The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

COUNTRY FACTSHEET

MARCH 2020

IBEP Vietnam

PROJECT OVERVIEW

The IBEP Vietnam project's objective is to expand the integration of local SMEs into global value chains and to increase overall domestic value addition through the implementation of a supplier development program (SDP) and the facilitation of linkages between foreign firms and local businesses. By enhancing the ability of domestic suppliers to participate in global value chains, the project aims at supporting firms' abilities to create new and sustainable jobs as well as at enhancing their competitiveness in export markets. This objective will be accomplished by pursuing a range of reforms across the following two components:

COMPONENTS

Pilot Supplier Development Program in Selected Sectors
The Pilot SDP aims at upgrading domestic suppliers throughout the value chain in targeted sectors (automotive, electronics, and household appliances) to meet the demands of MNEs, which include factors such as product quality, price, and delivery, among others. The project will provide tailored technical assistance (i.e. one-on-one mentoring support, consultancy services, customized training and coaching, etc.) as well as targeted matchmaking support to the selected local suppliers to meet specific MNE requirements and to access new business opportunities.

Capacity building for the Lead Institution
This component focuses on building the capacity of the Vietnam Industry Agency and other key government counterparts in designing, implementing and scaling up the SDP initiative through their active participation in the pilot, knowledge sharing from countries that have successfully implemented SDPs, on-the-job support and informal training during the pilot initiative, as well as through documenting lessons learned. This component ensures the sustainability of the initiative and enable the government to replicate and/or scale up the initiative in the future.

REFORMS TARGETED

1. Increased firm performance
2. Increased number and value of contracts (value addition) between foreign firm and local suppliers in targeted sectors
3. Institutional framework and capacity improved
4. Implementation of a new government program replicating the SDP approach

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Impact Evaluation of the SDP

The project will also conduct an impact evaluation to evaluate the impact of the SDP on the linkages between local suppliers and MNEs/foreign buyers as well as on other firm outcomes such as changes in investment, turnover, export, and labor productivity. In addition, this component will document the learning process in practice and examine how knowledge is diffused throughout the newly created buyer-supplier and peer network. The results of the evaluation will help inform the design and implementation of other future interventions promoting local firms’ upgrading and integration into global value chains by using FDI linkages as a transmission channel.

RESULTS AS OF MARCH 2020

• The project has achieved improved institutional coordination between the public and private sectors in the supplier development program (SDP) through the establishment of an SDP Advisory Board, comprising representatives from the Ministry of Industry and Trade (MOIT), the Ministry of Investment and Planning (MPI), MNEs and local businesses, to ensure that the design and delivery of the SDP are demand-driven.

• The project supported enhanced linkages between local firms and MNCs. Five local suppliers became new suppliers to MNCs and more than 50 percent of SDP participants established connections with new MNCs through trial orders, sharing sample products and participating in supplier audits.

• The project achieved the replication of the SDP by the government, as the counterpart, the Vietnam Industry Agency, is going to replicate the SDP in 2020.

• The project supported improvements to gender awareness through delivery of gender training to government counterparts and local suppliers.

• COVID-19: Upon the outbreak of the COVID-19 pandemic, which has disrupted global value chains, the project engaged with public and private sector stakeholders to evaluate the implications of the crisis on the implementation of the SDP as well as to adapt the SDP to address the crisis response and recovery needs of participating local suppliers and MNEs.

PROJECT COUNTERPARTS

Vietnam Industry Agency, Vietnam Association of Supporting Industry (VASI), and Hochiminh City Center of Supporting Industry Development (CSID)

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