



FACT SHEET



Economic Development

Name of Programmes

- The Trade Promotion Programme
- The Banking and Financial Sector Management Programme
- The Private Sector Development Programme
- The Infrastructure Development Programme

Total Budget

Approximately USD 32 million (2008 – 2011)

Swiss Assistance 1995-2007:

CHF 72 million

Main Vietnamese Partners

- Ministry of Industry and Trade
- Ministry of Planning and Investment
- Ministry of Science and Technology
- Ministry of Culture, Sport and Tourism
- Ministry of Agriculture and Rural Development
- The Vietnam Cleaner Production Centre (VNCPC) at the Hanoi University of Technology
- The State Bank of Vietnam (SBV)
- The State Securities Commission (SSC)
- The Bank Training Centre
- Ministry of Transport
- The National Railway of Vietnam
- The People's Committee of Ba Ria Vung Tau

Background

Vietnam has enjoyed rapid economic growth since the launch of its “doi moi” (renovation) policy in 1986. The main goals of the country’s ambitious economic reform agenda are the establishment of a market economy with a socialist orientation and the integration into the international trade system, in particular the WTO. A prudent fiscal and monetary policy, the deregulation of domestic markets, the liberalisation of trade, and the establishment of an enabling framework for national and foreign investors, have profoundly – and successfully – transformed the country’s economy.

Vietnam has been among the fastest-growing economies in the world, GDP growth averaging 7.5% over the past decade. If growth trends and economic reforms are sustained, GDP per capita will have crossed the benchmark of USD 1,000 by 2010 and Vietnam will have reached middle-income country status. Exports now account for more than 60% of GDP and Foreign Direct Investment (FDI) surpasses Official Development Assistance (ODA), accounting for 1/6th of total investment in Vietnam. Emergence of the private sector in the economy has been dramatic, it now plays a crucial role in providing employment to the over 1.5 million people joining the country’s workforce every year. The share of the private sector in (non-oil) exports reaches over 70%.

Economic growth has been accompanied by significant success in the fight against poverty. The proportion of people living in poverty has declined from 58% in 1993 to less than 20% in 2007. Nevertheless, important challenges need to be addressed to maintain sustainable economic growth, including:

- **Sustainable development:** Balancing the desire for fast growth against the need for quality growth. Rapid economic growth has been taking a heavy toll on the environment, with deteriorating quality of surface water, air, marine and forest resources. Enterprises need support to shift towards more sustainable production methods and cleaner technology.
- **Human resource:** The lack of qualified human resources, including well-trained managers, poses a bottle-neck for development. Intermediary services capable of assisting Vietnamese enterprises to improve their operations, such as banking, local consultancy etc., need further strengthening.

- **Public infrastructure:** Urgent infrastructure needs of the economy (public transportation, energy, hospitals, waste water treatment, etc.) will require enormous resources. Improving the efficiency of infrastructure service providers is also challenging.
- **Legal framework:** Slow progress in reforming the public administration system and ambient corruption continue to negatively affect the country's ability to attract both foreign and domestic investment and create obstacles for businesses. The capacity of the public sector to implement measures in support of the private sector needs further enhancement, e.g. in promoting competition and intellectual property rights, reducing trade barriers, etc.
- **Economic policy changes:** Signs of overheating following buoyant economic growth, e.g. a sharp increase in inflation and a widening current account deficit, demand well-coordinated and balanced policy responses.
- **Financial sector:** The rapidly developing financial sector and greater exposure to the international markets call for a rapid upgrading of policies related to the banking sector, capital markets and public debt management.
- **Private sector:** Despite the impressive contribution to growth by the private sector, the playing field between the private sector and state-owned enterprises is still uneven. Insufficient access to finance, land and the poor availability of infrastructure are some of the core barriers for SMEs in Vietnam.
- **Urban-Rural divide:** Although Vietnam still remains a relatively equitable society by international standards, the gap between rural areas and small cities and big urban centres is widening. Providing rural communities with markets for high value added products is an important element in reducing disparities in economic development.

In close coordination with other donors, Switzerland seeks to assist Vietnam in addressing the above challenges in those areas where it has a comparative advantage. Switzerland through the State Secretariat for Economic Affairs (SECO) promotes measures that enable Vietnam as a partner country to attain sustainable economic growth and benefit from increased international economic exchange.

Objective


SECO is focusing its projects on the promotion of sustainable economic growth based on a market economy and the integration of Vietnam into the world economy. More specifically, SECO is involved in providing measures to support macro-economic policy reforms, infrastructure projects and programmes for promoting trade and investment. The aim of this cooperation is to improve living conditions of the population and to reduce poverty.

Approach

The priorities of the Swiss Economic Development Programme are: Strengthening competitiveness and trade diversification, mobilising domestic and foreign investment, supporting the establishment of basic social and economic infrastructure, and promoting sound macro-economic conditions, with a particular focus on monetary policies and the financial sector as basic conditions for private sector development. Emphasis has also been placed on the issues of climate change, energy and the environment.

Since its initiation in 1996, SECO's programme in Vietnam – one of seven priority countries worldwide – has consistently focused on the following four main areas:

- **The Trade Promotion Programme** provides a range of instruments addressing the various challenges of liberalisation. Its aims to create favourable conditions for participating in international trade and promote the use of consumer- and environmentally-friendly technology to improve both the eco-balance and the productivity of Vietnamese enterprises.
- **The Banking and Financial Sector Management Programme** comprehensively addresses the challenges Vietnam faces in opening up its financial sector. It aims to build the institutional capacity of the State Bank of Vietnam, of bank training institutions and of state-owned Commercial Banks in areas relevant for the modernisation and strengthening of the financial sector.

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- **The Private Sector Development Programme** aims to mobilise private sector resources by promoting the strong and sustainable development of the private sector, namely by contributing to a business enabling environment, facilitating access to capital for SMEs and improving access to business development services.
 - **The Infrastructure Development Programme** supports Vietnam in establishing basic social and economic infrastructure and thus contributes to the improvement of the living conditions of the population.

The programme is fully aligned with Vietnam's Socio-Economic Development Plan 2006 – 2010. SECO's thematic focus lies in its core competencies, where a strong back-stopping capacity is available. In order to maximise impact, technical assistance is mainly provided to the respective specialised government agencies. Consistent use of the train-the-trainer approach across the programme ensures maximum impact and sustainability. In a number of areas, such as trade integration and trade promotion, cleaner production and competition policy, SECO facilitates a regional exchange of experiences between Vietnam, Lao PDR and Cambodia.

Impact

SECO has achieved high recognition among Vietnamese counterparts and within the donor community. Regular independent evaluations have confirmed the relevance, efficiency, effectiveness and sustainability of projects.

Crucial success factors have included:

- Synergies between SECO projects and with other donors;
- Innovative approaches and a high demonstration effect;
- Careful project design, consistent alignment with the Government's priorities, and an emphasis on the quality and sustainability of results;
- Mobilisation of highly capable implementing organisations and international project partners;
- Results-based management, effective monitoring, and flexibility to adapt to changing implementation conditions in order to maximise project impact, and the systematic capitalisation of lessons learned from extensive experience.

The development of strong and trusting relationships with SECO's international and Vietnamese project partners has built a strong foundation for the success of the programme, with ownership and input from Vietnamese partners viewed as a core element of each project.