

**Evaluation of
International Trade Centre
(UNCTAD/WTO)**

**Volume 3
Country Reports**

VIETNAM

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Exchange Rates (October 2005)

Currency	USD 1.00	EUR 1.00
Vietnam Dong, VND	15.91	19.03

List of Acronyms

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ASEAN	Association of Southeast Asian Nations
ASTA	American Spice Trade Association
BTA	Bilateral Trade Agreement
CBI	Centre for the Promotion of Imports from Developing Countries
CBT	Community Based Tourism
CEPT	Common Effective Preferential Tariff
CIDA	Canadian International Development Agency
Danida	Danish International Development Assistance
EPRP	Export-led Poverty Reduction Programme
FDI	Foreign Direct Investment
EU	European Union
GDP	Gross Domestic Product
GoV	Government of Vietnam
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IFC	International Finance Corporation
ILO	International Labour Organisation
INT	Project identification code for ITC International projects
IPSM	International Purchasing and Supply Management
ITC	International Trade Centre
MoT	Ministry of Trade
MPDF	Mekong Project Development Facility
MPI	Ministry of Planning and Investment
NEU	National Economics University
ODA	Official Development Assistance
PA	Preparatory Assistance
RAS	Project identification code for ITC Regional Projects
seco	State Secretariat for Economic Cooperation, Switzerland
Sida	Swedish International Development Cooperation Agency
SME	Small and Medium-sized Enterprise
SNV	Netherlands Development Organisation
TPO	Trade Promotion Organisation
TRTA	Trade Related Technical Assistance
TSI	Trade Support Institution
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
VCCI	Vietnam Chamber of Commerce and Industry
VICOFA	Vietnam Coffee and Cocoa Association
VIE	Project identification code for ITC Inter-regional or Global Projects
VIETRADE	Vietnam Trade Promotion Agency
VIT	Vietnam Institute of Trade
VNAT	Vietnam National Administration of Tourism

VND	Vietnamese Dong
WTO	World Trade Organisation

1. Country Report – Vietnam

Vietnam's economy grew by 7.2% in 2003 despite challenges from SARS and a lacklustre global economy. Export growth, in value terms, accelerated from about 11% in 2002 to reach 21% in 2003. Industrial production remained strong and investment solid. The government's growth target for the Gross Domestic Product (GDP) is around 8% for 2004.

In 2003, as in previous years, the main contribution to growth came from the industrial sector, which grew 16%. The emergent role of the non-state sector in the economy is being gradually cemented with this sector continuously outperforming the State-Owned Enterprise sector. Private foreign and domestic industrial production expanded by 14 and 22% respectively, compared to the state-owned sector's 12% growth.

Despite strong exports, the trade deficit rose to nearly 7% of GDP in 2003 from 2.6% in 2002. The current account deficit is estimated to have widened to about 4% of GDP in 2003 from 1.1% in 2002. Meanwhile, gross international reserves increased to USD 5.6 billion equivalent to 10 weeks of imports) on the back of rising Official Development Assistance (ODA) and Foreign Direct Investment (FDI) flows. According to the State Bank of Vietnam, actual inflows of FDI continued to increase in 2003, to reach USD 1.5 billion for the year. Remittances from Vietnamese living overseas and expatriate workers, through official channels, amounted to a record USD 2.6 billion last year.

1.1 Methodology

The overall methodology for the country studies and the Trade Related Technical Assistance (TRTA) reference framework was presented in the Inception Report and the process of evaluating International Trade Centre (ITC) interventions at the country level is presented in the introduction to this volume. This section summarises the key methodological points relevant to the evaluation of ITC interventions in Vietnam

The selection of Vietnam as one of the 10 country studies for the Evaluation was discussed with the Core Group supervising the Evaluation and is presented in the Inception Report. The overall approach to country selection emphasised countries drawn from every region of the world where ITC is operating, countries at different levels of development, and countries where ITC has a significant range of activities.

Vietnam was chosen along various parameters as follows:

- At least one South East Asian country was necessary to satisfy the overall project objective of achieving balanced geographic coverage in the 10 countries selected;
- Vietnam is an emerging economy with relatively limited experience in external trade and high need for developing international trade. In recent years, Vietnam has made great efforts to integrate into the world economy; and
- ITC competences as defined in the TRTA framework are relevant to the needs of Vietnam.

The entries in the ITC database and projects to be sampled were classified according to the various ITC competencies and cross-cutting issues/development concerns as per the matrix of evaluation defined in the inception report. Some of the entries/projects address more than one competence area. There is one country-specific project and the remaining projects are multi-country programmes.

A sample of six projects was selected for Vietnam. The projects are listed below:

Table 1: Description of Projects Sampled

Project description	Project Code
Cooperative programme on quality assurance of spices	INT/61/77
Business development and the World Trade Organisation (WTO) agreements (World Trade Net)	INT/W2/05
e-Trade Bridge for Small and Medium-sized Enterprises	INT/W2/08
Development of International Purchasing and Supply Management (IPSM) training and consultancy support capacities in Association of Southeast Asian Nations (ASEAN) and South Asian countries	RAS/61/81
Export-Led Poverty Reduction Programme	INT/W2/11
Support for Trade Promotion & Export Development	VIE/61/94

With the exception of the project related to support for trade promotion and export development, all projects in Vietnam are multi-country projects. Two projects were completed at the time of the evaluation, while two others are under implementation/on going and two projects are newly started.

The project database of ITC for the period 2001-2004 shows 18 entries for Vietnam. Several of these entries are activities which relate to the same projects, with the result that there are only six ITC projects in the country under the database for 2001-04. The selected projects cover most of ITC competencies areas as shown below.

Table 2: ITC Projects in Vietnam, by Competence Areas

Competence area	No. of entries (of total 18 entries)	No. Of projects (of total 6 sampled)
Export strategy	8	3
MTS and business implications	3	2
Enterprise management and competitiveness	3	2
Product and market development	1	1
Market analysis and strategic market research		
Public-private partnership/ networking	1	
Trade in services		
Trade information system	2	1

Competence area	No. of entries (of total 18 entries)	No. Of projects (of total 6 sampled)
E-competence	5	1
Trade finance		
Standards and quality management	1	1
Supply chain management	2	2
Export packaging		
Legal aspects		
Institutional infrastructure strengthening	1	1
Cross-cutting issues/ Development concerns		
Environment concerns	1	1
Gender	4	2
Poverty reduction	3	1
Coordination with partners	2	2
South-South trade promotion	2	
Digital divide	4	3

The six projects selected for Vietnam include projects completed, those under implementation and newly started projects. Only one country-specific project could be sampled in Vietnam in the period selected for the evaluation and therefore, the listing consists mainly of global and multi country projects.

A local consultant with appropriate qualification, experience and network was selected by the core evaluator. The local consultant was introduced to the project documents, methodology and tools specifically developed for the country studies phase of the evaluation during a workshop in Hanoi.

The consultant was responsible for identifying the contact persons and stakeholders for each project, gathering general background factual data needed for the study, preparing for interviews and assisting the core evaluator during his field mission.

Prior to the core evaluator's mission, the local consultant prepared country data sheets, project data sheets, and Trade Support Institution (TSI) data sheets as developed for that purpose during the inception phase. The core evaluator visited Vietnam in August 2004 and followed a meeting programme prepared by the local consultant. The data sheets were reviewed jointly with the local consultant before and following each interview in order to complete the information needed and adjust possible inaccuracies.

The local evaluator was also responsible for identifying key contact points. In many cases, individuals who had been involved in a particular project had left the institution, but these persons were identified and interviewed to the extent possible.

During the field study the consultants proceeded as follows in the collection of data and information:

- Identifying contact persons: a number of contact persons who were involved in the projects sampled were not working at the beneficiary organisation anymore. Hence it would be difficult to get accurate information and appreciative comments on a particular project. To the extent possible and for the sake of accuracy, the consultants had to identify the individuals who had been involved in the project and interview them;
- In cases where the only information was in the form of interviews, and the information was not specific enough, the consultants carried out a search by identifying end users, checking their involvement in the project evaluated and interviewing a group of them to cross check the existing information. End users had to be identified by the consultant as lists were not available or could not be made available by the beneficiary; and
- In the case there was contradicting information provided to the consultants, a random sample of end users was selected and telephone interviews were carried out to validate the information.

In general, beneficiaries were not always aware of the details of the project document, and therefore could not always provide their opinion on certain issues (e.g. contractual, project value) related to the project.

Surveys were carried out in order to get the views of end-users on ITC project activities. This was applied in two projects (Cooperative Programme on Quality Assurance of Spices, coffee guidebook). For the coffee guidebook there were 10 respondents who were interviewed by telephone. For the spice project six enterprise managers were selected – three in Hanoi and three in Ho Chi Minh City – and interviewed.

Following the field visit by the core evaluator, a list of follow up activities was prepared for the local consultant to take action, including gathering additional information and further details related to specific issues.

ITC project contacts were presented with some of the views and given the opportunity to present evidence which could modify the results of the findings of the consultant. This was only used in cases where the field information available was not sufficient.

Based on the interviews, a ranking of each project on the five evaluation criteria has been provided by the evaluator on a 4 – point rating scale: 4 – Highly satisfactory; 3 – Satisfactory; 2 – Less than satisfactory; 1 – Highly unsatisfactory.

The ITC project portal was consulted on the entries to Vietnam and supporting documents were made available by the ITC staff in Geneva. A draft of the report was submitted to the ITC for validation of facts in September 2004 and comments were received from ITC staff through December 2004. The Study was reviewed by peer and external reviewers in the course of 2005 and their comments have been incorporated.

1.2 Country Profile

Vietnam is a country with rich natural resources and a well-educated (literacy rate is over 90%), diligent population of 80.4 million. Since 1986 the ruling communist party of Vietnam has committed itself to economic reform, or "Doi Moi" (New Changes) a move from a centrally planned economy to a multi-sectoral one based on open market principles, and thus opened the door to foreign investment.

The Government has abolished price control, devalued the Dong, legalised private ownership, freed the private sector, withdrawn support from a number of loss making state enterprises, opened up the country for foreign investment and has begun to introduce a modern legal framework and pursued monetary and fiscal policies. These reforms were introduced in an attempt to double Vietnam's GDP and to becoming an industrialised nation by 2020. The pace of reforms has been slow, but must be looked at in a context where Vietnam has only been open to the West for less than 20 years. Its growth has therefore been remarkable.

Industrial GDP grew by more than 10% annually over the past decade, and industry and construction contributed around 39% of GDP in 2002. By this measure, Vietnam is a highly industrialised country. Industry is relatively well diversified, and all sub-sectors of industry have expanded over the past decade, with particularly rapid growth in steel products, garments, footwear, cement and vehicle assembly.

The state-owned sector generated 40% of industrial output (by value) in 2002, but its share continues to fall because its growth has lagged behind that of foreign-invested and local private firms. The private manufacturing sector, despite its smaller contribution to industrial GDP (25%), employs four times as many workers as the state sector.

Vietnam has also been one of the most successful countries in reducing poverty. From the mid 1980s to the late 1990s, the percentage of people living in poverty has dropped from about 70% to a third. The economic success of Vietnam since *Doi Moi* is triggered by similar factors, which made countries such as Singapore, Taiwan and South Korea 'miracle economies' of the 1970s and 80s. These factors are strong emphasis on export development, a good human resource base with universal literacy and a high premium on education, a fair degree of equity in the society, social order and political stability, and a considerable degree of planning of a market based economy.

Vietnam's workforce grew by 3% in 2002 despite a population growth rate of about 1.4%. Official unemployment figures show little change year-to-year, but have limited meaning for a poor developing, still largely agricultural country such as Vietnam. More important is the ability of rapid industrialization to produce large numbers of new higher value-added jobs, thereby being both the cure and a cause of rural-urban migration. Strong industry sector growth, further trade liberalization, and a booming corporate private sector bode well for a fall in underemployment – a key problem in the rural sector.

New Vietnamese private businesses are being established at a rate of 1,600 per month, with over 50,000 new business registrations during 2000-2002. Domestic investors set up 22,000 new enterprises in 2002, with a total investment capital of USD 3 billion – more than the USD 1.33 billion in new FDI pledges. Genuine growth in the private corporate sector is a lagged response to policy reforms of recent years, which has continually improved the business environment and improved access to bank credit. Clearly many obstacles and biases remain, but it may be that Vietnam is now beginning a period of rapid growth led by domestic businesses, rather than by FDI and commodity exports as it was in the 1990s. The emerging private sector is becoming more important as a source of investment and its contribution to national investment has risen from 21% in 2000, to 29% in 2002.

Vietnam continues to achieve strong export growth. Exports grew an average of nearly 20% annually from 1990 to 2000, about 2.6 times higher than the GDP growth rate. In 2000, export earnings reached around USD 14.45 billion, more than seven times higher than export revenue in 1990. Vietnam has gone a long way from food importer to the world third biggest rice exporter. In 2002, the value of Vietnam's total exports reached USD 16.5 billion (approximately 46% of GDP), compared to USD 15.1 billion in 2001. In 2003, Vietnam's total exports grew by 25% to USD 20.1 billion.

Position in the MTS System/Trade Structure

Vietnam's exports of goods have been dominated by agricultural, natural resources and industrial products as shown in the background of the Vietnamese economy. The export structure is changing and showing increases in the share of light industrial and handicraft products and a decreasing share of agricultural products.

Among export items, two traditional items that occupy the largest share in total exports are crude oil and rice. Vietnam is one of the top three rice exporters in the world (Vietnam, Thailand and India). Besides these two major exports, other goods such as rubber, footwear, coffee, cashew nuts have increased substantially and some items have played an important role in the world market. During the past decade, exports of textiles and garments have emerged and increased rapidly to catch up with rice. From 1995, textiles have become the second largest item after crude oil. The main characteristics of textiles and garments are processed goods that require imported material inputs.

As a result of its high reliance on raw commodities for export revenues, Vietnam is very vulnerable to the world price fluctuations. In terms of manufactured exports, its share is still very low. Most of the exported items from Vietnam (including light industrial and handicrafts, agricultural, forestry and aquatic products) are labour-intensive and require a low level of skilled labour.

Within the export of services, tourism is the most important item, accounting for more than three quarters of the total service exports. Tourism revenue is the second largest foreign exchange provider for Vietnam after crude oil.

Vietnamese authorities have apparently identified export growth as a key engine for overall economic development and therefore have decided to move forward towards a full integration into the world trading system, as testified by the trade agreement with the European Union (EU) and the signature of the ASEAN Free Trade Agreement (AFTA) after joining the ASEAN. In 2000, the Vietnam-American trade Agreement was signed and now Vietnam is preparing for membership application to the World Trade Organization (WTO).

Joining the WTO is being delayed or negotiated with great difficulty. On one side, there is consensus to recognizing a need for trade liberalisation, but on the other side, the Vietnamese authorities still use tariff barriers to try to manage short-term tensions on external balances, and to protect targeted sectors or even state-owned enterprises.

Integration into the world economy creates both opportunities and challenges to the entire economy, in general, and the private sector, in particular.

Table 3: Overview of Trade

Major exports 2003	% of total	Major imports 2003	% of total
Crude oil	18.7	Refined petroleum	9.7
Textiles & garments	18.0	Textile materials	8.2
Marine products	11.0	Steel	6.6
Leading markets 2003	% of total	Leading suppliers 2003	% of total
US	22.1	China	14.1
Japan	14.5	South Korea	12.0
Australia	7.7	Japan	11.4
China	6.6	Singapore	10.7

Source: Economist Intelligence Unit

1.3 ITC Activities and Role

ITC's presence in Vietnam over the last decade has been increasing with the introduction of economic reforms in the country. The main ITC interventions can be classified into two major categories, implemented projects and new projects on the verge of being launched:

- Implemented projects over the last five years include the Preparatory Assistance (PA) project which was based on a Pre-feasibility Study funded by United Nations Development Programme (UNDP) and carried out in 1998/1999. The project for PA to Vietnam in trade development was launched following agreement between the Government of Vietnam (GoV) and Switzerland (seco) and UNDP in December 2000, with ITC as the implementation agency and Vietnam Trade Promotion Agency (VIETRADE). The project had an external funding budget of USD 0.7 million of which USD 0.6 million was funded by Switzerland. Implementation began in Jan 2001 and ended in mid August 2002; and
- Project interventions aimed at capacity building of intermediary TSIs for the purpose of supporting enterprises and increasing their competitiveness. These projects are part of multi-country programmes developed by ITC.

The most visible on-going project is the IPSM which is very well received and considered to offer prospects for intermediaries for further capacity building among enterprises. The project has a total value of USD 1,239,000. The project has also a South-South dimension which aims at increasing the cooperation amongst institutions from countries which have historical and economic affinities.

Projects on the verge of being launched include Support to Trade Promotion and Export Development in Vietnam and Export-led Poverty Reduction Programme (EPRP), Hoi An – Vietnam.

The most significant ITC intervention to take place in Vietnam is the coming project related to trade promotion and export development strategy. This project aims at assisting in achieving export growth rate targets¹ for the decade. For this purpose, the project will assist VIETRADE and Ministry of Trade (MoT) in the development of a National Export Strategy and in strengthening the capacity of VIETRADE as the focal point for a national trade development network.

Stakeholders look forward very much to this latest initiative and have the following expectations from ITC's support:

- Increase the capacity of Trade Promotion Organisations (TPOs) and TSIs and the dissemination of knowledge aiming at improving the enabling environment of enterprises;

¹ Support to Trade Promotion and Export Development in Vietnam, ITC project document VIE/61/94, 2004

- Development of national and sector strategies enabling better focus on needs of export oriented enterprises and appropriate policies to these sectors; and
- Support and facilitation, and networking, promoting business ideas and connecting stakeholders and beneficiaries with each other.

1.4 Main findings on Thematic Issues

External Environment/Donor Perspectives

Donor support to the development of the emerging private sector is considered as a driving force for sustainable economic growth, and thereby contributing to the reduction of poverty in Vietnam. Donor assistance – in terms of number of projects and presence of donors – grants increasingly priority to the emerging private sector, its enabling environment and WTO accession, building on the improvement of the regulatory framework including inter alia legislation, trade policies, and quality standards.

Multilateral donors (including the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB), EU, UNDP, United Nations Industrial Development Organisation (UNIDO), International Labour Organisation (ILO) and bilateral donors (Australia, Canada, Denmark Japan, France, Germany, Sweden, Switzerland and USA) are involved in support to the development of the business sector in Vietnam.

Current programmes, directly or indirectly related to the business sector, are estimated to be around USD 450 million.

It is estimated that donors provide in the order of USD 30 million for support related to trade development².

TSIs, including industrial associations, trade information, standardisation and quality control institutions are also the subject of increasing donor focus in Vietnam. Special attention is also paid to developing markets for Business Development Services (BDS) aiming at increasing the competitiveness of the private sector. Active donors in this area include Centre for the Promotion of Imports from Developing Countries (CBI), the Netherlands, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Swisscontact, Danish International Development Assistance (Danida), Netherlands Development Organisation (SNV) and Mekong Project Development Facility (MPDF). The assistance is normally carried out in the form of capacity building, technical assistance, advocacy and networks, and infrastructure development.

Other International Organisations

Among other international organisations which are relevant in the context of this report are UNDP and UNIDO.

UNDP is active in providing assistance to the Development Strategy Institute in long-term planning, which has fed into the formulation of long-term plans. The UNDP was also involved in supporting the public administration reform, which has contributed to the recent approval of a master plan for public administration reform.

UNDP and ITC cooperate in TRTA services. UNDP has drawn on ITC expertise in a number of areas of which:

² For further details, please refer to Annex 1- Overall Donor Support in Trade Development.

- In December 1997, the Ministry of Planning and Investment (MPI) forwarded to UNDP Hanoi several project ideas for strengthening the trade promotion capacity of the MoT. ITC was then involved in a PA study which then resulted in the new project on support to trade promotion and export development in Vietnam. ITC's uniqueness and comparative advantage is perceived by UNDP as consisting in expertise in developing national export strategies; and
- A UNDP project for the capacity strengthening of the GoV in the formulation, coordination and implementation of policies in support of the development of services sectors in the country and managing and promoting "trade in services" in Vietnam in the context of negotiations for international economic integration. In this respect, ITC's expertise was drawn upon to carry out workshops on specific technical subject matters, and to raise awareness on the commercial implications of WTO on the trade in service sector.

UNIDO is involved in activities which aim at enabling developing countries to rapidly establish the necessary physical and institutional infrastructure to satisfy the technical requirements of the Multilateral Trading System, in particular:

- Several sectoral studies for MPI. These included studies of selected main export sectors including apparel and clothing³;
- Issuing recommendations to MPI on main challenges to support Vietnam's development in the next decade;
- Direct assistance to the development of policies, regulations and institutions related to the promotion of SMEs;
- Definition of the necessary institutional structure of the National Promotion Agency National for Small and Medium-sized Enterprises (SMEs), its objectives and activities;
- Assistance to MPI in the preparation of the Socio-economic Development Strategy; and
- Building capacity to effectively help manufacturing industries, through the national quality system, comply with the legitimate demands of foreign markets – that is, those that fall within the Technical Barriers to Trade agreement of WTO.

At present, the cooperation activities between UNIDO and ITC are based on coordinating the approaches and systems related to trade information and market analysis. UNIDO sees complementarities between ITC's fields of expertise in market analysis (country and trade maps) analysis of competitiveness and indicators of performance and UNIDO's perspective in improvement of production technologies, and quality standards. UNIDO is convinced of the benefits of integrating those approaches and systems.

Compared to ITC which had, until recently, no field presence⁴, UNIDO and UNDP have both a strong field presence and network, and close contacts with Vietnamese stakeholders and local donor offices.

³ Support to Trade Promotion and Export Development in Vietnam, ITC project document VIE/61/94

Role of Trade Promotion Organisations and Digital Divide Issues

Role of Trade Promotion Organisations

There are many government funded agencies carrying out trade support activities and VIETRADE is the officially designated focal point at national level. VIETRADE was established under the MoT in July 2000 to undertake the duties and activities of a national TPO, including the coordination and implementation of trade promotion and trade related investment promotion activities in Vietnam. VIETRADE is a newly established organisation with so far a limited track record and limited resources in terms of staff (63) and budget (USD 380,000). VIETRADE works together with various provincial trade promotion centres and TSIs as well as international and foreign trade promotion organisations to assist Vietnamese and foreign enterprises in their business development and expansion.

Other government-funded TSIs with national responsibility, like the Vietnam Trade Information Centre, Vietnam Institute of Trade (VIT) and the Directorate for Standards and Quality are large in terms of staff with several hundred employees per organisation. Some of these organisations were established at an early stage of the Doi Moi reform⁵, hence have a longer track record, and more established roles.

The most important non governmental TSI is the Vietnam Chamber of Commerce and Industry (VCCI), Founded in 1963, the VCCI is an umbrella organisation which has a staff of approx. 600. Its mandate is two-fold: (1) to promote the interests of the business community and employers in Vietnam in domestic and international relations, and (2) to promote the development of business enterprises, entrepreneurs and cooperation among business entities offering assistance in trade and investment, economic and technological co-operation and other business activities of enterprises in Vietnam and abroad. VCCI derives most of its finances from membership fees (20%), membership services and consulting (55%) and government and donor support (25%). VCCI carries out specialised trade related services such as trade promotion fairs, contact promotion programmes.

Besides VCCI, the number of business associations has considerably grown over the years. The most dynamic are the Young Businessmen Association (YBA), and Young Entrepreneurs' Association which was formed at the initiative of the Youth League and has now established itself in many provinces.

⁴ ITC has recently established a project team in Vietnam for the Project: "Support to Trade Promotion and Export Development in Vietnam".

⁵ The Sixth National Congress of the ruling Communist Party of Vietnam, held in December 1986, initiated an overall economic reform policy – popularly known as "Doi Moi". The "Doi Moi" initially aimed at shifting economic priority from heavy industry to three major economic programs, namely: production of food, production of consumer goods and production of exports; reducing state intervention in business; opening trade relations with the outside world; and encouraging foreign and domestic private investment. The subsequent national congresses of the Party held in 1991, 1996 and most recently in 2001 continued to reaffirm its commitment to a socialist-oriented multi-sector economy operating under both the market mechanism and the state management, and called for more structural reforms.

Digital Divide Issues

Vietnam has made important efforts in IT applications in various socio-economic sectors. For the last three years, since Vietnam officially connected to the Internet, the population's awareness of the advantages and usefulness of IT has considerably improved. It was clearly realised that the national digital content has not been paid due attention from policy makers and development planning officers. The digital divide is widening between urban and rural areas. The government decided to reinforce the software industry including digital content development as a leading-edge industry of the country in the coming five-year period.

At present, there is only one Internet Access Provider with two international gateways in Vietnam, with one in Hanoi and the other in Ho Chi Minh City. For Internet Service Providers, there are five commercial and 14 non-commercial and 19 internet content providers.

Although national digital content becomes more available and accessible on the Internet, it is still very poor in terms of quantity and added value. Most websites serve as advertisement for respective organisations/entities. Most are also not regularly up-dated.

There seems to be divergence in views on the relevance and usefulness of e-commerce in Vietnam. The official TPO, VIETRADE, has some apprehensions as to e-Trade Bridge for a number of reasons; E-trade is still at its infant stage, and benefits to SMEs would be minimal. The legal framework related to e-commerce, the banking infrastructure and physical structure need to be put in place before the implementation of e-trade.

Other organisations such as VCCI are very keen on the development of "e-trade" i.e. consider it a very useful marketing and sales tool for foreign trade. Although there are some infra-structural barriers to the development of e-trade, e-Trade Bridge is seen by many SMEs as a way to promote their goods and services in an affordable way, and a way to access foreign customers.

VCCI tested the use of E-trade at pilot stages, and the experience derived from such projects was the limited amount of turnover generated by enterprises through this form of technology. However, enterprises use e-trade as a marketing means and consider e-portals as a window for export contacts.

1.5 Horizontal and Functional Themes

Use of DPMD Tools and Projects

"Coffee – An Exporter's Guide" Publication

The Coffee guidebook is part of a global product covering major coffee producing countries. The guidebook was published in 2002, and a seminar was organised in Vietnam together with the Vietnam Coffee and Cocoa Association (VICOFA). During the Seminar, the book was introduced to the members of the association.

During a previous seminar on the coffee guide published in 1996, a free copy was delivered to the participants at the introduction of the seminars held in Hanoi by ITC and VICOFA. The 1996 guide covered all aspects of coffee industry from growing, processing to export. The new version of the book focuses more on export and only very few copies were distributed at the 2002 seminar.

The Guide was only made available in the English language, and the few largest exporters use the English version. In order to introduce the export guidebook to as many end users as possible, VICOFA has translated some passages of the book considered as important into the Vietnamese language. The willingness of end users to pay for the book depends on the price and a price level judged as realistic would be less than USD 10.

In terms of effectiveness, the degree to which the project has reached beneficiaries is to be questioned in the case of Vietnam. There were very few copies available (less than five) to VICOFA and enterprises, and this has surprised the participants at the seminar, who compared it to previous seminars during which more than 100 copies of relevant material were distributed.

Since the publication of the book and organisation of the seminar, no follow-up was carried out. The relationship of VICOFA with ITC is on an ad hoc basis, and has only focussed on the presentation of the coffee guidebook.

End users consider the book of high quality and relevance to their business. They are primarily exporters of coffee, and they use the book from time to time as an export reference. The most relevant issues in the book, according to them, are supply sources, delivery, payment and processing. Some issues in the book are not applicable in Vietnam due to the existing legislation and include issues such as futures market, hedging and foreign arbitration.

VICOFA has contacted ITC on several occasions for assistance related to trade information services and the translation and adaptation of the book to Vietnamese context. ITC's response was that the resources within the project were mainly dedicated to the preparation of the guidebook and there were no additional funds available to finance the activities requested by VICOFA. The identification of financing by either ITC or VICOFA could make it possible to implement such activities.

The coffee guidebook was only available at VICOFA. There were no available copies at public libraries at international organisations such as UNDP, ADB, Japan Bank for International commerce (JBIC), and the World Bank.

ITC Publications

ITC publications are provided to partners including VIETRADE and VCCI. The evaluator was informed that publications were primarily used by their own staff. Other information sources such as websites, newsletters were also often consulted by staff. The evaluator was informed that the interest for publications and guides was high among ITC partner staff, but customisation to Vietnamese language would be needed for dissemination purposes.

The following libraries which are mostly used by enterprises and students were contacted and visited; requests for ITC publications were made:

- ADB;
- Japan Bank for International commerce (JBIC)
- UNDP
- World Bank.

Only the UNDP had a list of eight ITC publications:

- Financial appraisal of export project – 1992;
- Trade finance: a legal guide to cross-border transactions – 2003;
- Business guide to trade remedies in the EC – 2004;
- Secrets of intellectual property – A guide for SMEs – 2004;
- The export marketing of technical consulting services from developing countries – 1986; and
- Basic Guidelines on government procurement.

The only ITC publication available at the World Bank was “The Secret of Electronic Commerce”.

World Trade Net

Vietnam is in the process of joining the WTO, and the dissemination of information on the implication of WTO on Vietnamese businesses is a major concern of business associations.

Most enterprises need to upgrade their business management skills, and to be updated on the opportunities and threats of Vietnam’s membership to WTO.

During 2000-2001, the “Business Guide to the World Trading System” was published by ITC jointly with VCCI. During interviews with beneficiaries, a large interest was expressed in the mentioned project.

The evaluator was informed that during the course of the project, only one workshop was held at the introductory stage of the project, and since then, no activities were carried out.

The beneficiaries also have expressed the need for closer cooperation with ITC. ITC interventions should not only be limited to introductory workshops with general information aiming at a general awareness raising.. It is widely considered that workshops are a good tool for contributing to creating awareness and providing information. However, if not linked with follow up activities, they have little effect. It is thus felt that training sessions and capacity building of stakeholders should follow up such activities.

SME Competitiveness, e-Trade Bridge

In 2002 ITC sent representatives to Hanoi for a kick-off workshop, during which the project was presented including project mission, strategy, and a plan for developing an e-Trade Bridge for SMEs. Since then, one representative from VIETRADE was invited to Geneva for a Strategy Seminar. No further activities were carried out since then.

VCCI Representatives also participated in workshops in Geneva. The purpose of workshop was to define how ITC could further develop the e-Trade Bridge project. VCCI regarded the workshops as informative, and expected assistance related to the upgrading of skills. VCCI participated in the e-Trade Bridge up to the point where the free assistance ended.

VCCI is very keen on cooperating with ITC as it is developing a number of activities related to SME development and e-trade tool for SMEs. In this respect, VCCI has developed an e-portal which – according to the organisation – would fit well with ITC's e-Trade Bridge project. The portal, which was developed by VCCI's own means is being tested for launching and includes the exhibition of good and services for 10 sectors. ITC's assistance was considered to be highly relevant, and further co-operation should focus on improving the features of the portal and in its successful launching.

Therefore, VCCI expressed its strong interest in participating in the project from the very early stage, and has on several occasions stressed its readiness for participating in the e-Trade Bridge project. There were high expectations as to the development of a close co-operation with ITC in this area. VCCI informed that despite many enquiries to ITC, they did not receive any clear response, and found out that ITC had chosen – following a request by the Vietnamese government – to work closely with VIETRADE including e-trade activities.

Activities in Vietnam are seen as part of the whole process by which the programme for e-Trade Bridge was designed. The kick off meeting is the first module of the e-Trade Bridge Programme. The kick-off meetings have produced a positive impact as to raising the awareness of the opportunity for stakeholders to get qualified assistance.

As a single activity, the kick-off meeting has limited development and trade effect. The only visible impact is the raising of awareness level – among TSIs – of the importance of e-trade as a competitive element.

The spreading in time of the different modules in the e-Trade Bridge programme does not contribute to the sustainability of the benefits from the development intervention of ITC.

The kick-off meetings organised by ITC have triggered an interest by the stakeholders (VCCI, VIETRADE) who have expressed their interest in cooperating with ITC. In their view, the meetings should be followed up by activities that are aiming at sustaining the interest and benefits derived from the meetings.

Export-led Poverty Reduction Programme and Development Concerns

In Vietnam, ITC has identified and prepared a proposal for a project for community based tourism (CBT) in a traditional village (Kim Bong) adjoining Hoi An, a very popular destination for international tourists. The project plans to set up a village trail for tourists, replete with local cultural shows, displays of carpentry crafts and other traditional products. Local tour operators and craft promotion bodies have associated with the project, and nearly 80 households in Kim Bong are proposed to be brought in as direct beneficiaries. According to ITC, the project proposal was signed in March 2004. The project started in July 2004 and is expected to be carried out until January 2006.

This project is still in the preparatory stage and hence, the possibility to evaluate such a project is limited. The following are observations and remarks resulting from interviews with the Vietnam National Administration of Tourism (VNAT).

ITC Competence in the Area of Intervention

The EPRP has evolved from ITC's extensive experience and lessons learned from its Export Production Villages projects worldwide. It is a combined delivery of a number of ITC competencies, including the identification of products and markets for exports; establishing market linkages in exports; providing enterprise-level training for export readiness; dissemination of training in project management tools, and the selection and capacity building of sector-based organisations as partners.

Tourism as a Sector Focus

The project focuses on a sector showing high potential to contribute to poverty reduction through exports. While working on the identification of products/services, the project assesses market demand and ascertains national supply potential. The project also gauges the potential for job creation and, more generally, for income generation for disadvantaged communities.

Poverty Reduction Issue

Government strategies and policies in Vietnam are supportive of the objective of developing such a project. Both the new national socio-economic development strategy and the national tourism strategy encourage local community participation, with particular emphasis on rural and remote areas. This was also expressed in an interview with VNAT.

VNAT has expressed its satisfaction as to the involvement of the various stakeholders in the process of project development. Different stakeholders were involved in the identification and design process of the project development. VNAT was involved in the identification of a number of project locations offering good CBT potential. The project was based on preliminary plans set by the village to develop a tourism site. The project was designed by ITC staff and consultants in close consultation with VNAT and local authorities. The local community lacked the necessary skills on how to develop tourism and carpentry background. Though the project would likely be implemented regardless of whether ITC was involved or not, the contribution of ITC is considered very useful as it is expected to enhance and maximize the originally planned effect of poverty reduction through the implementation of the project.

Local Participation and Input

ITC views its EPRP approach within a context of close cooperation and joint action. This is seen in the project as stakeholders including the Government, NGOs, civil society organisations, private enterprises, grassroots groups are being involved in the process.

The project will be implemented by ITC's own staff (20%) and ITC's external consultants (80%). There is a complex network of local partners involved in the project including the Quang Nam Union of Cooperatives in Tam Ky who have experience in training, consultancy, work with SME and communities as well as experiences with international donor funded projects.

The project has clearly defined indicators including: income of households, improvements in livelihoods, terms of reference with counterparts, direct verification, number and spending of tourists.

Ensuring Sustainability and Explicability

The project is considered to be sustainable as it is estimated to:

- Enhance local entrepreneurship, create more income and jobs opportunities to the local community, and increase sales of carpentry products;
- Increase the technical and administrative capacities of the local community; and
- Contribute with the creation of a sustainable environment and increase of cultural awareness.

Following the termination of the project, the counterparts of the project will have received the adequate training and advice to be able to replicate new and similar CBT projects.

Organisational and Management Aspects

Project Cycle Management

Project Identification

- In general, the ITC projects/activities appear to have been relevant and consistent with beneficiaries' requirements, country needs and government priorities; and

- Beneficiaries involved in some projects do not have the full picture of the ITC intervention and were not presented with any project documents. This was mentioned in the case of Spice project and IPSM. The explanation provided was that the agreements made between ITC and the beneficiaries were more based on personal contacts than institutional level.

Feedback Mechanisms

- Indicators of performance and feedback mechanisms for evaluating the performance and results of activities should be put in place at the design stage of projects. Indicators of performance exist in detail in the new project “Support to Trade Promotion and Export Development in Vietnam” funded by the Swiss State Secretariat for Economic Cooperation (seco) and Swedish International Development Cooperation Agency (Sida); and
- Stakeholders have no indicators of achievements, nor mechanisms for measuring the performance and impact of their activities. These mechanisms need not to be sophisticated and costly to implement in the implementation of projects. There is the need to help TSIs fielding projects to develop indicators.

1.6 Country Level Evaluation

Based on the review of scope and types of services under the various entries in the database, the following six projects were sampled for country level studies in Vietnam.

Table 4: Cooperative Programme on Quality Assurance of Spices

Status and duration	Initiated: 18/02/2000 Completed: 30/12/2002
Beneficiary countries	Ethiopia; India; Indonesia; Madagascar; Malawi; Nepal; Sri Lanka; Tanzania, United Republic of; Thailand; Uganda; Vietnam.
Coverage/Location	Country coverage
Budget (Donor)	USD 358,065 – Switzerland
Major Objectives	To assist spice producers and exporters in improving the quality of spices for a number of countries, in close collaboration with the American Spice Trade Association (ASTA) and the European Spice Associations.
Project results	The main result have been: <ul style="list-style-type: none"> • Two seminars (one in Ho Chi Minh City and one in Hanoi). Experts from ASTA, EU and India were sent to make a presentation on cleaner production; 60 participants mainly Vietnamese enterprises attended at each seminar. During the seminar, the participants received a free copy of the ASTA “Book on Clean Spices”. • ITC experts visited about 10 spice producers to provide advice on spice production procedures. • The creation of a pepper association was mentioned by stakeholders, but was not perceived as being a direct result of initiatives made by the project. • Enterprises interviewed informed that the impact of the project on their business was not tangible, but that the management felt more confident about handling future market prospects. Nevertheless, the project has shown positive results which have continued once the project ended.

Table 5: Business Development and the World Trade Organisation Agreements (World Trade Net)

Status and duration	INT/W2/05 Initiated: 26/08/1999 Completed: 31/05/2002
Beneficiary countries	Albania; Armenia; Bangladesh; Belarus; Bosnia and Herzegovina; Bulgaria; Cambodia; Costa Rica; Croatia; Cuba; El Salvador; Estonia; Guatemala; Haiti; Honduras; Hungary; Jamaica; Jordan; Kazakhstan; Kyrgyzstan; Latvia; Lesotho; Lithuania; Malawi; Malaysia; Moldova, Republic of; Mongolia; Mozambique; Nepal; Nicaragua; Oman; Pakistan; Philippines; Romania; Sri Lanka; Swaziland; Thailand; Vietnam; Zambia.

Coverage/Location	Hanoi
Budget (Donor)	USD 987,799 – ITC Global Trust Fund Window 2
Major Objectives	To develop and strengthen the capacity of the business sector in about 45 developing and transition economies to (1) analyse and address the changes of the international trading environment resulting from the implementation of the WTO Agreements; (2) contribute meaningfully to the negotiations through dialogue with the public sector.
Project results	<p>Project included: (1) Setting up and maintaining network and participation of key “trade promotion” players in Vietnam for the exchange of WTO-related information and experiences for benefits of Vietnamese enterprises. (2) Organization of round-table meetings as lobbying events and activities for integrating of views of business sector into national trade negotiation (3) Business training on and updating of information concerning WTO-related issues, as well as reference materials.</p> <p>Limited activities have taken place; however, in light of the action plans proposed, the stakeholders had expected higher degree of interaction with ITC. Follow-up activities in the form of business training and updating of WTO-related issues, would have probably enhanced benefits. Such activities were not included in the scope of the project.</p>

Table 6: E-Trade Bridge for Small and Medium-sized Enterprises

Status and duration	INT/W2/08 Initiated: 01/01/2002 Completed: 30/05/2006
Beneficiary countries	Bangladesh; Barbados; Bolivia; Cambodia; China; Costa Rica; Ecuador; El Salvador; Guatemala; Honduras; India; Iran (Islamic Republic of); Jamaica; Kazakhstan; Kenya; Kyrgyzstan; Mongolia; Philippines; Romania; South Africa; Tajikistan; Tanzania, United Republic of; Trinidad and Tobago; Turkey; Turkmenistan; Uganda; Uzbekistan; Vietnam.
Coverage/Location	Hanoi
Budget (Donor)	USD: 1,546,175 – Global Trust Fund (W2)
Major Objectives	The goal of the e-Trade Bridge Programme for SMEs is to create internationally competitive e-competent businesses, and to build national e-trade capacities within the institutions that support them. The programme is modular and includes features such as: country e-assessment reports, kick-off meetings, Winning With the Web (WWW), strategy trainers, and Enabling the SMEs (Training the trainers).
Project results	<ul style="list-style-type: none"> • Project results include a kick-off workshop, during which the project was presented including project mission, strategy, and a plan for developing e-Trade Bridge for SMEs. • Visit to Geneva by Vietnamese representatives. No further activities were carried out since then.

Table 7: Development of International Purchasing and Supply Management Training and Consultancy Support Capacities in Association of Southeast Asian Nations and South Asian Countries

Status and duration	RAS/61/81 Initiated: 23/01/2001 Completed: 31/12/2005
Beneficiary countries	Bangladesh; Cambodia; India; Indonesia; Lao People's Democratic Republic; Malaysia; Nepal; Philippines; Singapore; Sri Lanka; Thailand; Vietnam.
Coverage/Location	Hanoi
Budget (Donor)	USD: 1,063,568 – Switzerland
Major Objectives	To develop sustainable training and consultancy capacities in international purchasing and supply management in ASEAN and other South East Asian countries.
Project results	<p>Main results were:</p> <ul style="list-style-type: none"> • Approximately 30 local specialists are now trained. At least half of the specialists are expected to devote full efforts in the programme as they have an interest in the subject. • The latest versions of ITC's IPSM generic tools and technical materials including Modular Learning System (MLS) were transferred to the National Economics University (NEU). • The local specialists have adapted the tools and developed additional materials to meet specific local needs under the guidance of ITC. • Three lecturers from NEU trained to handle online registration for the IPSM examination process. • All above outputs were achieved, and activities were considered by beneficiaries to be executed in an efficient manner.

Table 8: Support for Trade Promotion and Export Development

Status and duration	VIE/61/94 Initiated: 01/05/2004 Completed: 01/05/2007
Beneficiary countries	Vietnam
Coverage/Location	Country coverage
Budget (Donors)	USD: 3,165,000 – Sida, Swiss seco
Major Objectives	To assist the GoV in achieving export growth rate targets set for the decade. To assist VIETRADE / MoT in the development of a National Export Strategy. To strengthen the capacity of VIETRADE to respond to the needs of exporting enterprises and to provide trade related training, trade information and counseling services to TSIs and exporting enterprises on a sustainable basis.
Project results	The project has just started and hence it is not possible to carry out an evaluation of the performance of the project.

Given its importance, the evaluator has reviewed the project document, and provided a number of comments including⁶:

- The target group of the project is highly relevant: TSIs can make a major contribution to the improvement of the environment of SMEs;
- TSIs promoting the interests of SMEs and the private sector should be prioritized by the project. It is also recommended to carefully select those TSIs who have the capacity to develop quality services to their members at a fee;
- The need to develop networks among TSIs are highly relevant and emphasized in the project document;
- Careful screening of donor efforts and interests should be carried out by the project in order to identify such synergies and coordinate activities in capacity building of TSIs;
- Given the existing gap between the GoV and private sector, the role to be assumed by VIETRADE is a very delicate one. It is important to note here the role of VIETRADE as a facilitator and conveyor aiming at bridging public and private sector cooperation;
- The Evaluator strongly supports the emphasis placed by the project in the use of national consultants. The use of national consultants for inputs along with international consultants will enable a higher quality of final output, be cost-effective and ensure more effective development of national institutional capacity; and
- The focus of the project on key TSIs including product and sector TSIs as elaborated in the project document will enhance the multiplier effect and allow the wider objectives of the GoV to be achieved.

Experience shows that the success of any policy reform effort depends upon creating widespread support for the intended change. TSIs can create a constituency for change and

⁶ Please refer to Annex 3 for further details

and provide donors as well as government bodies with important feedback. Reform measures will thus have a lasting impact even after the project is terminated and donor support has been phased out.

Table 9: Export-Led Poverty Reduction Programme

Status and duration	INT/W2/11 Initiated: 07/2004 Completed: 01/2006
Beneficiary countries	Bolivia; Brazil; Cambodia; China; Ecuador; El Salvador; Kenya; Namibia; South Africa; Vietnam;
Coverage/Location	Kim Bong village adjoining Hoi An
Budget (Donor)	USD: 7,869,508 (Vietnam: USD 180,000) – Global Trust Fund (W2)
Major Objectives	To increase employment and income from tourism for the inhabitants of Cam Kim/Kim Bong; to increase employment and income from carpentry crafts for the inhabitants of Cam Kim/Kim Bong by enhanced product diversification and marketing efforts; to build local capacities for sustaining CBT and environmentally friendly carpentry craft production have been successfully expanded.
Project results	The project has just started and hence it is not possible to carry out an evaluation of the performance of the project.

Given its importance, the evaluator has reviewed the project document, and provided a number of comments of which ⁷:

- Government strategies and policies in Vietnam are supportive of the objective of developing such a project;
- Stakeholders interviewed expressed their satisfaction in their involvement in project development;
- There is a complex network of local partners involved in the project including the Quang Nam Union of Cooperatives in Tam Ky who have experience in training, consultancy work with SME and communities as well as experience with international donor funded projects; and
- The project has clearly defined indicators including: income of households, improvements in livelihoods, terms of reference with counterparts, direct verification, number and spending of tourists.

ITC Performance Regarding the Five Evaluation Criteria

This section summarizes the views of the stakeholders – national partner institutions, partnering and non-partnering TSIs donor organisations, beneficiary enterprises interviewed during the field mission. The views came from 20 respondents including VIET-RADE, VIT, VCCI, MoT, Vietnam Electronic & Informatics Corporation, Vietnam Tourism, VICOFA, Vietnam Association of Seafood Exports and Producers (VASEP),

⁷ Please refer to Annex 3 for further information

Promotion Center of Ho Chi Minh City, Vietnam Textile & Apparel Association – VINATAS, Leather and Shoe Association of Ho Chi Minh City, Vietnam Food Association. Donor organisations included GTZ, United States Agency for International Development (USAID), UNIDO, UNDP, Delegation of the European Commission, Canadian International Development Agency (CIDA), SNV, Swiss seco.

Table 10: Summary of the evaluation of Projects Reviewed in Vietnam

ITC intervention	Relevance	Efficiency	Effectiveness	Impact	Sustainability
Cooperative programme on quality assurance for spices	Relevant in Vietnam	Outputs reached according to plan	Limited according to interviews with beneficiaries. Investments in equipment by at least three large enterprises (ITC Source)	Interviews indicated limited direct tangible impact. Increase in exports, quality, image of Vietnamese pepper since 2001	Increase in export in Vietnam sustainable due to increase in quality and image Follow up activities not carried out due to lack of funding ASTA book needs to be updated
Business development and WTO World trade net	Highly relevant subject Strong stakeholder interest	Very limited project inputs used in Vietnam	Activities limited to workshop	Activities mainly aiming at raising awareness	Follow up and capacity building needed for stakeholders
e-Trade Bridge for SMEs	E-issue relevant as it is debated among stakeholders	So far output in the form of E-preparedness report and information workshop	Work mainly carried out for TPO and selected TSIs	Activities mainly focused on raising awareness	Activities have a limited timely impact, and therefore are not sustainable
Development of IPISM training and consultancy support capacities in ASEAN and South Asian countries	Although project was identified and designed by ITC, there is a demand and a need at Intermediary and end user level	Outputs achieved	Training of Trainers achieved Effectiveness related to training end users still premature	Impact at intermediary level visible Impact at end user not visible yet	If adopted by the Intermediary, then sustainable
Support for trade promotion & export development (*)	Addresses a wide number of issues and needs relevant for Vietnam	Significant local content	To be determined. Project has clear milestones and performance criteria for result achievement	If objectives are reached, chances for developing export trade in Vietnam enhanced	Financial sustainability of TSIs to be determined
Export-led poverty reduction programme (*)	In line with GoV and MDG goals	High degree of stakeholder involvement	To be determined. Project has clear indicators for result achievement	If objectives are reached, impact will be reached at local level	Project sustainable after completion. If successful, multiplier effect ensured by replication of project in other areas

(*): Newly launched projects; it is premature to carry out an evaluation of the performance of the project. The evaluator provides comments in light of the documentation available, and expectations of stakeholders.

Rating by Evaluation Criteria

The following section presents the evaluation of the ITC intervention in the country.

Relevance

Rating: 3 out of 4.

All beneficiaries interviewed endorsed the ITC projects as relevant as they address a wide number of issues and needs relevant for Vietnam. The projects are also in line with the GoV priorities in terms of Trade development.

Projects are relevant to the needs of end users, as the objectives address the sector needs (such as the case of spice project) and are also in line with the GoV priorities in terms of promoting exports of value added products. In the case of e-Trade Bridge, there seem to be divergence among stakeholders on the readiness of Vietnam to e-trade and the relevance of ITC interventions in this field. In the particular case of the recently launched tourism based project, government strategies and policies in Vietnam are supportive of the objective of developing such a project.

Efficiency

Rating: 2.5 out of 4.

In most of the projects surveyed the outputs were reached according to plan and in an efficient manner. However, activities in some projects have not been delivered to targets or did not involve important stakeholders to the extent necessary.

However, in two cases, the stakeholders had expected a higher degree of interaction with ITC., and expressed clearly the need for additional activities to be carried out to reach satisfactory results.

Effectiveness

Rating: 2.5 out of 4.

In all the projects surveyed, ITC has transferred knowledge, skills and capacities to the implementation partners to deal with their trade/export related challenges more effectively, within their overall development constraints. The ITC interventions have been mainly focused on support to intermediaries, with very limited effect on end users.

Whilst the key stakeholders in the country have received assistance from the partnership with ITC, effectiveness related to training end users is still not significant and in some cases, such as IPSM, premature. In the future, ITC interventions in the country in terms of effectiveness should be more assessable as milestones and performance criteria for result achievement are clearly defined in the newly launched projects.

Impact

Rating: 2 out of 4.

ITC interventions occur in Vietnam under changing environment conditions and there are several external factors that affect the eventual impacts for beneficiaries. As a result, the absence of visible impacts may not be entirely attributable to ITC's performance. This

is clearly seen in the spice project where it has been difficult to establish a direct relation between the contribution of the project and increase in pepper exports.

In other projects, impact was not tangible as activities were limited to raising awareness, and in two projects, stakeholders interviewed expected very limited visible impact. For the remaining projects, impact was mainly focused on intermediaries, and was not identifiable among end-users interviewed.

Sustainability

Rating: 2 out of 4.

All projects surveyed in the country relied heavily on ‘donor-dependence’ for further development. The contribution of ITC intervention is not perceived by stakeholders as sustainable; in the absence of regular follow-up activities, the sustainability of activities is not ensured. Newly launched projects, (Support for trade promotion & export development and Export-led poverty reduction programme) cannot be evaluated on the grounds of sustainability. Those interviewed were confident that with the support of the GoV and the local community, sustainability could be achieved. More effective commitment and participation from intermediaries, and dissemination of know-how to end users will be the key to ITC intervention’s overall sustainability.

Table 11: Summary of Project Ratings in Vietnam

ITC performance	Relevance	Efficiency	Effectiveness	Impact	Sustainability
Cooperative programme on quality assurance for spices (Weight 20%)	3	3	3	3	3
Business development and WTO World trade net (Weight 20%)	4	2	2	1	2
E-Trade Bridge for SMEs (Weight 20%)	3	2	2	1	1
Development of IPSM training and consultancy (Weight 20%)	3	3	3	3	3
Support for trade promotion & export development (*) (Weight 10%)	4	3	3	-	-
Export-led poverty reduction programme (*) (Weight 10%)	3	3	3	-	-
Overall Rating	3	2,5	2,5	2	2

(*): Newly approved projects. The evaluation is based on interviews with stakeholders and reviewing project documents. The scoring reflects the likelihood in the performance of such projects as expected by the stakeholders.

The evaluation of the performance of the projects reviewed in terms of the five DAC evaluation criteria shall only be seen in light of the project activities in Vietnam. This does not reflect the overall performance of an interregional or regional project.

The full review of each of the project activities reviewed is available in Annex 2.

SWOT Analysis

Based on interviews with stakeholders, the following strengths and weaknesses of ITC performance as well as opportunities and threats, which lie in the work field of ITC are summarized as follows:

Table 12: Strength, Weakness, Opportunities and Threats Analysis of the ITC Intervention in Vietnam

<p>Strengths</p> <ul style="list-style-type: none"> • Good technical expertise available and consultants provided are considered to be technically responsive to the needs of beneficiaries. • Products and services highly relevant to the needs of country and beneficiaries. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Need to customise ITC products/services to the needs of the target groups. • Limited outreach to intermediaries and end users. ITC's network is limited to the official channels (VIETRADE, VCCI). Need to expand the ITC network by including Non governmental TSIs and Product associations. • Very low awareness of ITC's services and activities in the field. Low visibility of ITC in relation to existing potential. • No monitoring and evaluation mechanism in place at ITC or TSI for evaluating the outreach and impact of activities on the final users.
<p>Opportunities</p> <ul style="list-style-type: none"> • Strong need for ITC assistance in capacity building: Strong interest for ITC publications and information sources. Strong demand for selected ITC services including tools, trade promotion, information on market access. • Opportunities for developing projects through partnerships with Donors focus on Vietnam. • Need for dialogue and networks between GoV and private sector. 	<p>Barriers to ITC performance</p> <ul style="list-style-type: none"> • For many of the services offered, there are providers of similar services who are very active, and could constitute in many areas an alternative to ITC services. These providers include the private sector and international organisations including Business associations.

The key strength of ITC is their combination of tools and expertise in trade development, but the main weaknesses lies in need to customise the products to the particular context of Vietnam. The awareness of ITC services and activities in the field is low and so is ITC's visibility in relation to the potential of the organisation in light of demand for its services in Vietnam. The main challenge lies in the increasing supply of alternative products and services to those of ITC by international organisations and business associations.

1.7 Conclusions and Recommendations

The following conclusions and related recommendations are derived from discussions with stakeholders in Vietnam on the improvement of ITC overall performance and impact of technical assistance.

- **ITC Expertise:** beneficiaries who have used ITC services acknowledge the know-how and practical approach of ITC. The perception is that ITC has good technical expertise available and consultants provided are considered to be technically responsive to the needs of beneficiaries. Most of TSIs interviewed – partnering and non-partnering – appreciated ITC product and services as highly relevant to the needs of country and beneficiaries.

An important feature of ITC services is that it encourages networks among stakeholders and this is clearly captured in the Support for trade promotion & export development project.

- **Network base:** ITC is concentrating its efforts in building capacity of the national TPO, VIETRADE and this action is also encouraged by stakeholders who feel the need to have a coordination body in the country.

ITC should expand its network and base to encompass other TSIs (such as non governmental TSIs and product associations) which have a strong membership representation, articulate the needs and demand of their enterprise members, provide public bodies with valuable economic information and improve the acceptance of policy measures. Joint initiatives by government and businesses will promote congruency of public and private interest. This issue has begun to be considered by ITC in Vietnam as it constitutes one of the aims of the new Swiss seco funded project⁸.

- **Customisation of services and publications:** Many of the beneficiaries who have been involved in ITC projects or have made use of ITC services have expressed the need to customise its generic products and services, and adapt them to the Vietnamese context (guidebooks, tools and methodologies). This includes making some documents available in the national language.
- **Awareness of ITC:** through the interviews with beneficiaries, non partnering TSIs, donor organisations and private sector representatives who were involved in ITC projects, the overall awareness of ITC's full range of products and services appeared to be very low. Many of the associations were not aware of ITC activities in Vietnam and nevertheless showed interest in their services. The same is true of donors present in Vietnam who were not aware of specific projects carried out by ITC.

A higher level of ITC promotion would raise the awareness of stakeholders about needs and interests of ITC services to meet such demands. ITC activities and efforts

⁸ "Support to Trade Promotion and Export Development in Vietnam", ITC project document VIE/61/94

targeted at TSIs should ensure their projects have a broad outreach to end users i.e. enterprises in general and in particular SMEs. By involving intermediaries who have significant memberships, ITC will be able to ensure effective dissemination of knowledge and expertise.

- **Project Design:** There is need at the design stage to ensure the effectiveness of projects and set up indicators for the performance and impact of these activities. A review of the documents has shown that there are very few indicators of performance. It seems that the newer projects might be more successful as they have been designed with more national input, they will involve national consultants more and they have clearer indicators regarding expected outcomes than some of the earlier projects.
- **Capacity building** – activities related to capacity building do not benefit from follow up to ensure that the initially transferred ITC knowledge is disseminated to the final end users, hence optimising the effectiveness and impact of ITC capacity building activities. ITC has to ensure that follow up activities are taking place once the training of trainers has been completed.
- **Coordination with Donors:** This issue is tied to ITC's promotional capacity. In general, the awareness of ITC services by donor offices in Vietnam is low. Hence careful coordination with donor interventions should be carried out in order to identify areas where synergy with existing projects can be achieved, and to avoid overlaps and duplication of interventions.
- **Indicators of performance:** Stakeholders have no indicators, nor mechanisms for measuring the performance and impact of their activities. It is recommended to ITC to build capacity amongst intermediaries in the use of mechanisms to monitor project performance and measure outcomes. These mechanisms need not to be sophisticated and costly to implement. There is the need for building the capacity of TSIs in this field.

Annexes

- Annex 1. Country Trade and Development Context
- Annex 2. ITC projects in the Country/Projects Sampled
- Annex 3. Results of Field Research by Project Basis
- Annex 4. Review of Trade Promotion Organisations and Trade Support Institutions
- Annex 5. Overall Donor Support in Trade Development
- Annex 6. Structure of the Small and Medium-sized Enterprises Sector in Vietnam
- Annex 7. List of Contacts
- Annex 8. List of Data Sheets

Annex 1. Country Trade and Development Context

Position in the Multilateral Trading System and Regional Trading Environment

Vietnam has been carrying out an economic renovation program since 1986. It has adopted policies and measures aimed at transforming Vietnam from a centrally-planned economy where the state controls almost all economic activities and the private sector is constrained, to a more liberal market system.

Reforms in trade policy have created a positive environment for exporters, leading to the impressive growth of international trade. In concrete terms, the total export value increased nearly 12-fold from USD 1.7 million in 1990 to USD 20 billion in 2003.

Vietnamese authorities see export growth as a key engine for the nation's economic development. Vietnam has, therefore moved towards a full integration into the world trading system, as evidenced by the trade agreements signed with the EU and AFTA. Meanwhile, other important moves such as joining WTO are delayed or negotiated with great difficulty. On one side, there is consensus on the need for trade liberalisation, but on the other side, the Vietnamese authorities still use tariff barriers to try to manage short-term tensions on external balances, and to protect targeted sectors or even companies.

World Economy Integration

In recent years, Vietnam has made great efforts to integrate into the world economy. At present, Vietnam is a member of ASEAN, and is negotiating its way to join the WTO. Moreover, Vietnam has signed bilateral and multilateral trade agreements with many countries in the world, and the most recent one is the Bilateral Trade Agreement (BTA) with the United States.

Empirical evidences from Asian countries show that the economic development of those countries relies heavily on exports. In addition, the private sector, especially SMEs, plays a dynamic role in increasing export volume. This sector holds the highest GDP growth rates as well as contribution to export revenue, typically in China.

Integration to the world economy creates both opportunities and challenges to the entire economy, in general, and the private sector, in particular. Vietnam is not an exception. Integration generates different opportunities and different challenges to different industries, and different enterprises. Challenges are quite clear and tough while opportunities much depend on the capacities/efforts of each government, each enterprise in recognizing, mobilizing the necessary resources, political commitments and skills to take advantages of the opportunities.

Common Effective Preferential Tariff and Association of Southeast Asian Nations Free Trade Area

Vietnam joined the Bali Convention in 1992 and became an official member of ASEAN in July 1995. The AFTA treaty signed by 10 members of the ASEAN fixed the deadline for 2006 allowing Vietnam to cut import tariffs on almost all products down to below

5%. Vietnam embarked on the Common Effective Preferential Tariff (CEPT) Program in 1996 on the way towards the AFTA. Since then, Vietnam has been an active member of AFTA. In 2002, the country applied the tariff cut rules on 481 imports from other ASEAN members, lengthening the list to an estimated 5,500 items so far (account for 86% of items in the official list of import-export taxes). In 2003, Vietnam will add 760 more items to the list of products with tariffs below 20% in line with its commitments under AFTA.

ASEAN is Vietnam's most important trade partner, often accounting for 25% of the country's gross foreign trade volume. In 2002, ASEAN made up 18% of Vietnam's export turnover and 28% of the country's imports.

Tariffs will be cut from 5% to 0%, so imported input prices will fall thus giving domestic enterprises opportunities to cut their production costs and increase their competitiveness in domestic, regional and global markets. This will provide more opportunities to industries, which are very dependent on imported inputs such as paper, garment, plastics and construction.

A large number of "Made in Vietnam" products will find their ways to ASEAN markets as their price competitiveness will be improved due to lower import tariffs. Opportunities will arise in the private sector as the most promising exports to ASEAN countries include food, garment, handicraft, which are biggest strengths of the private sector in Vietnam.

Besides the commitment to AFTA, Vietnam also actively participates in the ASEAN Investment Area, the ASEAN Industry Cooperation and AFTA-China Free Trade Agreement. The most important effect of these commitments is to a free trade and investment environment, which should bring new business opportunities for enterprises, in general and non-state ones, in particular.

Vietnam – US Bilateral Trade Agreement

Vietnam and the US signed BTA on July, 13th 2000, which was effective in December 2001. The agreement is considered as a significant sign in the relationship between the two countries, opening a new stage of development, and the agreement was seen as an important step for Vietnam's accession to WTO.

Vietnam will grant the US:

- Market access for industrial and agricultural goods;
- Sharply lowered tariffs on a wide range of industrial and agricultural goods (with reductions of 30-50%);
- Phase-out of all Vietnamese non-tariff measures. Full trading rights for U.S. firms;
- WTO-level protection for U.S. intellectual property within 18 months;
- Market access for services;

- U.S. firms may enter Vietnam's market for financial, telecommunications, distribution, audio-visual, legal, accounting, engineering, computer, market research, construction, educational, health and tourism services. Phased in over three to five years;
- Protection for U.S. investments, discriminatory treatment. Local content and export performance requirements eliminated, and much investment licensing phased out; and
- Increased transparency through issuance of draft laws, publication of all laws and regulations.

In return, Vietnam gets the same normal trade treatment already granted by the United States to over 130 countries.

Textile and Garment Trade Agreements

Textile is regarded as a key industry of Vietnam thanks to its cheap and skilled labour and good materials. It ranks second after the oil industry in top 14 industries with the highest growth rate of Vietnam. Recently, two trade agreements on textile and garment significantly affecting the industry are Vietnam-US textile agreement and Vietnam – EU textile agreement. The private sector plays an important role in the industry, and has been exposed to both opportunities and challenges by these agreements.

Vietnam-US Textile and Garment Trade Agreement

One year after the date of enforcement of Vietnam – US BTA (BTA), the exports of Vietnam textile and garment reached USD 2.75 billion, a large achievement in comparison with USD 1.76 billion in 2001, in which exports to the US was USD 975 million (in comparison with only USD 47 million in 2000). This resulted from great efforts by textile enterprises to enhance export to the US where the import tax rate was cut from 40%-90% to 10%-12%. The US became the biggest market of Vietnamese textile and garments, even bigger than the traditional markets of EU and Japan.

However, after 14 months from the date of enforcement of the Vietnam – US BTA, US requested that Vietnam negotiate and sign a Textile Trade Agreement. The Vietnam- US Textile Trade Agreement came into effect on May 1st 2003. The US applied quota for 38/120 categories of Vietnamese textiles and garments with a maximum value of USD 1.7 billion for 2003 and a growth rate of 7% annually.

Vietnam – European Union Textile and Garment Agreement

The Vietnam – EU textile and garment trading agreement was signed in 1992 and amended four times since. Vietnam textile and garment exports to the EU increased from USD 200 million in 1992 to USD 600 million in 2002. The EU market is considered a traditional market for Vietnam's textile and garment industry. With this amendment, Vietnam textile and garment exports to the EU are expected to reach USD 800 – 850 million. Currently, there are about 800 Vietnamese enterprises exporting textiles and garments to EU, including a large number of non-state enterprises.

World Trade Organisation

Vietnam officially submitted application to the WTO in 1995 and is now actively negotiating for its accession. The first condition for accession to the WTO is that Vietnam has to

sign bilateral trading agreements with current members of the WTO, who wish to sign bilateral agreements with Vietnam. Vietnam-US BTA is one of the initial steps for Vietnam to enter the WTO. Joining the WTO, Vietnam will have to implement four main principles which are the foundation of the multilateral trading system.⁹ To realize these principles, Vietnam has to prove the transparency of its policies and regulations on trading, services, investment and intellectual property. Meanwhile, Vietnam has to amend laws and regulations for compatibility and compliance with international laws and legal customs.

The WTO brings opportunities and benefits to sectors in which Vietnam has strong export competitive advantages such as agricultural products: rice, coffee, tea, rubber; sea products, textile and garments and a few others. The private sector is mainly operating in those industries, where it plays a dominant and dynamic role and is the main contributor to exports. The industries that might be negatively affected by the WTO include steel, cane sugar, cement and other heavy industries. It must be noted that those industries receive high protection from the government as state enterprises. The private sector has little participation in such industries, thus it will be less affected by the WTO. In addition, it will benefit from the cuts in tariffs on imported inputs for such industries as plastics, garment, construction etc.

⁹ WTO, Principles of the trading system:

- (1) Most-favoured-nation (MFN): treating other people equally,
- (2) National treatment: Treating foreigners and locals equally,
- (3) Freer trade: gradually, through negotiation,
- (4) Predictability: through binding and transparency.

Annex 2. ITC Projects in the Country/Projects Sampled

Based on the review of scope and types of services under the various projects the following six projects were sampled for country level studies in Vietnam.

1. Cooperative programme on quality assurance of spices – (INT (International)/61/77);
2. Business development and the WTO agreements (World Trade Nets) – (INT/W2/05);
3. e-Trade Bridge for SMEs – (INT/W2/08);
4. Development of IPSM training and consultancy support capacities in ASEAN and South Asian countries (RAS/61/81);
5. Export-Led Poverty Reduction Programme – (INT/W2/11); and
6. Support for Trade Promotion and Export Development – (VIE/61/94).

In the case of the last two projects mentioned above which have been launched recently, the evaluator has reviewed the project documents and interviewed the stakeholders and beneficiaries involved. At this point, the evaluator is not able to evaluate aspects related to impact and sustainability. The evaluator provides comments on the activities planned in light of future trends in Vietnam and ITC's proposed future activities.

The information on project descriptions is based on the documents made available by ITC. The evaluator has, to the greatest extent possible, identified the contact persons provided by ITC. The information provided in the evaluation is based on interviews carried out with direct sources and individuals who have been directly involved in the projects reviewed and the views presented are strictly the views of the interviewed persons.

Table 13: Summary of Goals Stated in Project Documents

Project name	Goal	Cost (as per project portal data), USD	Estimated cost invested in country, USD
Cooperative Programme on Quality Assurance of Spices – (INT/61/77)	To assist spice producers and exporters in improving the quality of spices for a number of countries, in close collaboration with the ASTA and the European Spice Associations.	358,065	
Business Development and the WTO Agreements (World Trade Nets) – (INT/W2/05)	To develop and strengthen the capacity of the business sector in about 45 developing and transition economies to (1) analyse and address the changes of the international trading environment resulting from the implementation of the WTO Agreements; (2) contribute meaningfully to the negotiations through dialogue with the public sector.	987,799	
e-Trade Bridge for SMES – (INT/W2/08)	The goal of the e-Trade Bridge Programme for SMEs is to create internationally competitive e-competent businesses, and to build national e-trade capacities within the institutions that support them. The programme is modular and includes features such as: country e-assessment reports, kick-off meetings, Winning With the Web (WWW), strategy trainers, and Enabling the SMEs (Training the trainers).	1,546,175	
Development of IPSM Training and Consultancy Support Capacities in Asian and South Asian Countries – RAS/61/81	To develop sustainable training and consultancy capacities in IPSM in ASEAN and other South East Asian countries.	1,063,568	
Support for Trade Promotion & Export Development – (VIE/61/94)	To assist the GoV in achieving export growth rate targets set for the decade. To assist VIETRADE / MoT in the development of a National Export Strategy. To strengthen the capacity of VIETRADE to respond to the needs of exporting enterprises and to provide trade related training, trade information and counselling services to TSIs and exporting enterprises on a sustainable basis.	3,165,000	
Export-Led Poverty Reduction Programme (INT/W2/11)	To increase employment and income from tourism for the inhabitants of Cam Kim/Kim Bong; to increase employment and income from carpentry crafts for the inhabitants of Cam Kim/Kim Bong by enhanced product diversification and marketing efforts; to build local capacities for sustaining CBT and environmentally friendly carpentry craft production	7,869,508	180,000

(Source: ITC)

Annex 3. Results of Field Research by Project Basis

1. Project ID – INT/61/77: “Cooperative Programme on Quality Assurance of Spices”

Project Background

Beneficiary countries:	Ethiopia; India; Indonesia; Madagascar; Malawi; Nepal; Sri Lanka; Tanzania, United Republic of; Thailand; Uganda; Vietnam
Project Value:	USD 358,065
Finance source:	Switzerland
Start Date:	18/02/2000
Close Date:	30/12/2002

The project aimed to assist spice producers and exporters in improving the quality of spices for a number of countries including Ethiopia, India, Indonesia, Madagascar, Malawi, Nepal, Sri Lanka, Thailand, Uganda, the United Republic of Tanzania and Vietnam, in close collaboration with the ASTA and the European Spice Associations. The ASTA authorized ITC to reprint its technical manual on cleaning of spices and to distribute it to exporters of spices during the workshops. The project started in February 2000 and was expected to end in year 2002.

Project performance

The targeted beneficiary, the Vietnam Institute for Trade, participated in the cooperative programme for Quality Assurance of Spices. The institute was contacted at several occasions, but was very slow in responding to the enquiries of the Evaluator. Mrs. Vu Kim Yen, who was the contact person for the project is no longer working at the Institute.

The Evaluator has contacted many persons at the Institute for the purpose of identifying the relevant persons who have been involved in the project. Many of the people who were involved in the ITC project are not working at the Institute any longer. These persons include Mrs Yen who left VIT and Mr. Nguyen Thanh Ha who is not at the institute any longer and his contact details were not available.

Contacts were also made at the Institute for getting information on the project, and in particular details on end-users who have participated in the project. Despite the cooperative attitude of the Institute, very little information was made available to the Evaluator. VIT was not able to provide the Evaluator with any contacts on end-users for further interviews. Despite this fact, the Evaluator identified a number of participants who have attended workshops, and carried out interviews with a sample of them as already mentioned earlier. Six enterprise managers were selected – three in Hanoi and three in Ho Chi Minh City – and interviewed through a structured questionnaire.

Relevance

Rating: 3 out of 4

This Quality assurance programme of spices was relevant to the context of Vietnam, as: Enterprises (in particular SMEs) lack knowledge on quality assurance and methods for clean production and technology.

The focus on export oriented enterprises with strong interest in developing their market, as well as the notion of value adding on products is emphasised through the introduction of the “clean spices” concept.

Interviewed end-users have confirmed the relevance of project as it gave enterprises the opportunity to access market information.

The consultant can confirm the relevance of the project to the needs of end users, and add the following arguments:

- The country is agriculture based, and has a good base for production of spices,
- The project is in line with the GoV priorities in terms of promoting exports of value added products.

However, it is not clear whether capacity building is targeted at VIT, or whether the institute carried out a facilitating role. The Evaluator suggests the latter to be most useful in terms of outreach and knowledge dissemination.

Efficiency

Rating: 3 out of 4

The following outputs were achieved:

- In year 2001, ITC organized two seminars (one in Ho Chi Minh City and one in Hanoi). Experts from ASTA, EU and India were sent to make a presentation on cleaner production; there were 60 participants mainly Vietnamese enterprises who attended each seminar. The purpose of the seminar was to raise awareness on the project and on clean production of spices. During the seminar, the participants received a free copy of the ASTA “Book on Clean Spices”;
- ITC has sent experts to visit about 10 spice producers to provide advice on spice production procedures; and
- The creation of a pepper association was mentioned by stakeholders, but was **not perceived** as a direct result of initiatives made by the project.

The activities were completed as targeted. The advice provided by experts to enterprises in production and quality issues related to spices has contributed to the general improvement of quality and image of spices produced in Vietnam.

On 17 June 2004, the Institute sent a letter to ITC asking for follow-up and additional technical assistance. The Institute is still awaiting a response from ITC. Since then, no activities were carried out on the project.

Effectiveness

Rating: 3 out of 4

The extent to which the development intervention objectives were achieved by the project is not very clear. Whilst interviewed enterprises confirmed the relevance of the project to their activities, they did not see it as having increased their export performance (score of 4.5 from a scale from 1 to 10). The explanation provided by the interviewees was that the project was too concentrated on entering the US market for spices where the issue is more related to trade barriers than to the question of quality standards. The enterprises informed the Evaluator that they already had produced clean spices and exported to the EU before participating in the workshops.

The workshop and book delivered provided useful information to the companies. Enterprises confirmed that the experience learnt from the workshop and materials received are partially applied in their business.

The seminar on "Improving and boosting Vietnam spice exports", had little effect on the performance of some enterprises as the US market was not considered as strategic and target export market for the past few years.

The project was effective in addressing the important issues of increasing the quality and image of Vietnamese spice production. The enterprises did benefit from the project.

There were positive reports from the European and American Spice Associations which indicate that technical advisory visits and workshops carried out in the project have resulted in at least three large international spice trading companies making substantive investments in Vietnam by way of installing sophisticated pepper processing units.

Impact

Rating: 3 out of 4

Enterprises interviewed informed that the impact of the project on their business was not tangible, but that the management felt more confident about handling future market prospects.

Official exports of pepper from Vietnam increased from 60,000 tons in 2001 to more than 80,000 tons in 2003 and exports are expected to reach 90,000 tons in 2004.

However, it is difficult to establish a direct relation between the contribution of the project and increase in pepper exports.

Discussions between the Evaluation and the ITC project officer and supporting documentation indicate that the impact of the workshops was clearly noted by importers. Since 2001, the Vietnamese pepper industry has increased the quality and image of its

production, and was able to obtain higher export prices. This was also confirmed by major importers including the American and European spice Trade Associations.

Sustainability

Rating: 3 out of 4

The project has shown positive results which have continued once the project ended. The positive results are in the form of investments in technical aspects of developing and improving spices. Both VIT and the enterprises interviewed have expressed their renewed interest in the development of follow-up activities needed in continuation of the quality assurance on spices project and workshops held.

The information made available was satisfactory, but there was a need to develop activities closely linked to the technical aspects of developing and improving spices. As expressed by end users such activities include strong interest and request assistance in the following issues:

- Market information on demand, prices, and competitors;
- Training and capacity building in export strategy;
- Advice on trade fairs and business delegations; and
- Information and advice on key potential export markets.

End users were satisfied with the ASTA booklet of spices delivered at the workshop. However, the impression is that it has not been updated since its delivery. The updating of such a work would ensure the continuation of benefits from ITC intervention through the project.

2. Project ID – INT/W2/05: Business Development and the World Trade Organisation Agreements (World Trade Net)

Project Background

Beneficiary countries:	Albania; Armenia; Bangladesh; Belarus; Bosnia and Herzegovina; Bulgaria; Cambodia; Costa Rica; Croatia; Cuba; El Salvador; Estonia; Guatemala; Haiti; Honduras; Hungary; Jamaica; Jordan; Kazakhstan; Kyrgyzstan; Latvia; Lesotho; Lithuania; Malawi; Malaysia; Moldova, Republic of; Mongolia; Mozambique; Nepal; Nicaragua; Oman; Pakistan; Philippines; Romania; Sri Lanka; Swaziland; Thailand; Vietnam; Zambia.
Project Value:	USD 987,799
Finance source:	ITC Global Trust Fund Window II
Start Date:	26/08/1999
Close Date:	31/05/2002

Within the context of the Doha Development Agenda, the World Tr@de Net (WTN) aimed to develop and strengthen the capacity of the business sector in about 45 develop-

ing and transition economies to (1) analyse and address the changes of the international trading environment resulting from the implementation of the WTO Agreements; (2) contribute meaningfully to the negotiations through dialogue with the public sector.

Activities in Vietnam included:

- Setting up and maintaining a network and participation of key “trade promotion” players in Vietnam for the exchange of WTO-related information and experiences for the benefit of Vietnamese enterprises;
- Organization of round-table meetings as lobbying events and activities for integrating the views of the business sector into national trade negotiation; and
- Business training on and updating of information concerning WTO-related issues, as well as reference materials.

Relevance

Rating: 3 out of 4

In Vietnam, the project aims at the propagation of global trading principles and WTO implications to the country’s businesses as preparation for integration of Vietnam into AFTA and the admission of Vietnam into the WTO. This initiative is regarded as highly relevant to stakeholders. During 2000-2001, the “Business Guide to the World Trading System” was published by ITC jointly with VCCI. During interviews with beneficiaries, a large interest was expressed in the mentioned project.

Vietnam is in the process of integrating into the WTO, and the dissemination of information on the implication of WTO on Vietnamese businesses is a major concern of business associations. Most enterprises need to upgrade their business management skills, and to be updated on the opportunities and threats of Vietnam’s membership to WTO. Being a member of the UN system, ITC is in a good position and has a clear advantage in assisting Vietnam in the process of integrating in the WTO.

Efficiency

Rating: 2 out of 4

Limited activities have taken place, however, in light of the action plan proposed, and the stakeholders had expected a higher degree of interaction with ITC.

Given the very limited activities which have been implemented in the project, additional activities needed to be carried out to reach satisfactory results.

Effectiveness

Rating: 2 out of 4

The Evaluator was informed that during the course of the project, only one workshop was held at the introductory stage of the project, and since then, no activities were carried out. Hence, the project has not been effective in business training and updating of information concerning WTO related issues.

Follow-up activities in the form of business training and updating of WTO-related issues, would have probably brought greater benefits.

Impact

Rating: 1 out of 4

According to stakeholders, no impact is expected from the project.

Sustainability

Rating: 1 out of 4

The contribution of the project is not perceived by stakeholders as sustainable. In the absence of regular follow-up activities, the sustainability of activities is not ensured. Beneficiaries also expressed the need for closer cooperation with ITC. The development of ITC intervention should not be limited to introductory workshops with general information aiming at a general awareness creation. Workshops organised are a good tool for contributing to creating awareness and providing information. If not linked with follow up activities, they have little effect. Such activities should be followed up by training sessions and capacity building of stakeholders.

3. Project ID – INT/W2/08: e-Trade Bridge for SMEs

Project Background

Beneficiary countries:	Bangladesh; Barbados; Bolivia; Cambodia; China; Costa Rica; Ecuador; El Salvador; Guatemala; Honduras; India; Iran (Islamic Republic of); Jamaica; Kazakhstan; Kenya; Kyrgyzstan; Mongolia; Philippines; Romania; South Africa; Tajikistan; Tanzania, United Republic of; Trinidad and Tobago; Turkey; Turkmenistan; Uganda; Uzbekistan; Vietnam.
Project Value:	USD: 1,546,175
Finance source:	Global Trust Fund (W2)
Start Date:	01/01/2002
Close Date:	30/05/2006

The goal of the e-Trade Bridge Programme for SMEs is to create internationally competitive e-competent businesses, and to build national e-trade capacities within the institutions that support them. The programme is modular and includes features such as: country e-assessment reports, kick-off meetings, Winning With the Web (WWW), strategy trainers, and Enabling the SMEs (Training the trainers). The project started in January 2002 and is expected to terminate in March 2006.

The programme currently covers 25 countries. E-Preparedness Reports of 19 countries including Vietnam are in the process of being published and five others are under preparation. A regional report on the e-Preparedness of the Caribbean Region was published. Four hubs were established (El Salvador, Philippines, Tanzania and Turkey) as the distribution channel for the implementation of the programme from a regional perspective.

In 2002 ITC sent representatives to Hanoi for a kick-off workshop, during which the project was presented including project mission, strategy, and a plan for developing e-Trade Bridge for SMEs. Since then, one representative from VIETRADE was invited to Geneva for a Strategy Seminar. No further activities were carried out since then.

Project Performance

Relevance

Rating: 3 out of 4

There seems to be divergence in views on the relevance and usefulness of e-commerce in Vietnam. The official TPO, VIETRADE has some apprehensions as to E-Trade Bridge for a number of reasons; E-trade is still at its infant stage, and benefits to SMEs would be minimal. The legal framework related to e-commerce, the banking infrastructure and physical structure need to be put in place before the implementation of e-trade.

Other organisations such as VCCI are very keen on the development of “e-trade” considered a very useful marketing and sales tool for foreign trade. Although there are some infra-structural barriers to the development of e-trade, E-Trade Bridge is seen by many SMEs as a way to promote their goods and services in an affordable way, and a way to access to foreign customers.

Projects on E-trade have been tested at pilot stages with donor support. The experience derived from such projects was the limited amount of turnover generated by enterprises through this form of technology. However, enterprises use e-trade as a marketing means and consider e-portals as a window for export contacts.

Efficiency

Rating: 2 out of 4

The only visible support received from ITC to VCCI in relation to the Project was two visits from VCCI representative to workshops in Geneva. The seminar included representatives from other countries (Kenya, Tanzania) and its purpose (according to beneficiaries) was to define how ITC could develop e-Trade Bridge project. VCCI regarded the workshops as informative, and expected assistance related to the upgrading of skills.

VCCI participated in the ETB up to the point where free assistance ends.

VCCI is very keen on participating in the project as it is developing similar activities and planned to develop an e-trade tool for SMEs. VCCI has developed an e-portal which would fit very well with ITC’s e-Trade Bridge project. The portal which was developed by VCCI’s own means is being tested for launching and includes the exhibition of goods and services for 10 sectors. ITC’s assistance would be highly relevant, and would concentrate on improving the portal and assisting in its launching.

For this reason, VCCI expressed its strong interest in participating in the project from the very first stage, and has on several occasions expressed its readiness for participating in the e-Trade Bridge project. There were high expectations as to the development of a close

cooperation with ITC in this field. However, VCCI expressed its apprehensions due to the lack of ITC’s response to its initiatives.

It seems that the seminars held in Geneva focused more on information meetings than know-how transfer. Furthermore, there was no follow up on the strategy discussed in Geneva. The explanation provided from the ITC about the lack of response to the VCCI requests is their intention to work closely with VIETRADE.

Effectiveness

Rating: 2 out of 4

Activities in Vietnam are seen as part of the whole process by which the programme for e-Trade Bridge was designed. The kick off meeting is one module of the e-Trade Bridge Programme.

As a separate activity, the kick off meeting module does not, from a development point of view, fulfil the goal of the e-Trade Bridge Programme for SMEs to create internationally competitive e-competent businesses, and to build national e-trade capacities within the institutions that support them.

E-trade is not properly understood and developed in Vietnam and is impacted by the poor physical infrastructure and underdeveloped legal framework. At the enterprise level, exporters are hampered by their inability to find and utilize information and turn it into business opportunities.

Impact

As a single activity, kick-off meetings have limited development and trade effect. The only visible impact is the raising of awareness level – among TSIs – of the importance of e-trade as a competitive element.

Sustainability

The kick off meetings organised by ITC, have triggered an interest by the stakeholders (VCCI, VIETRADE) who have expressed their interest in cooperating with ITC. Stakeholders have higher and clearly expressed expectations as to ITCs assistance and follow up on activities aiming at sustaining the interest and benefits derived from the meetings

The spread of activities in time in the implementation of the different modules in e-Trade Bridge programme reduces the benefits derived from the development intervention of ITC.

4. Project ID – RAS/61/81: Development of International Purchasing and Supply Management – Training and Consultancy Support Capacities in Asian and South Asian Countries

Project Background

Beneficiary	Bangladesh; Cambodia; India; Indonesia; Lao People's Democratic
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countries:	Republic; Malaysia; Nepal; Philippines; Singapore; Sri Lanka; Thailand; Vietnam.
Project Value:	USD: 1,063,568
Finance source:	Switzerland
Start Date:	23/01/2001
Close Date:	31/12/2005

This is a regional project which aims at developing sustainable training and consultancy capacities in IPSM in ASEAN and other South East Asian countries.

The project involves the development of training and consultancy skills of local IPSM specialists, as well as the implementation of national professional certification programmes in IPSM. This work will be supported through the transfer to the local Purchasing and Supply Management Associations of the generic versions of ITC's IPSM Modular Learning System (MLS) and Diagnostic Toolkit (DTK). Through the project, the local specialists will adapt these tools and develop additional materials to meet specific regional/national requirements.

The first stage of the project involves the relatively more advanced countries, where well established local purchasing and supply management associations/institutes exist and where the absorption and adaptation process will be rapid.

The second stage of the project will focus on the relatively less advanced countries including Vietnam, where more assistance will be required. This stage will involve working jointly with the associations/institutes selected in the first stage, to transfer the materials and skills to this group of relatively less advanced countries. The institutions assisted during the first stage will thus be actively involved in the development process of the second stage of the project, through a South-South co-operation process (based on the historical and economic affinities amongst the countries concerned). It is also envisaged that each assisted institution in the first-tier countries will provide direct support to the setting up of local associations/institutes in the second-tier countries where these do not yet exist.

Project Performance

In August 2003, ITC contacted NEU, which is considered to be the leading university in Vietnam for business related training. The IPSM project was considered by the NEU as a new area of competence in Vietnam including new elements and methods of training.

It was agreed that the NEU would be the focal points for providing IPSM-related support services to the private & public sector purchasing communities in Vietnam.

The project consists of (1) developing training capacities at NEU, (2) adapting ITCs generic tools to the needs of the national context, through the trained specialist at NEU and (3) creating a country professional qualification scheme for IPSM.

NEU will use the tools for teaching purposes and will provide trainees with certification in IPSM.

The contribution of the Faculty is to purchase the training package, to provide the facilities for the training to take place, and to facilitate the participation of lecturers in the training.

Training consists of four training workshops; up to date, two training of trainer workshops were organized and a third one was expected to take place in September 2004. A final workshop for the ISPM programme aiming at developing cases with end-users participation is planned by the end of 2004. Furthermore, two persons from the Faculty participated in an IPSPM conference organised in Shanghai for Asian countries by ITC on July 15th 2004.

Relevance

Rating: 3 out of 4

The project was identified and designed by ITC and at a later stage introduced to the NEU. In terms of relevance to the NEU, the NEU expressed its strong interest and commitment to the IPSPM for the following reasons:

- Strengthening an area of competence which is considered as relevant and needed;
- Training NEU faculty staff in a new subject and providing them with new tools and teaching methods.

In terms of relevance to end-users, the IPSPM as a competence is considered very new in Vietnam, and managers working in the field will benefit from such a teaching programme.

However the primary group, which will benefit from the IPSPM are large manufacturing and trading companies with a large network of international suppliers. At this stage, the NEU is very pleased to receive know-how, but has no precise plans as to how the know-how will be transferred to enterprises.

To date the project has focused on training people within the university to be able then to train others in business. The University is interested in including the IPSPM modules in the Operation Management Training programme, which has been recently developed at NEU, and is targeted to enterprise managers.

The project is relevant, as the levels of knowledge and skills of staff responsible for purchasing & supply in both the public and private sectors in Vietnam are limited, and local capacities to meet the needs in this area are absent. Moreover, the NEU perceives the project as a means to develop a network with access to teachers, training materials and experience.

Efficiency

Rating: 3 out of 4

The following outputs were provided:

- Approximately 30 local specialists are now trained. At least half of the specialists are expected to devote full efforts in the programme as they have an interest in the subject;
- The latest versions of ITC's IPSM generic tools and technical materials including Modular Learning System (MLS) were transferred to the NEU;
- The local specialists have adapted these tools and develop additional materials to meet specific local needs under the guidance of ITC;
- Three lecturers from NEU are capable of handling online registration for the IPSM examination process;
- Access to Asian Net which is a web-based network linking all institutions involved in the project; and
- All above outputs were achieved, and activities were considered by the NEU executed in an efficient manner. The Evaluator was informed that the Faculty highly appreciated the training course provided to them and take the IPSM programme very seriously.

The NEU would have appreciated a higher degree of inputs from the ITC specialist in training i.e. more hands on training and advice as compared to other inputs provided such as tools, training materials or information sources or networking.

No staff changes have been made during the implementation of the project, and the NEU was highly satisfied with the ITC instructor which was considered competent in the field, demanding and motivating.

All ITC outputs were provided according to the agreed timetable, and there were no delays in the implementation of the programme. The NEU was highly appreciative of the ITC training as well as the quality of the workshop by ITC.

Cost efficiency: the Evaluator was informed that the training material was printed in Geneva and sent to Hanoi by courier. Compared to the costs of printing in Vietnam it would be more efficient to send the material on a CD and print the material locally.

Effectiveness

Rating: 3 out of 4

The immediate objective stated in the IPSM project document are the achievement of a continuing and sustainable capability in each of the participating countries to offer the following services to both the private and public sector purchasing communities in three main aspects: (1) IPSM-related training, (2) Professional qualification(s) in purchasing and supply management supported through the above training and (3) IPSM consultancy support capable of identifying and responding to purchasing & supply issues and problems.

The NEU is not aware of the existence of any project document, nor of the financing by donors. However, it is of the opinion that the above immediate objectives will likely be met.

The capacity building of NEU will be finalised by the end of the year. After completion of the programme, the NEU should be able to deliver IPSM related services.

The Faculty of International Education that is responsible for IPSM competence area will need an approval from the University board for the further development of the project after its completion.

At present there are no IPSM end-users, and hence it has not been possible to measure the extent to which the project meets their expectations. By the time the evaluation was carried out, no training of end users was envisaged and the NEU had no plans regarding the approach for training. The NEU is interested in the IPSM component and would like to include it in its recently developed Operation Management Training courses.

With the successful assimilation of IPSM tools and know-how, the NEU will be in a position to provide new services on a commercial basis to enterprises in a field which is relatively new in Vietnam. The transfer of training skills to NEU will also have a positive effect on the teaching skills of the trainees in other teaching areas.

Impact

Rating: 3 out of 4

The NEU does not measure the impact of the IPSM related activities. The impact of the project has been on the staff of the NEU. About 30 persons have improved their teaching skills, and are familiar with the IPSM training materials.

The NEU can add a range of ITC tools and services to its existing portfolio, and draw on the knowledge transferred for teaching purposes. IPSM is a relatively new and unique concept in Vietnam. Developing such services is highly relevant to SMEs, and can result in improved awareness/capacities with regard to procurement and supply chain management aspects. However, the core Evaluator would like to pinpoint a number of factors which could affect the project and its future impact. The factors include:

- The low awareness of the value of professional certificates in Vietnam;
- The lack of clear understanding of the project objectives at NEU; and
- The lack of a clear vision at NEU and a clear commitment of the leaders, and the willingness of SMEs to pay for the training courses.

Sustainability

Rating: 3 out of 4

The benefits derived from the development intervention of the IPSM project as stated in the project document are: (1) increased competitiveness of domestic enterprises – particularly small and medium-size firms – based on more cost-effective purchasing & supply of required inputs, and (2) more cost-effective delivery of public sector services and infrastructure based on better value for money in related public sector procurement.

So far, the clear benefits from the project after its completion will be new competences acquired and new services developed by NEU to private and public enterprises and made available to public and private enterprises.

At this stage of development of the project, it seems that the activities could be sustainable in the future. Supply chain management is important for enterprises as many foreign companies choose to outsource in Vietnam. However, the IPSM will be more likely to benefit large public enterprises (state-owned enterprises) who are mostly involved in international purchasing and supply, and in need for improving their skills and work methods.

5. Project ID – VIE/61/94: Support for Trade Promotion & Export Development

Project Background

Beneficiary countries:	Vietnam
Project Value:	USD: 3,165,000
Finance source:	Sida seco; Switzerland
Start Date:	01/05/2004
Close Date:	01/05/2007

This project is very new, and is the result of a PA project, which was based on a Pre-feasibility Study funded by UNDP and carried out in 1998/1999. The PA – launched Jan 2001 and ended in mid August 2002 – was expected to lead to a full-scale technical assistance project, depending on the achievements of the PA.

An evaluation of the PA project was then carried out. Overall the Evaluation reports that the PA had been effective in implementing activities and producing agreed outputs.

The Evaluation concluded that the PA has produced most of the expected results at the government level and contributed to a better understanding of the concepts of trade development in a market economy and developed a common language among stakeholders, especially at VIETRADE. Based on the satisfactory outputs from the PA, the Evaluation recommended a full-scale project as justified. The full-scale project's principal role would be to strengthen this network to make it function effectively as a well-coordinated network.

Given the positive outcome of the evaluation, a technical assistance project of support for trade promotion and export development was developed. The project value is app. USD 3.16 million and is funded by Swiss seco and Sida. The main objective of this project is to assist the GoV in achieving export growth rate targets set for the decade. The project will assist VIETRADE / MoT in the development of a National Export Strategy and in strengthening the capacity of VIETRADE to respond to the needs of exporting enterprises and to provide trade related training, trade information and counselling services to TSIs and exporting enterprises on a sustainable basis. The project was launched in summer 2004, and will be carried out over a period of 36 months.

Project performance

As the project is very recent, it is not possible to carry out an evaluation of its performance. However, given its importance, the Evaluator has reviewed the project document, and provides the following comments:

Relevance

Rating: 4 out of 4

- ***Role of Trade Support Institutions:*** Through the formation of TSIs, SMEs can address their problems related to their size and improve their competitive position. TSIs can make a major contribution to the improvement of the environment of SMEs, by taking collective action, delivering core services related to international trade, and networking among other stakeholders.

The Evaluator would like to draw the attention to the role of TSIs in representing their members. Many such associations have a limited membership base which is characterised by few large members mainly state-owned enterprises and a large number of SMEs. TSIs promoting the interests of SMEs and the private sector should be prioritized by the project.
- ***Services to members:*** For a number of TSIs, building their capacity will require focused efforts which might yield results in the long term. Hence, it is recommended to carefully select those TSIs who have the capacity to develop quality services to their members at a fee.

For those TSIs who are not considered capable of providing sustainable services, the alternative would be for the project to help TSIs act as facilitators and conveyors of business specific information rather than build up capacity for service provision.
- ***Networking:*** TSIs are well placed to act as a “hub” for the dissemination of information. In the case of Vietnam, networking among TSIs is limited, and mainly based on personal contacts and ad hoc basis. TSI generally do little for enhancing networks among members.

These needs and issues are well dealt with by the project document which emphasizes the importance of networking among TSIs and will aim at providing capacity to TSIs in this respect.
- ***Intermediation:*** The private sector is at its infant stage of development in Vietnam, and TSIs can function as a bridge between GoV and SMEs. As an intermediary, the TSIs can articulate the needs and demand of their members and influence policies as an authentic advocate. On the other hand, TSIs provide public bodies with valuable economic information and improves the acceptance of policy measures. Consequently, joint initiatives by government and businesses will promote congruency of public and private interest.

Efficiency

Rating: 3 out of 4

- ***Partnerships:*** The proposed project has been designed to promote partnerships in trade promotion/export development between GoV and the business community. The national partnerships are to be coordinated through VIETRADE as a focal point.
- ***Donor coordination:*** A number of donors focus their efforts on the development of capacity of selected TSIs, and on bridging public and private sector cooperation. The

project document has identified a number of donor programmes which could produce synergies with the activities identified.

Hence careful screening of donor efforts and interests should be carried out by the project in order to identify such synergies and coordinate activities in capacity building of TSIs. Danida has recently developed a Business Sector Programme Support including components for improvement of market access to SMEs, capacity building for the Directorate for Standards and Quality, and support to capacity building of business associations.

- ***Project Administration:*** VIETRADE has indicated that delays in the authorization and execution of administrative and budgetary tasks in Geneva and delays caused by different complex administrative procedures could cause a handicap to the timely delivery of the project and could affect the smooth working relationship between the project, VIETRADE and other stakeholders.

In order to handle the cumbersome administrative procedures for running the project, ITC has signed an MOU with VIETRADE for the transfer of project execution responsibilities. With such an arrangement, ITC HQ can avoid a higher administrative burden, allow locally based practical decisions to be made at project level, and spare further resources from being tied up in Geneva. Such considerations should bear in mind the capacity of the recipient to undertake such activities.

Effectiveness

Rating: 3 out of 4

- ***Government of Vietnam commitment:*** in addition to donor support, the project expects a contribution from GoV for project implementation. Along with the delegation of responsibilities and joint project management, this requirement will enhance initiatives from VIETRADE to achieve the project's planned results (goals, purposes and outputs).
- ***Role of Vietnam Trade Promotion Agency:*** VIETRADE is designated by the project as the single focal point for the formation of national partnerships and coordination of activities aiming at enhancing trade promotion and export development. Given the existing gap between the GoV and private sector, the role to be assumed by VIETRADE is a very delicate one. It is important to note here the role of VIETRADE as a facilitator and conveyor aiming at bridging public and private sector cooperation.
- ***Local content:*** The Evaluator strongly supports the emphasis placed by the project in the use of national consultants. The use of national consultants for inputs along with international consultants will enable a higher quality of final output, be cost-effective and ensure more effective development of national institutional capacity. International experience will be customised by national experts and adapted to the needs and local context.

Impact

The focus of the project on key TSIs including product and sector TSIs as elaborated in the project document will enhance the multiplier effect and allow the wider objectives of the GoV to be achieved.

Sustainability

- Experience shows that the success of any policy reform effort depends upon creating widespread support for the intended change. TSIs can create a constituency for change and provide donors as well as government bodies with important feedback. Reform measures will thus have a lasting impact even after the project is terminated and donor support has been phased out.
- Financial sustainability: the positive results in capacity building will depend on the capacity of the TSIs to generate revenues either through membership fees or through service fees. Many of the TSIs in Vietnam are characterised by a small membership base which is not always representative and therefore their financial sustainability remains to be clarified.

6. Project ID – INT/W2/11: Export-Led Poverty Reduction Programme

Project Background

Beneficiary countries:	Bolivia; Brazil; Cambodia; China; Ecuador; El Salvador; Kenya; Namibia; South Africa; Vietnam;
Project Value:	USD: 7,869,508 Vietnam: USD 180,000
Finance source:	Global Trust Fund (W2)
Start Date:	26/02/2003 Vietnam: 07/2004
Close Date:	31/05/2006 Vietnam: 01/2006

This project is part of a global programme under the “Export Led Poverty Reduction Programme” which addresses poverty reduction through a direct involvement of poor and disadvantaged communities into export-oriented activities.

The link between poverty reduction and tourism is increasingly recognized by the GoV. The GoV assigns high importance to tourism as a ‘spearhead’ economic sector and expresses highly the intention to reduce poverty, to ensure environmental stability, to bring good governance to the poor, to preserve the culture and diversity of ethnic minorities and to provide basic infrastructure services to disadvantaged groups. These intentions are relevant objectives in the context of EPRP’s tourism projects. Pro-poor development is also expressed by the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which brings together national challenges and Vietnam’s commitment to the Millenium Development Goals (MDG).

In Vietnam, ITC has identified and prepared a proposal for a project for CBT in a traditional village (Kim Bong) adjoining Hoi An, a very popular destination for international tourists. The project plans to set up a village trail for tourists, replete with local cultural shows, displays of carpentry crafts and other traditional products. Local tour operators

and craft promotion bodies have associated with the project, and nearly 80 households in Kim Bong are proposed to be brought in as direct beneficiaries. The project proposal was expected to be signed during the third quarter of 2004. The project was expected to start in the second half of 2004 and terminate in January 2006.

Project performance

This project is still in the preparatory stage and hence, the evaluation of such a project is limited. Following are observations and remarks resulting from interviews with the VNAT.

Government strategies and policies in Vietnam are supportive of the objective of developing such a project. Both the new national socio-economic development strategy and the national tourism strategy encourage local community participation, with particular emphasis on rural and remote areas. This was also expressed in an interview with VNAT. VNAT has expressed its satisfaction as to the involvement of the various stakeholders in the process of project development. The different stakeholders were involved in the identification and design process of the project development. VNAT was involved in the identification of a number of project locations offering good CBT potential. The project was based on preliminary plans set by the village to develop a tourism site. The project was designed by ITC staff and consultants in close consultation with VNAT and local authorities. The local community lacked the necessary skills on how to develop tourism and carpentry background, and even though the project would probably be implemented regardless of the assistance of ITC, the contribution of ITC is considered very useful as it is expected to enhance the poverty reduction effects through the implementation of this project.

The project will be implemented by ITC's own staff (20%) and ITC's external consultants (80%). There is a complex network of local partners involved in the project including the Quang Nam Union of Cooperatives in Tam Ky who have experience in training, consultancy work with SME and communities as well as experience with international donor funded projects.

The project has clearly defined indicators including: income of households, improvements in livelihoods, terms of reference with counterparts, direct verification, number and spending of tourists.

If carried out successfully, the project can be sustainable as it is estimated to:

- Enhance local entrepreneurship, create more income and jobs opportunities to the local community, and increase sales of carpentry products;
- Increase the technical and administrative capacities of the local community;
- Contribute to the creation of a sustainable environment and increase cultural awareness; and

- Following the termination of the project, the counterparts of the project will have received adequate training and advice, which will enable them to replicate new and similar CBT projects.

Annex 4. Review of Trade Promotion Organisations and Trade Support Institutions

Vietnam currently has more than 200 associations of all kinds – mainly categorised as national and local ones. There exists a number of trade servicing and export promotion institutions at both the national and provincial levels, such as VCCI, the recently established VIETRADE attached to the MoT, several recently established Trade and Business Associations and trade promotion departments at the provincial level.

The government and society have gradually recognised the role and importance of TSIs.

This is evidenced by the issuance of Decree 88 and the fact that business associations are consulted during the process of law drafting and decision-making. However, the participation and involvement of business associations is not compulsory, therefore, in some cases business associations are ignored even when regulation is issued that affects their members.

According to Decree 88, association means “a voluntary body of Vietnamese citizens and organizations that have the same areas of work and the same interests/hobbies, are of the same gender, and pursuing the same purpose of bringing together and uniting its members, operating in a regular and disinterested manner, bringing together and uniting its members to properly implement the Government's directions, policies and laws related to the area in which the Association operates as well as to protect its the members' legitimate rights and interests, helping one another to work effectively and efficiently, working in a disinterested manner, contributing to the country's socio-economic development”¹⁰.

Most of these TPOs are still in the infancy stage including VIETRADE and lack resources and competent staff to provide quality services to existing and potential exporters. Although there exists a degree of competition among TPOs, they are not properly coordinated and networked and lack the synergies to provide effective support to exporters. TSIs are mainly situated in Hanoi and Ho Chi Minh City. The existence of TSIs at provincial level is hardly found.

In large cities, there are relatively large industry based associations which are doing well and do not appear to suffer from serious financial constraints. Most of them have established networks, and receive support from international donor organisations. Such organisations are in many cases depending on government support. They are dominated by large enterprises and only count relatively few SMEs among their members. There are a few organisations which focus on having a majority of SME members.

In the provinces the situation is different: Associations are characterised by their weak structure, and the use of services by their members is based on informal and ad hoc assistance based on individual needs. The portfolio of services offered to members is limited

¹⁰ Government of Vietnam, Decree 88/2003-ND-CP (30/07/2003), “Issuing the Regulations on the Organization, Operations and Management of Associations.”

and of relatively low quality. Trade promotion is predominant as a service, and training services are often outsourced and carried out by public service providers.

Advocacy and participation in policy drafting and decision making is limited to large associations such as VCCI, Hanoi and Ho Chi Minh City's Union of Associations of Industry and Commerce (UAIC). This participation has had positive effect on business operation of their members. BAs at province level are not involved in policy drafting at national level, but are active in advocating their members interests and needs at province levels, and actively contribute to the changes in decisions of Party Committee affecting their members.

The membership base is small and not always representative. National associations are very much attached to and influenced by a small number of State-owned general corporation members. The FDI enterprises can only be affiliate members while the participation of household businesses is non-existent.

Vietnam has 64 provincial and municipal (i.e. local government) authorities. Of these quite a few have established trade promotion centres to provide services to their regional/local exporters. The larger ones are the Investment and Trade Promotion Centre in Ho Chi Minh City, the Hanoi Centre for Trade Development, and the Da Nang Trade Information and Promotion Centre. These centres also have close links with the MoT, and local national business associations. The general picture is that trade promotion centres lack the facilities, experience and competence to function efficiently.

National Trade Support Institutions

Vietnam has several national institutions, who play a direct role in trade development including:

- VIETRADE established under the MoT in July 2000 to undertake the duties and activities of a national TPO, including the coordination and implementation of trade promotion and trade related investment promotion activities in Vietnam. VIETRADE is a newly established organisation with so far a limited track record and limited resources in terms of staff (63) and budget (USD 0.38 million.). VIETRADE works together with various provincial trade promotion centres and TSIs as well as international and foreign trade promotion organizations to assist Vietnamese and foreign enterprises in their business development and expansion. Although there are many other government funded agencies carrying out trade support activities, VIETRADE is the officially designated focal point at national level;
- The Vietnam Trade Information Centre, under MoT, is a Government-funded trade information supplier with a national outreach;
- VIT is involved in publications on products and markets, trade policy issues, sector strategies, value – added trade information, consulting and training services; and
- The Directorate for Standards and Quality formulates national standards and is involved in quality certification and calibration laboratory accreditation, state supervision of quality of goods and measurements as well as it provides trade related services information and training to enterprises related to quality control and certification.

In general, these national TSIs can be characterised by their need for modernised facilities and trained staff to enable increased efficiency and more effective services deliveries. They have a high need to adapt to the new integration of Vietnam into the global market economy.

Non governmental Trade Support Institutions

The most important non-governmental TSI is the VCCI, Founded in 1963, the VCCI is an umbrella organisation which has a staff of approx. 600 employees. Its mandate is two fold: (1) to promote the interests of the business community and employers in Vietnam in domestic and international relations, and (2) to promote the development of business enterprises, entrepreneurs and cooperation among business entities offering assistance in trade and investment, economic and technological co-operation and other business activities of enterprises in Vietnam and abroad. VCCI derives most of its finances from Membership fees (20%), membership services and consulting (55%) and government and donor support (25%). VCCI carries out specialised trade related services such as trade promotion fairs, or contact promotion programmes.

Besides VCCI, the number of business associations has considerably grown over the years. Among the most dynamic are the Young Businessmen Association (YBA), and Young Entrepreneurs' Association that was formed at the initiative of the Youth League and has now established itself in many provinces.

Product Associations

Product associations play an important role in trade development. In Vietnam the main Product associations with particular focus on exports include:

- Leather and Footwear Association (LEFASO)
- Vietnam Association of Seafood Exporters and Producers (VASEP)
- Vietnam Textile and Apparel Association (VITAS)
- Vietnam Food Association
- VICOFA
- Vietnam Fruit Association (VINAFRUIT).

The objective of product associations is to promote the interest of their members in a particular sector including promotion of sector products. They are mainly financed and driven by their members' enterprises, but have a limited capacity to mobilise resources.

They also vary in size and membership depending on the size and ownership of their enterprises members. Most associations visited expressed their need to increase their knowledge in trade support to members, and recognised their limited access to international trade information and capacity to assist their members in export development.

Annex 5. Overall Donor Support in Trade Development

Overview

A total of 25 bilateral donor countries, some 20 multilateral donor agencies, and nearly 400 international NGOs operate in Vietnam with substantially different procedures and disbursement criteria. In this regard, the Government and the donor community are working together in an attempt to harmonize the multitude of differing procedures and to increase the efficiency of the national administration in the management of resources.

In terms of the allocation of ODA funds by broad categories, the largest share of ODA funds continues to be allocated to large infrastructure projects. Infrastructure received USD 568 million or 42% of all ODA funds last year despite the significant decline from the previous year.

These funds are aimed at supporting reforms of the banking sector and state-owned enterprises, private sector promotion, social and rural development and good governance. Rural development was the third largest recipient of disbursements despite an absolute fall in disbursements. The sector received USD 207 million, which was approximately 15% of all ODA funds.

Donor support to the development of the emerging private sector is considered as a driving force for sustainable economic growth, and thereby contributing to the reduction of poverty in Vietnam. Donor assistance – in terms of number of projects and presence of donors – grants increasingly priority to the emerging private sector, its enabling environment and WTO accession, building on the improvement of the regulatory framework including inter alia legislation, trade policies, quality standards.

Multilateral donors (including the World Bank, IFC, ADB, EU, UNDP, UNIDO, ILO) and bilateral donors (Australia, Canada, Denmark Japan, France, Germany, Sweden, Switzerland and USA) are involved in support to the development of the business sector in Vietnam. Current programmes, directly or indirectly related to the business sector, are estimated to be around USD 450 million.

It is estimated that donors provide in the order of USD 30 million for support related to trade development¹¹. Given the size of the ITC projects in Vietnam, the share of ITC was negligible. This share will increase significantly (up to 4%) with the upcoming Export promotion (USD 3 million over three years) and CBT (USD 180,000 over one and a half year) projects. Donor assistance includes:

- Multi-donor supported MPDF, involved in the development of the private sector and in the development of business associations;

¹¹ UNDP: *Stock-taking report – Vietnam's economic integration commitments, government's action plans and donors' current assistance*, 2002

- EU Multi Trade Assistance Programme concerning trade policy and assistance to Vietnam in preparation for WTO accession. A new SME programme is underway;
- Initiative to private sector development programmes aiming at fostering business to business co-operation between Vietnamese and companies from donor country (Danida & CIDA), and partnership programmes (GTZ);
- Increase of competitiveness at enterprise and sector level, better access to markets, activities aiming at increasing the competitiveness of SMEs mainly by GTZ, Swisscontact, USAID, Australian Agency for International Development (AusAID), ILO and Danida; and
- Programmes aiming at improving the quality standards of products to comply with export market requirements by UNIDO, GTZ, Swisscontact, and Danida.

So far, much of the donor attention was directed in the areas of Hanoi and Ho Chi Minh City. However, along with the development of the private sector and support services in those areas, attention is shifting to less developed provinces.

Focus on TSIs, including industrial associations, trade information, standardisation and quality control institutions are also being the subject of increasing donor focus in Vietnam. Special attention is also paid on the developing markets for BDS (business development services) aiming at increasing the competitiveness of the private sector. Active donors in this area include CBI – Holland, GTZ, Swisscontact, Danida, SNV and MPDF. The assistance is normally carried out in the form of capacity building, technical assistance, advocacy and networks, and infrastructure development. Some examples are listed below:

- MPDF: a large pilot program to support a group of selected associations mainly in the form of technical assistance aiming to strengthen the sustainable capacity of the business associations;
- GTZ: co-operates with Vietnam Co-operatives Alliance at both central level and some provinces including Khanh Hoa. Competency – based Economies through Formation of Enterprise programme;
- ILO – co-operates with VCCI to implement the SIYB program aiming at stimulating small-scale entrepreneurship development in Vietnam and supporting business associations;
- The Asia Foundation – supports a number of associations in assisting their members in cleaner production for instance;
- Danida financed a twinning project between the Confederation of Danish Industries and Young Businessmen’s Association for capacity building and development of services. Danida also is about to launch a business sector development programme which includes a component for capacity building of business organisations;
- The German organisation Zentralverband des Deutschen Handwerks – supports selected associations mainly in the form of financial aid; and
- SNV: is involved in the capacity development of selected TSIs in nine provinces.

Donor co-ordination

At the donor level, there appears to be good co-ordination amongst donors in trade development in Vietnam; there has been efforts to co-ordinate assistance and avoid duplication of support and overlap in sector selection. There is an SME coordination group which is presided by the Agency for SME Development and includes UNIDO, JICA, Danida, EU, GTZ and ILO. The purpose of the Group is to coordinate and share information on SME activities being carried out by donor agencies. Meetings are held at least once every six months.

Opportunities for programme joint implementation are looked upon positively by donor agencies. Direct support at enterprise level is mostly provided independently.

Annex 6. Structure of the Small and Medium-sized Enterprises Sector in Vietnam

In the Vietnamese context, SME is not a legal but rather an operational term. SMEs are defined as ‘independent production and business establishments with a registered capital not exceeding VND 10 billion (approx. USD 640,000) and annual labour not exceeding 300 people’ (Decree 90/2001/ND-CP). The Decree does not distinguish between small and medium enterprises, and there is no indicated lower limit for SMEs. Hence, SMEs are not defined in terms of ownership structure, but purely in terms of scale of operation. SMEs may be private businesses registered under the Enterprise Law, state-owned enterprises registered under the law pertaining to these, cooperatives under the Cooperative Law or even FDIs. It is estimated that the average size for SMEs is around 25-30 employees.

After the adoption of the Enterprise Law in 1999, Vietnam experienced an unprecedented increase in private domestic enterprise establishment, mostly in the SME sector. However, the majority of these enterprises remains small and facing structural impediments to growth. Furthermore, the development of the private domestic SME sector remains concentrated in the larger urban areas. Of all newly formed companies in 2001, for example, 55% were registered in Ho Chi Minh City and Hanoi alone. In order to transform the recent growth push into sustainable growth and development, to achieve international competitiveness of the domestic private sector and to stimulate a sustainable SME growth in the provinces and districts, increases of productivity and product quality need to follow in the future.

New Vietnamese private businesses are being established at a rate of 1,600 per month, with over 50,000 new business registrations during 2000-2002. Domestic investors set up 22,000 new enterprises in 2002, with a total investment capital of USD 3 billion – more than the USD 1.33 billion in new FDI pledges. Genuine growth in the private corporate sector is a lagged response to policy reforms of recent years, which have continually improved the business environment and improved access to bank credit. Clearly many obstacles and biases remain, but it may be that Vietnam is now beginning a period of rapid growth led by domestic businesses, rather than by FDI and commodity exports as it was in the 1990s. The emerging private sector is becoming more important as a source of investment and its contribution to national investment has risen from 21% in 2000, to 29% in 2002.

Among the major growth constraints of SMEs are lack of access to finance and production space and difficulties to access markets caused by high competition, lack of information and links to export markets, sub-standard product quality in particular in relation to quality requirements of export markets and limited means for promotion activities. Overall, business management skills and knowledge are generally limited in the SME sector, information on new technologies is hardly available, and poor understanding and low awareness of laws and regulations is widespread. In order to support business growth and development, business support services in the following areas are needed:

- Market access and market information;

- Accounting and auditing;
- Technology and quality management;
- Business management training;
- Technical training;
- Computer-related services;
- Financial services; and
- Customs and export procedures.

The development of a business service market is furthermore constrained by a lack of market information and impeding cultural and attitudinal patterns. SMEs have limited awareness of services available and of relevant service providers.

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Annex 8. List of Data Sheets**TSI data sheets:**

- VIETRADE
- VCCI
- VICOFA
- Vietnam Association of Seafood Exports and Producers
- Vietnam Textile & Apparel Association
- Leather and Shoe Association of Ho Chi Minh City
- Vietnam Food Association

Donors include

- GTZ
- UNIDO
- UNDP
- EU
- CIDA
- SNV

End users

- Four enterprises involved in spice production and trade, two located in the North and two located in the South.