



Vietnam

Business and development exchange summary

With a population of 88 million, Vietnam is a lower-middle-income country, which remains a one-party state governed by the Communist Party. In recent years, Vietnam has experienced high levels of economic growth – between 6.8% and 8.5% per year between 2000 and 2007. This growth fuelled one of the most rapid and significant reductions in poverty the world has seen – from 58% in 1993 to 14.5% in 2008 (according to the World Bank’s suggested definition of poverty based on basic needs).

Growth was built on the transition from a centrally planned, state owned economy towards a market based, mixed economy through a process known as ‘doi moi’ (renovation), starting in the early 1980’s. The development of the private sector, encouraged by the 2000 Enterprise Law, was an important driver of this growth – along with the strengthening of land tenure rights, trade liberalisation, strong foreign direct investment and a record of high investment in human capital.

‘Doi moi’ has resulted in industrialisation and urbanisation, but agriculture – particularly in the Mekong Delta – remains a mainstay of the economy, accounting for 22% of GDP and 48% of employment in 2011. As of 2011, 62% of the population lived in rural areas. Based on a revised World Bank definition, the headcount poverty rate in Vietnam stood at 21% in 2010, with 91% of poor households living in rural areas. Poverty is also particularly concentrated amongst ethnic minorities, which account for 15% of the overall population in 2010 but 47% of poor people.

Vietnam has been hit hard by the 2008 economic crisis, experiencing a loss of export markets and reduced levels of inward investment. More importantly perhaps, the crisis exposed some of the more fundamental, structural problems in the Vietnamese economy: widespread non-performing loans in the banking sector, inefficient state-owned enterprises with political connections and privileged access to resources, double-digit inflation between 2010 and 2011 and significant fiscal and trade deficits. Corruption remains endemic: Vietnam was ranked 123 out of 176 countries in Transparency International’s 2012 business perception of corruption survey.

The central Mekong Delta is the area that will benefit from AusAID’s AUS\$160 million investment in the Cao Lanh Bridge, crossing the Tien branch of the Mekong Delta (AusAID’s single largest investment in mainland Southeast Asia to date). Agriculture is the economic mainstay of the Mekong Delta – accounting for over 60% of national agriculture and aquaculture export value between 2007 and 2012.

Our research in Vietnam will concentrate on two crucial sectors: agriculture and vocational training. We will examine ways in which donors can engage with agri-business through inclusive business models that enable poor smallholders to increase their income. We will also assess the potential for donors to engage with business to improve the relevance and quality of vocational training in key economic sectors in the Mekong Delta. Research will centre on business engagement in the three provinces of Dong Thap, Can Tho and An Giang. An Giang, in particular, is home to many Khmer minority communities. In both components, we will focus particularly on the role of business associations as channels for donor engagement.ⁱ

ⁱCover image: In Viet Nam, fishing village call, Dwayne Canfield, 2006.