

External evaluation

Swiss Trade Policy and Export Promotion Project Vietnam

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Abbreviations and Acronyms

BSOs	Business Support Organizations
DAC	Development Assistance Committee under the OECD
EFTA	The European Free Trade Area
FTA	The Free Trade Agreement
ICGF	Innovation and Competitiveness Grant Facility
ITC	The International Trade Center
MoIT	The Ministry of Industry and Trade
NEX	National Execution Modalities
NGO	Non-Governmental Organization
NIES	National Import-Export Strategy
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PME	Planning, monitoring, and evaluation
PMU	Project Management Unit
PPD	Public-Private Dialogue
SECO	Swiss State Secretariat for Economic Affairs
SIPPO	The Swiss Import Promotion Programme
SMEs	Small and Medium-sized Enterprises
ToR	Terms of Reference
VBF	The Vietnamese Business Forum
Vietrade	The Vietnam Trade Promotion Agency

Executive Summary

Background, methodology and limitations:

This independent evaluation was commissioned by SECO. It covers the SwissTrade Project in Vietnam until 22 April 2024. Standard evaluation methodology and criteria of the DAC were applied.

The SwissTrade Project was launched on 1 August 2021 and is expected to end on 31 December 2024. Its overall budget is CHF 5,627,000. Five million CHF are funded by SECO. The Ministry of Industry and Trade (MoIT) and other beneficiaries are expected to contribute CHF 627,000 (partially in kind). By 31 July 2023 26.6% or CHF 1,496,485 had been spent.

The SwissTrade Project provided primarily policy advice, training for trade officials, and support to the establishment of a private-public dialogue (PPD) mechanism. Moreover, an Innovation and Competitiveness Grant Facility (ICGF) was set up to support innovation in local Business Support Organizations (BSOs). The International Trade Center (ITC) is responsible for implementation, except for the ICGF, which is implemented by Vietrade with technical support from ITC. Findings were generally conclusive, consistent, and clear. Stakeholders supported the evaluation actively. There was no inappropriate interference in the evaluation process.

As key outputs are still being delivered, it is only marginally possible to assess results beyond outputs and some immediate outcomes. Due to significant weaknesses of the logical framework, it is only partially useful as a PME tool. **Despite these limitations, it was possible to address the key evaluative questions of the ToR with the limited purpose of informing the preparation of phase II.**

Main conclusions:

- **Relevance:** The SwissTrade Project was timely and relevant. Policy advice and support fully met the needs of beneficiaries. Beneficiaries were generally satisfied with the quality of the support they had received. PPD in trade policy making is generally relevant. In its current format, however, it is not adapted to the Vietnamese context. The ICGF needs to sharpen its focus on supporting innovation rather than funding the digitalization of existing services.
- **Coherence:** The SwissTrade Project is coherent with other trade-related interventions within SECO's Vietnam portfolio. Because SECO funds both multi-country and country-specific projects, support to Vietnamese BSOs is delivered through three independent projects: the SwissTrade Project, SIPPO, and the BioTrade Initiative. Collaboration works well. There are substantial synergies, for example through SIPPO's support to the ICGF. While there are no obvious direct overlaps with other donor support, a detailed and updated overview of trade-related projects would be needed to inform the design of phase II.
- **Effectiveness:** The delivery of outputs related to policy advice and capacity building of officials is on track. In particular, the support for the development of the Vietnam's National Import-Export Strategy 2021 - 2030 (NIES) adopted by the government with decision 602/QĐ-BCT dated 9 March 2023 was highly appreciated. The PPD mechanism has been piloted once. Two more pilots are planned. In its current form, the PPD is unlikely to fulfill its main objective of ensuring that the views of companies are incorporated into trade policy making. However, as the component has just started, it is not possible to assess its effectiveness. The further implementation of the ICGF through Vietrade is not feasible due to regulatory issues. The most feasible option would be to explore whether the ITC could disburse and monitor the grants instead of Vietrade. Preparation, the revision of the project agreement, and the implementation of the grants that have already been awarded would take a minimum of 18 months, which would require a project extension until December 2025. If SECO continues to fund the ICGF under phase II, there is significant room to improve the operations of the ICGF in line with good practices.
- **Efficiency:** Four teams are working in parallel, which leads to communication and coordination problems. It is urgent and important to revise this structure as a key measure to increase the efficiency of implementation. The structure of phase II should obviously follow the implementation strategy. If the ITC executes the entire project, then the operational team both in Vietnam and Geneva needs to be managed by the ITC. To ensure local ownership, it is important to ensure close consultation with MoIT and to grant the MoIT a right of non-objection on

operational decisions. Anecdotic evidence also shows significant efficiency losses due to managerial issues. It should further be emphasized that SECO and SIPPO Vietnam provided substantial operational support, which is not accounted for as an expense. All partners highlighted that the collaboration among project partners has recently significantly improved. Ongoing problems are gradually being addressed. The responsiveness of the ITC to the needs and concerns of the Vietnamese partners is appreciated.

- Sustainability: The NIES has been officially enacted by the government. Strengthening a local training institution to provide professional training to Vietnamese trade officials would be a good way to ensure that training needs will be met beyond the availability of donor support. The proposed format for the PPD will only be sustainable if the leadership of MoIT decides to institutionalize and fund it, as suggested in the sustainability strategy. While this is unlikely to be the case with the current set-up, recent adjustments to the mechanism are promising. It was not an objective to institutionalize the ICGF as a permanent facility. Rather, the intention was to enhance the sustainability of BSOs through supporting them to introduce innovative trade promotion services. As none of the projects funded by the ICGF has been implemented, is too early to assess the potential contribution of the ICGF to the sustainability of BSOs.

Without further support that incorporates the recommended actions for improvement, many of the benefits under all three components are unlikely to be achieved and/or to last beyond the project. Funds already disbursed would be largely lost.

Key recommendations to the Steering Committee:

On current Phase I

- Adjust the management and governance structure. Maintain a consultation committee for strategic government. Transfer the execution entirely to the ITC. Delegate day-to-day operations to an ITC-staffed project office in Vietnam. Grant non-objection rights to the MoIT for all important operational decisions.
- Reimburse the remaining funds earmarked for the ICGF to SECO if Vietnamese law permits. Confer the execution of the ICGF to the ITC. Strengthen monitoring of how funds are utilized. To limit implementation risks, payments should be made in tranches linked to the achievement of certain milestones. Improve the entire governance and operations in line with good practices. Approve a project extension until December 2025 with no additional budget.
- Adjust the PPD mechanism before continuing piloting it. Consider piloting PPD within the framework of highly specialized workshops, bringing experts from the public sector, private sector, and academia to the table. These workshops need to be carefully prepared, for example by conducting prior surveys or studies. The key value added of foreign experts might be the sharing of good practices from other countries.

On phase II

- To enhance chances of longer-term sustainability, explore the possibility of institutionalizing training for government officials in one of the existing specialized Vietnamese universities or institutes. One option to be explored could be a twinning mechanism or partnership with a specialized Swiss institution.
- Improve the ICGF in line with good practices, especially regarding Due Diligence on Grantees. Strengthen the promotion of innovation rather than just digitalization.
- Task the project to conduct a detailed donor mapping in the field of trade-related technical assistance in Vietnam to provide input to the design of the planned phase II.
- Preparation of phase II would significantly benefit from independent expert support from an expert with experience in conceptualizing projects and applying PME tools. The participation of a Vietnamese trade expert would add significant value.

Report

I. DESCRIPTION OF THE SWISS TRADE POLICY AND EXPORT PROMOTION PROJECT

The SwissTrade Project is part of the trade promotion portfolio under the Swiss Cooperation Programme in Vietnam (2021 - 2024). It was launched on 1 August 2021 and is expected to end on 31 December 2024. The overall project budget of the current phase I is CHF 5,627,000, including estimated in-kind contributions of CHF 627,000 of the Ministry of Industry and Trade (MoIT), the Vietnam Trade Promotion Agency (Vietrade) under the MoIT and beneficiaries. By 31 July 2023 (latest figure available), 26.6% or CHF 1,496,485 of the budget has been committed or spent.

SECO has provided Vietnam with support in export promotion since the late 1990s. Assistance has been mainly channeled through the International Trade Center (ITC), the Swiss Import Promotion Programme (SIPPO)¹, and the BioTrade Programme². The most recent project implemented by the ITC between 2013 - 2017 strengthened Business Support Organizations (BSOs) and provided input national export development plans. Vietrade has been the SECO's main partner.

The SwissTrade Project has defined the following objectives³:

- “(...) Outcome 1: Exports are facilitated because the framework conditions are favorable, meaning they are documented in a National Strategy, based on evidence, coordinated among the relevant ministries, and consulted with relevant private sector stakeholders.
- Outcome 2: The effect of the enhanced favorable framework conditions is more sustainable, because the private sector is thematically and financially engaged and collaborates with the government through Public-Private Dialogue (PPD) for export development.
- Outcome 3: Dynamic BSOs are enabled to deliver services to SMEs for exports and participation in global value chains. (...)”

The SwissTrade Project has so far provided the following main deliverables:

- Outcome 1: Support to the MoIT to develop a National Import-Export Strategy (NIES) 2021 - 2030 by creating a national Trade Development Roadmap, five sector-specific strategies, five functional strategies, and conducting an SME competitiveness survey.
- Outcome 2: The ITC prepared a diagnostic report on PPD in Vietnam. An initial concept for a PPD mechanism was developed, discussed in a workshop, and piloted once. BSOs and officials received PPD training.
- Outcome 3: With technical support from ITC Vietrade established an Innovation and Competitiveness Grant Facility (ICGF) to support innovation of Vietnamese BSOs. 91 proposals were assessed and 13 selected to receive grants. No grants have been disbursed.

For outcomes 1 and 2, the ITC is execution agency⁴ and technical implementing partner. Vietrade is responsible for outputs under outcome 3, using National Execution Modalities (NEX) for Official Development Assistance (ODA)⁵. The ITC is providing technical support to Vietrade, specifically to design the grant scheme and to conduct its “CUBED Assessments”⁶ of grantees⁷.

¹ Since 2018 implemented by Swisscontact in cooperation with HELVETAS and Brugger & Partner.

² Implemented by the United Nations Conference for Trade and Development (UNCTAD), activities in Vietnam in cooperation with HELVETAS.

³ As quoted in the ToR.

⁴ Funds are channeled through the ITC and the ITC is directly responsible for delivering the agreed outputs.

⁵ Official development assistance implemented through state agencies is part of the state budget, which means that disbursements are made based on Vietnamese regulations.

⁶ See <https://www.itcbenchmarking.org/resources-and-help/due-diligence>.

⁷ This part is directly funded by SECO.

II. PURPOSE, METHODOLOGY AND LIMITATIONS OF THE EVALUATION

This external evaluation covers the SwissTrade Project until 22 April 2024. It was commissioned by SECO and is guided by the Terms of Reference (“ToR”) dated 10 January 2024 ([Annex 3](#)). The work was conducted by an independent evaluator⁸ between 15 February 2024 and 31 May 2024. The main purpose was to draw lessons learned from phase I to inform the preparation of phase II.

This evaluation applied standard evaluation methods and criteria.⁹ This report addresses the specific questions as structured by the ToR. Different evaluation tools were combined to ensure an evidence-based assessment. The methodological mix included a desk review of documents provided by SECO ([Annex 1](#)), key informant interviews ([Annex 2](#)) and personal observation of a PPD workshop in Ho Chi Minh City. Findings are validated through at least two different sources. Recommendations are based on conclusions and conclusions are derived from validated findings.

Despite an emphasis on maintaining a critical outside perspective, a participatory learning approach was used. Interviews were structured as guided open discussions. Enrolling key stakeholders in the evaluation process and seeking their alignment on the evaluation results are expected to facilitate organizational learning. This evaluation was primarily designed to contribute to continuous improvement rather than to ensure accountability.

Key evaluative steps included:

- Kick-off meetings with SECO, the Swiss Embassy, the International Trade Center (ITC) and the Project Management Unit (PMU) separately, develop a workplan (February 2024)
- Field mission (Hanoi and Ho Chi Minh City): 16 - 22 March 2024
- Brief feed-back on PPD and ICGF to ITC on 19 March 2024.
- Separate debriefings with the Embassy of Switzerland and the Project Management Unit (PMU) on 22 March 2024 to discuss preliminary findings, conclusions, and recommendations.
- Submission of draft report on 22 April 2024 for factual verification (PMU and ITC)
- Submission of a draft report to SECO on 10 May 2024 with factual corrections received on 30 April integrated.
- Separate debriefings with SECO (6 June 2024) and ITC headquarters (21 May 2024).
- Submission of a final report to SECO on 10 June 2024, integrating SECO’s comments.

All interviews with local stakeholders were conducted in Vietnamese language without interpretation.

Findings were conclusive, consistent, and clear. Project partners supported the evaluation actively. There was no inappropriate interference in the evaluation process.

Limitations

An assessment of achieved against planned results was only partially possible because of significant shortcoming of the logical framework. Many of the indicators do not fulfill quality standards. Major risks and assumptions are not defined. Please refer to the details in Chapter I.6 below.

Moreover, major outputs are either still being delivered or have only recently been finalized. For example, policies and strategies prepared with the ITC’s assistance have only recently been

⁸ Daniel P. KELLER, Co-Founder of EvalCo Sàrl, Evilard, Switzerland. He is qualified, independent, and free from conflicts of interest as defined in the DAC Quality Standards for Development Evaluation, Paragraph 3.2. He has neither been involved into the preparation or implementation of the Swiss Trade project Vietnam nor is he expected to be in the future. He has no conflicting interests that could affect his impartiality.

⁹ As reflected by the principles and evaluation criteria of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

enacted. It is not yet possible to observe their practical implementation and benefits. The PPD mechanism is still being developed and piloted. It is not yet clear how the final PPD format will look like. No grants have been disbursed by the ICGF. An assessment of potential outcomes or even a broader impact would be premature. Accordingly, it was not possible to assess efficiency through a cost-benefit analysis.

Legal considerations in this report shall not be considered as a legal opinion. The evaluator is not qualified and licensed to provide legal opinions on Vietnamese law.

Despite these limitations, it was possible to address the key evaluative questions of the ToR with the limited purpose of informing the preparation of phase II.

Pending work and next steps

As an update of this report foreseen in the ToR would provide little value added in terms of informing the design of phase II, it was agreed with SECO to not pursue it.

III. FINDINGS AND ASSESSMENT

This chapter presents an assessment of the SwissTrade Project following the structure as per ToR.¹⁰

1. Relevance

- a. *Do the overall project objectives respond to beneficiaries' and key stakeholders' needs, policies, and priorities? Are there urgent needs and priorities of key beneficiaries, which could be covered by the next phase of the project?*

Generally, support was timely and fully met the needs of beneficiaries. It remains well aligned with the priorities of MoIT and Vietrade. The SwissTrade Project is of high ongoing relevance.

Outcome 1 (Policy input and training)

The MoIT has been satisfied with the support received. Keeping pace with the rapidly changing trade landscape and emerging new topics is challenging. Practical capacity building needs in the MoIT and other agencies working on trade topics are thus ongoing.

How to meet practical training needs beyond the availability of donor funding remains a major challenge. The provision of expertise through short-term international experts and the organization of study visits alone under the planned phase II of the SwissTrade Project is not a long-term solution.

As the end of traditional donor support for Vietnam is approaching, sustainability considerations play an increasingly important role. Please refer to the assessment of sustainability in chapter I.6 below.

- b. *Is it likely that the private sector will be more engaged in trade policy formulation and implementation through public-private dialogue?*

The PPD component was proposed by the ITC based on their experience in other countries. There is a gap between the conclusions of ITC's mapping report and the views expressed by stakeholders in the evaluation. The objective of involving the public in policy making as such is relevant. It does contribute to the conduciveness of policies. Gathering public opinions has been part of the

¹⁰ Some of the questions would normally be addressed under different evaluation criteria, for example, e.g. the likelihood of whether the private sector would be more engaged in trade policy formulation (an expected outcome) relates to effectiveness (likelihood of achievement of results) and not to relevance.

Vietnamese policy making process for a long time. After diagnosing the existing PPD framework in Vietnam, the ITC presented a concept for trade related PPD in a workshop and conducted one pilot PPD workshop. This pilot PPD workshop in Ho Chi Minh City on 20 March 2024 was designed as an interactive training seminar on emerging new EU regulations rather than a policy dialogue, which would typically focus on Vietnamese policies. Before continuing to pilot PPD workshops, the objectives and format of the PPD need to be adjusted to serve the needs of the MoIT. Moreover, it is important to define how the proposed trade related PPD complements and feed into existing consultation platforms, e.g. the Vietnamese Business Forum (VBF)¹¹ and the mandatory process of public consultations in Vietnam.

The MoIT seems to favor technical workshops to collect evidence-based, actionable recommendations from the public sector, the private sector, and academia on developing or implementing specific policies. Experts invited to these workshops would bring a mix of specific expertise to the table. Where appropriate, opinions of relevant stakeholders could already be gathered before the workshop, for example through surveys and consultations. International expertise provided by the ITC could primarily focus on sharing international best practices in the respective field. The specific recommendations collected in the workshop would then, together with input received through other channels, feed into the drafting of trade-related regulations and policies.

This type of workshop convened and hosted by MoIT would cost significantly less, which is important for their financial sustainability. In parallel, the capacities of Vietnamese business associations to provide meaningful input to the government in a professional way could be further strengthened. The capacity building delivered by the ITC was a first step in the right direction, but more is needed. In its current form, is unlikely that the PPD mechanism leads to a higher involvement of the private sector in trade policy formulation.

Recommendation to the Steering Committee on the PPD mechanism

Adjust the PPD mechanism. Consider piloting PPD to collect informed expert views from the private sector, policy makers, and the academia to provide the MoIT with actionable recommendations on specific policies and their implementations. Input to these workshops might be collected through prior studies and consultations with local stakeholders. National expert input could be complemented through international expert input on good practices in other countries. If the pilot is successful, fine-tune the concept and continue supporting this type of PPD workshops during phase II. Continue support to BSOs and business associations in contribute to policy making using official channels.

c. Is the ICGF relevant in the context of Vietnam? Does it make sense to continue the format in the next phase?

According to the project document, the support of BSOs to exporters is an important driver for exports. It is not possible to validate this assumption within the limited scope of a ROM mission.

If the BSOs are indeed instrumental to the achievement of the project's objectives, then the ICGF is relevant, because it provides BSOs with the funding they need to adapt their services to a rapidly changing trade environment. The ICGF would also potentially encourage new actors, especially private consulting companies, to provide trade-related support to companies. More competition

¹¹ The VBF has been organized bi-annually for more than 25 years with a broader scope of improving the environment for trade and investment, see <https://vbf.org.vn/>.

tends to encourage innovation and increase the quality of service. It is pivotal to ensure that not only BSOs that have been on the radar screen of donors for a long time have access to the ICGF.

The ICGF needs to distinctively focus on funding innovation rather than only digitalizing existing services. Otherwise, the ICGF will subsidize operations of grantees rather than promote innovation. The increased risk of granting funds to organizations that have no prior track-record of working with international donors needs to be counter-balanced by a more stringent selection and monitoring process. There is moreover an urgent need to improve the grant selection and funding mechanism if SECO decides to continue with the ICGF in phase II (see II.3 below).

d. Are there any key stakeholders not being sufficiently considered in the project that play a vital role in achieving the overall objective?

All relevant stakeholders that play a vital role in achieving the overall objective have been included in the SwissTrade Project Phase I.

Conclusion: The SwissTrade Project was timely and relevant. Policy advice and support fully met the needs of beneficiaries. Beneficiaries were generally satisfied with the support received. PPD in trade policy making is relevant. In its current format, however, it is unlikely to achieve its objectives. The ICGF is relevant for potential grantees but needs to sharpen its focus on promoting innovation rather than just digitalization of existing services (practical problems relating to the disbursements are discussed in II.3 below.) If SECO decides to continue with the ICGF, governance and operational processes need to be significantly improved.

2. Coherence

a. Is the project complementary to other support measures in the country (particularly Swiss projects but also those of other donors, for example the EU)?

Internal coherence (SECO programme): SECO delivers its support to BSOs through three independent projects: the SwissTrade Project (Vietnam only), SIPPO, and the BioTrade Initiative. The main reason is that SECO funds multi-country and country-specific interventions in parallel. These might have similar objectives and work in the same countries. This again increases coordination needs and the probability of overlaps. SIPPO and the SwissTrade Project collaborate however well. There are substantial synergies, for example through SIPPO's support to the ICGF. The head of SIPPO Vietnam also contributed significantly to facilitating the PPD workshop.

External coherence: The MoIT affirmed that there are no direct overlaps and duplications with other donor-funded projects. A detailed mapping of trade-related support measures would exceed the scope of an evaluation but will provide essential background information for designing phase II.

b. How could the link to the Swiss bilateral trade relations and in particular the negotiation and potential implementation of the Free Trade Agreement (FTA) between Vietnam and the European Free Trade Area (EFTA) be strengthened in the next phase?

Despite its relatively small budget, Vietnam has always appreciated Switzerland's technical support. Swiss technical assistance has been perceived as unbiased towards political objectives. An attempt to link negotiation to technical assistance would forfeit this advantage. Quite obviously, Vietnam would not accept Swiss advice on how to best maintain its interest during the negotiations with EFTA. After the negotiations of the FTA will be successfully concluded, the MoIT and Vietnamese BSOs would certainly welcome support on how to bring the FTA into life for mutual benefit.

Conclusion: The SwissTrade Project is coherent with other trade-related interventions within the SECO portfolio in Vietnam. SECO delivers its support to Vietnamese BSOs through three independent projects: the SwissTrade Project, SIPPO, and the BioTrade Initiative. SIPPO and the SwissTrade Project collaborate well. There are substantial synergies, for example through SIPPO's support to the ICGF. There are no obvious direct overlaps with other donor support. To ensure complementarities with other donors, the planning of a new phase needs to include a detailed mapping of current and ongoing support to Vietrade and the MoIT.

Recommendation to SECO on donor mapping

Task the project to conduct a detailed donor mapping in the field of trade to inform the design of the planned phase II.

3. Effectiveness

Based on selective validation of reported outputs through interviews, the evaluation endorses the most recent implementation report dated 25 December 2023. The project operated in a challenging context, with many external factors that affected its effectiveness. The COVID-19 pandemic slowed down implementation at the beginning of the project. More rigid enforcement of existing laws and additional regulatory hurdles further added to the complexity in project implementation.

a. *Delivery of outputs and achievement of outcomes 1 - 3*

b. *Challenges faced on achieving the targeted results:*

Outcome 1: Policy input and training

The delivery of outputs is on track and key direct outcomes have been achieved.

The ITC completed a survey on 500 enterprises. Ten priority sectors and cross-cutting functions strategies were drafted as a basis for the Ministerial level Action Plans for Vietnam Import - Export Strategy up to 2030, which has been approved by with decision 602/QĐ-BCT dated 9 March 2023. Support by the ITC was highly appreciated by Vietnamese authorities. The ITC furthermore delivered different training courses, which were appreciated. Policy and training outcomes are too early to be assessed. There are no significant challenges.

Outcome 2: PPD

The ITC conducted a PPD diagnostic study. A seminar in Ha Long Bay was organized to train private and public sector stakeholders in PPD and Advocacy in Trade Policy. As discussed in II.1 above, a PPD model proposed by ITC is currently piloted. Nine officials went on a study tour to Switzerland, which aimed at strengthening institutional capacities for trade policy and strategy formulation, trade negotiation and implementation of trade policy reforms. The workplan included bilateral sessions with the ITC, SECO, the World Trade Organization, and the World Economic Forum. The MoIT considered the study tour as very useful. The topics covered otherwise would rather relate to outcome 1 than outcome 2 as reported (see implementation report as per 23.12., page 3). As explained under II.1 above, the PPD mechanism in its current form is unlikely to yield the expected results. The PPD mechanism is likely to be further optimized in the remaining project period. It is too early to assess a possible enhanced format of the PPD.

Outcome 3: ICGF

Vietrade prepared guidelines for the ICGF with support of the ITC. Before issuing a call for proposals, the ICGF was promoted through two seminars and various media articles. Vietrade trained grantees in applying the ICGF's financial management guidelines. Following two calls, 91 concept notes were received, 88 of which qualified as eligible. In two rounds, a total of 13 proposals were selected following a review and scoring by two international ITC experts and one national expert recruited by Vietrade. The ITC also conducted two training workshops on its CUBED assessment tools and methodologies for Vietrade staff. Five grantees of the first round underwent a limited CUBED assessment, mainly to identify which capacities of the grantees need to be strengthened to enable them to implement the projects for which they have received grants. Vietrade recruited an IT consultant to ensure that the projects that received grants are compatible with and will be a part of the existing trade promotion ecosystem. This was not confirmed by the PMU. The objective of integrating the projects into the existing trade promotion system might contrast with the objective of promoting innovation. None of the approved grants has been disbursed, including the grants approved in July 2023. Once the grants had already been approved, it turned out that the disbursement of ODA through state agencies is subject to regulations on the use of the Vietnamese State Budget (last revised in 2016)¹² and ODA (last revised in 2021)¹³, including specific regulations relating to IT projects implemented with state funds issued in 2019 and 2020¹⁴. These regulations naturally also apply to ODA funds that are indirectly transferred through Vietrade to grantees of the ICGF. Applying these rules would lead to substantial additional costs for the grantees, such as for the mandatory external appraisals of IT products and services. Moreover, it might be challenging for grantees to source the necessary highly specialized goods and services within the boundaries of the official cost norms that apply to the use of state funds. Apparently, compliance of the ICGF with the Vietnamese legislation has not been verified prior to the establishment of the ICGF in 2022 and the launch of a call for grants in 2023. Part of the issue was that some of the additional regulations were issued after the design stage, but before the implementation. The period between the original design and the actual implementation was significantly delayed by external factors, such as COVID-19, and a changing policy environment. Grantees expressed their strong dissatisfaction. Cancelling the grants that have already been awarded is evidently not an option, because this would lead to reputational damage for all project partners. Grantees might even initiate legal action. **The only feasible option is to transfer the funds from Vietrade back to SECO and to disburse the grants through another organization.**

Options:

- **Contracting a consulting provider or a non-governmental organization (NGO):** Conducting the necessary bidding process would be time-consuming and lead to further delays. The risk that a winning bidder fails to perform in the Vietnamese context is significant. For International NGOs, an approval process for a new project would be required, which is currently difficult to obtain.

¹² State Budget Law and Decree 163/2016/NĐ-CP by the Government providing detailed instructions for implementing the State Budget Law.

¹³ Decree No. 114/2021/NĐ-CP by the Government on the management and use of official development assistance (ODA) and concessional loans from foreign donors.

¹⁴ See details document "Additional explanations regarding the proposed adjustments to the SwissTrade Project, validated through interviews" presented to the Steering Committee. Regulations on IT technology: Government Decree No.

73/2019/NĐ-CP dated September 5, 2019, regulates the management of investments in information technology applications using state budget funds. Circular No. 03/2020/TT-BTTTT and Circular No. 04/2020/TT-BTTTT, both issued on February 24, 2020, by the Ministry of Information and Communications, provide detailed guidelines for formulating project outlines and cost estimates for activities related to IT applications using state budget funds, as well as the creation and management of project costs for IT investment. Furthermore, Official Letter No. 2589/BTTTT-UDCNTT dated August 24, 2011, offers guidance on determining the costs for developing and upgrading in-house software.

- **Transferring the implementation to a resident UN organization** (e.g. UNIDO, UNDP): The ICGF would technically be considered a new project that needs to undergo the usual internal and external approval processes. Any new implementing organization is likely to undergo a learning curve. The implementation risk is high.
- **Explore whether the ITC could implement the ICGF:** The only feasible solution might be to explore whether ITC could implement the ICGF under agency execution modality.

Amendments to the project agreement and other preparatory work might take at least 6 months until it is possible to disburse grants. Thereafter, grantees might need up to one year to implement their projects. An extension until at least the end of 2025 will thus be necessary to conclude the work. The risk of misuse of funds and fraud need is considerable and needs to be mitigated through close monitoring until the projects are fully implemented.

Recommendation to the Steering Committee on the implementation of the ICGF (current phase)

- Agree with Vietrade to reimburse the remaining funds earmarked for the ICGF to SECO.
- Explore whether ITC could execute the remaining activities under the ICGF.
- Ensure close monitoring of how funds are utilized. Payments should be made in tranches, whereas each payment to a grantee is linked to the achievement of certain milestones.
- This will require a project extension until December 2025 (no additional budget).

Assessment of the ICGF

The main advantage of “innovation facilities” is that beneficiaries rather than the development actors define how to address development-related challenges. This potentially contributes to demand-rather supply driven technical assistance. While the idea of replacing traditional capacity building through an innovation grant facility is compelling, the way it has been implemented is unsatisfactory.

No Due Diligence (DD) on grantees was undertaken before granting awards. The reason given was that most grantees were known to Vietrade. The DD conducted after awarding the grants was superficial. Resources allocated to this partial CUBED assessment were insufficient for a professional DD. The financial stability of grantees, for example, has not been assessed. It is thus uncertain whether some of them will be able to make the co-contributions they have committed. The ITC generally applies the CUBED assessment prior to providing support to larger public trade support institutions. For benchmarking companies, the ITC uses its SME assessment tool¹⁵.

Most grantees found it difficult to articulate the expected benefits of the projects they had received grants for. This again raises concerns whether the purpose of some grants was to improve their service provision or to cover operational costs. More generally, many grantees have benefitted from long-term access to donor support. Most of them are part of the Vietnamese trade-promotion universe. BSOs that have been used to living from donor funding will do whatever their donors request from them to continue funding. It seems unlikely that they will evolve into innovative service providers.

Conclusion: The delivery of outputs related to outcome 1 is on track. The PPD mechanism needs to be adjusted before continuing to pilot it. The further implementation of the ICGF under the current agreement with Vietrade is no longer feasible. The most feasible option would be to explore whether ITC could disburse and monitor the grants instead of Vietrade. Preparation, the

¹⁵ See <https://www.itcbenchmarking.org/resources-and-help/our-methodology-smes>.

revision of the project agreement and the implementation of the grants would take a minimum of 18 months. An extension until December 2025 and not 2024 as envisaged would be required.

The current participation of SECO in selecting grantees is problematic. It is time consuming, costly, and blurs the responsibilities between SECO (donor) and the implementing agencies. If SECO does not object to awarding a grant, then it will be difficult to hold implementing agencies accountable in case any issues arise, especially if grants are awarded without any documented DD on grantees.

A more appropriate way for SECO to manage risks is to strengthen the governance structure of grant decisions following good practices used by investment managers. It would go beyond the scope of an evaluation to describe those in detail, but the following input might be considered:

Recommendation to the Steering Committee on enhancing the ICGF (next phase)

For a possible continuation of the ICGF in phase II, restructure the ICGF and the guidelines:

- Establish an independent, qualified investment committee to be appointed by the Steering Committee. Members must have experience in investment decision making in Vietnam and should be remunerated.
- For each round of calls for proposals, the Steering Committee should define specific key challenges the ICGF is intended to address. Proposals must contribute to resolving at least one of these challenges.
- Define the rating criteria for grantees to encourage proposals that foster innovation within the space of exports rather than on digitalization of traditional export promotion services.
- Request applicants to clearly explain benefits of proposals (not only the outputs to be generated with the grants) and how these positive outcomes will be measured.
- Facilitate the participation of new actors that contribute to increasing high value-added exports but that are not necessarily traditional BSOs.
- Build-in safeguards such as disbursement in tranches and imposing clear conditions.

Revisit the application and appraisal process:

- Use an electronic registration portal to facilitate access.
- Pre-select the proposals.
- Appraise pre-selected proposals. Part of the appraisal should be a brief assessment of the financial viability (economic efficiency) of the proposals (estimated return on investments).
- Conduct a comprehensive DD on applicants prior to awarding grants with a focus on assurance. The DD must thus assess the financial and technical sustainability of grantees as organizations and whether they are financially able to maintain the projects.
- Besides recommendations for improvements, the Due Diligence (DD) should request compulsory corrective actions that need to be implemented to become eligible for grants.
- Revisit whether the CUBED assessment is the most appropriate and efficient way to gain assurance that the recipients of small grants make effective use of funds they receive. If CUBED is used, then it should be fully and correctly applied.
- Submit the appraisals and DD reports to the Investment Committee for approval.

Integrate the requested post-investment support into the proposals:

- Discontinue free technical ad-hoc support to grantees to prepare and implement their projects. Support to implementing projects is a project-related expense and should be part of the grant budget.

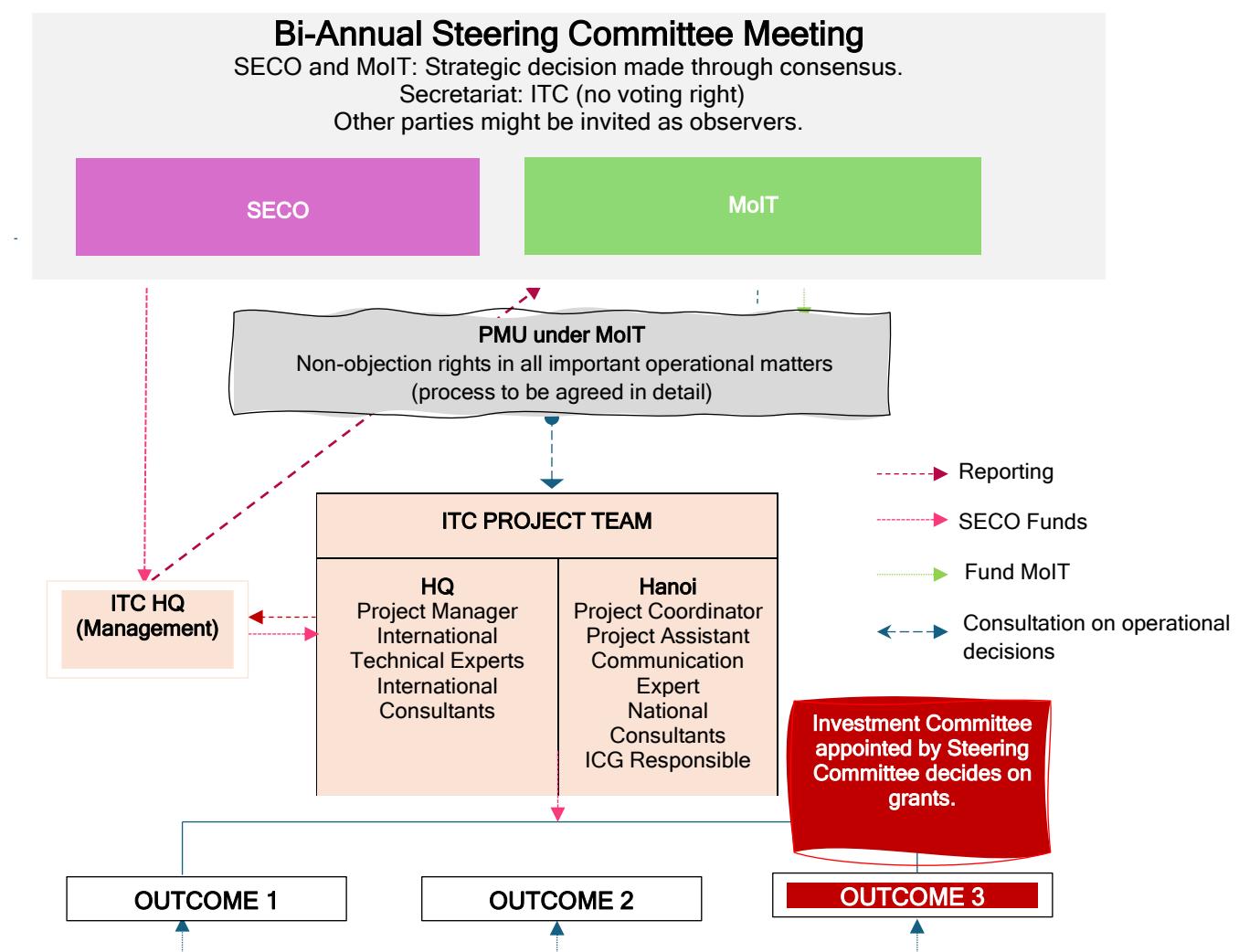
4. Efficiency

a. *How efficient is the governance and implementation structure in the project? What could be improved? Please provide a proposal on the right balance between use of country systems and implementation through an international organization, considering the given constraints on one side and sustainability considerations on the other.*

All stakeholders interviewed agreed that the current organizational set-up as per the chart displayed on page 2 of the ToR is not appropriate. The key problem is that four teams¹⁶ are working in parallel.

It is urgent and important to revise this structure as a key measure to increase the efficiency of implementation. The structure must follow the implementation strategy.

If the implementation of the ICGF is transferred to the ITC as assumed, a possible recommended structure for phase 2 could look as follows:



¹⁶ The PMU under the MoIT for outcomes 1 and 2, a team hosted by Vietrade for outcome 3, ITC Geneva, and ITC staff based in Vietnam.

Additional explanations:

- The MoIT and SECO are jointly responsible for strategic decision making (consensus) through regular bi-annual steering committee meetings and, if necessary, through additional meetings and/or circular decisions.
- The ITC is responsible for delivering the outputs in accordance with approved workplan by MoIT and SECO through the Annual Consultation Meeting, timely and in good quality.
- As the executing agency contracted by SECO, the ITC is accountable to SECO and the MoIT, both represented in the Steering Committee.
- It is suggested that the PMU represents the MoIT as the main beneficiary of the project.
- The PMU would have non-objection rights on all operational decisions made by the ITC (recruitment of staff/experts, ToR for activities, workplans, etc.). Details and processes need to be agreed upon.

Considerations on the balance between national execution and international agency execution

- Using “national systems” works well if the project provides the same support as the national implementing agency. The aim is in this case to improve service delivery beyond the end of donor support. Example: delivering training of trade officials through a specialized university rather than through one-off seminars delivered by an international execution agency.
- The MoIT does not yet have an existing system of PPD. For the sustainability of the PPD, decisive is to provide compelling proof of concept. Based on this, the MoIT might consider establishing the PPD mechanism through an official decision and allocate budget to it.
- Vietrade has been running a National Trade Promotion competition annually. Successful awardees were provided grants for implementation¹⁷. The ICGF is not linked to Vietrade’s National Trade Promotion Competition.
- In its current form, the ICGF is not designed to become a permanent structure and is not expected to be financially and technically viable. The lifespan of the ICGF is linked to the project duration. Sustainability considerations have not been a primary consideration.

b. Are the resources at hand being used efficiently to achieve the objectives and set indicators in the results framework?

As explained, an overall assessment of efficiency would be premature. Anecdotic evidence however shows significant efficiency losses due to managerial issues, including:

- Project preparation which did not fully account for the context and needs. This issue was aggravated by the fast-evolving context after the initial design stage.
- Coordination problems between all partners involved due to an unsuitable governance and management structure (see above).
- The need of substantial operational support of SECO and SIPPO Vietnam.
- Even if no additional budget is needed, the necessary project extension significantly increases overhead costs (fixed part of running overhead).

All partners highlighted that with the appointment of a new ITC Project Manager, the collaboration among project partners has recently significantly improved. Ongoing problems are gradually being addressed.

¹⁷ As stated by the MoIT, it was not possible to explore these schemes in detail.

5. Impact

a. Does the theory of change make sense? Is it likely that impact will be achieved through the achievement of outcomes? Are the underlying assumptions sufficiently developed?

The theory of change states that sustainable trade will increase because of conducive trade policies, and because BSOs provide more innovative services to enterprises. Policies will be improved thanks to expert input, training of officials, and a PPD dialogue. BSO services will improve because their innovative projects are funded and because their capacities to implement their projects are strengthened. BSOs and policies are however only two among many factors influencing trade. Moreover, more trade does say nothing about the social or environmental impact of producing the exported goods. An increased trade volume does not necessarily mean a greater value addition of exported goods in the country. Allocating increased sustainable trade to the limited Swiss support seems audacious.

The logframe mixes outputs (deliverables) and outcomes (positive effects they are expected to generate). The difference between project support and its expected positive effects is thus not always clear. There are clear signs that the project logic has been reverse-engineered, thus outputs developed first before attempting to define the benefits they could create.

Assumptions made are incomplete and partially irrelevant. Major risks¹⁸ have not been identified. The risk mitigation strategy in the project document is not always suitable to decrease either the likelihood a negative event occurs, to reduce its impact on the project or to transfer the risk.¹⁹

Finally, many indicators fall short of meeting quality requirements and are thus not suitable for monitoring and evaluation purposes.²⁰ As stated under limitations above, the logical framework is not fit for purpose as a PME tool.

Preparation of phase II would significantly benefit from external, independent expert support in conceptualizing projects. Ideally, project design would be done through a team of an international expert in PME and a Vietnamese trade expert.

b. Could an evidence-based impact assessment be set up in a potential next phase? This would include collection of data and a quantitative analysis (i.e. a randomized control trial). Would it make sense for this project or certain components of it?

Impact assessments are only feasible if project outcomes and project impact are primarily attributable to project outputs. If the degree of contribution between outputs and their direct and more indirect effects is high, only a few external factors also contribute to outcomes and impact. As explained above, the expected impact (sustainable trade) of the SwissTrade Project obviously depends on many other factors the policy support and some small grants to local BSOs. An evidence-based impact assessment seems to be challenging or not feasible. Relevant and feasible would be to assess the small grants provided to the BSOs. This way, successful innovation with a positive impact on trade could be identified and replicated elsewhere.

¹⁸ A possible event (threat) that negatively affect the ability to achieve objectives. A risk is measured by the probability of a threat, and the impact it would have if it occurred.

¹⁹ Reduce the likelihood they occur, mitigate their impact, or transfer the risk.

²⁰ Indicators must be sufficiently specific, measurable, achievable, relevant and time bound.

6. Sustainability of results

a. How likely is it that the results under outcome 1 will last after the project implementation? What strategies are in place to ensure the long-term sustainability of the results?

The NIES drafted with support from ITC has been enacted by the MoIT. This is a first important condition that policy input will continue to generate positive effects beyond the end of SECO's support.

Training through short-term international experts alone will not meet long-term training needs.

Recommendation to the Steering Committee on training of officials

With a view on increasing chances of longer-term sustainability, explore the possibility to institutionalize training for government officials in one of the existing specialized Vietnamese universities or institutions. Obviously, training programmes need to be tailored to the distinctive needs of high-level officials (strategic policy making) and middle-level officials.

This could be done through a twinning mechanism and partnership with Swiss University or with a specialized Swiss institution. Prior relationships exist between the World Trade Institute and the Hanoi University of Foreign Trade.

b. What needs to be done in the next phase to institutionalize the PPD mechanism so it will persist beyond the project duration?

Please refer to the considerations and recommendations above.

c. Is the support to the BSOs supported by the ICGF sustainable? What are the potential risks or challenges that could impact the sustainability of the support provided? Are the support mechanisms to BSOs for the implementation of their projects sufficient?

None of the grants has been disbursed. It is not possible to provide an assessment on sustainability of the services established through the grants (outputs) or their benefits (outcomes). The key external assumption is the technical and financial sustainability of grantees as organizations and their projects. This has only been marginally assessed during the selection process. This is probably because many of the grantees were already well known to Vietrade, SIPPO and SECO.

Please refer to the recommendations made on improving the ICGF in section II.3 above.

IV. Recommendations

A. To the Steering Committee on phase I

1. Governance and management structure:

- Consider adjusting the organizational structure as suggested in chapter II.4. a.

2. Innovation and Competitiveness Grant Facility

- Agree with Vietrade in principle to reimburse the remaining funds earmarked for the ICGF to SECO if Vietnamese law permits.
- Explore with ITC whether ITC could execute the remaining activities under the ICGF.
- Ensure close monitoring of how funds are utilized. Payments should be made in tranches, whereas each payment to a grantee is linked to the achievement of certain milestones.
- This will require a project extension until December 2025 (no additional budget) and possibly additional resources in Vietnam and at ITC Headquarters.

3. PPD Mechanism

Adjust the PPD mechanism to reflect the needs of the MoIT:

- Adjust the PPD mechanism. Consider piloting PPD to collect informed expert views from the private sector, policy makers, and the academia to provide the MoIT with actionable recommendations on specific policies and their implementations.
- Input to these workshops might be collected through prior studies and consultations with local stakeholders. National expert input could be complemented through international expert input on good practices in other countries.
- If the pilot is successful, fine-tune the concept and continue supporting this type of PPD workshops during phase II.
- Continue support to BSOs and business associations in contribute to policy making using official channels.

B. To the Steering Committee on phase II

4. Preparation of phase II

- Task the project to conduct a detailed donor mapping in the field of trade-related technical assistance in Vietnam to provide input to the design of the planned phase II.
- Preparation of phase II would significantly benefit from external, independent expert support in conceptualizing projects. Ideally, project design would be done through a team of an international expert in PME and a Vietnamese trade expert.

5. If further implementation during phase II is planned, revise the governance and operational manual of the ICGF along the following lines:

Restructure the ICGF and the guidelines:

- Establish an independent, qualified investment committee to be appointed by the Steering Committee. Members must have experience in investment decision making in Vietnam and should be remunerated.

- For each round of calls for proposals, the Steering Committee should define specific key challenges the ICGF is intended to address. Proposals must contribute to resolving at least one of these challenges.
- Define the rating criteria for grantees to encourage proposals that foster innovation within the space of exports rather than on digitalization of traditional export promotion services.
- Request applicants to clearly explain benefits of proposals (not only the outputs to be generated with the grants) and how these positive outcomes will be measured.
- Facilitate the participation of new actors that contribute to increasing high value-added exports but that are not necessarily traditional BSOs.
- Build-in safeguards such as disbursement in tranches and imposing clear conditions.

Revisit the application and appraisal process:

- Use an electronic registration portal to facilitate access.
- Pre-select the proposals.
- Appraise pre-selected proposals. Part of the appraisal should be a brief assessment of the financial viability (economic efficiency) of the proposals (estimated return on investments).
- Conduct a comprehensive DD on applicants prior to awarding grants with a focus on assurance. The DD must thus assess the financial and technical sustainability of grantees as organizations and whether they are financially able to maintain the projects.
- Besides recommendations for improvements, the Due Diligence (DD) should request compulsory corrective actions that need to be implemented to become eligible for grants.
- Revisit whether the CUBED assessment is the most appropriate and efficient way to gain assurance that the recipients of small grants make effective use of funds they receive. If CUBED is used, then it should be fully and correctly applied.
- Submit the appraisals and DD reports to the Investment Committee for approval.

Integrate the requested post-investment support into the proposals:

- Discontinue free technical ad-hoc support to grantees to prepare and implement their projects. Support to implementing projects is a project-related expense and should be part of the grant budget.

6. Capacity building of trade officials

- With a view on increasing chances of longer-term sustainability, explore the possibility to institutionalize training for government officials in one of the existing specialized Vietnamese universities or institutions.
- Training programmes need to be tailored to the distinctive needs of high-level officials (strategic policy making) and middle-level officials.

The possibility of establishing a twinning mechanism or partnership with a specialized Swiss institution could be explored.

Annex 1: Workplan

Time	Work undertaken	Comments
22 February 2024	Briefing SECO	Video-call, 60 minutes
28 February 2024	Briefing Embassy of Switzerland	Video-call, 60 minutes
29 February 2024	Briefing ITC	Video-call, 60 minutes
29 February 2024	Briefing PMU	Video-call, 60 minutes
18 March 2024	<u>Morning:</u> Meeting Vietrade Leadership and Managers of Outcome 3 <u>Afternoon:</u> Meeting 05 BSO awardees (1st call) of Outcome 3 individually.	Cục xúc tiến thương mại, 27 Lý Thường Kiệt, Hà Nội
19 March 2024	<u>Morning:</u> Meeting national consultants: Group meetings for outcomes (outcome 1, outcome 2 and outcome 3 separately) <u>Afternoon:</u> Meeting SIPPO	PMU Office, Room 501, Block A, Bộ Công Thương, 54 Hai Bà Trưng, Hà Nội SIPPO: HELVETAS, 298F Kim Mã, Ba Đình, Hà Nội
20 March 2024	02:30 - 03:00 Transfer Mövenpick to HAN Airport 05:00 - 07:15 VN 205 HANSGN 05:00 07:15 07:30 - 08:15 Transfer to Rex Hotel 08:30 - 15:30 Attend PPD Workshop and interviews with ITC Geneva. Transfer to SGN Airport 20:00 - 22:15 VN 220 SGNHAN 22:30 - 23:00 Transfer to Mövenpick Hotel	Khách sạn Rex, 141 Nguyễn Huệ, T.P.H.C.M Separate agenda for PPD Workshop (version 06.03.)
21 March 2024	<u>Morning:</u> Beneficiaries (Outcome 1 and 2) <u>Afternoon:</u> PMU (strategic questions)	PMU Office, Room 501, Block A, Bộ Công Thương, 54 Hai Bà Trưng, Hà Nội SIPPO: 298F Kim Mã, Ba Đình, Hà Nội
22 March 2024	Morning: Debriefing Swiss Embassy -- Afternoon: Debriefing PMU and ITC	44 Lý Thường Kiệt, Hà Nội - PMU Office, Room 501, Block A, Bộ Công Thương, 54 Hai Bà Trưng, Hà Nội
22 April 2024	Draft ROM Report to ITC and PMU for factual verification ²¹	ITC provides consolidated factual corrections (track-change in WORD, electronic comments) <u>until 30 April 2024</u>
07 May 2024	Draft ROM Report to SECO	SECO provides comments until 22 May 2024
31 May 2024	Final ROM Report to SECO ²²	31 May 2024
TBT in May	Meeting to discuss key findings, conclusions, and recommendations of the report with SECO	Physical meeting at SECO
TBT in May	Meeting to discuss key findings, conclusions, and recommendations of the report with ITC ²³	Physical meeting at ITC
September 2024	Part II: Review and update note to ROM Report	To be planned separately

²¹ Approved change to ToR to ensure that SECO receives a report with factual corrections already integrated to ensure a more efficient validation process. This is in line with the practice applied for prior ROM missions.

²² This report is final but will be updated through a brief report based on (a) additional online interviews with SECO Hanoi, SECO Berne, MoIT, Vietrade (outcome 3) and ITC (b) study of the latest implementation report.

²³ If requested by ITC.

Annex 2: List of documents

Agreements and Project Document

Agreement ITC-SECO: original agreement from May 2020

Amendment ITC-SECO: amendment from December 2021, extension by 8 months and referencing MoIT approved project document.

Agreement MoIT-SECO: agreement referencing the officially approved project document.

Reports, Workplans and SCM Minutes

- A: Inception phase report
- B: Documents from year one
 - Progress report year 1
 - Financial report year 1
 - Workplan year 2
 - Budget plan year 2
 - PSC minutes year 1
- C: mid-term report year two
- D: documents from year two
 - Progress report year 2 (en and vn)
 - Financial report year 2
 - Workplan year 3 (en and vn)
 - Financial plan year 3
 - PSC minutes year 2
 - Explanation of proposals (after SCM meeting) year 2

Deliverables

- Outcome 1
 - National Export Strategy Roadmap and 10 Sector Strategies
 - The file containing international best practices examples requested by AFT under Outcome 1
 - An email from AFT with a related table summarizing recommendations from project Outcome 1 included in the National Import and Export Strategy Plan of Action
 - Oversea training (Switzerland) July 2023
 - TORs
 - Report
- Outcome 2
 - Vietnam PPD diagnostic report
 - Pilot PPD September 2023
 - PPD Draft articles of association
 - Meeting documents (invitation and agenda)
- Outcome 3
 - ICG Facility Guidelines and Annexes
 - Documents from first call
 - Documents from second call
 - General overview - list of selected proposals from first and second call

Concept Phase II

- Initial concept and annex I

Annex 3: Terms of reference

[attached with separate file]

Annex 4: Assessment Grid SECO

[attached with separate file]