is more transparent about why it invests in both (given their link to the use of Agent Orange during the Vietnam War), *THEN* USAID will contribute to overcoming the legacy of Agent Orange. *IF* USAID invests in overcoming this legacy, *THEN* the United States will continue to strengthen its bilateral relationship with the GVN.

USAID/Vietnam will achieve this by:

- Partnering with provincial health departments and local hospitals to improve rehabilitation and social services; exploring shared value partnerships with the private sector to provide services, products, and job opportunities to PWDs; and strengthening LO engagement on disabilities issues to enhance policy implementation, and facilitate the functioning and operation of DPOs/NGOs in the sector. Building on the MND partnership vital to success in Danang to complete characterization of contamination at Bien Hoa Airbase Area; reach a tentative agreement with the GVN on overall remediation plans; and remediate contamination by excavating contaminated soil, treating highly contaminated soil, and isolating less contaminated soil.

**Illustrative outcomes under SpO:**

- Percentage of beneficiaries with disabilities in provinces sprayed by Agent Orange reporting improvement in their quality of life as defined by the World Health Organization's (WHO) Quality of Life (QoL) tool
- Area (hectares) of dioxin contaminated land remediated at the Bien Hoa Airbase area
- Percentage of key external stakeholder groups that positively view USAID remediation efforts