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IMPROVING GOVERNANCE FOR ECONOMIC GROWTH

BACKGROUND

Vietnam has made remarkable progress in its development journey over the past 35 years. With economic reforms initiated in 1986 to begin opening its economy, Vietnam has transformed from one of the world's poorest nations to a lower-middle-income country. The Government of Vietnam's (GVN) ultimate goal is to grow from lower-middle-income status to upper-middle-income status by 2030, but it faces challenges maintaining its growth trajectory while also ensuring that growth is broadly shared and environmentally sustainable. The U.S. Agency for International Development (USAID) partners with Vietnam to address key challenges in economic governance, private sector competitiveness, and workforce readiness for the digital economy. USAID also supports Vietnam to build its digital economy, which is projected to grow to \$39 billion in 2025 and form a key driver of the country's growth.

IMPROVING ECONOMIC GOVERNANCE

For nearly two decades, with USAID support, Vietnam's internationally recognized Provincial Competitiveness Index (PCI) has driven reforms at both the national and provincial levels to significantly improve the business enabling environment. Building on this success, USAID is supporting a new tool to spur green economic growth through public-private dialogue: the Provincial Green Index (PGI). Launched in April 2023, the PGI evaluates and ranks provinces' environmental policy from the perspective of businesses with the goal of

promoting an eco-friendly business environment that attracts green investment. Through these tools, which encourage competition between provinces on the effectiveness of their economic governance policies, USAID has helped increase the voice of the private sector in reform efforts meant to unlock lasting growth. USAID is applying these tools to support the capacity of and engagement between sub-national government and local organizations, and improving linkages with national government on priority local issues. USAID is also accelerating Vietnam's e-government adoption in accordance with international standards and best practices to improve citizen participation, transparency, and service delivery. Finally, USAID is supporting the Government of Vietnam to develop effective regulations for its rapidly growing e-commerce industry, and to improve its platforms for digital trade, incorporating inputs from the private sector.

STRENGTHENING PRIVATE SECTOR COMPETITIVENESS

Building on over two decades of assistance increasing trade, USAID is continuing its support for economic growth by removing constraints faced by small and medium enterprises (SMEs), which form the backbone of Vietnam's economy. This includes expanding their access to supply chains and finance, improving their business performance, and working with the Government of Vietnam to cut red tape through improved policies and regulations. USAID targets SMEs that are owned or led by women and vulnerable populations, as well as SMEs who are engaged in sectors that improve the country's environment and help it to adapt to the effects of climate change.

ENHANCING WORKFORCE READINESS FOR THE DIGITAL ECONOMY

Vietnam recognizes that its future lies beyond labor-intensive manufacturing. USAID is facilitating Vietnam's transition to a knowledge economy that prizes technological innovation and entrepreneurship, SME digital transformation, and a highly-skilled digital workforce to sustain the accelerated growth of its digital economy and meet market demands.

PROJECTS

- **Provincial Green Index** evaluates and ranks provinces' environmental policy from the perspective of businesses with the goal of promoting better business practices and an eco-friendly business environment that attracts green investment. [2023-2028, \$3.8 million]
- **USAID Improving Private Sector Competitiveness** fosters an innovative and dynamic Vietnamese private sector by removing policy, market, and firm-level constraints inhibiting the growth of small and growing businesses, including those owned or led by women and vulnerable populations. [2020-2025, \$36 million]
- **USAID INVEST** stimulates private investment in high-impact areas including infrastructure, energy, and health. [2019-2024, \$10.13 million]
- **USAID-funded cooperation with the U.S. Customs & Border Protection** boosts

Vietnam's trade facilitation and specialized inspection capacity. [2015-2023, \$750,000]

- **USAID Workforce for an Innovation and Start-up Ecosystem (WISE)** expands the country's highly-skilled workforce to improve their upward mobility and competitiveness. [2021-2023, \$2.2 million]

- **USAID Building VCCI's Capacity, Resilience, and Financial Sustainability** strengthens the Vietnam Chamber of Commerce and Industry's (VCCI) role to coordinate the voice of the private sector, promote administrative reforms, and facilitate public-private partnerships in developing the country's much needed infrastructure. [2021-2023, \$1.45 million]

- **USAID Supporting the Ministry of Finance's Public Financial Management** strengthens the Ministry of Finance's capacity in state finance management to improve the effectiveness and transparency of public financial management. [2021-2023, \$1 million]