

Vietnam Gap Analysis

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Europe & Eurasia Bureau, USAID

This effort is intended to be an abridged draft analysis of development trends in Vietnam, drawing in large part on USAID's Monitoring Country Progress (MCP) system. Accompanying this narrative is a series of charts, tables, and an appendix focused on methodology. Much of the framework of what is presented below draws from a larger ongoing effort; namely, the development of a *Monitoring Country Progress in Asia* report which in turn will be contributing to the development of an Asia Regional Development Cooperation Strategy on the part of USAID's Regional Development Mission for Asia (RDMA) in Bangkok. As it stands, there is considerable scope for additional focus on data and trends in Vietnam in macroeconomic performance in particular and to a lesser extent in investing in people (in health and education trends).

The MCP system is both an empirical and a visual system. At its core are five indices corresponding to economic reforms, governing justly & democratically, investing in people, macroeconomic performance, and peace & security. Publically available data from a host of sources including the World Bank, various United Nations organizations, the IMF, Freedom House, and various annual U.S. government reports are converted to a 1 to 5 scale in each index, where a 5 represents the best performance worldwide and a 1 represents the worst performance. The appendix elaborates.

Highlights of the findings.

Vietnam's development profile.

- (1) Vietnam's development profile is distinguished by considerable lagging in democracy and governance, by Asian standards and by global standards. In contrast, Vietnam's progress in economic reforms is Asian average, and its progress in investing in people and in peace & security is slightly above Asian average (*Figure 1*). However, Vietnam's lagging progress in governing justly & democratically is in line with the levels of democratic reform among the five Lower Mekong Initiative (LMI) countries, of which Vietnam is one (*Figure 2*).
- (2) On three development dimensions—economic reforms, investing in people, and peace & security—Vietnam's profile most closely resembles that of Mongolia and Sri Lanka of the twenty-five Asian countries (*Figures 3-5*). On governing justly & democratically, Vietnam most closely resembles China and Cambodia (*Figure 5*). *Table 2* provides the disaggregated scores of the governing justly and democratic index; and further underscores a similar democracy profile

particularly between China and Vietnam, both lagging the most in free media and political rights.

- (3) Vietnam's salient gaps within the development dimensions (i.e., looking at the components of the MCP indices), by Asian standards and/or global standards include media freedom, political rights, and anti-corruption efforts in governing justly and democratically; per capita income and health expenditures in investing in people, energy security in macroeconomic performance, and the capacity to combat weapons of mass destruction in peace & security (*Figures 6 and 7*).
- (4) Vietnam is well-advanced in trade liberalization (in economic reforms), in gender equality, under-five mortality rates, life expectancy, and literacy rate (in investing in people), in a competitive export sector, a broad financial sector as evidenced by a large proportion of domestic credit to GDP, and strong economic growth (in macroeconomic performance), and in several peace & security dimensions; namely, counter-terrorism capacity, security sector reforms, and conflict mitigation or the vulnerability of the government toward conflict.

Economic reforms.

- (5) Trends in the MCP economic reform index show Vietnam making relatively good progress in economic reforms since 2003, though most the gains have been due to notable progress in trade liberalization (*Figures 8, 10-12*). In fact, since 2007, several economic reform dimensions have slightly regressed, including the business environment, regulatory quality, and government effectiveness or the quality and commitment of the government to make economic policy.
- (6) Progress in economic reforms ranges widely among the Lower Mekong Initiative countries with Thailand well out front, Laos, Burma, and Cambodia lagging considerably, and Vietnam somewhere in between (*Figures 11 and 14*).

Governing justly and democratically.

- (7) Advances in democracy and governance in Vietnam have been largely stagnant since at least 2000 (*Figures 15 and 16*). In fact of the five democracy aspects measured in the MCP governing justly and democratically index, only one component, civil liberties, has advanced in Vietnam since the early 2000s (*Figure 17*).
- (8) Vietnam ranks roughly in the middle of the Asian countries (12th out of 23 countries for which data are available) in terms of the magnitude of perceived corruption (*Figure 18*). However, most Asian countries fare poorly on this measure by global standards. Vietnam ranks 114 out of the global sample of 184 countries, and its score of 2.9 out of a possible 10 is much closer to North Korea's score of 1 (the country with the highest perceived corruption in the world) than to New Zealand's score of 9.5 (the country with the lowest perceived corruption in the world).

Macroeconomic performance.

- (9) Vietnam has maintained very high economic growth rates in recent years, and these high rates are projected to continue into 2013 and 2014 (*Figures 19 and 20*). Vietnam's economy has been

growing at an annual rate since 2008 of around 6%, very similar to what India has experienced for most of those years (with the exception of 2010 when India's economy expanded by almost 10%, *Figure 20*). Vietnam's economic expansion has been characterized by a steady pace, with little evidence of being adversely impacted by the global economic recession in 2008-2009.

- (10) *Table 9* shows Vietnam with one of the highest MCP macroeconomic performance scores in Asia, 4th out of 22 countries for which data are available. By this index, the largest macroeconomic performance gap in Vietnam is energy security, given its relatively high dependence on energy imports and low energy usage efficiency (*Table 10*). Vietnam's macroeconomic stability (as measured by inflation, external debt, and current account balance) is below Asian average (*Figure 7* and *Table 11*); its low score attributed largely to relatively high inflation.
- (11) Vietnam's export sector is performing very well (*Figure 7* and *Table 12*). The sector is relatively large; the economy quite outward-oriented. Vietnam's export share of GDP is 81%; the Asian average is 64%. Manufactured exports constitute 65% of total exports in Vietnam; the Asian average is 63%. Vietnam lags some on the magnitude of high-tech exports; such exports constitute only 3% of total exports in Vietnam. In China, they constitute 26% and in Thailand, 18%.

Investing in people.

- (12) Vietnam's investing in people score according to the MCP index is slightly above Asian average; Vietnam ranks 10th out of 21 Asian countries for which data are available (*Table 7*).
- (13) As elsewhere in much of Asia, some basic health trends continue to improve in Vietnam. Under-five mortality rates continue to fall (*Figures 21* and *22*) and life expectancy rates continue to rise (*Figures 23* and *24*). Life expectancy in Vietnam is 75 years, notably higher than the Asian average of 71 years.
- (14) *Figures 25-28* highlight some significant disparities within Vietnam, in terms of poverty rates and education enrollment rates. Poverty rates vary widely between urban and rural areas in Vietnam: in 2008, poverty in rural areas was around 18%; in urban areas, closer to 3%. Poverty among the Kinh majority is much lower than poverty among other ethnic groups, less than 15% vs. 50%, respectively. Poverty across geographic areas ranged from 45% in the Northwest to 3% in the Southeast in 2008. However, poverty rates fell significantly across Vietnam from 2002 to 2008, nationwide, from by roughly half, from almost 30% in 2002 to 15% in 2008. The most substantial declines in poverty occurred in the rural areas (*Figure 25*), and most notably in the Central Highlands (*Figure 26*).
- (15) Primary enrollment rates are uniformly high (with gross enrollment rates exceeding 100%) (*Figures 27* and *28*). This is consistent with a high literacy rate of 93%, well above the Asian average of 84% (*Table 6b*). The nation's lower secondary enrollment rate is around 95%; only two regions in Vietnam have this enrollment rate below 90%, the Central Highlands and the Mekong River Delta. Upper secondary enrollment rates are much lower, around 73% nationwide. The urban-rural disparity in upper secondary enrollment rates is large; 87% in the urban areas vs. 70% in the rural areas. Of the geographic regions, the Mekong River Delta lags

the most, less than 60% enrollment rate. Ethnic groups other than the Kinh/Hoa lag even more in upper secondary enrollment rates; less than 50%.

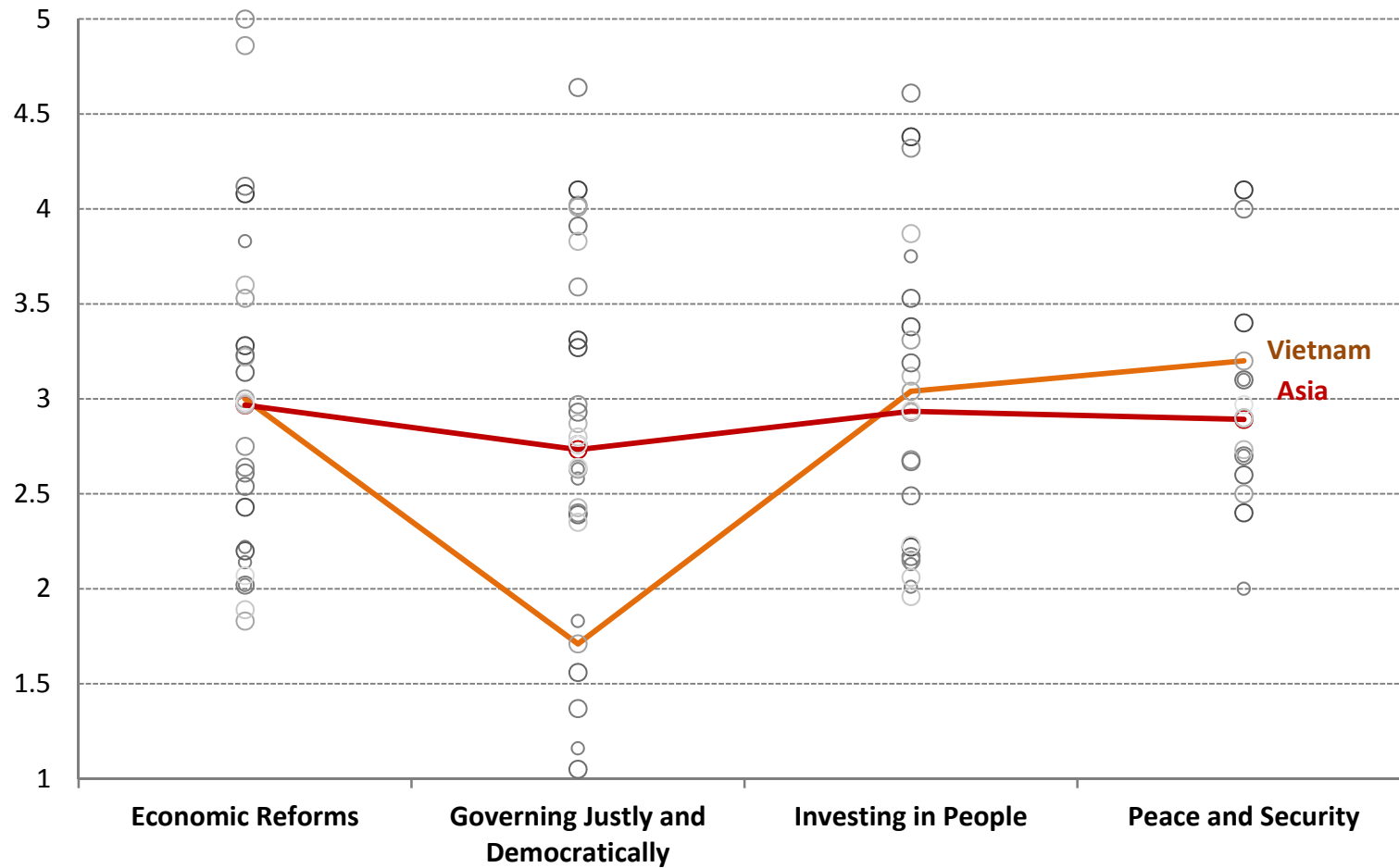
(16) *Figures 29-32* were developed for another application, to provide analysis for the Bureau for Food Security's Feed the Future Program and towards its efforts to measure food security. The level of food security in Vietnam, Peru, and Brazil is being considered as a "target" for the twenty Feed the Future focus countries, i.e., as countries which have been relatively successful in becoming food secure. The data of *Figures 29-32* provide some support for this consideration. Compared to standards of the twenty Feed the Future focus countries (which are included in the charts), Vietnam is characterized by relatively low (and declining) hunger, relatively low poverty, and with a relatively significant capacity to address hunger and poverty through a favorable rural sector enabling environment.



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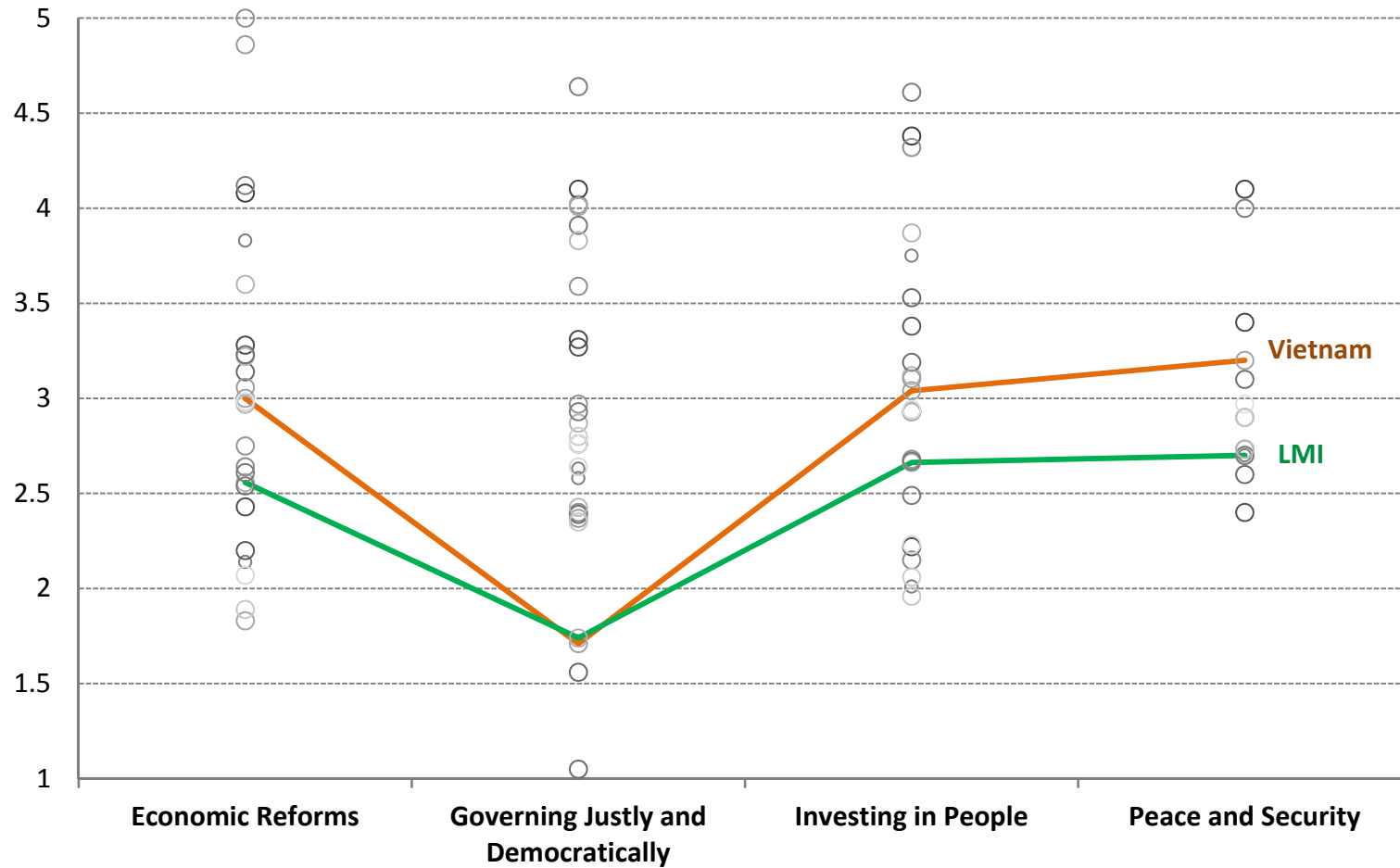
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Figure 1: The Development Profile of Vietnam vs. Asia



USAID/E&E, Monitoring Country Progress (MCP) Global (<http://bit.ly/usaidmcp>). Asia refers to 25 countries; they are listed in the appendix. See appendix for construction and sources of the MCP indices.

Figure 2: Development Profile of Vietnam vs. the Lower Mekong Initiative (LMI) Countries



USAID/E&E, MCP Global. The Lower Mekong Initiative (LMI) countries are Burma, Cambodia, Laos, Thailand, and Vietnam.

Figure 3: Investing in People and Economic Reforms in Asia in 2011

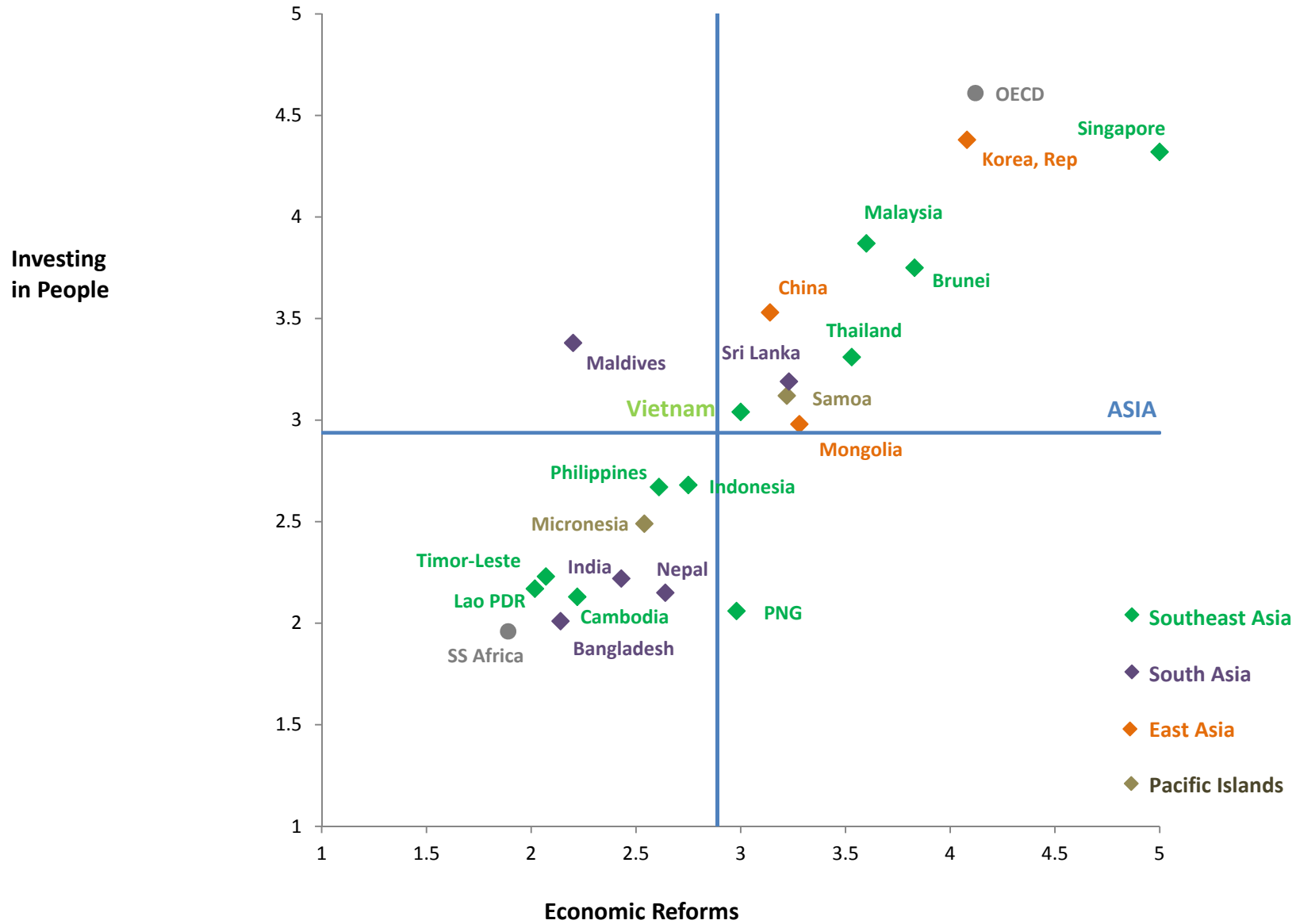


Figure 4: Peace & Security and Economic Reforms in Asia in 2011

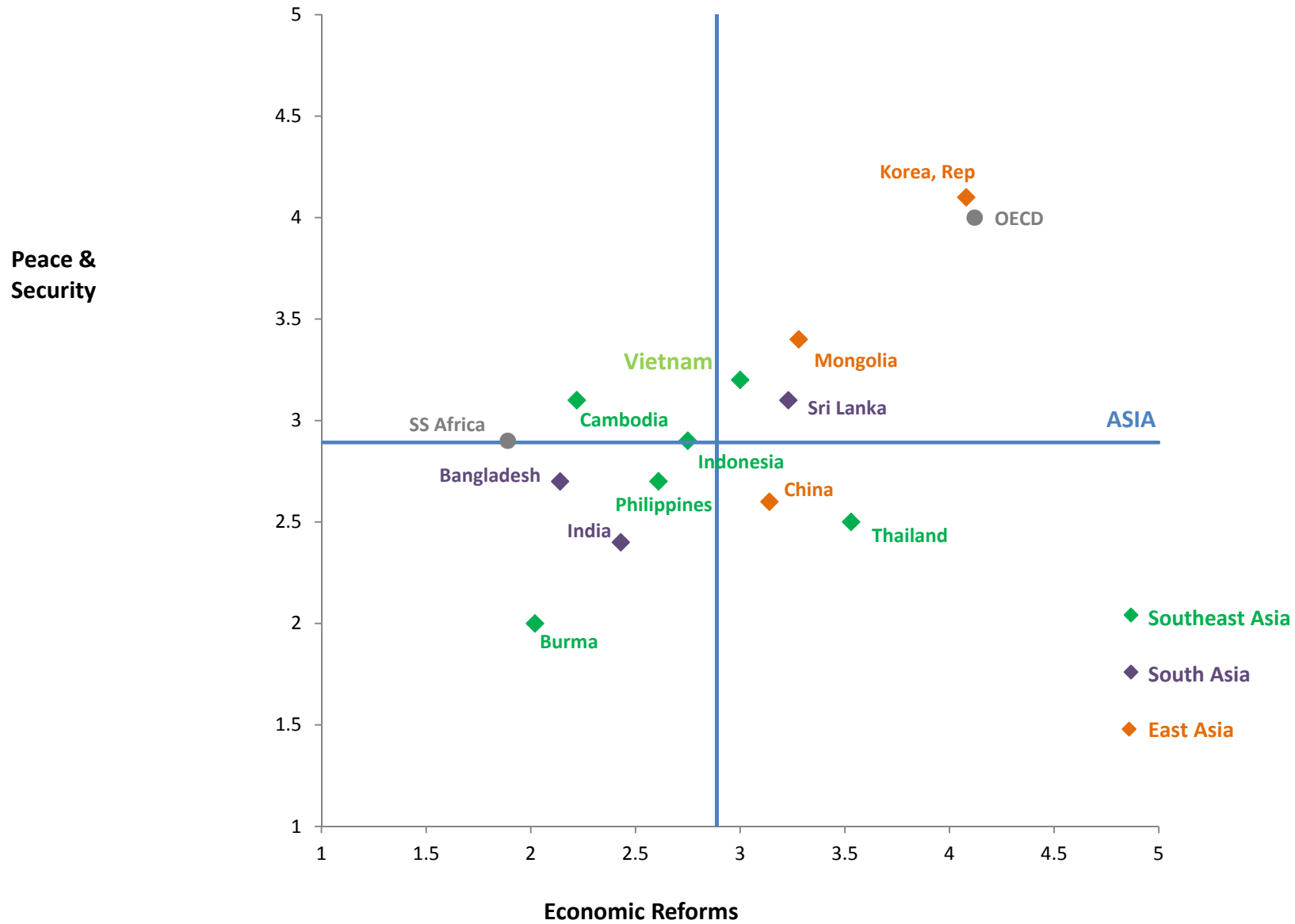


Figure 5: Economic Reforms and Governing Justly & Democratically in Asia in 2011

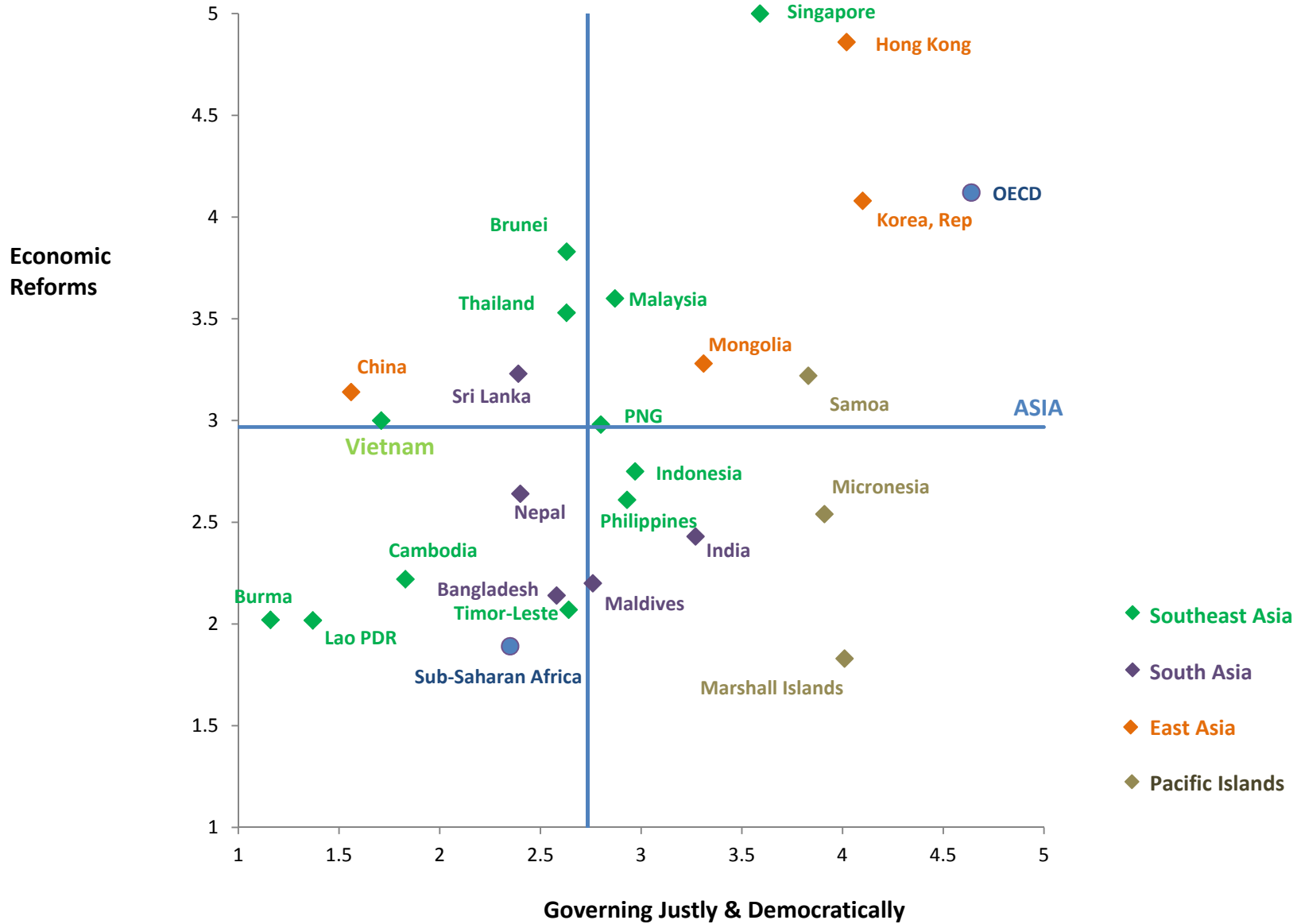
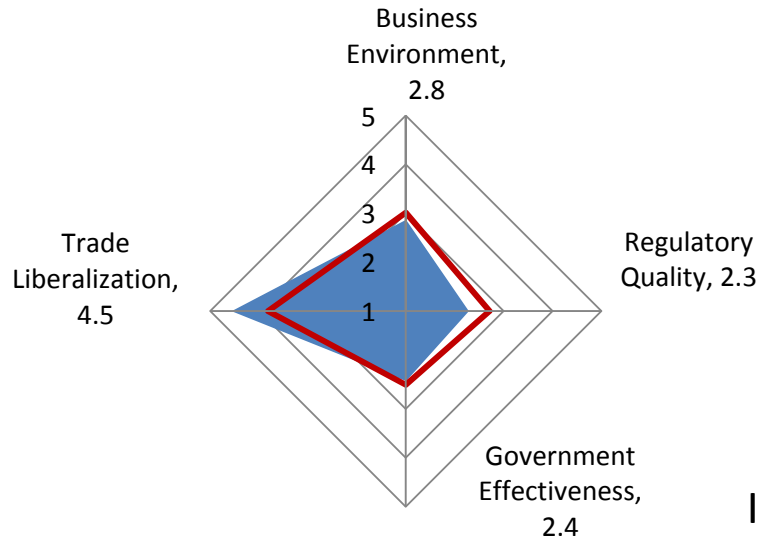
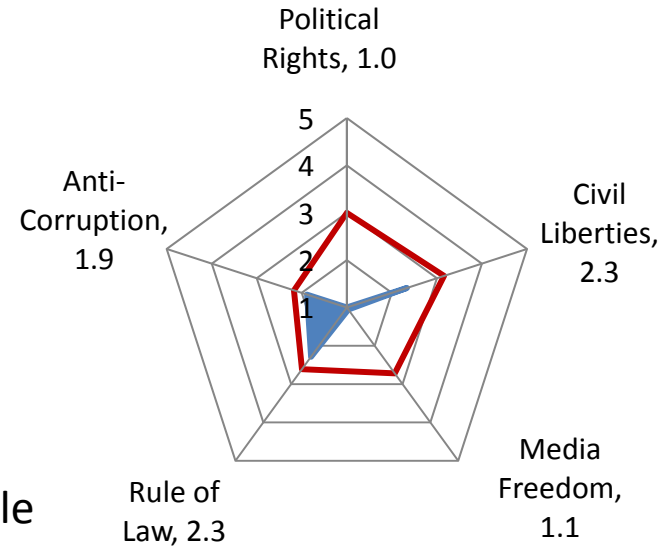


Figure 6: Vietnam vs. Asia

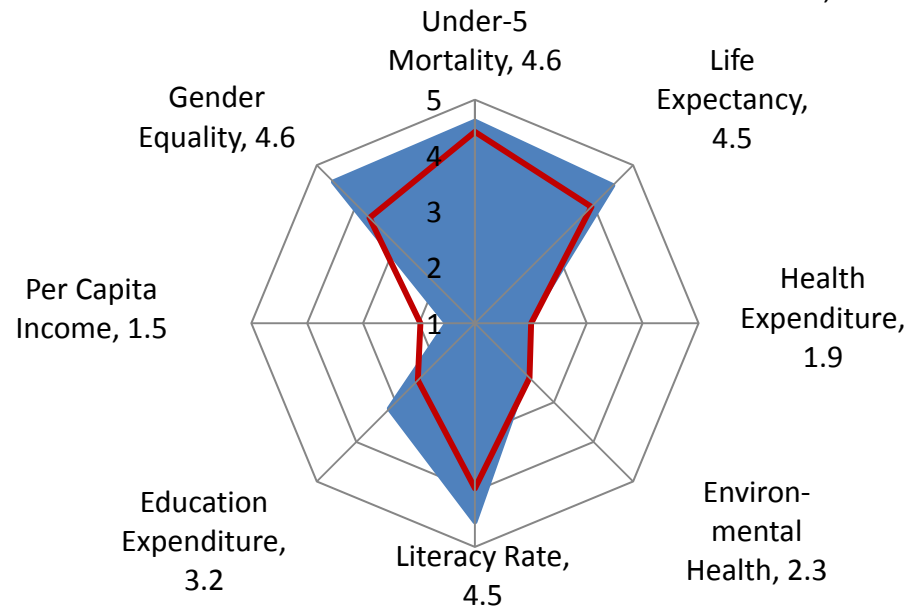
Economic reforms



Governing justly and democratically



Investing in people

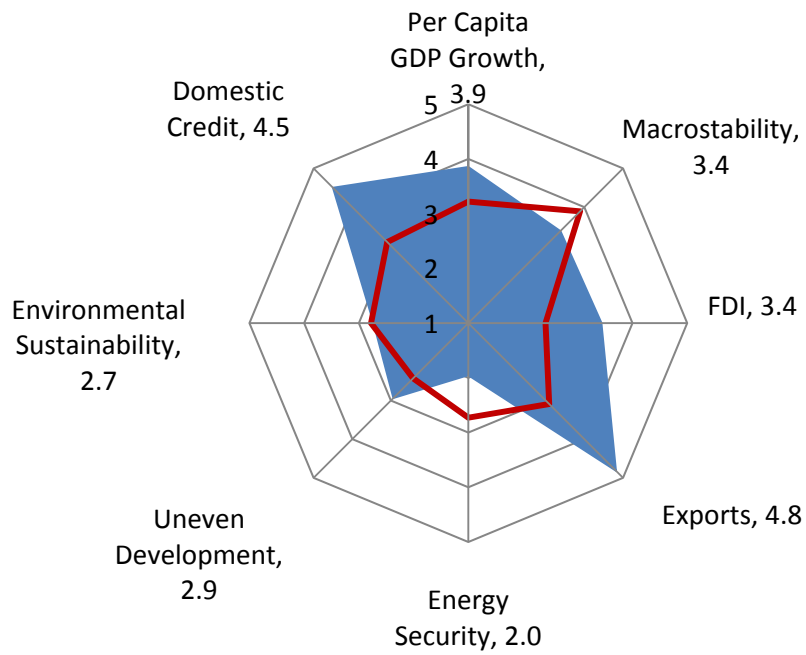


□ Asia average

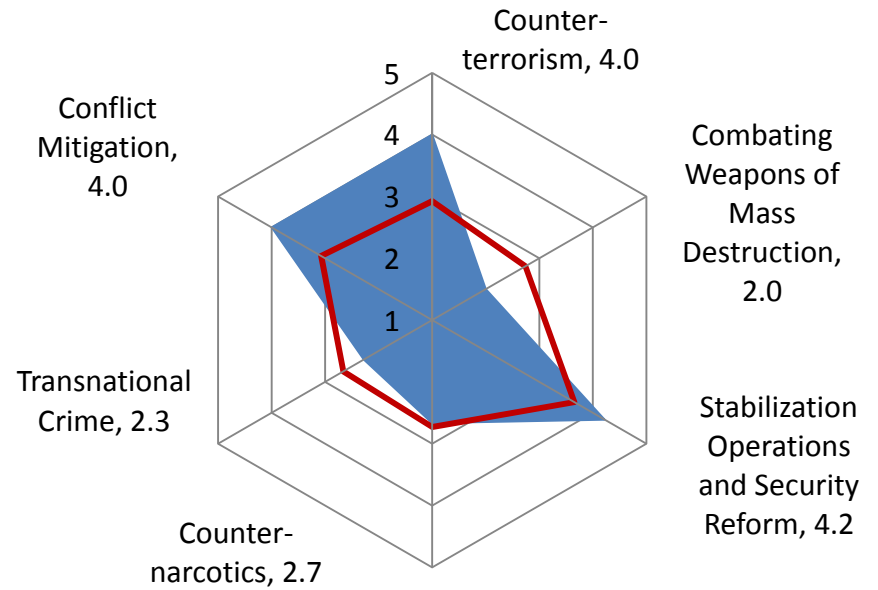
USAID/E&E, MCP Global. The blue shaded area represents Vietnam's progress.

Figure 7: Vietnam vs. Asia

Economic performance



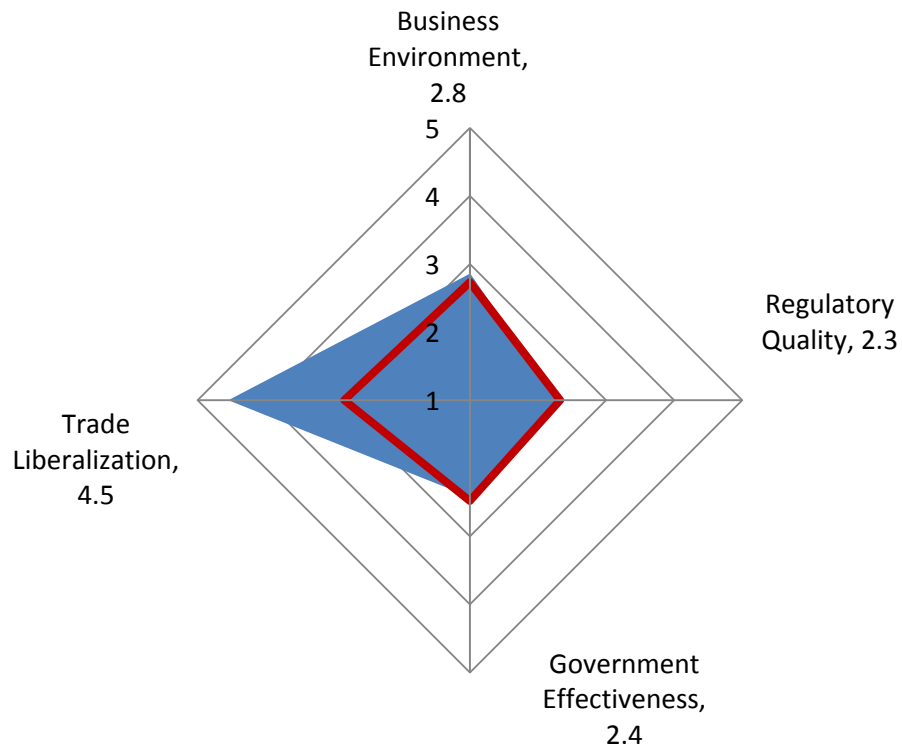
Peace and Security



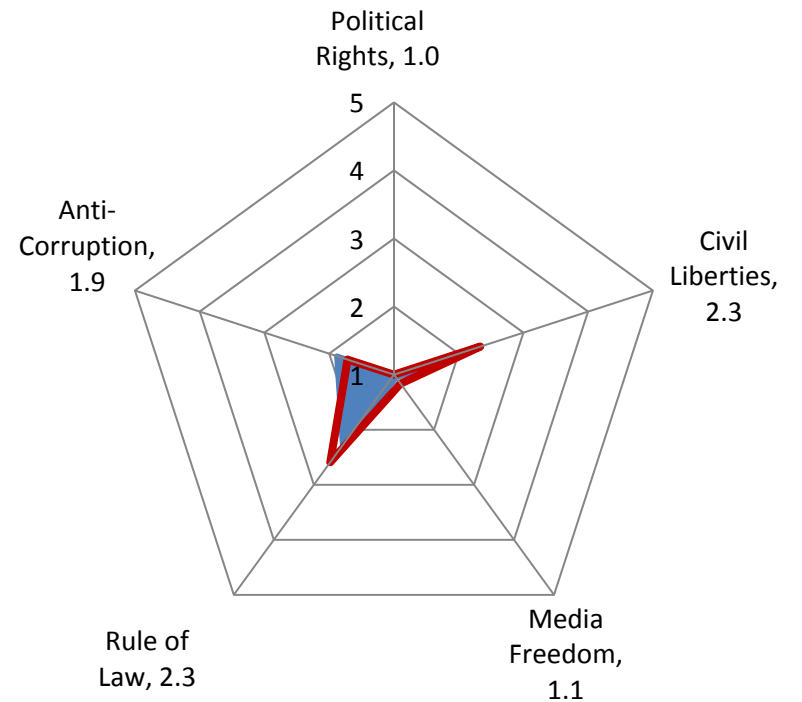
□ Asia average

Figure 8: Vietnam's Progress 2005 vs. 2011

Economic reforms



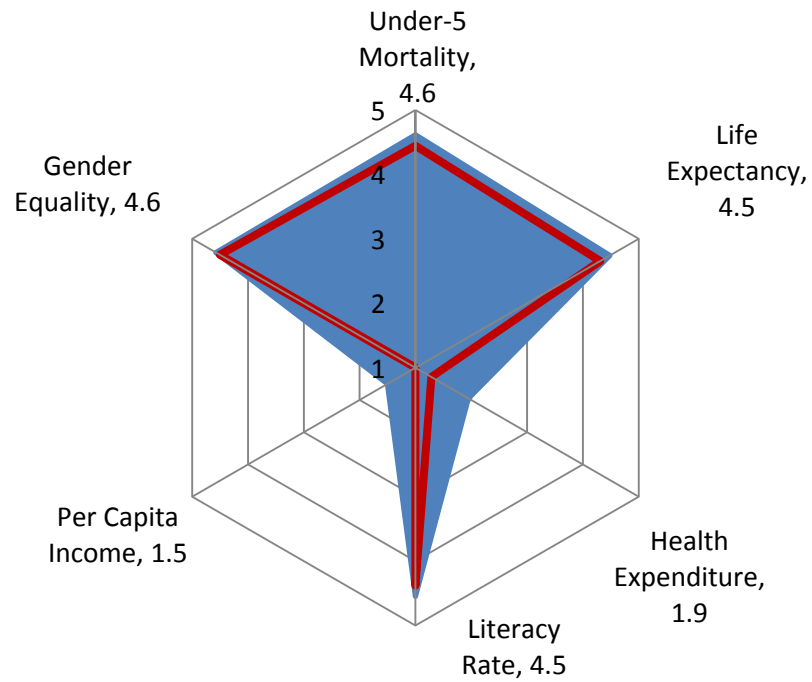
Governing justly and democratically



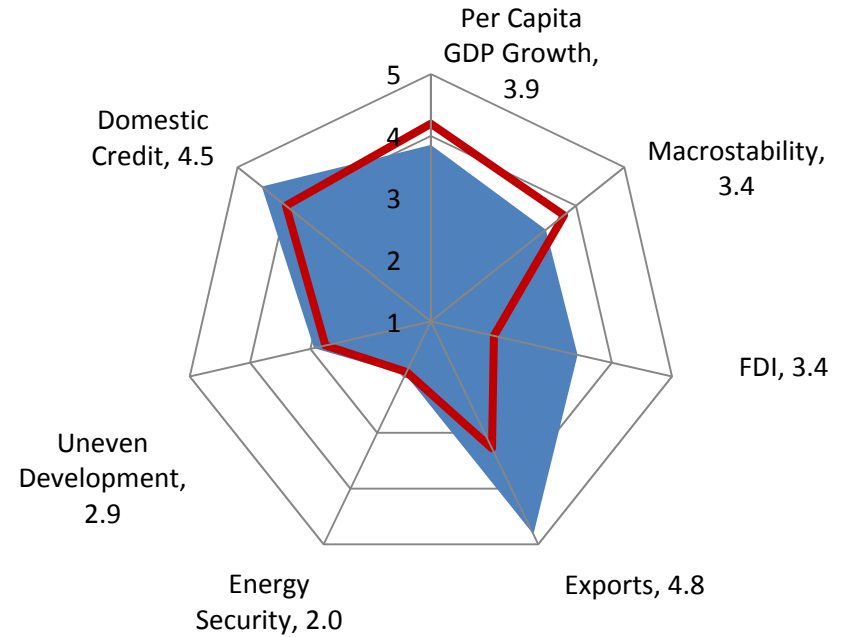
□ Vietnam 2005

Figure 9: Vietnam's Progress 2004-2005 vs. 2010-2011

Investing in people



Economic performance



□ Vietnam 2004-2005

Figure 10

Economic Reforms in Asia from 2000-2011

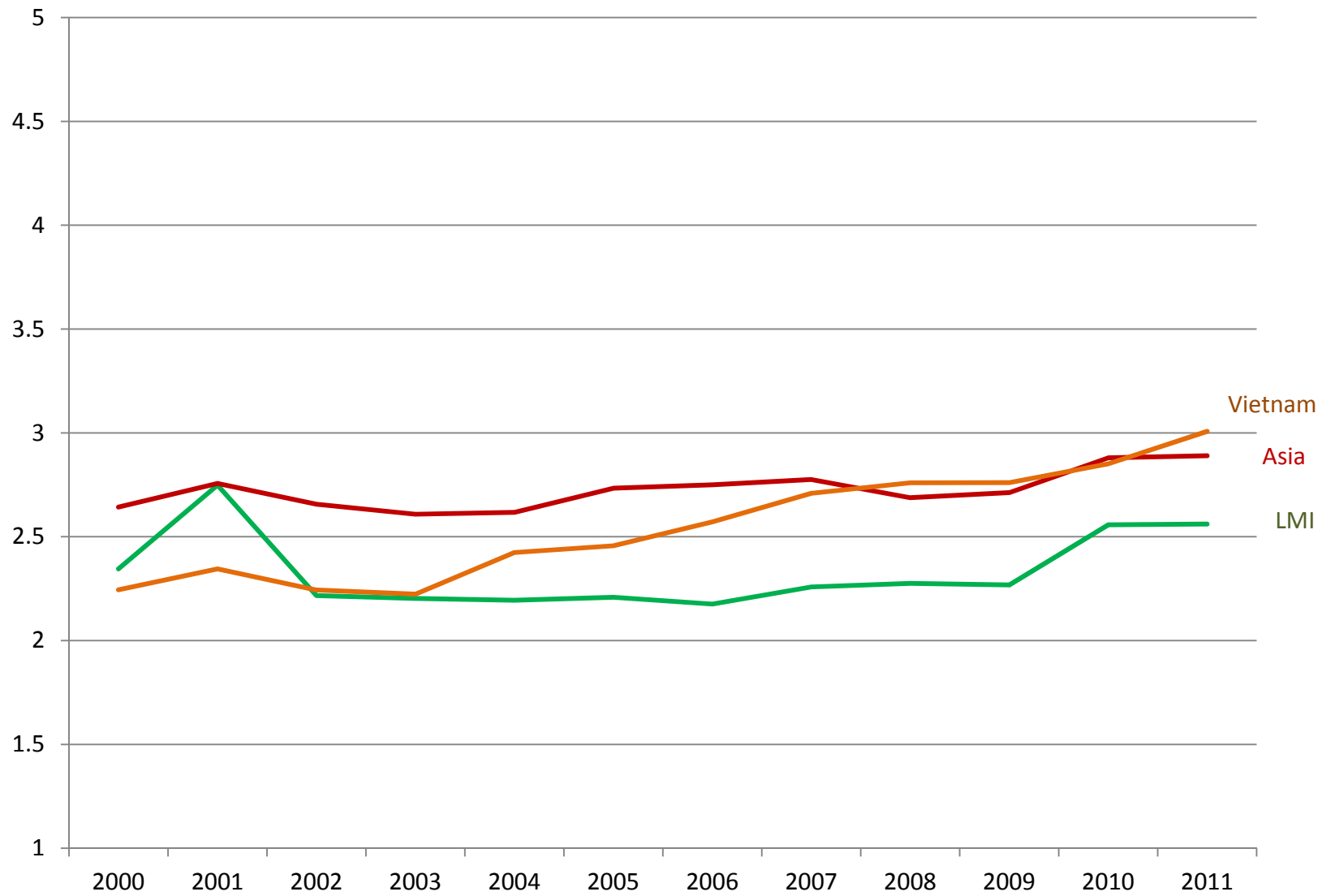


Figure 11

Economic Reforms in LMI Countries

2000-2011

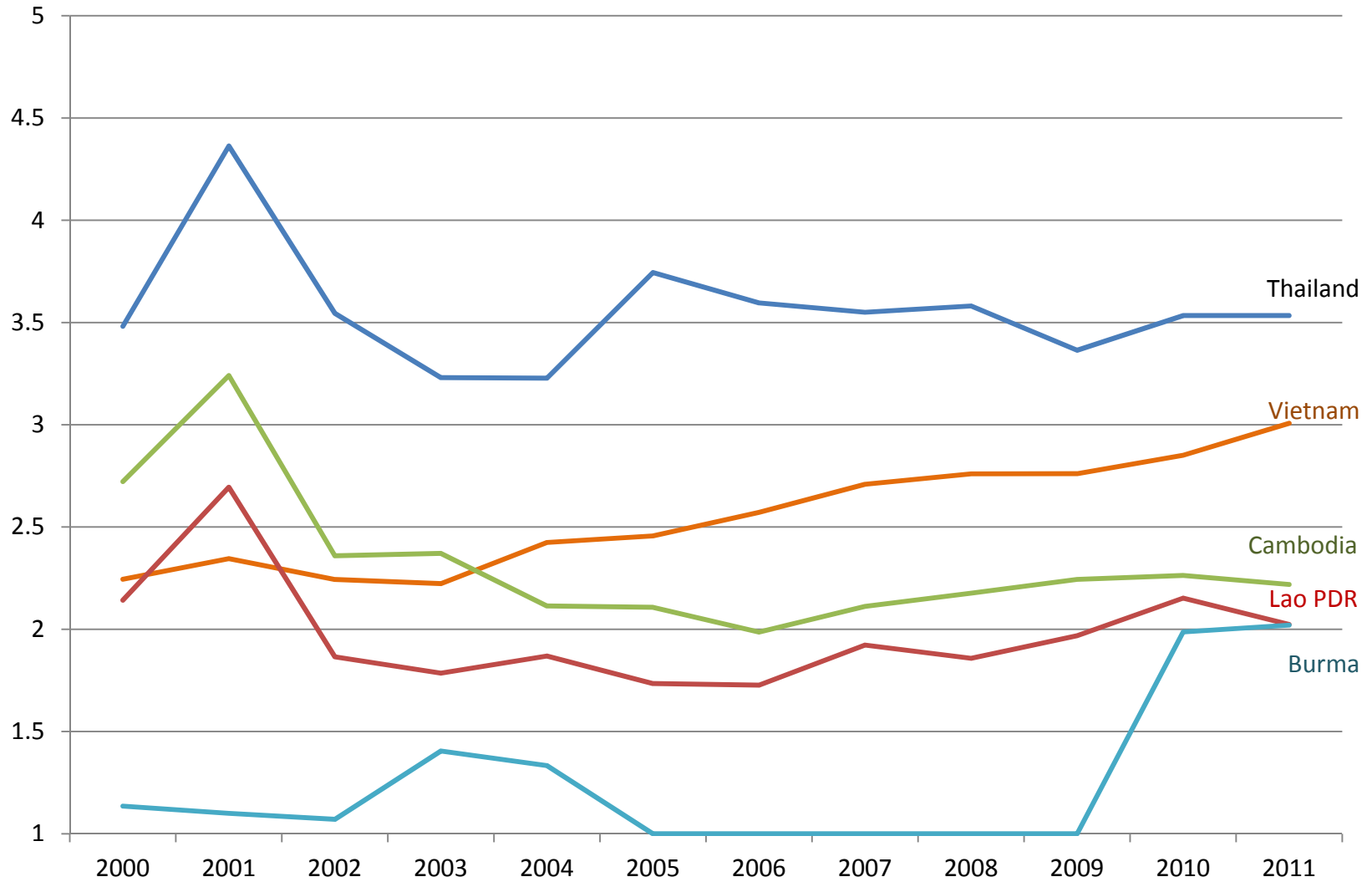


Figure 12

Economic Reforms in Vietnam from 2002-2011

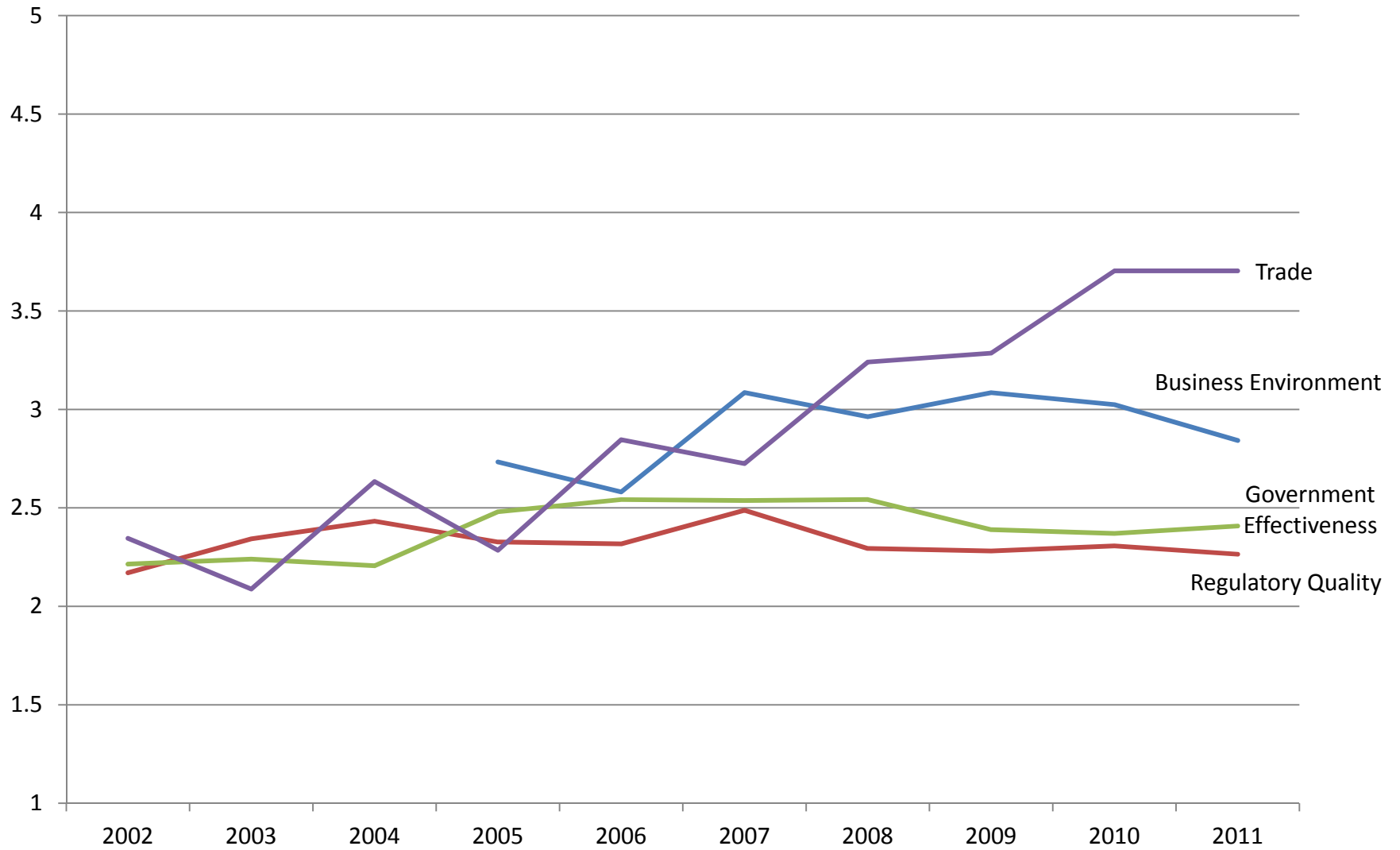


Figure 13

Business Environment in Asia from 2005-2011

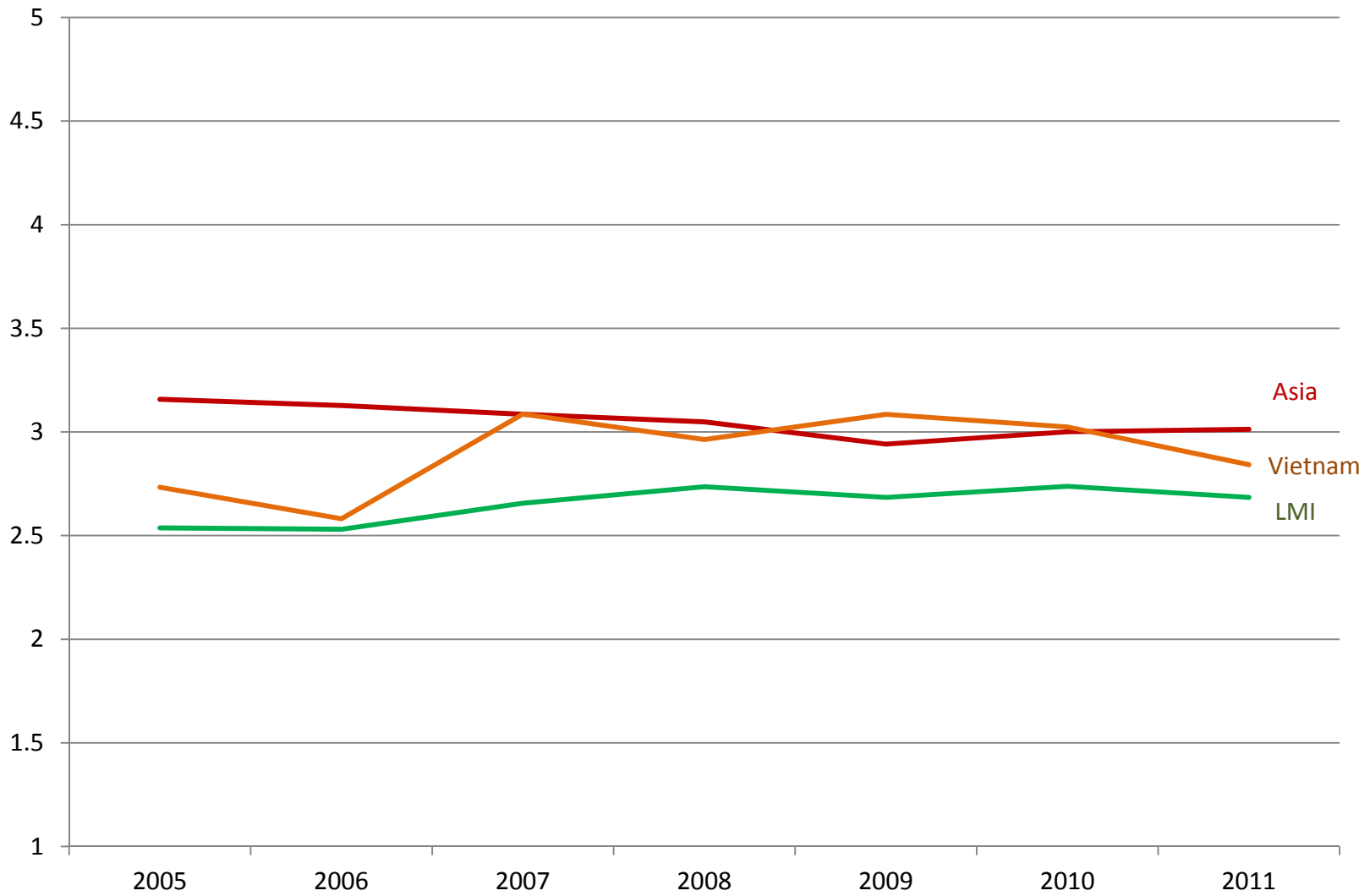


Figure 14

Business Environment in LMI countries from 2005-2011

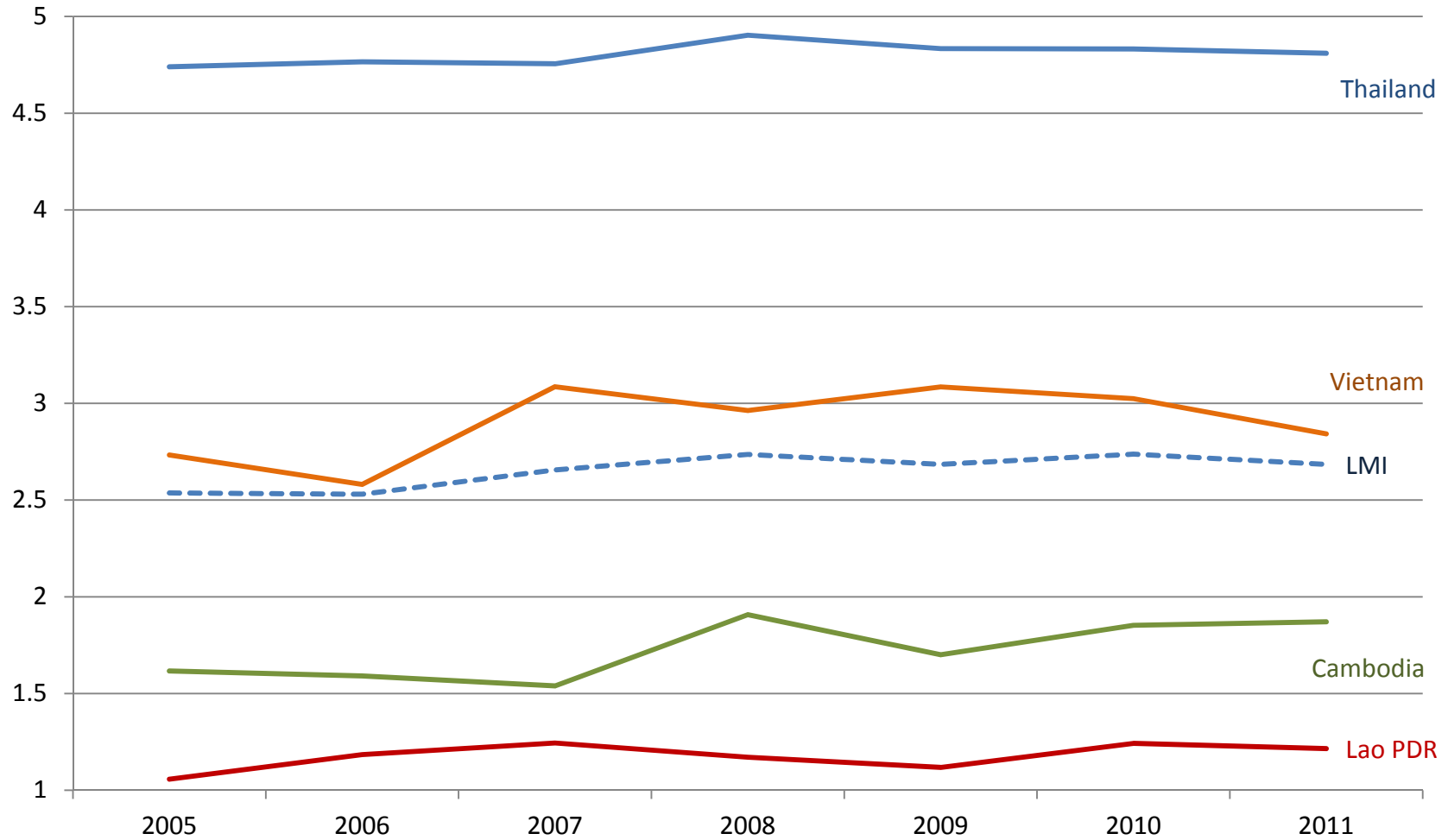


Figure 15

Governing Justly & Democratically in Asia from 2000-2011

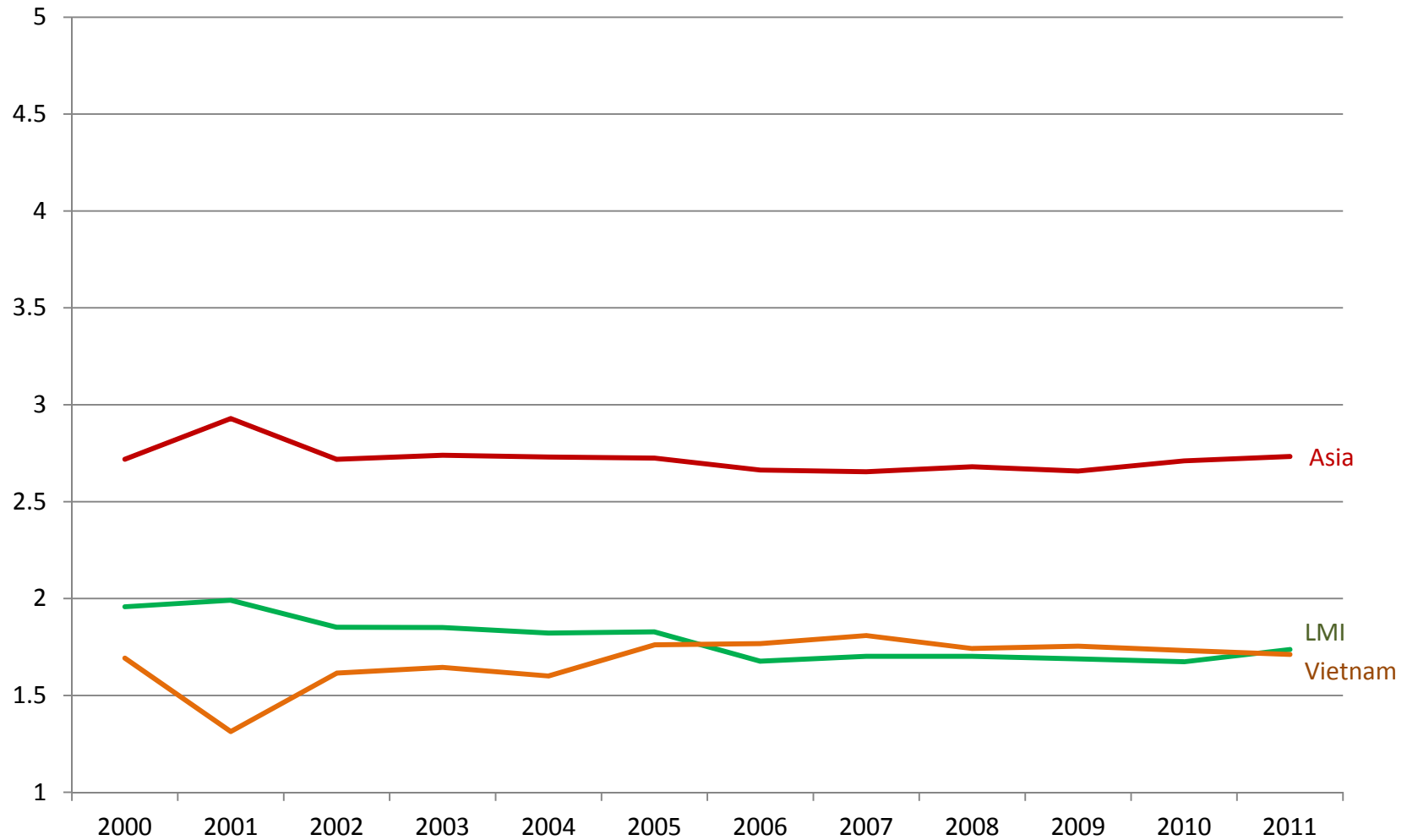


Figure 16

Governing Justly & Democratically in LMI Countries from 2000-2011

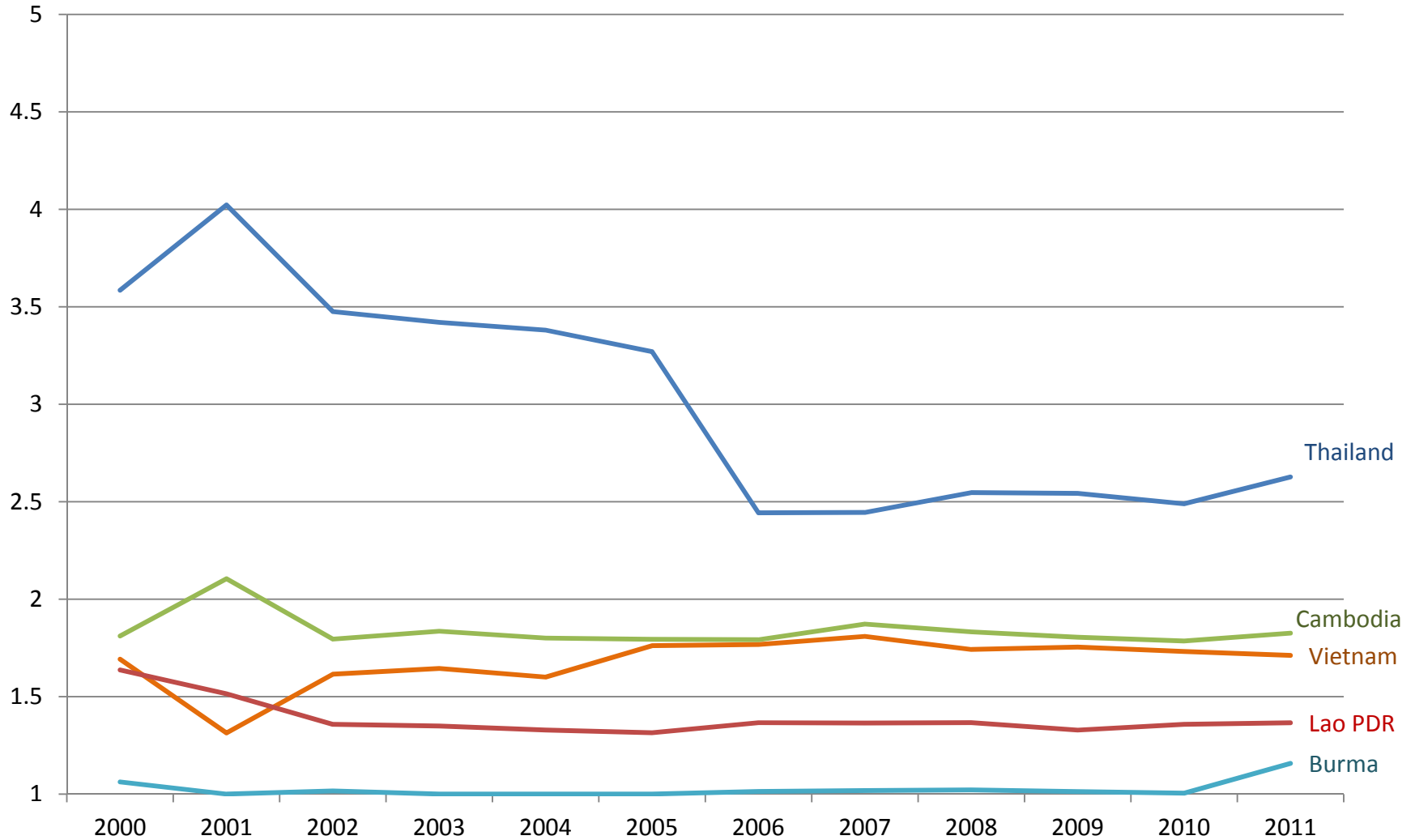


Figure 17

Governing Justly & Democratically in Vietnam from 2000-2011

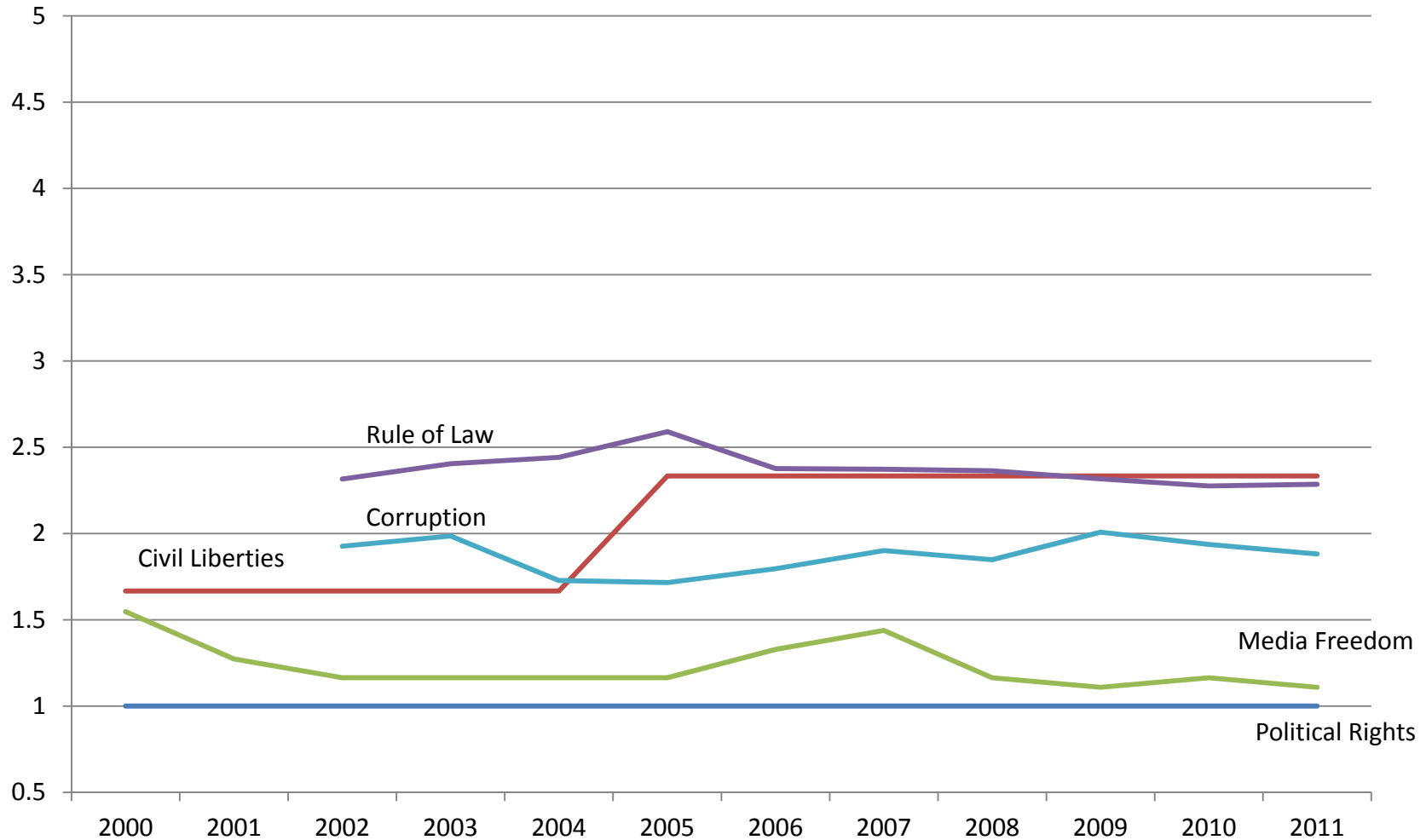
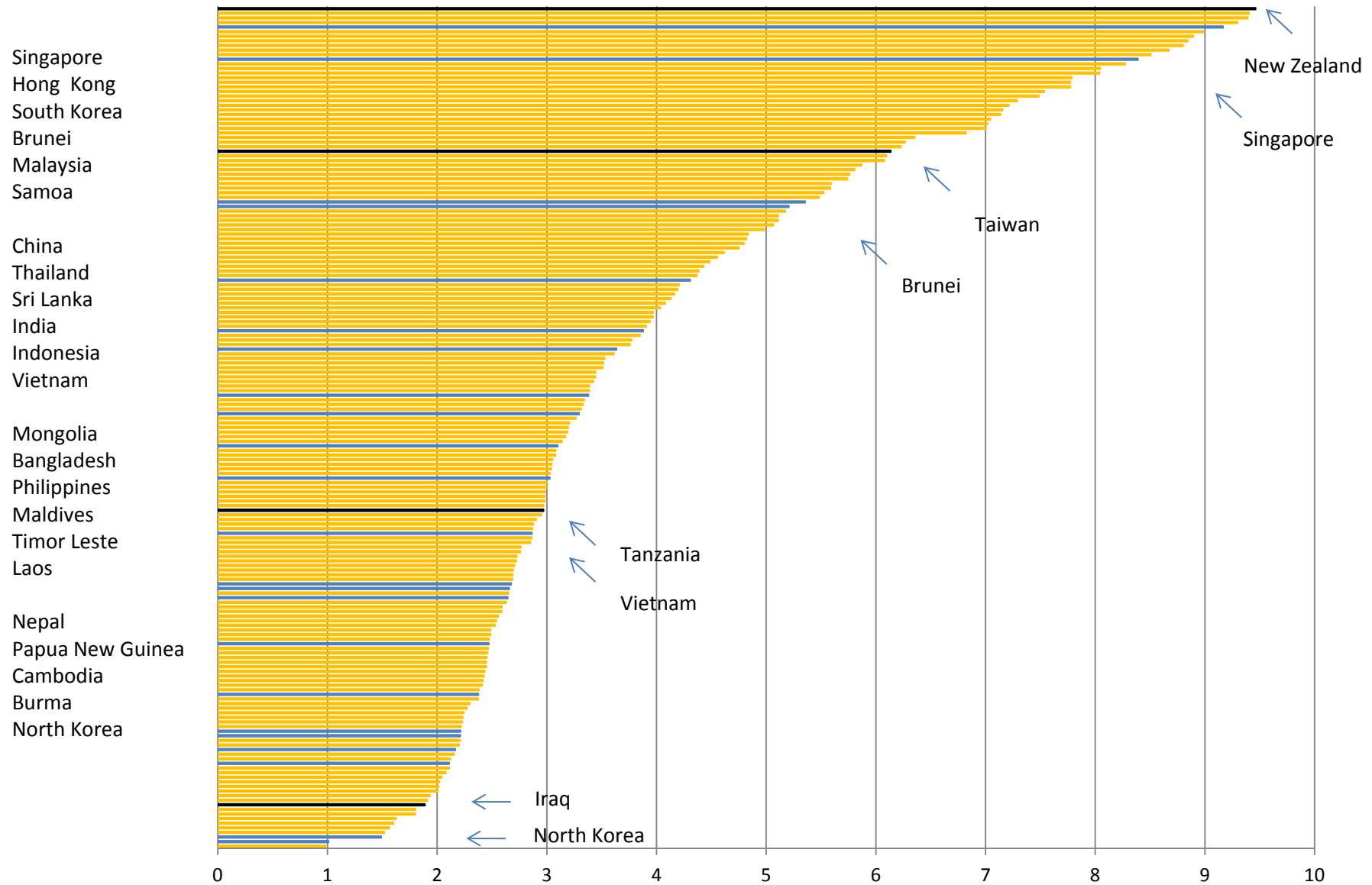


Figure 18

Corruption Perceptions Index



Transparency International, *Corruption Perceptions Index*, 2011. Scores are based from 0 (highly corrupt) to 10 (very clean).

Figure 19

Real GDP Growth

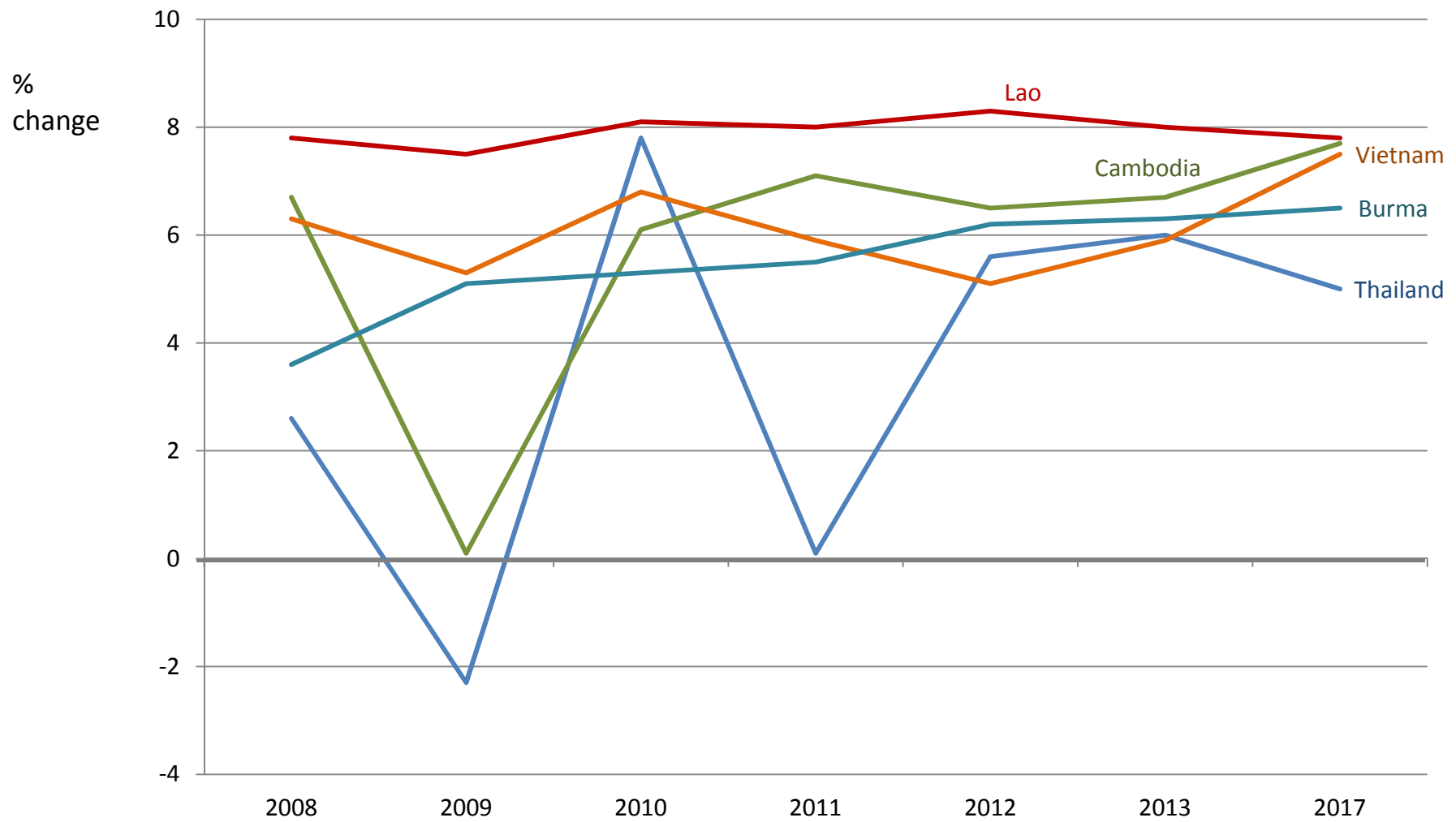


Figure 20

Real GDP Growth

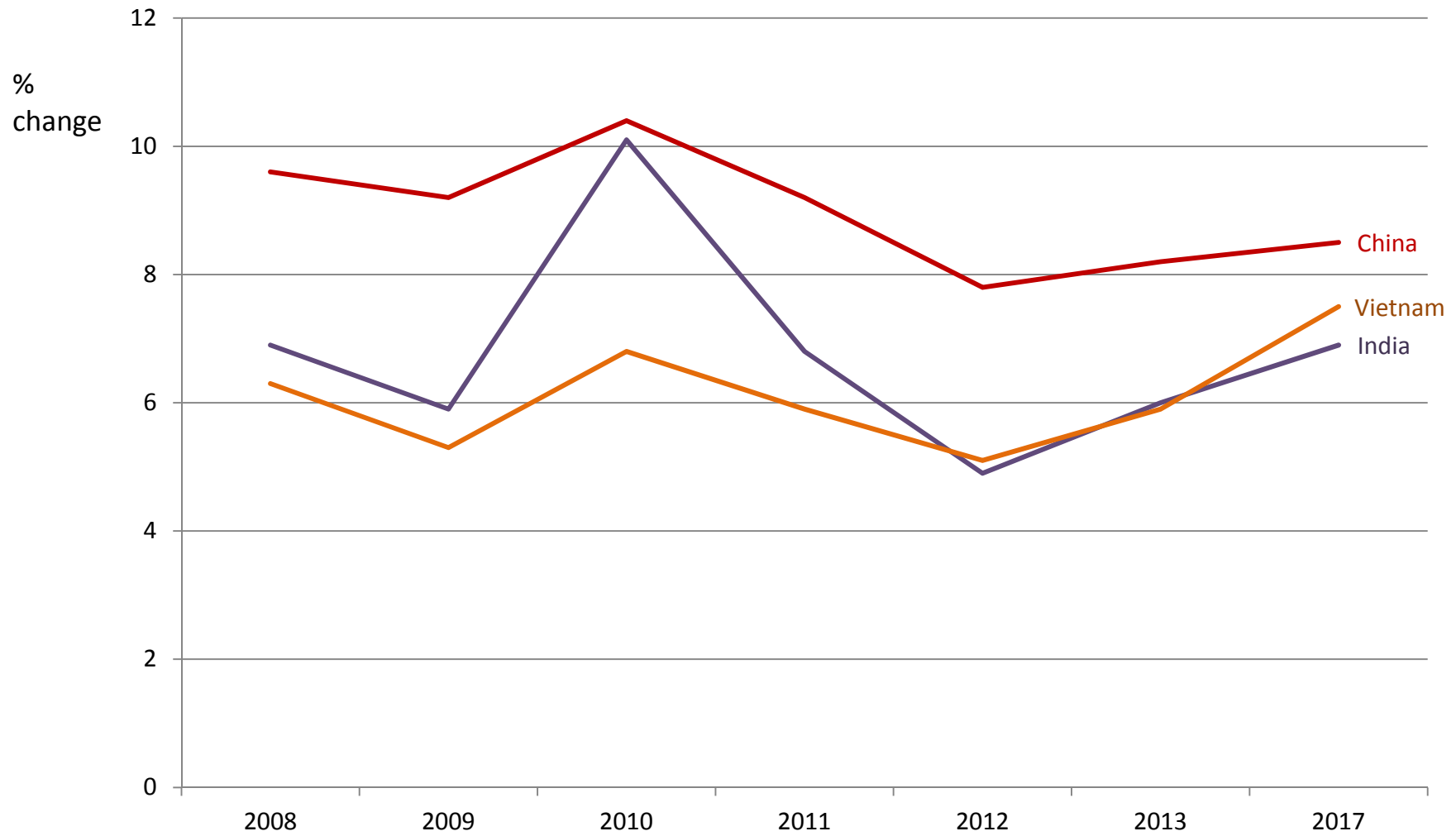


Figure 21

Under-5 Mortality

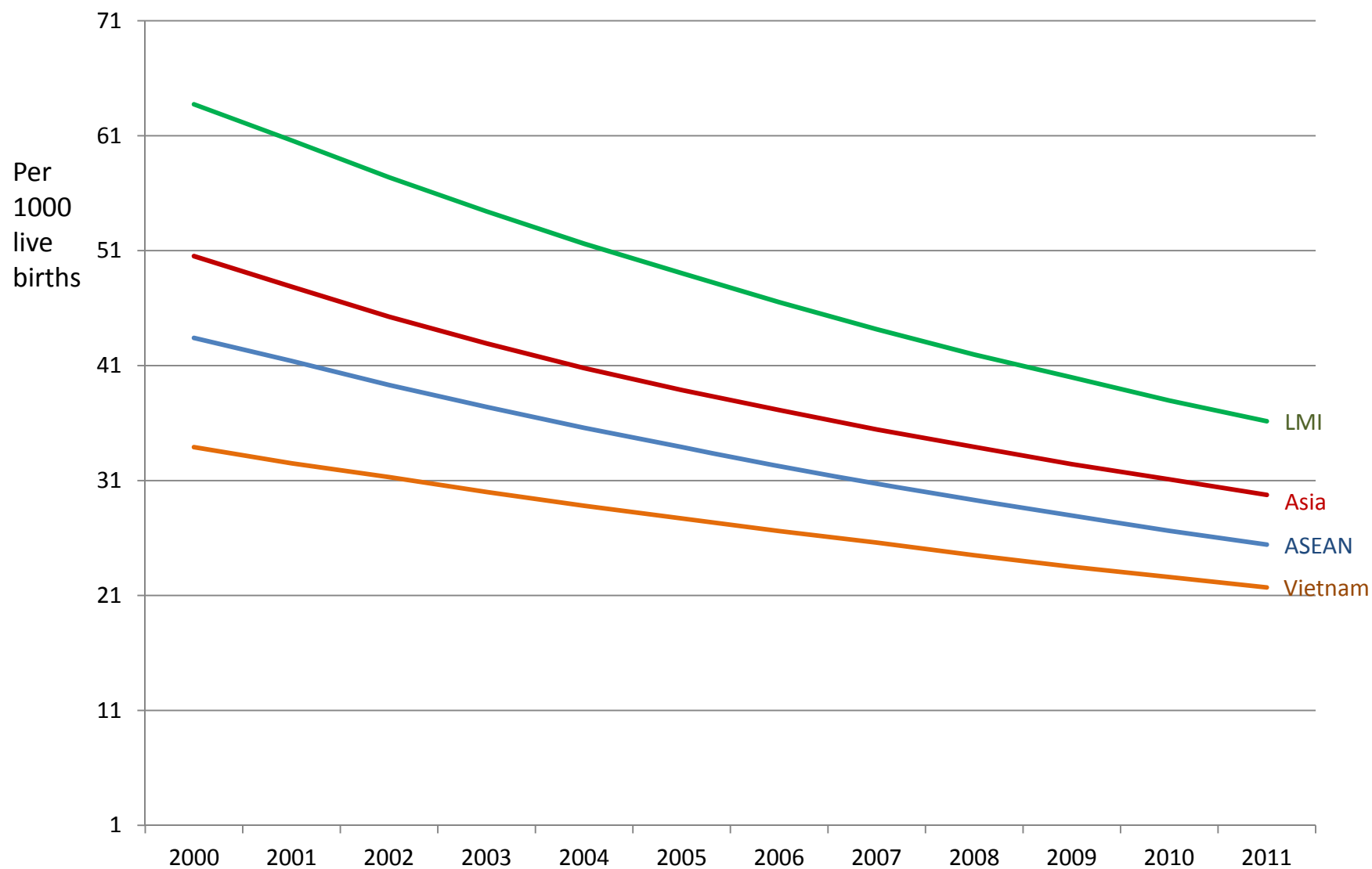


Figure 22

Under-5 Mortality

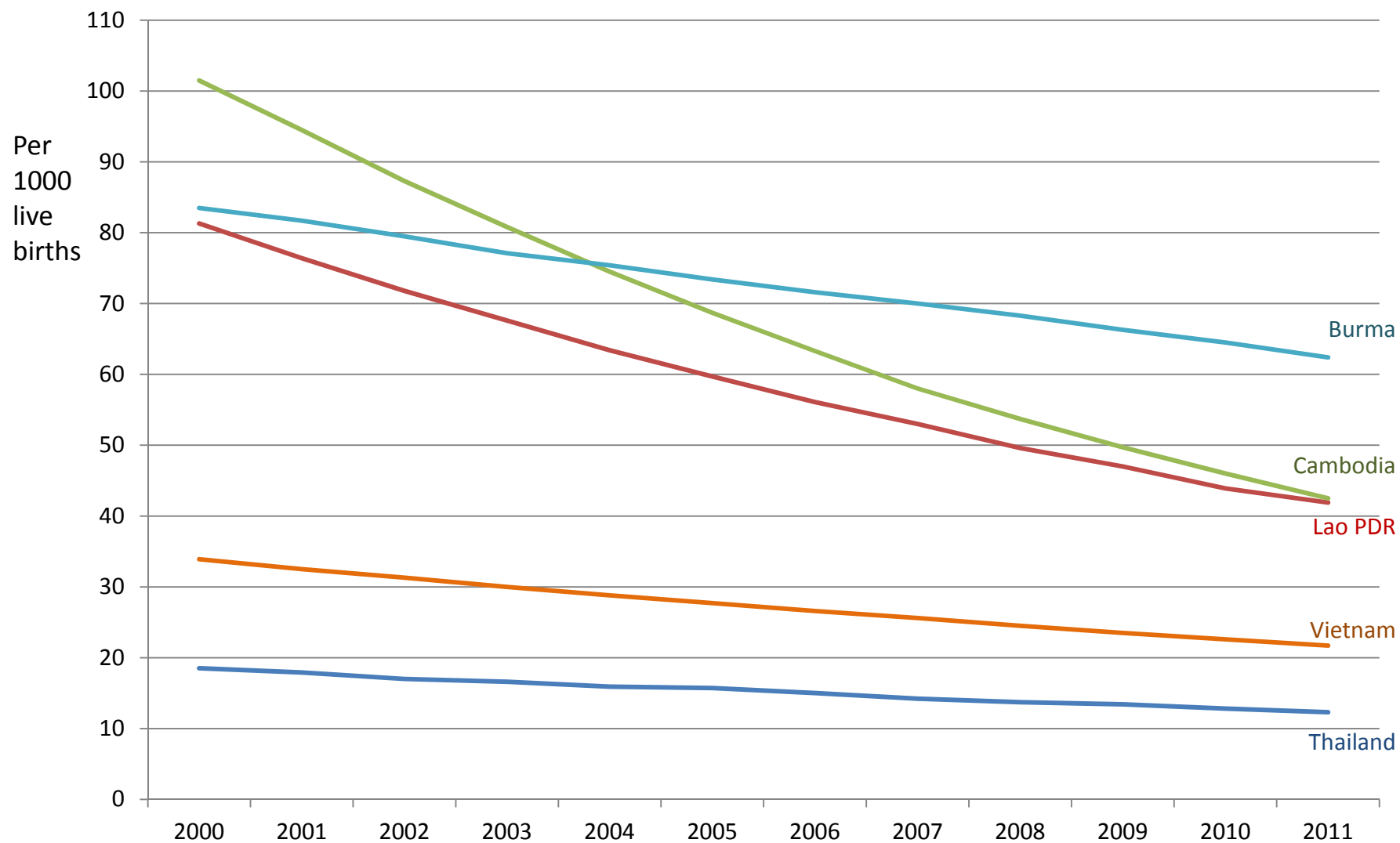


Figure 23

Life Expectancy

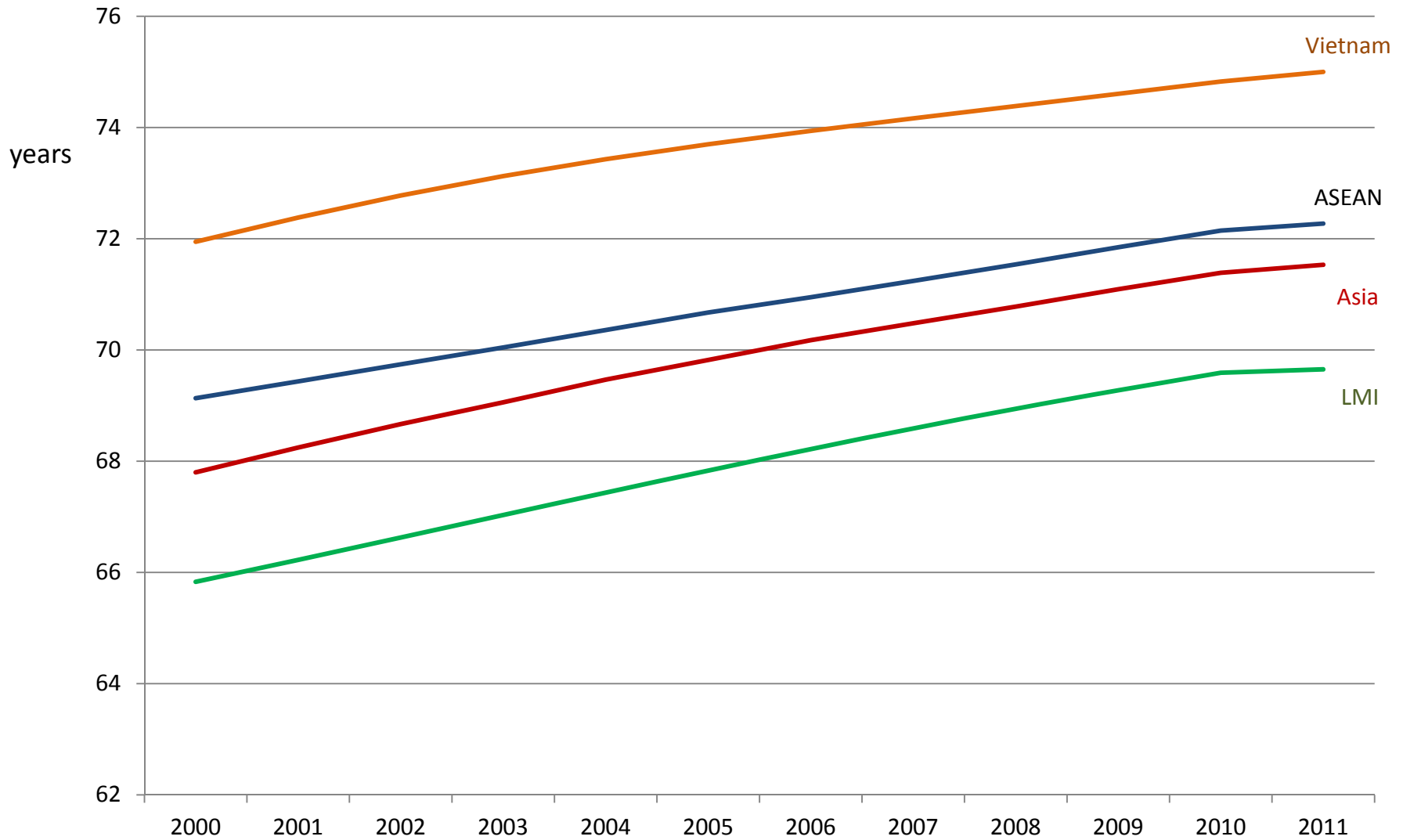


Figure 24

Life Expectancy

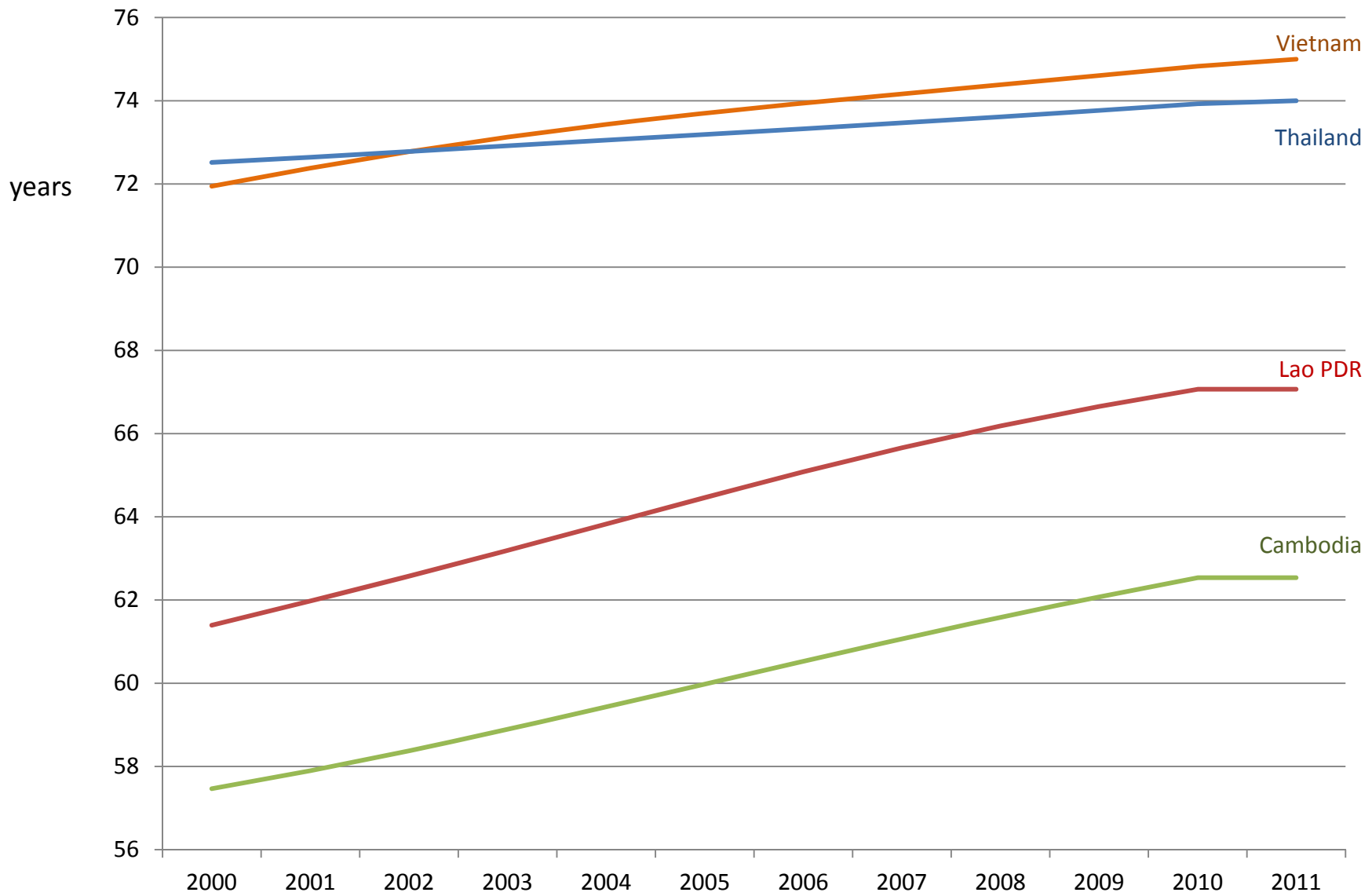


Figure 25

Poverty Rates in Vietnam

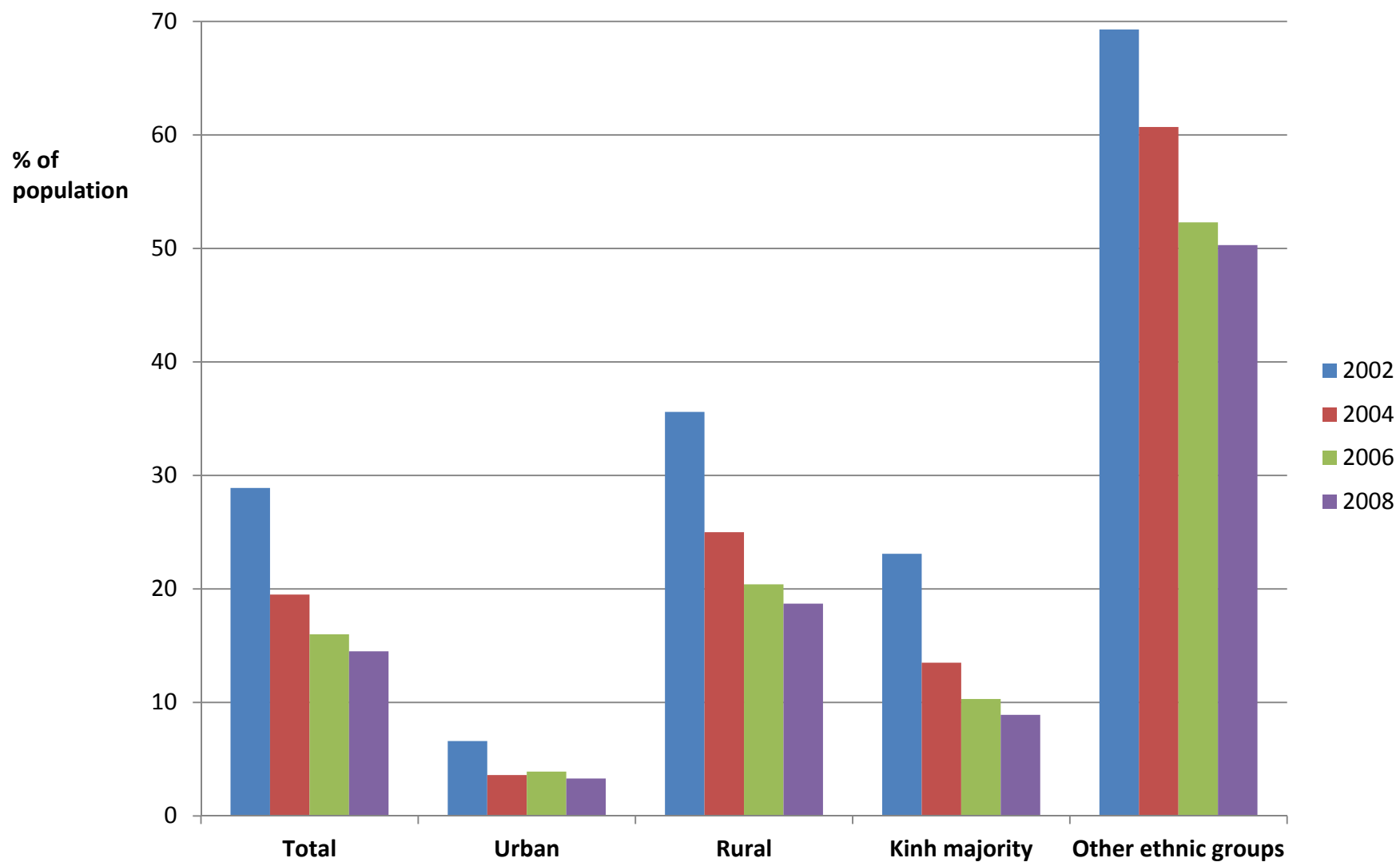


Figure 26

Poverty Rates by Geographical Region in Vietnam

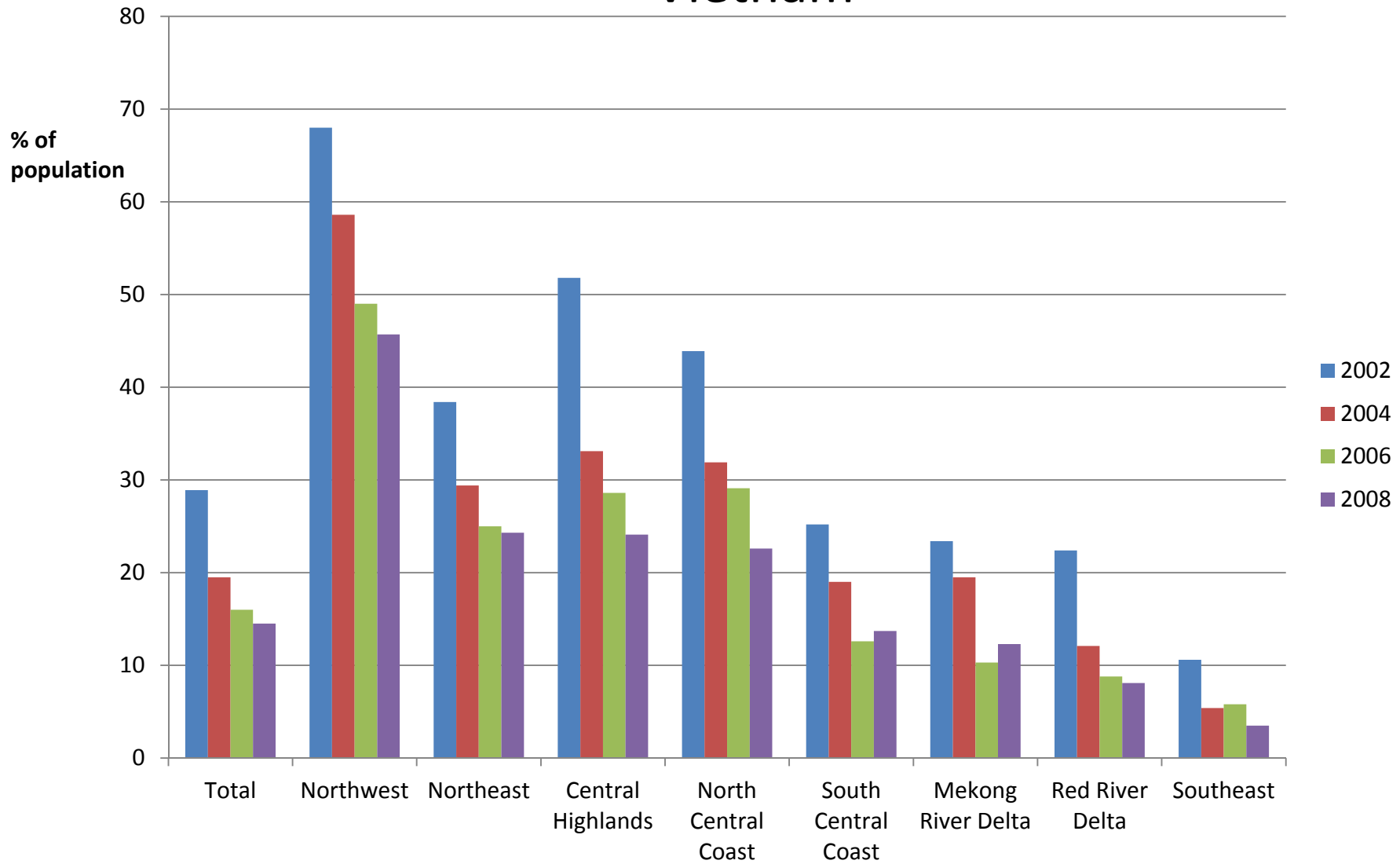


Figure 27

Gross Enrollment Ratios in Vietnam

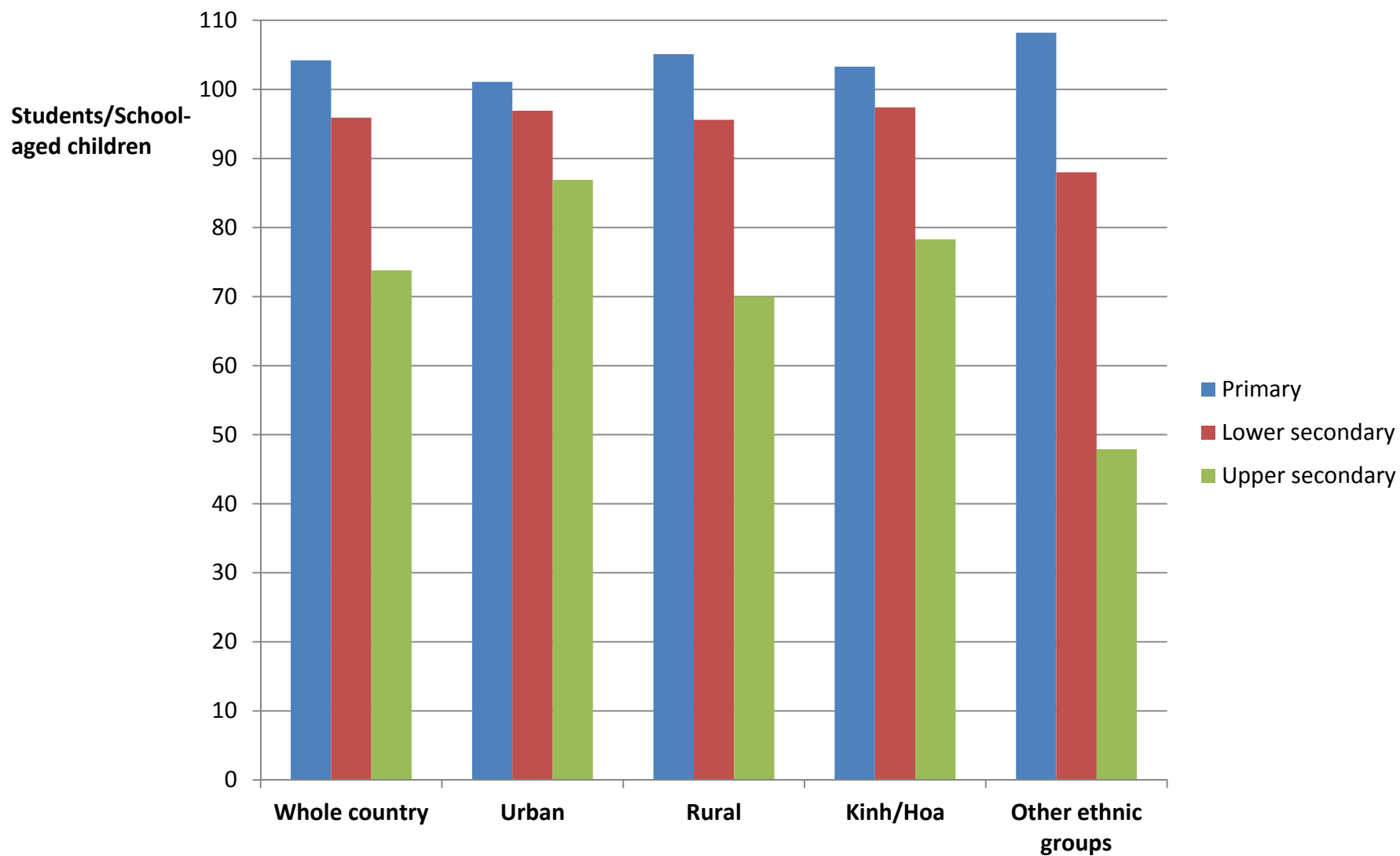


Figure 28

Gross Enrollment Ratios by Geographical Region in Vietnam

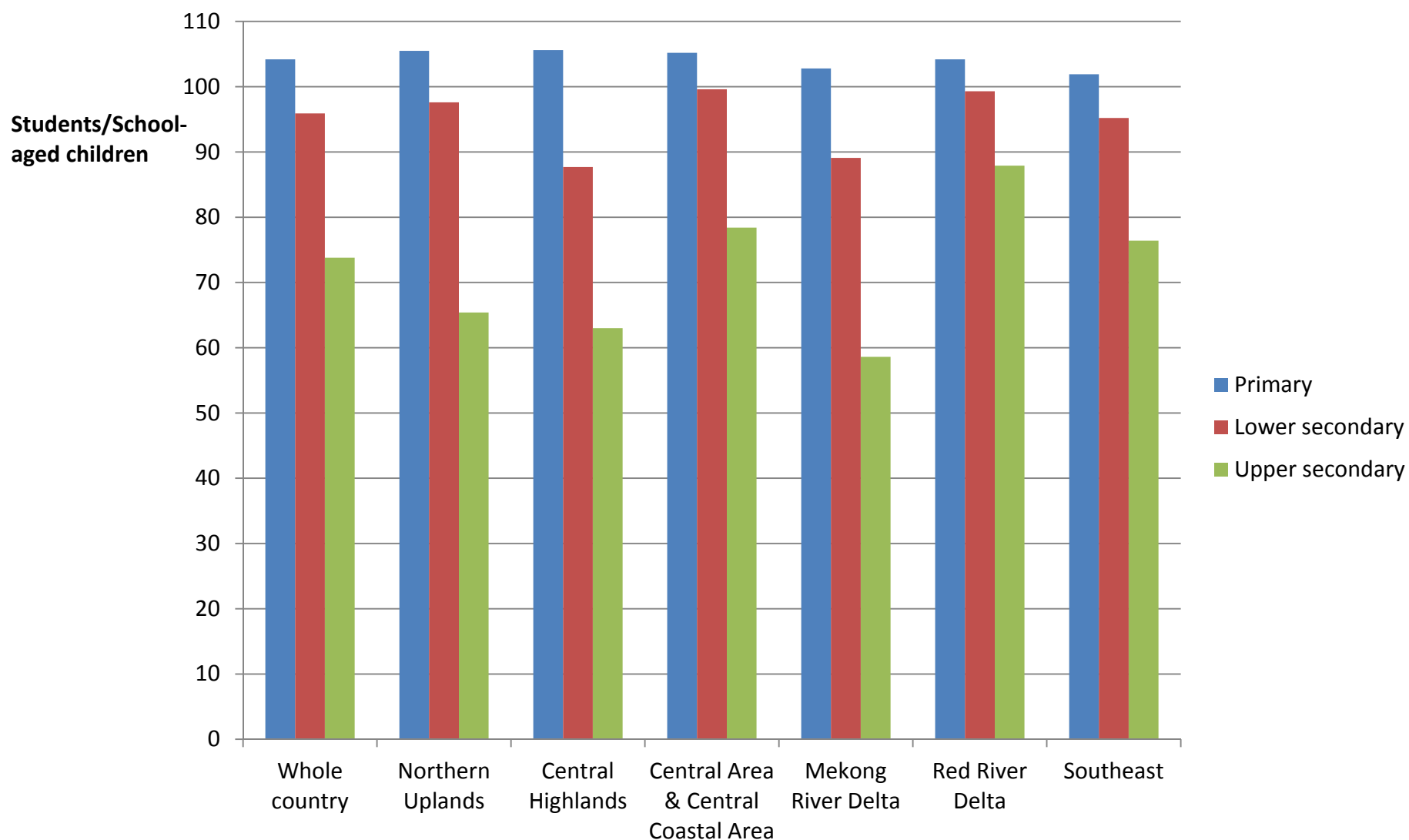
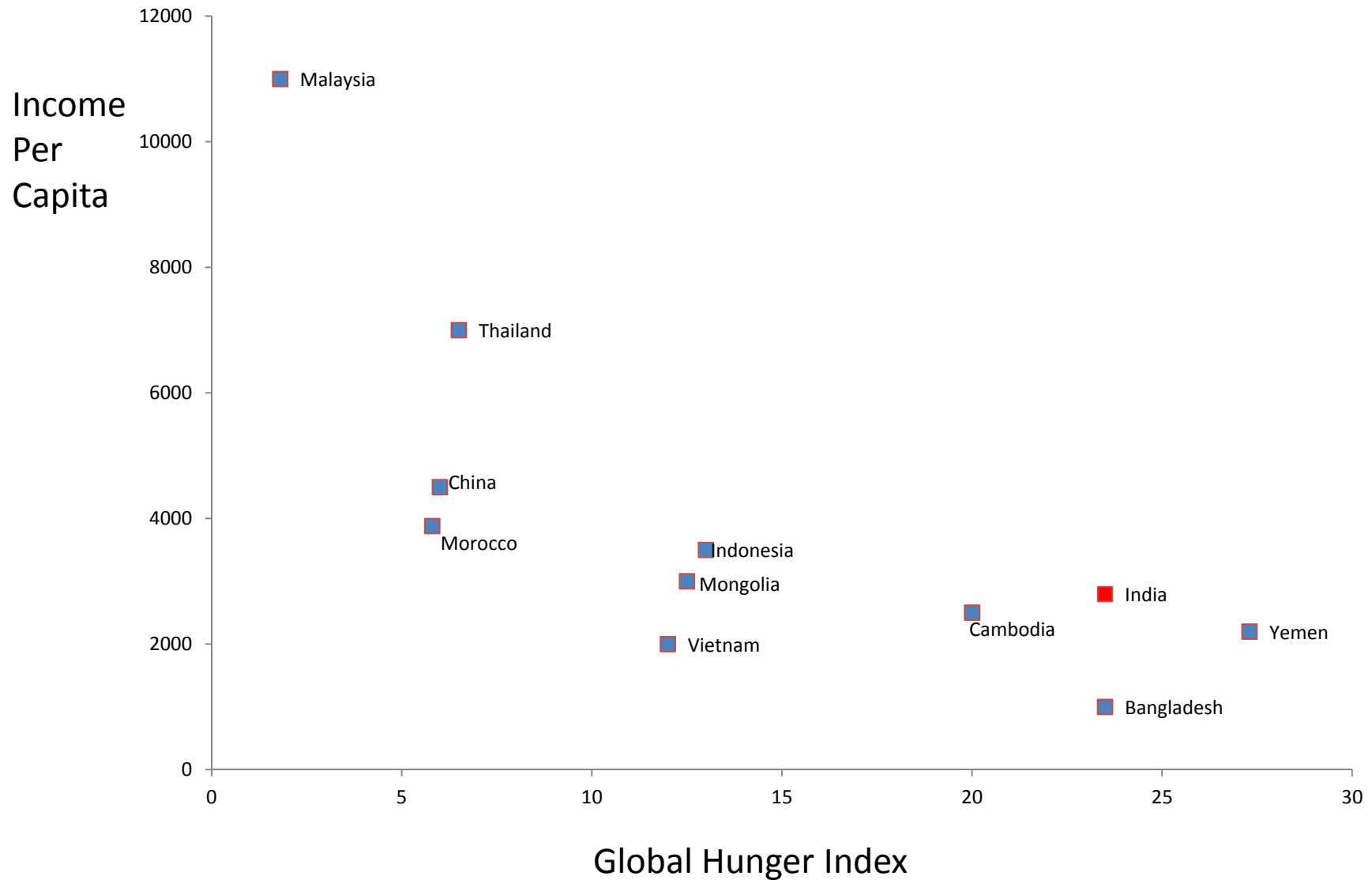
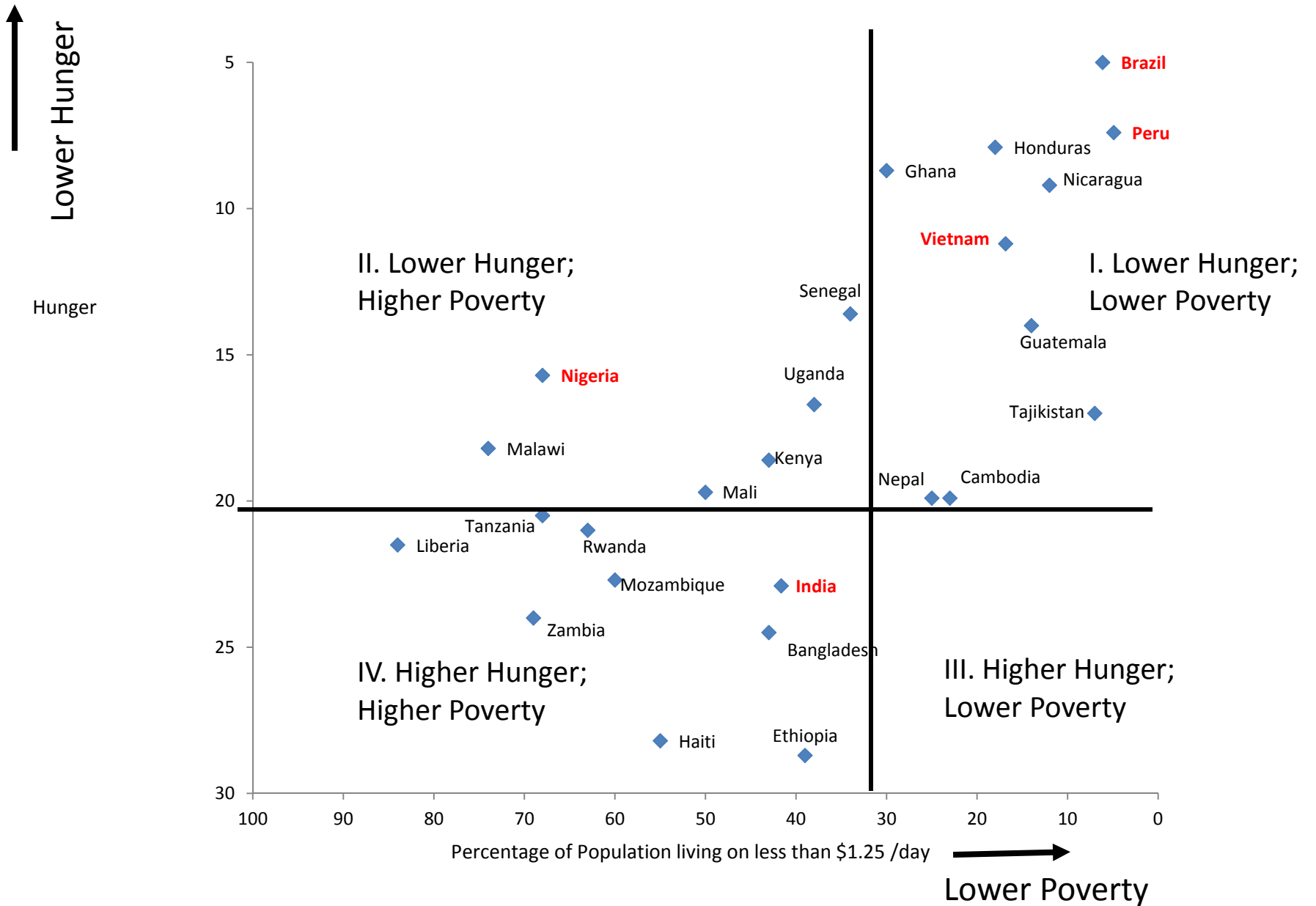


Figure 29: Global Hunger Index vs. Per Capita Income



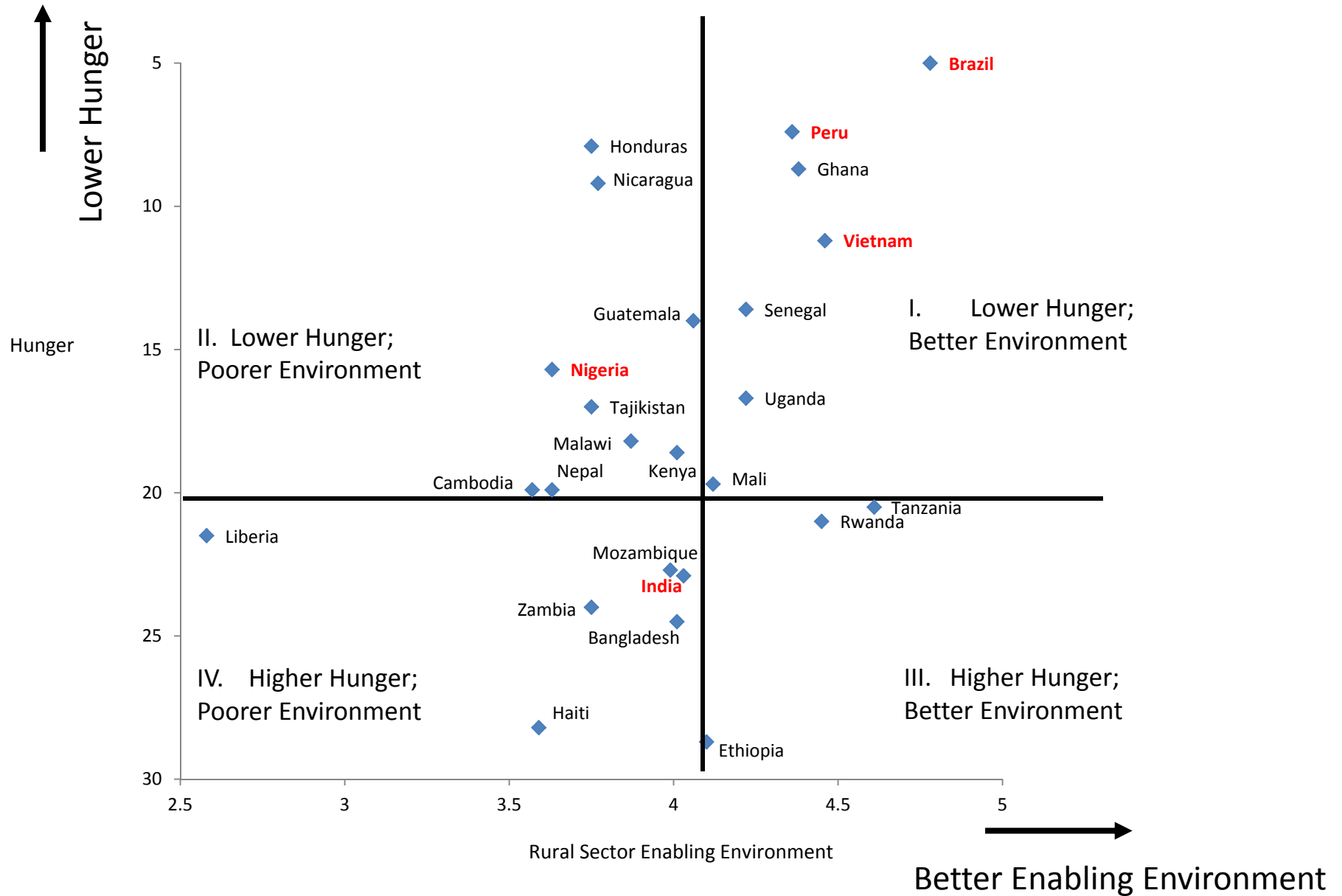
International Food Policy Research (IFPRI), 2011 *Global Hunger Index* (October 2011). The Global Hunger Index combines the proportion of the population that is undernourished, the prevalence of underweight in children under five, and the proportion of children dying before the age of five.

Figure 30: Hunger and Poverty in the FTF Focus Countries



International Food Policy Research (IFPRI), 2011 *Global Hunger Index* (October 2011), and World Bank, *PovcalNet* (2012).

Figure 31: Hunger and the Rural Sector Enabling Environment



International Fund for Agricultural Development (IFAD), *Rural Sector Performance Assessment (2012?)*, and IFPRI, *2011 Global Hunger Index* (October 2011).

Figure 32: Reduction in Hunger among Select Countries

