



Canadian International
Development Agency

Agence canadienne de
développement international

VIETNAM

COUNTRY STRATEGY

(Effective as of 2009)

CIDA reviews all country strategies periodically and may revise them to reflect changing priorities or circumstances in countries.

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Canada 

VIETNAM COUNTRY STRATEGY 2009

1. Country Development Context

Current Context

- Over the past decade, Vietnam has made tremendous development progress with the economy doubling in size. A country of 85 million people, Vietnam has reduced poverty at an unprecedented rate with the percentage of people living on less than \$1.25/day falling from 64 percent in 1992 to 21.5 percent in 2006.
- Vietnam's success is reflected in markedly improved social indicators; the country was ranked 114 on the Human Development Index in 2008. The country has already met the Millennium Development Goals (MDGs) for extreme poverty, hunger and for maternal health; cut by half child mortality rates between 1990 and 2007; and will soon achieve universal primary school enrolment. Vietnam is at the cusp of gender parity in net primary and secondary school enrolment, while women now outnumber men in tertiary education enrolment. Women also make up half of the workforce, though often in lower quality jobs.
- Despite its success, Vietnam remains a Low Income Country (LIC) with an average per capita income of US\$790 (2007). There is persistent poverty in rural areas with many households barely above the poverty line.
- Both the IMF and World Bank (WB) have identified Vietnam as one of a number of LICs highly vulnerable to the effects of the global downturn due primarily to trade, investment and remittance shocks. GDP growth was just over 6 percent in 2008, down from over 8 percent in 2007, and is expected to fall much further in 2009. The economic downturn, combined with Vietnam's vulnerability to natural disasters, are expected to slow the pace of poverty reduction particularly for the vulnerable, such as women and ethnic minorities.
- The GoV will spend a total of US\$17 billion in 2009 to support infrastructure, agriculture and small and medium size enterprises (SMEs), as well as fund social security projects especially for the poor and vulnerable. The GoV has limited fiscal space to support stimulus beyond the short term.
- A net exporter of food, Vietnam is not facing a food security crisis. However, addressing challenges to sustainable agricultural growth and productivity, which include land use, food safety and climate change, is urgent. With agriculture representing 20 percent of GDP and employing 54 percent of the labour force, improved agriculture productivity is also critical to continued economic growth.
- Sustained growth and development of Vietnam's increasingly complex economy requires a deepening and acceleration of legal and regulatory reforms. The GoV is committed to improving governance capacity such as public finance management. Key ministries, like the Ministry of Finance and Ministry of Planning and Investment, possess strong leadership, vision and resources, but institutional and regulatory improvements are needed at all levels of government.
- Vietnam's political system is dominated by a single party, although there are clear signs of greater government transparency and accountability. The National Assembly, which includes independent members, is playing an increasingly assertive role in overseeing the actions of the Government. The GoV is not expected to reverse course on its ongoing reform agenda.
- Fighting corruption is a stated priority of the GoV. Though middle ranked by World Governance Indicators (WGI) and others in corruption indices, the Government is taking graft seriously with ongoing crackdowns of corrupt officials and managers of state-owned enterprises.
- Human rights concerns relate primarily to political rights.
- Canada's relationship with this increasingly important country in the Southeast Asia region is growing. Bilateral trade with Vietnam reached almost \$1 billion in 2008, and Canadian firms continue to explore opportunities for investment.

Aid Effectiveness Context

- Vietnam is recognized internationally as a leader in aid effectiveness through its strong local vision, ownership and implementation of a robust made-in-Vietnam poverty reduction strategy: the Socio-Economic Development Plan 2006-2010 (SEDP). Vietnam is a model for donor coordination and harmonization at the policy and operational levels. Principles of commitment and cooperation are set out in the Hanoi Core Statement, which translates the Paris Declaration to the Vietnamese context. CIDA is

VIETNAM COUNTRY STRATEGY 2009

actively engaged in the GoV-donor consultative group coordination process and related working groups and multi-donor initiatives.

- Key donors in 2007 were the World Bank (US\$725 M), Japan (US\$640 M), the Asian Development Bank (ADB) (US\$164 M), France (US\$155 M) and Germany (US\$98 M). In addition to a common focus across key donors in infrastructure, health and sustainable economic development, Germany focuses on the environment and vocational training, France supports agriculture, ADB supports human resource development and the WB supports governance.

2. Priority Needs and Canada's Value Added

- The overall aim of the SEDP is to enhance equitable economic growth and reduce poverty. The SEDP sets out targets and reforms under four pillars: business development, social inclusion, natural resources and modern governance. Thus far, progress has been positive.
- The SEDP is a sound plan to realize Vietnam's goals. The approach has been mainstreamed into normal planning and budgeting processes with complementary sector and provincial plans. The SEDP was broadly participatory reflecting the views of Vietnamese citizens, including the poor.
- **Economic Growth and Sustainability:** Vietnam's long-term development priorities and immediate concerns require expanded environmentally sustainable economic opportunities for the rural private sector, including women. Canada's value-added is well established through the provision of valued technical assistance and advice to grow rural SMEs and to increase agricultural productivity in several poor provinces. CIDA is also well positioned to support GoV priorities to reform technical and vocational education and training systems given Canada's extensive experience in this field in Vietnam, and Vietnamese interest in adapting key elements of Canada's models.
- **Governance:** Vietnam's governance reform agenda has taken on greater importance as a consequence of the current economic climate. Much stronger legal and institutional competencies are needed not only to enable Vietnam to manage an increasingly complex and open political economy, but to facilitate well functioning and mature markets. Canada is a valued donor in governance and has demonstrated strength in supporting judicial and legal reforms integral to Vietnam's economic transformation. CIDA has a long and successful track record of providing valued expertise and institutional models to support accountable public institutions reflective of the needs of Vietnam's citizens, including women.
- **Human Development:** Vietnam has made great strides in human development and social service delivery. Due to adequate public investment, the presence of larger donors, results already achieved, and GoV priorities, this is not a priority for future CIDA programming.
- **Stability and Security:** Vietnam is viewed as a pillar of stability in Southeast Asia and a valued global citizen.
- CIDA's early and timely support has established Canada as a trusted partner. CIDA's programming has enabled bilateral and political relationships with key Vietnamese institutions such as the National Assembly and the State Bank of Vietnam. CIDA programming directly supports, aligns with and advances Canada's foreign policy priorities of promoting Canadian prosperity and influence.

3. Strategic Direction

- The 2009 Country Strategy will maintain the course set in 2008 and continue to support the overall program objective of [stimulating sustainable equitable economic growth](#) while contributing to [food security](#).
- The 2008 Country Strategy focused on improving the enabling environment through governance reform and by assisting the private sector, particularly in rural areas with large ethnic minority populations. Recognizing results achieved in basic education, the 2008 Country Strategy recommended no new programming in this sector (beyond current commitments).
- Over the past year, CIDA has contributed to Vietnam's progress on its SEDP-related policy action targets in banking and legal reform. Through technical assistance projects, CIDA has facilitated improved irrigation, agricultural extension and technical assistance to increase household dairy, rice and cattle production and improve food quality and safety, and has trained government officials in Canadian

VIETNAM COUNTRY STRATEGY 2009

practices to enhance the efficiency and effectiveness of legal and judicial oversight and administration.

- The 2009 Country Strategy program objective will be achieved by working to improve the enabling environment for investment and supporting rural small and medium-size enterprise development along with agricultural productivity. Environmental sustainability and gender equality are cross-cutting themes. This focus will help address immediate concerns related to the economic crisis as well as support Vietnam's longer-term development priorities. Indeed, the global economic downturn highlights the importance of addressing the country's structural governance problems in order to facilitate continued equitable economic growth.
- In order to better target the poor, support for SMEs and agriculture will be delivered primarily at the provincial level. Agricultural development will aim to sustainably increase production and productivity while strengthening agriculture value chains (for example, citrus fruits). Rural SME support will seek to increase their growth and competitiveness through better and expanded access to support services and appropriate small-scale infrastructure. In addition, CIDA will work to enhance access to and better management of skills for employment through technical assistance and support to national and sub-national technical and vocational education and training institutions.
- Improving the enabling environment for economic growth will focus on supporting legal and governance reforms to strengthen the legal foundations and public administration necessary to support well functioning markets. Improved economic legislation, increased participation by citizens and the private sector in lawmaking, a more coherent and standardized legislative process, and better public financial management will all help improve the business climate.
- A combination of national and sub-national programming will mutually reinforce results: national-level reforms flowing from CIDA's policy dialogue and enabling environment programming will contribute to and reinforce local-level private sector development, agriculture and public administration support in targeted provinces.

4. CIDA's Programming Plan

- **Policy dialogue:** CIDA is actively engaged in policy dialogue fora including the Partnership Group on Aid Effectiveness (PGAE), the Like-Minded Donors Group (LMDG) and the WB-led Poverty Reduction Support Credit (PRSC) budget support facility tied to the SEDP. Here, CIDA keeps abreast of progress and engages in key areas such as legal-judicial and financial sector reform.
- **Bilateral Program:** The program will use the following modalities:
 1. Broad policy reforms at the national level require a multi-donor harmonized program based approach (PBA).
 2. National level legal reform initiatives involving complex challenges and gaps are best addressed through technical assistance projects employing proven Canadian models and approaches to improve legal and regulatory systems.
 3. Sub-national programming will be provided through a mix of technical assistance projects and PBAs. More and more, Vietnam's economic success will depend on provinces being able to implement effectively reforms adopted by the central government. With most Vietnamese and the majority of the poor living in rural areas, economic development and food security needs are best addressed through local-level entry points with a mix of technical expertise and resources.
- **Canadian Partnership Branch (CPB):** CPB efforts in Vietnam centre on private sector development, governance and education. In 2008, CPB delivered approximately \$4.86 million in programming. Key partners in the voluntary sector include Consortium WUSC-CECI, Oxfam Québec and the Association of Universities and Colleges of Canada. A Canadian presence will continue through the work of voluntary sector organizations, engaging an estimated 165 volunteers from 2009 to 2014 to support local counterparts in Vietnam. CPB will seek coherence and/or linkages with other CIDA programming in Vietnam.
- **Multilateral and Global Programs Branch (MGPB):** Canada contributes indirectly to development results through core funding to multilateral and global organizations. Key organizations active in Vietnam include the WB, AsDB, the UN Development Programme (UNDP), the Global Environmental Facility (GEF) and the Global Fund to Fight AIDS, TB, and Malaria (GFATM). The country strategies of major multilateral organizations align with and/or complement CIDA's bilateral programming in Vietnam.

VIETNAM COUNTRY STRATEGY 2009

Strategic relationships are maintained with the WB through the PRSC, and with the UN through CIDA's lead of the Informal Donor Group in the One UN Process. In 2008, CIDA contributed approximately \$8.6 million to Vietnam through core multilateral funding and directly contributed \$200K to support flood relief.

- Finally, CIDA's Southeast Asia Regional Program is complementary to the bilateral Country Program given its focus on cross-border priorities in disaster risk reduction and human rights.

Country Program Notional Budget (Bilateral only)

- FY 2009/10: \$24 M
- FY 2010/11: \$24 M
- FY 2011/12: \$25 M

5. Results and Risk Identification

Results:

Economic Growth: Support to rural SMEs

Indicative EXPECTED Intermediate Outcomes:

- Strengthened environmentally sustainable and equitable value chains in selected sectors in targeted provinces

Some EXAMPLES of EXPECTED Immediate Outcomes and Outputs:

- Business development services to rural micro, small and medium sized enterprise
- Small scale infrastructure supporting rural economic development

Economic Growth: Skills for employment

Indicative EXPECTED Intermediate Outcomes:

- More efficient and effective management of a more accessible technical and vocational education system

Some EXAMPLES of EXPECTED Immediate Outcomes and Outputs:

- Assistance to national and sub-national government mechanisms and technical and vocational education institutions

Economic Growth: Enabling environment for investment

Indicative EXPECTED Intermediate Outcomes:

- Better laws and provincial administration to promote market driven growth

Some EXAMPLES of EXPECTED Immediate Outcomes/Outputs:

- Enhanced capacity of Ministry of Justice and select economic ministries to develop and implement improved laws affecting economic growth
- Training & technical assistance for sub-national government in financial and results based management & procurement for market development

Food Security: Support to agriculture

Indicative EXPECTED Intermediate Outcomes:

- Strengthened environmentally sustainable and equitable agriculture value chains in targeted provinces

VIETNAM COUNTRY STRATEGY 2009

Some EXAMPLES of EXPECTED Immediate Outcomes/Outputs:

- Training & extension services to farmers on better production and harvesting techniques.
- Small-scale infrastructure supporting agricultural productivity.

Risks:

The Bilateral Program developed a country risk profile in 2008 using the corporate integrated risk management framework. The conclusion is that the Bilateral Program does not face any overall significant operational, financial or development risks. Highlights included a development risk related to the GoV's constrained capacity for monitoring and implementation. While impacts of the current global recession may exacerbate risks associated with limited GoV capacity, technical assistance is provided at the project level to address GoV competency gaps. There is no current indication that Vietnam's economic problems will stall the country's socio-economic reform agenda.