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# IMPROVING BUSINESS ENVIRONMENT

## BACKGROUND

Vietnam has made remarkable progress in its development journey over the past 30 years. With key economic reforms initiated in 1986 to move towards limited market orientation, Vietnam transformed from one of the world's poorest nations to a lower-middle-income country. The GVN's 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 and energy needs, strengthening private sector competitiveness, and workforce capacity.

## PROVINCIAL ECONOMIC GOVERNANCE

USAID Strengthening Provincial Capacity and USAID Vietnam Leads works to develop provincial governance capacity in leadership, management, and economic governance by utilizing Vietnam's internationally recognized Provincial Competitiveness Index (PCI). PCI encourages competition between provinces to improve governance and economic competitiveness; has fostered greater inclusion in the policy reform process by engaging civil society and the private sector in legal and regulatory reform; and has spurred lasting and transformative improvements in the way provincial leaders partner with the private sector to cultivate growth.

## PRIVATE SECTOR COMPETITIVENESS

USAID Linkages for Small and Medium Enterprises (LinkSME) aims to address SME competitiveness by: 1) strengthening the capabilities of business support organizations in Vietnam to expand Vietnamese SMEs' access to manufacturing supply chains; and 2) institutionalizing key reforms and strengthening the legal and regulatory framework for SME growth across the nation. The USAID Trade Facilitation Program is helping Vietnam improve inefficient customs and border procedures, reducing time and expenses for international trade.

## **INNOVATION & ENTREPRENEURSHIP**

Vietnam recognizes its future lies beyond labor intensive manufacturing. Supporting Vietnam's economic 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 supporting Vietnam's transition to a digital economy that prizes technological innovation and entrepreneurship, SME modernization, and upgrading 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 investment in Vietnam's growth. 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 ensure quality services for citizens at fair market prices and accelerate its journey to self-reliance.

## **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 the 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:** Improve local economic governance and development opportunities. 2019 – 2023, \$13.3 million.

**USAID Vietnam Leads:** to improve Ho Chi Minh Academy's capacity to train senior provincial officials. 2019 – 2022, \$1.99 million.

**USAID Provincial Competitiveness Index:** to improve Vietnam's business environment, measures economic governance and promotes local socio-economic development. 2019 - 2022, \$1.1 million.

**USAID Enhancing Worker Rights:** strengthen the capacity of trade unions to represent workers in export-oriented industries to ensure workers benefit from economic gains associated with increased international trade and investment (when approved by the Government of Vietnam). 2017 – 2021, \$2.5 million

**USAID Digital Frontiers:** the buy-in helped conduct two landscape assessments (E-government and Innovation & Industrial Revolution 4.0) and is supporting Vietnam's e-Government platform. 2018 - 2022, \$4 million.

**USAID Learning, Evaluation, and Analysis Project (LEAP III):** the buy-in supported the development and implementation of Vietnam's new Public Private Partnership law. 2018 - 2020, \$1.5 million.

**USAID INVEST:** to mobilize PPP investment in high-impact areas including infrastructure, energy, and health. 2019 – 2023, \$8.25 million.

**USAID funded cooperation with the U.S. Customs & Border Protection** is boosting Vietnam's trade facilitation and specialized inspection capacity running from 2015 – 2022, \$750,000.