
SOCIALIST REPUBLIC OF VIETNAM

Multi-annual Indicative Programme 2021-2027

1. The overall lines of the EU international cooperation in Viet Nam

1.1. Basis for programming

Viet Nam is a dynamic emerging partner and wants to play an increasing role in world affairs. A strategic player in the Association of Southeast Asian Nations (ASEAN), often supportive of enhancing the European Union (EU) involvement in the region, Viet Nam hosts a young population of 96 million people. The EU interest in increasing its influence in the country sees EU - Viet Nam relations in an ascending phase. No other country in South East Asia is party to as many agreements with the EU, notably the EU - Viet Nam Framework Agreement on Partnership and Cooperation (PCA)¹, the EU - Viet Nam Free Trade Agreement (EVFTA)², the forthcoming EU - Viet Nam Investment Protection Agreement (EVIPA), the EU - Viet Nam Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT-VPA)³, and the Framework Participation Agreement (FPA) for the participation of Viet Nam in EU crisis management operations⁴. Moreover, in a context of an accelerating geopolitical and geostrategic shift to the region, the EU formulated its own Indo-Pacific Strategy. These agreements are the cornerstones of the EU's relationship with Viet Nam, offering a wide range of areas for engagement, in which the Team Europe approach has a potential for leverage and transformative influence.

Viet Nam for its part is actively seeking multiple international partners to counterbalance the influence of China, therefore welcoming EU engagement. Viet Nam's one-party government embarked on an economic reform that lifted 45 million people out of poverty between 2002 and 2018. This growth model heavily relied on an accumulation of factors of production, including cheap labour, raw materials and partially subsidised energy. Land and natural resources have been increasingly under pressure. Moving from a growth model based on low-cost labour to one based on innovation and productivity growth requires major structural changes, investment in infrastructure and human capital, strengthening governance capacity and giving space to civil society in order to tackle rising inequalities and social tensions. However, civic space is in fact closing further, while human rights restrictions persist.

Within this framework, the 2021-2027 Multiannual Indicative Programme (MIP) for Viet Nam will address crucial issues for the country, while promoting key areas of EU external engagement, notably green and digital transition, decent and inclusive jobs as well as good governance, the rule of law, human rights and institutional reforms. A strong EU engagement in Viet Nam will allow the EU to promote sustainable and fair environmental and social norms, increase investment opportunities for EU companies, engage with non-state actors and build on the ongoing cooperation in climate action.

In the framework of a strengthened EU focus on this part of the world, the MIP would provide the EU with an opportunity to advance engagement in specific areas where the EU has strong interest and added-value, especially given the EU's status as an economic power, normative global standard setter and upholder of the multilateral rules-based global order. Both the EU and Viet Nam share a common objective, in their own different ways, of strategic autonomy and we have a common interest to promote a better balance in the region. Viet Nam is also

¹ Framework Agreement on Comprehensive Partnership and Cooperation between the European Union and its Member States, of the one part, and the Socialist Republic of Viet Nam, of the other part, OJ L 329, 3.12.2016, p. 8–42

² Free Trade Agreement between the European Union and the Socialist Republic of Viet Nam, ST/6051/2019/INIT, OJ L 186, 12.6.2020, p. 3–1400

³ Voluntary Partnership Agreement between the European Union and the Socialist Republic of Viet Nam on forest law enforcement, governance and trade, ST/10877/2018/INIT, OJ L 147, 5.6.2019, p. 3–209

⁴ Agreement between the European Union and the Government of the Socialist Republic of Viet Nam establishing a framework for the participation of Viet Nam in European Union crisis management operations, ST/10778/2019/INIT, OJ L 276, 29.10.2019, p.3-11

seeking international partners to counterbalance the overwhelming economic influence of China so it would welcome greater interest and input from the EU in various areas, including environment, green and digital transformations, responsible, inclusive and skilled labour market, digital economy, entrepreneurship and good governance to make them more resilient in a challenging post-COVID-19 world.

Within this context, the basis for programming is Viet Nam's Socio-Economic Development Strategy⁵ (SEDS) 2021-2030 and Socio-Economic Development Plan⁶ (SEDP) 2021-2025, building on the review⁷ of 10 years of SEDS 2011-2020 implementation, and together with other strategic documents such as the national Sustainable Development Goals (SDG) Action Plan⁸, the revised Nationally Determined Contribution (NDC)⁹, the national Green Growth Strategy 2021-2030¹⁰, the national strategy on Industry 4.0¹¹, the programme for National Digital Transformation¹² by 2025 and key sector policies. These key National Development Plans are broadly in line with the policy priorities and the economic interests of the EU and its Member States, working together as Team Europe.

The SEDS/SEDP match EU interests and overarching priorities and are sufficiently broad in scope to cover the three priority areas identified below (sections 1.3 and 2).

- 1) Key elements of the Green Deal are anchored in the SEDS/SEDP: the two documents encourage climate action, both climate change mitigation and adaptation, and the development of the circular economy model to increase resource efficiency. Biodiversity is mainstreamed into the chapters relating to economic growth, marine economy and natural resources. The SEDS considers water and oceans key for livelihoods, especially in the Mekong Delta, while the SEDP aims to reduce the share of untreated waste. The Government intends to tackle pollution by introducing the polluter pays principle, promptly sanctioning facilities that pollute the environment.
- 2) Sustainable growth and development are core to the SEDS: the Government aims to create a fair, transparent and open business environment. The SEDS dedicates a chapter to education and skills, including for the pre-primary and working population in line with a life-long learning approach.
- 3) Governance, human development: the SEDS focuses on aspects of economic and administrative governance. For example, the Government intends to continue to restructure, reform and roll out the autonomy and accountability mechanism of public service delivery units. The SEDS targets improvements of education, life expectancy and income of the population to reach a Human Development Index above 0.7.
- 4) Digital science, technology and innovation are cutting across the SEDS: the SEDS acknowledges digital as the major development trend of the era. The SEDS mentions

⁵ Resolution of the Party Congress no. XIII approving the Socio-Economic Development Strategy 2021-2030, 63-QD/NXBCTQG, dated 3 March 2021

⁶ Resolution No. 16/2021/QH15 dated 27 July 2021 by the National Assembly approving the Socio-Economic Development Plan 2021-2025

⁷ Communist Party of Viet Nam, Party's Central Committee, XIIth Legislature, Draft Report on Review of 2011-2020 10-year Socio-Economic Development Strategy implementation, and formulation of 2021-2030 10-year Socio-Economic Development Strategy, Hanoi dated 15 October 2020

⁸ Decision No.622/QD-TTg dated 10 May 2017 by the Prime Minister approving the National Action Plan for implementation of the 2030 Agenda for Sustainable Development

⁹ The Socialist Republic of Viet Nam, Updated Nationally Determined Contribution (NDC), Ha Noi, July 2020 available in English at

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Viet%20Nam%20First/Viet%20Nam_NDC_2020_Eng.pdf

¹⁰ Decision No. 1658/QD-TTg dated 1 October 2021 of the Prime Minister on approving the National Strategy on Green Growth in the 2021 - 2030 period, with a vision toward 2050

¹¹ Decision No. 2289/QD-TTg dated 31 December 2020 of the Prime Minister promulgating the National Strategy on the Fourth Industrial Revolution through 2030

¹² Decision No. 749/QD-TTg dated 3 June 2020 of the Prime Minister on approving the national digital transformation program through 2025, with orientations toward 2030

innovation and digital transformation frequently and considers them as the breakthroughs for the period 2021-2030. Likewise, digital transition is fully endorsed making of it the highway to expected growth by 2030. There is a clear intention for independent and sustainable development, based on innovation, technology and digitalization.

Alongside the SEDS/SEDP, the Government intends to develop an Integrated National Financing Framework (INFF) to strengthen planning processes and overcome existing impediments to financing sustainable development and achieving the Sustainable Development Goals (SDGs).

Key challenges for EU engagement relate to (1) one-party state with complex coordination mechanisms; (2) implementation; and (3) accountability mechanisms. Viet Nam's administrative structure and policy making process and the level of law enforcement need to be taken into account. Challenges could also arise from diverging views on human rights, fundamental values, rule of law and accountability, participation of citizens and non-state actors, and environmental and social costs of economic growth.

Main opportunities for transformational EU engagement consist of the EU positioning itself stronger as Team Europe, supported by an EVFTA, the global trend towards a digital, green and inclusive recovery and building back better, Viet Nam's leadership role in ASEAN, the EU's strategic focus, presence and actions in the Indo-Pacific region, and Viet Nam's commitment to a One Health approach to mitigate the risks of pandemics. In particular, the MIP is designed to ensure a sustainable and inclusive green socio-economic recovery to deliver on shared interests.

Considering the significant potential of research and innovation to contribute to economic growth and tackling of societal challenges, synergies will be sought with the EU Research Programme Horizon Europe, with a specific focus on those priorities identified in the regional ASEAN-EU Dialogue on Science and Technology for the uptake of research results and increase of joint-activities.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

1.2. Status of joint programming

While there is no appetite for a full joint programming process, EU Member States (18 are represented diplomatically in Viet Nam, with around half providing development assistance) have agreed to take a Team Europe approach including for example joint analysis, joint strategy, joint messaging, joint dialogue, etc. as elements of Working Better Together as Team Europe. Under the 2014-2020 Multiannual Financial Framework, the EU partnered notably with France (Agence Française de Développement (AFD) and Expertise France) and Germany (Gesellschaft für internationale Zusammenarbeit (GIZ), and KfW (formerly Kreditanstalt für Wiederaufbau)) in implementation. This cooperation worked reasonably well, including under blending after initial challenges, and presented significant advantages due to a Team Europe approach. Given the parallel design of two Team Europe Initiatives for Viet Nam (section 2.4), there are a platform and opportunities for a well-coordinated European approach, particularly among those EU Member States that will continue to provide development assistance to Viet Nam.

1.3. Priority areas of the EU's cooperation with Viet Nam

EU's bilateral cooperation with Viet Nam over the period 2021-2027 builds on the achievements during the period 2014-2020 and focuses on three priority areas:

1. Climate-responsive digital circular economy;

2. Responsible entrepreneurship and enhanced skills for decent employment;
3. Strengthening governance, rule of law and institutional reform.

Across each priority area, the EU will engage substantially with non-state actors in order to promote public participation, participatory policy development and public awareness.

A **climate-responsive digital circular economy** is a first priority area of EU action. The EU is recognised as a global leader on climate and environmental actions. Given the EU's frontrunner position on energy transition, it has valuable expertise for the emerging transition away from coal in Viet Nam. Circular economy is a core EU strategic objective with digital technologies as a critical enabler for its upscaling. Team Europe has ample knowledge and experience to share and can build on its existing strong international cooperation to assist Viet Nam in key policy areas of the EU's Green Deal. The EVFTA and the FLEGT-VPA make EU a preferred partner for Viet Nam in these policy areas.

Responsible entrepreneurship and enhanced skills for decent employment is a second priority area of EU action. Team Europe has long led the world in the area of Corporate Social Responsibility (and linked concepts of Responsible Business Conduct and Business and Human Rights). Encouraging sustainable business conduct in Viet Nam is a natural and logical extension with an aim to improve global value chains. Digital transformation can help organizations effectively achieve sustainability goals, and leveraging digital technologies to accelerate progress towards sustainable growth will be critical for a resilient and sustainable recovery.

Increasing formal employment and ensuring decent work for all are essential aspects of sustainable development. Quality employment and decent work conditions help reduce inequalities and poverty, and empower people, especially women, young people and the most vulnerable such as people with disabilities. The EU partnership with Viet Nam endeavours to create and promote jobs that provide decent earnings, ensure safe working conditions, provide social protection and safeguard workers' rights.

Relevant and quality vocational education and training (VET) can provide people, and especially youth, with the knowledge, skills and competencies required for the jobs of today and tomorrow, with particular attention to addressing the digital divide in Viet Nam. EU support for providing relevant job skills can therefore be a robust means of empowering people to seize employment opportunities or equip them for self-employment. Better skills training also helps support decent work. The EVFTA provides a strong policy push for improvements in this area.

Strengthening governance, rule of law and institutional reform is a third priority area of EU action. It is a pre-condition for Viet Nam's attainment of the SDGs. Improving the quality of governance, including e-governance, is fundamental to Viet Nam's prosperity and stability and requires further institutional reform. As the EU plays an important global role in safeguarding human dignity, freedom, democracy, equality, transparency, accountability, rule of law and human rights, the EU will promote these fundamental values in Viet Nam.

1.4. Justification and context

Viet Nam's development path choices have brought it to the current situation of rapid economic growth, but has also taken a heavy toll on the environment and natural resources. Related costs have largely been externalised by producers and carried by society (e.g. pollution), while demographic and economic trends will exacerbate environmental pressures. Market outcomes may not always be efficient and prices (e.g. for power, water and raw materials) often do not capture all costs. A fundamental issue at the political and policy levels is the persistent separation in approaching on the one hand economy or growth and on the other hand ecology or sustainability.

The Friedrich Ebert Stiftung identified in 2017 that some environmental challenges are caused by developments outside Viet Nam (e.g. climate change), some are typical for countries in the process of industrialisation (e.g. energy demand) and some are specific to Viet Nam (e.g. war

legacy and illicit wildlife trade). Public awareness is growing and frustration over pollution, including its health effects, is putting increasing pressure on political decision makers, who are aware of the environmental challenges and have adopted a sound policy framework to address them. Nevertheless, many strategies and laws merely look good on paper, as their application is severely hampered by three factors: incoherence of policies, overall top-down approach in political decision making often excluding crucial stakeholders and lack of policy enforcement.

The 2020 OECD Multi-Dimensional Review (MDR) of Viet Nam highlights that mismanagement of natural resources could hamper their contribution to Viet Nam's growth path. Major identified constraints are that: 1) the use of some natural resources is inefficient, 2) air pollution, emissions and waste generation are high, and 3) environment regulation and management is inadequate. The MDR makes a number of recommendations to ensure sustainability through better environmental and energy management in Viet Nam.

A fast-growing energy demand - still overly reliant on fossil fuels and particularly coal - leads to rapidly growing greenhouse gas (GHG) emissions and environmental pollution, calling for an ambitious low-carbon energy transition that includes smart energy solutions. Viet Nam is one of the most vulnerable countries to the effects of climate change. Typhoons, floods, droughts, coastal erosion and landslides are among the recurrent hazards, which are at risk of being exacerbated by climate change. This situation is compounded by non-climate factors such as high population density, often concentrated near the 3,260 km coastline, and extensive low-lying land highly susceptible to flooding (e.g. Mekong and Red River Deltas). Climate change threatens long-term economic growth, poverty eradication and sustainable development. The EU, through its Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO), provides support for disaster preparedness and responds to major natural disasters (e.g. floods).

As one of the most polluted countries in the world (e.g. air, plastic waste, water), Viet Nam looks at the circular economy to combine growth and environmental protection, digitalisation, competitiveness and social benefits. Although digital circular economy thinking is still quite new to Viet Nam, some high-level policy documents include actions that fit with the transition towards a circular economy, including digital transformation being a critical enabler for its upscaling. Several business models are heading towards digital circular economy based on the principles of eliminating waste and recycling resources (e.g. eco-industrial parks).

The complex topography and climate of Viet Nam has created a diversity of ecosystems, which are under threat. Enhancing the national capacity for sustainable natural resource management is key to ensure more effective action. Viet Nam joined a number of international agreements and initiatives on natural resources conservation, including the Leader's Pledge for Nature¹³, committing to reverse biodiversity loss by 2030. Enhanced natural resources management will help restore and preserve ecosystems, boost the resilience of the local population and reduce the impact of the COVID-19 pandemic.

The 2019 FLEGT-VPA aims to ensure that timber and its products exported to the EU originate from legal sources. It helps Viet Nam address illegal logging by improving regulation and governance of the forestry sector. In addition, Viet Nam is also a major exporter of coffee to the EU, making it a priority country in the context of the upcoming EU legislation on deforestation-free supply chains. With respect to illegal, unreported and unregulated (IUU) fishing, the EU issued a yellow card to Viet Nam in 2017, following which the Government is taking steps to have it lifted. Under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the EU and Viet Nam are usually partners in pushing for inclusion of additional species.

To date, Viet Nam has combined growth (averaging 5.8% in the period 2016-2020) and poverty reduction without losing equality, but this is no longer a given for future growth. Some

¹³ https://www.leaderspledgefornature.org/wp-content/uploads/2021/06/Leaders_Pledge_for_Nature_27.09.20-ENGLISH.pdf

inequalities show signs of widening and vulnerable groups are at risk of being left behind in Viet Nam's remarkable development story. The SEDS sets an ambitious 7% annual growth rate target backed by investment in human resources and an increase in total factor productivity. Raising the profile and productivity of the labour force through skills development is fundamental.

The 2020 OECD Multi-Dimensional Review (MDR) of Viet Nam expressed concerns about the inclusivity of Viet Nam's social system and the need to address constraints related to economy, society, government and the environment to ensure sustainability and continued growth. The MDR underlines 3 major constraints in the people dimension: 1) access to upper-secondary education is restricted and students are not equipped with job-relevant skills; 2) the social protection system is characterised by low coverage and high fragmentation; and 3) current pension and health care arrangements are not financially sustainable and do not guarantee adequate and equal benefits for all population groups. The MDR refers to the need for skills development to boost productivity gains and make the most of the benefits of digitalisation.

Viet Nam's economic boom has not translated into higher skills nor permanent jobs for all. The majority of the workforce is still self-employed (female 58.9%, male 50.1%) and average wages remain low. Although unemployment is very low in Viet Nam, the International Labour Organisation (ILO) estimated before the COVID-19 crisis that 55% of Vietnamese workers (female 57.76%, male 47.29%) still fell under vulnerable employment. In order for economic growth to offer not only jobs but also better living conditions, it is essential that Viet Nam promotes high-quality employment for its workers (Decent Work Agenda).

Industrial relations and labour policies in Viet Nam are at a turning point. Global integration through new generation free trade agreements have brought about important reforms in Viet Nam, which include the ratification of ILO's fundamental Conventions on child labour and the right of association and the passage of a new Labour Code. ILO has acknowledged progress, but has underlined the need for additional capacity building, awareness raising and evidence-based monitoring of the new labour laws. For labour reforms to become effective, foreign companies and their suppliers will need to build on existing Responsible Business Conduct initiatives. Businesses create jobs and wealth, but doing business by destroying the ecosystem and disregarding the health and safety of people is not sustainable. Viet Nam recognises the need to respect international labour and environmental norms, particularly when accessing developed markets.

Viet Nam's transition towards a market economy and a state based on rule of law has gradually improved the quality of its governance, with improvement in scores for various dimensions of good governance. Yet, many challenges remain and the country is among the weak-performers group with regard to governance. The political stability has facilitated economic success, whereas accountability, citizens' participation, inclusiveness, human and labour rights and, overall law enforcement, have progressed at lower pace. These governance issues have also an impact on the business environment, private sector development and competitiveness. Viet Nam has a fast growing middle class with good economic and educational background. This group of the population, a key driver of development, is also expected to demand for better public service delivery, greater transparency and accountability and civic participation. E-governance is expected to facilitate it together with convenience in transacting.

Viet Nam has made considerable efforts to shape a solid macro-fiscal framework and a sound public financial management system to lay the ground for economic growth and effective implementation of public policies. Yet, the country is exposed to risks and vulnerabilities. Domestic resource mobilization as share of Gross Domestic Product (GDP) stays below its regional peers and the quality of public investments has been weak. A multi-layer public administration and budget system has made it challenging for effective budget planning and implementation. Budget transparency stays below global average, as disclosure of budget

information has been inadequate and civic participation in the budget process has been very limited.

Viet Nam has made positive progress in improving its judicial system (notably in juvenile justice and access to legal aid). However, contradictions between laws and regulations remain, there are inconsistencies in interpretation and implementation and shortcomings in compliance with international human rights standards. Access to justice services remains unequal, in particular for vulnerable people who are not aware of their rights. The lack of full independence of the judicial system undermines public trust and reduces productive investments in the economy.

Viet Nam's one-party system exercises a close control on public opinion and participation in public affairs. Despite an increasing engagement with the international human rights framework, restrictions to human rights persist (e.g. freedom of expression both online and offline, freedom of assembly, freedom of religion and freedom of the media). Civic space is closing further while checks and balances on state control are insufficient. Non-state actors can play a relevant role in public participation, public awareness, and advocacy for a rights-based approach in policy making.

When considering all the data that indicate Viet Nam is ahead of most countries in gender equality, it is easy to overlook the fact that men are still privileged. Gender equality needs to be mainstreamed through gender-responsive action. A focus is required on a just transition that leaves no one behind, particularly ethnic minorities, persons with disability and other vulnerable groups. In order to address and integrate human rights a rights-based approach should underpin EU action with a "do no harm" principle. The risk of an increase in the level of multi-dimensional inequality should be monitored closely.

Knowledge systems require strengthening, particularly on technology, research, innovation, digitalisation, mapping and monitoring. Developing digital skills facilitates several circular economy business models, notably product-as-a-service applications and sharing platforms. Digital transformation needs to be mainstreamed throughout and the risk of a growing digital divide needs to be addressed. At the same time, the legal frameworks for digitalisation, cybersecurity and data protection need to be aligned with international standards, building on the results of current EU support through its Directorate-General for Justice and Consumers (DG JUST).

Viet Nam had managed the COVID-19 pandemic particularly well, but the latest wave is resulting in a substantial socio-economic impact on income and poverty, which has been strongly felt by the most vulnerable, leading to a surge in inequality. The impact on the labour market was also widely felt. The outlook for the economy however remains positive. Viet Nam is one of the few countries that achieved positive growth in 2020 and the economy is expected to return to pre-crisis levels in 2022. The recovery phase presents an opportunity to push for a green, inclusive and digital recovery. The entry into force of the EVFTA in 2020 is boosting trade and provides a much-needed engine of growth in the post-COVID recovery period. As COVID-19 is most likely a disease of zoonotic origin, the prevention of emerging zoonotic diseases as part of a more comprehensive One Health approach deserves EU's attention.

1.5. Duration of the MIP and option for synchronisation

The MIP for Viet Nam will have a duration of 7 years with a review synchronised with the country cycle. The initial tentative financial allocation covers the period 2021-2024, while the tentative financial allocation for the period 2025-2027 will be established following a mid-term review in 2024.

2. EU support per priority area and proposals of Team Europe Initiatives

The MIP translates the EU's global commitments into country-level EU action in all dimensions of sustainable development in a balanced and integrated manner. Cross-cutting issues (section 1.4) will be mainstreamed throughout EU action under the MIP. In particular, EU support will promote the implementation of the objectives of the Action Plan on Gender Equality

and Women's Empowerment in External Action 2021-2025 (GAP III), through the EU Country Level Implementation Plan for GAP III (CLIP), of the EU Roadmap for engagement with civil society in Viet Nam and of the EU Action Plan on Human Rights and Democracy 2020-2024. As youth are our future leaders and a key actor of change towards sustainability, EU action will promote a meaningful participation and engagement of youth. The youth agenda is particularly linked with digital transformation. Due consideration will be given to the special needs of persons with disabilities.

2.1. Priority area 1: Climate-responsive digital circular economy

Under this priority area, EU interventions will achieve transformational impact through climate resilience building, low-carbon transition in key economic sectors, environmental protection and a more sustainable and digital management of resource flows. A focus on employment in and skills for the green economy (as per Commission definition¹⁴) interlinks priority areas 1 and 2.

EU action on **climate resilience** (Development Assistance Committee code (DAC) 430) will support communities in the most climate vulnerable urban and rural areas to adapt to climate variability and the unavoidable local impacts of climate change, which are emerging drivers of migration. The focus will be on infrastructure, livelihoods, awareness raising and change management towards more sustainable and digital practices. The possible application of digital technologies to the agriculture sector may contribute to a greener growth and a reduced environmental impact. Where possible, nature-based solutions will be preferred. The main focus is on SDG 13.

Keen to promote a **low-carbon development** (DAC 231) pathway that decouples economic growth from energy consumption, delivers on NDC targets and reduces dependency on fossil fuels, the EU will continue its support to the Government programme on energy efficiency, coal phase out, the energy-digital nexus and the enabling environment for private sector investments in energy efficiency and renewable energy. Transition from coal to gas (particularly Liquefied Natural Gas) and supply side management could reduce GHG emissions in the energy sector in an intermediary phase but a direct transition to renewable energy will be encouraged. Industry will continue to be a key player to reduce energy intensity. The EU will also explore opportunities to support the development of smart grids as enabler of the energy transition in Viet Nam, and the roll out of green, smart and affordable mobility. SDG 7 is the main target, with digitalisation as an important element of EU action.

Local authorities, non-state actors and even citizens of all ages are key drivers of an energy transition. It is important to ensure that this transition is just (e.g. risk of electricity price increase in power mix scenarios with high variable renewable energy penetration). Mainstreaming women participation in the energy transition at all levels (decision-making, education, private sector, utilities) shall be given priority.

EU action on **environmental protection** (DAC 410) can support the strengthening of environmental regulation – including enforcement – and management capacity, coupled with a good mix of environmental policy instruments.

Cooperation on specific issues such as deforestation should be pursued, including through the continuation of the FLEGT VPA as well as through the development and establishment of a forest partnership. It is key to leverage further action through a win-win approach to halt deforestation and forest degradation through sustainable forest management, promote sustainable agricultural and forest value chains, foster good forest governance and enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest-dependent people (in line with the EU Communication on protecting and restoring the world's forests, the upcoming EU legislation on deforestation-free supply chains,

¹⁴ Employment in the environmental economy, as it is defined in the European environmental goods and services sector (EGSS) accounts. See more: Eurostat Statistics Explained, 2021, Environmental economy – employment and growth.

the Convention on Biodiversity, the EU Biodiversity Strategy for 2030, the Paris Agreement adopted under the UNFCCC, CITES, the Global Forests Goals of the UN Strategic Plan for Forests 2030, and other international forest related instruments, processes, commitments and goals).

EU support for Sustainable Consumption and Production (SCP) will build upon and take stock of the work done under the EU SWITCH-Asia programme and actions under the Partnership Instrument to reduce the overall environmental performance of products throughout their life cycle, stimulate demand for better products and production technologies and help consumers make informed choices. Concerted SCP action will allow Viet Nam to leapfrog to more resource efficient, environmentally sound and competitive technologies. Progress will depend on the impact of awareness raising campaigns and changes in society's consumption habits.

Team Europe has valuable experience and technology to share with Viet Nam. The EU will mobilise its global digital monitoring tools, such as the EU's Earth Observation Programme Copernicus, whose services can provide relevant data. Given the global impact of the COVID-19 pandemic, the EU will continue its support to coordinated action to prevent the emergence of zoonoses through a One Health approach. SDGs 12 and 15 are the main targets.

A number of non-state actors' networks are active in Viet Nam on Green Deal policy areas. The EU will engage substantially with them on topics like policy development, advocacy and awareness raising, and provide support for dedicated activities. The role of non-state actors and the wider society, in particular women, have yet to be fully integrated into the decision-making process on Green Deal policy issues.

Key risks are that the Government may restrict involvement of non-state actors, and that the current Official Development Assistance regulation is not sufficiently conducive for innovative financing mechanisms with the private sector, e.g. blending or guarantees. Other risks may originate from energy relations within the region. Mitigation measures include a sustained and coordinated policy dialogue with the Government to ensure common goals and shared views on implementation modalities.

2.1.1. Specific objectives related to the priority area

SO-1.1: Strengthened resilience to climate related hazards and natural disasters

Viet Nam's overall resilience to more frequent climate related hazards and natural disasters, mainly due to the unavoidable impact of climate change, will be strengthened through more climate resilient local communities and livelihoods in line with SDG 13.

SO-1.2: Greener, smart, and more efficient energy consumption and production

Viet Nam's energy production and consumption is greener, smarter and more efficient through increased renewable energy and enhanced energy efficiency in line with SDG 7.

SO-1.3: Conserved natural resources

Sustainable and deforestation free supply chains are promoted and overall consumption and production practices are more sustainable, through strengthened forest and protected area management.

2.1.2. Expected results per specific objective

ER-1.1.1: Communities and livelihoods are more climate resilient

EU support to communities in the most climate vulnerable urban and rural areas for infrastructure, livelihoods, awareness raising, change management and application of digital technologies to the agriculture sector as part of support for the implementation of provinces' climate change and/or disaster risk reduction strategies and plans are expected to result in more climate change resilient local communities and their livelihoods.

ER-1.2.1: Energy efficiency is enhanced

Continued EU support to the Government programme on energy efficiency and the enabling environment for private sector investments in energy efficiency together with digitalisation and supply/demand side management is expected to significantly enhance energy efficiency.

ER-1.2.2: Share of renewable energy in the power generation mix is increased

Continued EU support to the Government strategy on the promotion of renewable energy together with support for coal phase out and development of smart grids is expected to result in an increased share of renewables in the power mix. This will in turn facilitate the electrification of transport and the roll out of green, smart and affordable mobility.

ER-1.3.1: Forest and protected area management is strengthened and sustainable and deforestation free supply chains are promoted

EU action on regulation and enforcement of forest management capacity, coupled with the delivery on FLEGT VPA commitments and the development of a sustainable forest partnership through sustainable forest management, more sustainable agricultural and forest value chains, better forest governance and enhanced forest-based economic, social and environmental benefits, including for forest-dependent people, is expected to result in strengthened forest and protected area management and more sustainable and deforestation free supply chains.

ER-1.3.2: Production and consumption practices are more sustainable

EU funding for Sustainable Consumption and Production (SCP) actions combined with awareness raising campaigns is expected to improve the overall environmental performance of products throughout their life cycle, stimulate demand for better products and production technologies and help consumers make informed choices.

2.1.3. Indicators (including baseline and targets), per expected result

The main indicators for measuring the aforementioned expected results are contained in the Intervention Framework. A set of 13 indicators (including baselines and targets) has been selected for priority area 1 focussing mostly on measuring results related to climate resilience of communities, energy transition and energy efficiency, forest partnership, and sustainable consumption and production (see Attachment 1).

2.1.4. Possible use of blending and guarantees for investment under EFSD+

It is foreseen to implement part of the support to this priority area through blending, in particular for investments in climate-resilient infrastructure. The European Investment Bank (EIB) and other European Development Finance Institutions (EDFIs), like AFD and KfW have expressed a strong interest to explore this option further and build on the current blending portfolio. The EU will provide support for an enabling environment for green investments and financing, including green bonds. Blending/guarantees may be an option for Public Private Partnerships for investments in circular economy. Energy efficiency, clean energy, energy-digital nexus, green mobility and green buildings offer prospects for the use of blending/guarantees. As an example, the Government is considering the establishment of a super energy service company (Super-ESCO¹⁵), which the EU (e.g. through EIB) could support to unlock the energy efficiency potential in the public sector. In view of the FLEGT-VPA, green companies active in forest-based value chains could be clients for blending/guarantees. The nature and role of Vietnamese State-Owned Enterprises will need to be analysed thoroughly beforehand. Guarantees may also be an option for other private investments. There is an interest in guarantees that would cover the risk of exchange rate fluctuation when loans are contracted in foreign currency. Similarly, disaster risk insurance could be an opportunity for guarantees.

¹⁵ An ESCO is an organization that provides a full range of services to energy users to design and implement energy efficiency options.

Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 30 million may be used to provision European Fund for Sustainable Development Plus (EFSD+) guarantee operations under this priority area.

2.2. Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment

Under this priority area, EU interventions will achieve transformational impact through promoting a more inclusive and responsible business community and transition towards formal employment and decent work. It will be complemented by a strong push in favour of vocational training and mainstreaming of digitalisation in the workplace. These are areas where Team Europe has a comparative advantage and where the EU and Viet Nam have legally binding commitments in place (e.g. human and labour rights under the EVFTA) and strong ongoing engagement. This approach is expected to improve workers' skills, raise labour standards and contribute to a level playing field for European companies in Viet Nam. A focus on employment in the green economy (as per Commission definition) can help interlink priority areas 2 and 1.

Inclusive and responsible business (DAC 250) covers issues that can be targeted by EU support, such as inclusive circular business models, fair rewards, minimum employment standards, stakeholder inclusion, ethical and circular supply chains, inclusion through equality and diversity, and environmental sustainability. This approach requires strong environmental, social and governance (ESG) performance monitoring. Due consideration will be given to the specificities of the social economy (as per Commission definition¹⁶). Digital entrepreneurship and the digital transformation of Micro, Small and Medium Enterprises and support to the private sector will be part of this approach and will have a strong focus on youth, women and the development of digital skills. Team Europe has a long experience in corporate social responsibility (CSR) that Viet Nam is keen to learn from and build on with a view to create linkages between foreign-invested and local enterprises. Responsible business conduct is inter-connected with all the SDGs.

In line with the EU Indo-Pacific Strategy Communication, our cooperation should build more resilient and sustainable global value chains, and increase the work towards the development of international standards and regulations in line with international recognised principles and values.

In the context of the enforcement of labour and employment sector policies, the EU support will focus on critical areas of ILO's **Decent Work** Agenda (DAC 160): availability of jobs for all, rights at work, social protection, gender equality, enhancing labour inspection, and a strict framework against the worst forms of child labour including hazardous work. An emphasis on job creation in the post-COVID-19 context will be crucial to ensure unemployment remains low and does not derail the process of improving labour conditions. Stronger linkages between Vietnamese and European firms can be promoted together with high-quality, employment-generating investment. The protection of workers and the abolition of child labour could be reinforced through the gradual implementation of international norms, for which ILO's Fundamental Conventions will take priority. The entry into force of a new Labour Code in Viet Nam in 2021 - allowing for stronger, more independent workers' representation in the workplace - will be instrumental. Newly created trade unions are expected to become an important part of the tripartite social dialogue in Viet Nam. Viet Nam's programme on preventing and reducing child labour for the period 2021-2025 reflects the government's strong commitment on child labour. Private sector participation through the adoption of Business and Human Rights or Responsible Business due diligence systems will complement this approach. Gender equality in the workplace and increasing access for women to decent work will receive specific attention. Likewise, the EU will support pathways for persons with disability into decent work.

¹⁶ https://ec.europa.eu/growth/sectors/social-economy_en

The diverse labour market landscapes and the transformation of migration patterns and flows imply dealing with **migration in a broader context of labour market, employment and decent work**. The EU will support the review of the regulatory framework and build capacities for orderly, safe, regular and responsible migration and mobility not only within Viet Nam, but also to the region and to Europe (e.g. including the prevention and fight against irregular migration, human trafficking, smuggling of migrants and child labour). The main focus is on SDG 8.

Under the Decent Work Agenda pillar of promoting jobs and enterprise, vocational training and the transition towards formal employment deserve particular EU attention. The EU will support upskilling and re-skilling through **vocational training and skills development** (DAC 113/4), with a strong focus on raising the profile of vocational training, digital skills, skills for the green economy and life-long learning. This includes policy dialogue with the lead Ministry of Labour, Invalids and Social Affairs (MOLISA). Due consideration will need to be given to the special needs of persons with disabilities and gender aspects. Digital skills will be improved at different stages to meet the changing demand and maintain employability. This can take place at upper-secondary or post-secondary education level and complements global programmes, such as EU's Erasmus+, Horizon Europe and similar EU Member States programmes. Ensuring a stronger participation of the private sector is key to improve the interface between demand and supply of more resilient labour markets. Looking for synergies in the reform and the implementation of skill development and job creation policies, the proposed European Management University¹⁷, a not-for-profit high level management education institution contributing to Team Europe's influence in Viet Nam, would be a part of this approach. SDGs 4, 6, 8 and 13 all have specific targets for VET. SDG 5 is also of particular relevance for vocational training and skills development.

Ensuring effective interaction between the private sector and other non-state actors is a key factor of success to achieve more responsible business, decent work and skills development. The EU will substantially engage with these counterparts, in order to build synergies, enhance public participation and ensure inclusiveness.

Key risks are that even a more sustainable growth path can increase overall production in high-growth countries like Viet Nam, which would partially or fully offset its benefits. Mitigation measures include applying concepts that integrate into deeper and wider strategies for economic system change going beyond a technical fix.

Actions will be undertaken in harmony with policies and interventions at regional level, including ASEAN.

2.2.1. Specific objectives related to the priority area

SO-2.1: More responsible business behaviour that supports inclusive growth

Business behaviour leading to more inclusive growth is promoted through inclusive employment and more companies engaged in corporate social responsibility.

SO-2.2: Employment opportunities, rights at work, social protection and dialogue are promoted

Social protection, social dialogue, equal opportunities, and workers' rights and full and productive employment are promoted through enforced labour rights and improved gender equality at work in line with ILO's Decent Work Agenda and SDG 8.

SO-2.3: Youth and adults equipped with relevant technical and professional skills

¹⁷ High Level Meeting with the Chairman of Hanoi People's Committee on the European Management University (EMU), 17 June 2021, official press release in Vietnamese available at: https://dfa.hanoi.gov.vn/vi/hoat-dong-doi-ngoai/-/view_content/4146972-chutich-ubnd-thanh-pho-hanoi-tiep-dai-su-cac-nuoc-lien-minh-chau-au.html. In Principle Agreement expected end of 2021.

Skills of both youth and adults match the demand of the labour market through TVET systems more in line with labour market and enterprise requirements and enhanced skills, including digital, in line with international standards.

2.2.2. Expected results per specific objective

ER-2.1.1: More companies adopt responsible business practices

EU action on inclusive circular business models, fair rewards, employment standards, ethical and circular supply chains, stakeholder inclusion through equality and diversity, and environmental sustainability in support of the private sector (in particular social enterprises and Micro, Small and Medium Enterprises), is expected to result in a larger number of enterprises engaging in good business conduct and corporate social responsibility.

ER-2.1.2: Inclusive employment is promoted

EU support for pathways for vulnerable groups, including persons with disability, into decent work is expected to result in more inclusive employment.

ER-2.2.1: Labour rights are enforced, with safe and secure working environments for workers

EU funding for programmes to accompany the adoption and implementation of ILO Conventions, in support of migrant workers, labour inspection and against child labour is expected to result in enforcement of labour law and ensuring safe and decent working conditions.

ER-2.2.2: Gender equality at work is improved

Gender mainstreaming of EU support under priority area 2 is expected to result in more equal opportunities for men and women in the labour market and the workplace.

ER-2.3.1: TVET systems are in line with labour market and enterprises requirements

Policy dialogue with the Ministry of Labour, Invalids and Social Affairs, together with engagement of the private sector and EU funding for institution or workplace based VET/skills development is expected to result in TVET systems matching the demand of the labour market in particular the private sector.

ER-2.3.2: Digital skills are enhanced in line with international standards

EU funding to online teaching and training programs for upskilling and re-skilling and contributing to the Government's scheme to develop the labour market, is expected to result in enhanced digital skills in line with international standards.

2.2.3. Indicators (including baseline and targets), per expected result

The main indicators for measuring the aforementioned expected results are contained in the Intervention Framework. A set of 19 indicators (including baseline and targets) has been selected for priority area 2 focussing mostly on measuring results related to promotion of responsible business, creation of inclusive jobs, improvement of labour rights, safer working environment and gender equality, and upskilling of the labour force, including digital skills (see Attachment 1).

2.2.4. Possible use of blending and guarantees for investment under EFSD+

Blending and/or guarantees could be an option for loans to responsible Small and Medium-Sized Enterprises (SMEs). Several funds exist in Viet Nam that provide preferential loans to SMEs, some of which include environmental criteria. The feasibility of EU support to such funds through blending/guarantees depends on the availability of a loan provider, preferably an EDFI (e.g. AFD and KfW).

The proposed European Management University could be considered for support through blending/guarantees. Moreover, there may be an option to explore private or public/private

investments in education, digital transformation in line with international standards, and social protection schemes.

Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 10 million may be used to provision EFSD+ guarantee operations under this priority area.

2.3. Priority area 3: Strengthening governance, rule of law and institutional reform

Under this priority area, EU interventions will achieve transformational impact through supporting effective governance (including e-governance and economic governance), rule of law enforcement and institutional reform, while mainstreaming gender.

The EU support for **effective governance**¹⁸ (DAC 151) will address (e-)governance, including economic governance, **rule of law** and **human rights** challenges and promote a genuine and well-functioning rule of law State; inclusive access to an independent justice compliant with international human rights standards; effective, accountable and sustainable public service delivery and management of public finances. The focus can be on areas where results will have a greater potential impact, such as democracy and citizens' rights (in particular for the most vulnerable); enhanced accountability and transparency; as well as enabling non-state actors and greater and inclusive citizens' participation as enshrined in the Constitution of Viet Nam. This will include support for the compliance of the legal institutional framework with international standards and promotion of rules-based multilateralism, capacity building of public service actors, protection and empowerment of vulnerable groups and their increased access to public services, transparent, accountable and participative (e-)governance around effective data, analysis, policy decisions, administration (e.g. through digital platforms and technologies), strategies and implementation as well as impact assessment. The main focus is SDG 16.

Cross-cutting issues such as gender equality, migration, and other issues related to good governance or rule of law and alignment with international conventions (e.g. transnational threats such as organised crime, sexual abuse and exploitation, trafficking in human beings, smuggling of migrants, cybercrime, drugs trafficking, the illicit arms trade or terrorism) will be taken into account in the elaboration of actions. The EU will also promote digitalization in governance, particularly e-government, cybersecurity and data protection in line with international standards, which will help to increase citizen safer access to public services and improve accountability and transparency of the public sector.

Engagement with non-state actors, notably citizens' networks, media, universities, lawyer associations, youth, women and persons with disability organisations will be crucial. This will be done by engaging them in policy dialogue, strengthening their capacity to promote accountability, preserving the public space, and entrusting them with implementation of some actions in areas where they demonstrate recognised expertise.

Key risks:

- Given the nature of the sector and the country context, risks can be considered relatively high in areas where governance mechanisms modify the way citizens interact with the Government, as support for changes in governance are typically gradual and require a long-term perspective.
- Involvement of non-state actors might also be challenging due to the shrinking space and increased administrative control.

Mitigation measures include a regular dialogue with the Government to ensure common goals and shared views on implementation modalities. This also covers promotion of international

¹⁸ 11 principles of effective governance for sustainable development of the UN Committee of Experts on Public Administration (CEPA): *Effectiveness*: 1) competence; 2) sound policy making; 3) collaboration; *Accountability*: 4) integrity; 5) transparency; 6) independent oversight; *Inclusiveness*: 7) leaving no one behind; 8) non-discrimination; 9) participation; 10) subsidiarity; 11) intergenerational equity

standards and compliance with obligations under international human rights treaties and mechanisms.

2.3.1. Specific objectives related to the priority area

SO-3.1: Governance is more effective

The overall governance in Viet Nam is more effective through more accountable and inclusive public administration and e-governance services and digital systems following international standards and in line with SDG 16.

SO-3.2: Rule of law and human rights are improved

Citizens and businesses have access to an increasingly qualified, transparent, more inclusive and independent justice system through the promotion of rule of law and human rights following international human standards and in line with SDG 16.

2.3.2. Expected results per specific objective

ER-3.1.1: Public administration is more effective, accountable and inclusive

Capacity building of public service actors, protection and empowerment of vulnerable groups and their increased access to public services, transparent, accountable and participative governance around effective data, analysis, policy decisions, administration, strategies and implementation as well as impact assessment is expected to result in a public administration that is more effective, as well as accountable to its citizens of all groups including the most vulnerable.

ER-3.1.2: Public administration is digitalised in line with international standards

EU support to establish or improve e-government systems and services (e.g. through digital platforms and technologies) is expected to result in a digitalisation of public administration that is in line with international standards particularly for cybersecurity and data protection.

ER-3.2.1: Enhanced access for citizens and businesses to an increasingly qualified, transparent, more inclusive and independent justice system in line with international human rights standards

EU funded legal aid to beneficiaries is expected to enhance access to justice and EU support for the compliance of the legal institutional framework with international standards and promotion of rules-based multilateralism is expected to improve the justice sector and be reflected by an improvement of key international governance indicators. *ER-3.2.2: Respect for human rights is promoted*

Regular dialogue with the Government on compliance with obligations under international human rights treaties including on Universal Periodic Review (UPR) recommendations and support to grassroots organisations are expected to result in the promotion of human rights.

2.3.3. Indicators (including baseline and targets), per expected result

The main indicators for measuring the aforementioned expected results are contained in the Intervention Framework. A set of 13 indicators (including baseline and targets) has been selected for priority area 3 focussing mostly on measuring results related to the effectiveness and accountability of public administration, including digitalisation, improvement in access to justice, strengthening Non-State Actors and promoting human rights (see Attachment 1).

2.3.4. Possible use of blending and guarantees for investment under EFSD+

No immediate opportunities for using blending/guarantees could be identified yet.

2.4. Proposals of Team Europe Initiatives in Viet Nam

These proposals are indicative. They will be further developed during the implementation of the MIP and might be modified when deemed relevant. Team Europe in Viet Nam will support

as well the implementation of the proposed South-East Asia regional Team Europe Initiatives (TEIs) on “Green Initiative” and “Sustainable Connectivity” and other regional Team Europe Initiatives. In terms of financing, the indicative amount and corresponding percentage from the 2021-2024 MIP financial allocation for TEI 1 and TEI 2 are EUR 168 million, corresponding to 80% of the MIP.

Team Europe Initiative 1 on “Climate-resilient, low-carbon circular economy”

The three below areas are closely inter-linked with opportunities for synergies.

1. Climate resilience

Team Europe will promote stronger climate change adaptation and disaster risk reduction by providing support for climate-proofing infrastructure, livelihoods, investments and production (e.g. agriculture). The emerging impact of climate change, rapid urbanisation and industrial/urban sprawl in climate vulnerable areas require a stronger mainstreaming of climate change adaptation and disaster risk reduction in both rural and urban vulnerable areas to help anticipate, prevent and manage hazards, such as floods, drought, erosion and landslides, through investments and technical cooperation. In areas of high climate and natural disaster risk, like the Mekong delta or flood-affected areas, building stronger climate resilience will protect citizens, property and livelihoods. Nature-based solutions that protect, restore and sustainably manage ecosystems will be preferred where feasible. Local authorities are key stakeholders to climate proof local development and investment plans. In the age of big data, algorithm-powered disaster modelling has the ability to contribute to resilience by predicting certain outcomes and help develop scenarios. However, efficient disaster risk reduction requires access to quality data.

2. Low-carbon development

Team Europe will continue providing support for a low-carbon energy transition and the achievement of Viet Nam’s Nationally Determined Contribution (NDC). Due to Viet Nam’s high energy intensity, improving energy efficiency will be given top priority, together with increasing the share of renewable energy generation in the energy mix. Smart grids, including renewable energy storage solutions, can be a strong enabler of the energy transition, while power interconnection with neighbouring countries will contribute to achieving climate and energy goals. Low-carbon development is also a key contributor to cleaner air and environment. A transport transformation towards green, smart and affordable mobility is needed. Data-driven urban planning can help ease congestion and reduce carbon emissions, but requires data capabilities and public-private partnerships to open up and use data effectively. Unlocking private investment will allow the private sector to play a leading role in the low-carbon transition. Government should focus on providing an enabling environment for green investments and financing, notably related with the uptake of low-carbon and circular technologies in priority value chains. There are substantial opportunities for EU businesses in low-carbon development in Viet Nam. Care needs to be taken to ensure a socially just energy transition.

3. Circular economy

Team Europe will work towards a more circular economy, through support for resource efficiency and Sustainable Consumption and Production (priority value chains: textiles, electronics, food, construction and buildings), as it would deliver tangible benefits such as reducing pressure on the environment, improving the security of the supply of raw materials, increasing competitiveness, stimulating innovation, boosting economic growth and creating jobs. This focus has a close link with EVFTA provisions (Trade and Sustainable Development, facilitation of trade and investment in environmental – notably circular economy – technologies, remanufactured goods and the lifting of duties for repaired goods). EU private sector actors are keen to promote circular economy business models and practices, including EU technology

transfer, across priority value chains. A hot topic in Viet Nam is the need for action towards sustainable waste management and pollution prevention, particularly plastics, air and water.

While Viet Nam has rich and diversified ecosystems and is recognised as a biodiversity hotspot, deforestation, encroachment, fuelwood collection, hunting and logging are having a high impact. Viet Nam is also a hub for illegal wildlife trade. A more circular economy will reduce the impact on ecosystems and the pressure on natural capital, like forests, water and biodiversity (in terms of both pollution and resource extraction). For example, the FLEGT-VPA is a central element of the EU's strategy in the fight against illegal logging by improving governance and regulation towards sustainable forest management. Digital solutions could facilitate monitoring and the validation of the origin of timber along the supply chain. Non State Actors (NSA) can play an important role in monitoring. More sustainable forest value chains, including the application of circular economy practices, will reduce their negative impact. Likewise, EU can build on its globally recognised leadership role in reducing IUU fishing to support reforms towards more sustainable fishery value chains. Combined with actions supporting reduction of coastal and ocean pollution, Team Europe aims to achieve a positive impact on fish resources.

Non-state actors have experience in enhancing public awareness and supporting the protection of natural resources, and the EU will engage substantially with them on these issues.

Tentative TEI 1 partners among Team Europe:
EU, BE, BG, DE, DK, FI, FR, HU, IE, IT, NL, SE

MIP Priority Area 1 will contribute 100% to TEI1.

Team Europe Initiative 2 on “Decent employment and inclusive entrepreneurship”

The three below areas are closely inter-linked with opportunities for synergies.

1. Decent work

ILO defines decent work as “opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”. The Decent Work Agenda is based on four pillars: employment creation, social protection, rights at work and social dialogue, with gender equality as a crosscutting objective. To improve working conditions in line with international standards, Team Europe will provide support to promote full and productive employment and decent work for all, as embedded in SDG 8 on Decent Work and Economic Growth.

Tech entrepreneurship offers the opportunity to create market-fit employment that stands particularly well against the backdrop of Viet Nam's exceptionally young work force. In the "gig economy", labour becomes more and more platform-dominated. Fair work principles need to be assured and companies transformed to ensure safety standards and social protection. Emerging technologies, like Artificial Intelligence (AI), enable a more efficient social protection distribution and detection of fraud.

Viet Nam has ratified a number of ILO core Conventions and committed to ratify ILO Convention 87 by 2023, yet significant gaps remain in terms of their implementation. The most pressing concerns relate to the freedom of association and the formation of independent workers' unions. Viet Nam is preparing a series of decrees to operationalise its new Labour Code, in line with ILO Conventions and international best practices, which will dramatically transform industrial relations. Their implementation will require continued support, in collaboration with ILO. The eradication of child labour is another highly sensitive topic covered under the 8 fundamental ILO Conventions. The latest national survey shows that child labour

is regressing but remains a significant challenge, e.g. due to children that do not go to school because they cannot afford educational costs or because they are engaging in economic activities for income generation for themselves or their families. Progress will be monitored under the Trade and Sustainable Development Chapter of the EVFTA where organised non-state actors are expected to play a significant role.

2. Better skills

Team Europe will provide support to upscale Technical Vocational Education and Training (TVET), including development of digital skills and ensuring a stronger participation of the private sector to improve the interface between demand and supply of labour markets. Stakeholder consultation as well as the SEDS call for support in the area of vocational training and better linkage between education and job markets. The proposed European Management University would be part of this. In parallel, promotion of higher education, research and innovation cooperation via ERASMUS+, Horizon Europe and similar MS-led programmes will be intensified.

The way that society, especially youth, learns, is drastically changing (e.g. e-learning and EduTech). Viet Nam requires citizen-centred education technologies (e.g. AI driven e-learning and using Augmented Reality in manufacturing) to close the skill gap that is widening throughout ASEAN.

The Government is committed to implement comprehensive reforms to foster TVET's relevance for the labour market, making Viet Nam more competitive regionally and globally. Strong private sector involvement is key for education, targeted training and vocational training.

3. Inclusive and responsible business

Team Europe will stimulate inclusive entrepreneurship in all economic sectors, in particular food, textile and electronics, through support for reducing the informal economy, focusing on formalisation of business, equal opportunities to start and operate businesses (in particular for EU SMEs), linking EU and Vietnamese SMEs in global supply chains, business support structures (link with ASEAN-wide networks and Enterprise Europe Network) and social entrepreneurship (e.g. social enterprises, cooperatives, cultural and creative hubs). This entails as well the promotion of economic and social rights and empowerment and equal participation of girls and women, while ensuring freedom of all forms of gender-based violence.

Private sector actors are keen to promote Responsible Business Conduct / Corporate Social Responsibility / Business and Human Rights, in which particularly the EU private sector can leverage significant change for digital transformation. This component is in synergy with the focus on circular economy among entrepreneurs promoted under TEI1. Non-state actors have experience in pursuing sustainable and inclusive approaches, promoting labour rights, working with youth, and the EU will substantially engage with them on these issues.

Tentative TEI 2 partners among Team Europe:
EU, BE, BG, DE, DK, ES, FR, HU, IE, IT, NL, SE.

MIP Priority Area 2 will contribute 100% to TEI2.

The EU's indicative contributions to TEI 1 (EUR 94.5 million) and TEI 2 (EUR 73.5 million) are subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

3. Support measures

3.1. Measures in favour of non-state actors

The EU will maintain a broad, systematic and strategic approach in its engagement with non-state actors in Viet Nam through policy dialogue, capacity development and support for implementation under the three priority areas. Non-state actors' involvement can range from implementation of national strategies and action plans; provision of basic services; mobilizing and raising awareness of communities and citizens; overseeing and monitoring national policies; advocating for international standards and inclusiveness; pursuing transparency and accountability, and pioneering innovative schemes on social and environmental protection.

The EVFTA (including the Domestic Advisory Group), the FLEGT-VPA, the PCA and the MIP offer a unique opportunity to mainstream support to non-state actors. Building on existing experience, an EU - Viet Nam structured dialogue mechanism can be set-up combining political and operational efforts. With an inclusive and do-no-harm approach it will go beyond traditional Non-Governmental Organisations, to encompass new more fluid forms of non-state actors, such as social enterprises, cooperatives, youth movements, independent workers representative organizations, foundations, community-based organizations and creative and cultural hubs.

The MIP will include a mechanism that will help improve the enabling environment and operational capacity for non-state actors for a sustainable inclusive COVID-19 recovery and good governance as outlined in the three priority areas. By reaching out to the most vulnerable, it will enhance the inclusiveness of public policies. All this will be implemented in full alignment with the new CSO Roadmap 2021-2025, the Country Level Implementation Plan for the Gender Action Plan III (CLIP-GAPIII) 2021-2025 and the Human Rights and Democracy Country Strategy 2021-2024.

3.2. Cooperation Facility

A Cooperation Facility is foreseen to support the design and implementation of the actions under the MIP. It will be used for:

- supporting capacity development and institutional building, including through technical assistance and exchange of public expertise, such as Technical Assistance and Information Exchange instrument of the European Commission (TAIEX) and twinning;
- supporting policy dialogue: events, conferences, studies, fellowships, exchange platforms to support sector dialogues leading to policy reforms and engagement with governments and other stakeholders;
- support to facilitate Team Europe coordination at country level;
- supporting the participation of Viet Nam in EU programmes and cooperation with EU Agencies, where relevant;
- financing communication, including strategic communication and fight against disinformation and visibility actions on EU cooperation and public diplomacy specific interventions to promote EU policies as well as its multilateral agenda in Viet Nam;
- supporting the preparation, implementation and evaluation of the EU's cooperation, including via technical assistance.

Considering today's contested information environment (marked by disinformation) and the importance of building coalitions with citizens and non-state actors to advance EU policy priorities, developing trusted channels of engagement through public diplomacy has become an essential element of our foreign policy.

Dedicated long term public diplomacy initiatives allowing to engage durably with our target audiences and partners (beyond the life cycle of specific cooperation projects) are key to build trust, enhance the understanding of the EU, support the implementation of our policy priorities and, ultimately, facilitate future cooperation across policy areas (including sectoral diplomacies such as economic diplomacy, climate diplomacy, cultural diplomacy, science diplomacy).

In light of the above, and building on the experience of the Partnership Instrument and the other good practices outlined in the “Methodological Note on Public Diplomacy and Communication” attached to the Programming Guidelines, the EU wish to ensure that similar dedicated public diplomacy initiatives will be available in Viet Nam. These initiatives that will be further detailed in the next steps of the programming, should allow the EU to develop long term, strategic and coherent approaches to foster, engage and mobilise networks of key target audiences and potential partners such as youth, academics, influencers (e.g. media, think tanks, business community), civil society and cultural actors.

In particular, the EU aims to do so through:

- I. dedicated long-term public diplomacy initiatives allowing to foster and mobilising specific networks, target groups and partners,
- II. initiatives allowing to connect and leverage existing EU programmes and initiatives for Public Diplomacy purposes (e.g. Erasmus+, Jean Monnet Actions, Creative Europe).

When relevant, bilateral initiatives involving national initiatives will be connected at the regional and global levels (e.g. youth fora, non-state actors fora) in order to reinforce the understanding of multilateralism, highlight the role of the EU as a global player and foster intercultural dialogue (while, at the same time, allow developing operational synergies). The Cooperation Facility could also support the implementation of the EU Strategy for Cooperation in the Indo-Pacific at a national level as appropriate.

Building on current good practices, public diplomacy initiatives could also reinforce the Team Europe approach and joined-up public diplomacy initiatives could be organised.

The Cooperation Facility will complement other available facilities, such as Socieux+, Energy Technical Assistance Facility and the Trade and Private Sector Development Facility (TPSD Facility).

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Viet Nam and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Viet Nam.

Overall indicative amount for the period 2021-2024:

<i>Priority areas</i>	<i>Million EUR</i>	<i>% of total</i>
<i>Priority area 1: Climate-responsive digital circular economy</i>	<i>94,5</i>	<i>45%</i>
<i>Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment</i>	<i>73,5</i>	<i>35%</i>
<i>Priority area 3: Strengthening governance, rule of law and institutional reform</i>	<i>31,5</i>	<i>15%</i>
<i>Support measures</i>	<i>10,5</i>	<i>5%</i>

<i>TOTAL for initial period 2021-2024</i>	<i>210</i>	<i>100%</i>
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Attachments

1. Intervention framework
2. Donor matrix

Attachment 1 - Intervention framework

<u>Priority area 1: Climate-responsive, digital circular economy</u>				
Specific objective 1.1: Strengthened resilience to climate related hazards and natural disasters				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-1.1.1: Communities and livelihoods are more climate resilient	a1) Share of provinces with climate change and/or disaster risk reduction strategies: under implementation with EU support (EU RF countries and cities)*	a1) 0 (100% of provinces have developed an Action Plan)	a1) 100% implemented by 2030 (Intermediary target for 2025 to be formulated on the basis of the Ministry of Natural Resources and Environment's five year plan <i>under preparation</i>)	a1) VSDG report (narrative to VSDG 13.2.1) EU support report
	a2) Proportion of the population (disaggregated by sex) to whom knowledge about flood and storm prevention and disaster risk reduction is disseminated (VSDG 13.3.1)	a2) 70% in 2020 (to be confirmed) ¹⁹	a2) 80% by 2025 (to be disaggregated by sex)	a2) VSDG report

¹⁹ "70% by 2020" is the target for VSDG 13.3.1 stipulated in the Dec. no. 681/QĐ-TTg of 04/06/2019 regulating a roadmap for implementation of the VSDGs to 2030. So far, there is no baseline data available for VSDG 13.3.1.

Specific objective 1.2: Greener, smart, and more efficient energy consumption and production				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-1.2.1: Energy efficiency is enhanced	a1) Energy consumption saved out of the total national energy consumption in 2019 ²⁰ (%) (Viet Nam National Energy Efficiency Programme VNEEP3)	a1) 0% (2019)	a1) 5-7% (2025)	a1) VNEEP3 annual monitoring report; VN Energy Statistics Yearbook; SDG 7 report
	a2) Status of national digital database collecting Key Energy Users data on energy from their energy management plans (yearly) / energy audits (every 3 years) in line with reference laws, i.e. Decree 21	a2) partly established but limited capacities	a2) established and fully operational, yearly reports are published as of 2024	a2) MoIT report on implementation of Decree 21; Monitoring report on implementation of energy efficiency database at DoIT level (yearly)
b) ER-1.2.2: Share of renewable energy in the power generation mix is increased	b1) Share of electricity generated from renewable sources (solar and wind) in total electricity generation capacity (draft Power Development Plan PDP8)	b1) 25% (2020)	b1) 27.8% (2025) 23.4% (2030)	b1) MOIT annual report on implementation of PDP8 and other sub-sector reports
	b2) Electricity generation capacity from renewable sources (solar and wind) in MW (draft PDP8)	b2) 17,270 MW (2020)	b2) 28,560 MW (2025) 30,460 MW (2030)	b2) MOIT annual report on implementation of PDP8 and other sub-sector reports
	b3) Electricity generation capacity from sustainable biomass and other renewable energy (including waste to energy and geothermal energy) in MW (draft PDP8)	b3) 570 MW (2020)	b3) 1,058 MW (2025) 1,170 MW (2030)	b3) MOIT annual report on implementation of PDP8

²⁰ Absolute figure for baseline is Total Primary Energy Supply in 2019 was 94,495 kilo Ton Oil Equivalent (kTOE).

Specific objective 1.3: Conserved natural resources				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-1.3.1: Forest and protected area management is strengthened and sustainable and deforestation free supply chains are promoted	a1) Area of coastal and marine protected areas as percentage of total natural area (VSDG 14.5.1)	a1) 0.134%	a1) 3% (2027)	a1) VSDG report
	a2) Proportion (%) of forest cover (VSDG 15.2.2)	a2) 41.89% as of 31/12/2019	a2) 42% (2025) 42.8% (2030)	a2) MARD reports/VSDG report
	a3) Status of FLEGT Licensing Scheme	a3) Not yet started and in operation	a3) Scheme started by 2025 and in full operation by 2027	a3) MARD reports
	a4) Number of detected cases of illegal trading, hunting, transporting, trafficking and storing of wild animals (VSDG 15.7.1)	a4) 190 cases (2019)	a4) ≤ 190 cases (2027)	a4) VSDG report
b) ER-1.3.2: Production and consumption practices are more sustainable	b1) Concentration of substances in the air environment (VSDG 11.6.3)	b1) Average PM 2.5 concentration: 37.7 µg/m ³ in Hanoi (2018)	b1) Average PM2.5 concentration: <25 µg/m ³ in Hanoi (2027)	b1) VSDG report
	b2) Number of domestic biogas digesters	b2) 662,000 (2020)	b2) 850,000 (2025) 1,000,000 (2030)	b2) NDC report – VN livestock industry's database

<u>Priority area 2: Responsible entrepreneurship and enhanced skills for decent employment</u>				
Specific objective 2.1: More responsible business behaviour that supports inclusive growth				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-2.1.1: More companies adopt responsible business practices	a1) Number of companies issuing CSR or sustainability reports	a1) 7 companies in the UN Compact (2021)	a1) 14 (2027)	a1) GRI, UN Global Compact
	a2) Number of certified eco-industrial parks	a2) 0 (2020)	a2) 3 (2027)	a2) MOIT report on Decree 82 issued in 2018
b) ER-2.1.2: Inclusive employment is promoted	b1) Unemployment rate, by sex, age, persons with disabilities, urban/rural (VSDG 8.5.2)	b1) 2.48% (male 2.01%, female 3.05%, 15-24 7.21%, 25-49 1.99, 50+ 0.99%) (2020) 3.89% in urban and 1.75% in rural areas (2020)	b1) <3% (2027)	b1) Statistical Yearbook of Viet Nam, Report on Labour Force Survey (GSO/MOLISA), VSDG report
	b2) Youth unemployment rate, disaggregated by sex (SDG 8.6)	b2) 7.6% (male 6.6%, female 8.9%) (2020)	b2) <8% for both male and female (2027)	b2) ILOSTAT database
	b3) Employment rate of people with disabilities (SDG 8.5) (disaggregated by sex)	b3) 31.4% (2016)	b3) 35% (2027)	b3) National Survey on People with Disabilities (UNICEF)

Specific objective 2.2: Employment opportunities, rights at work, social protection and dialogue are promoted				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-2.2.1: Labour rights are enforced, with safe and	a1) Average earnings of female and male employees, by occupation, age and persons with disabilities (VSDG 8.5.1)	a1) 6.7 million VND/month (2019); <i>Disaggregation: In 2018, female workers' earnings</i>	a1) 7 million VND/month (2027)	a1) Report on Labour Force Survey

secure working environments for workers		<i>were only 89% of male; A considerable difference existed in agriculture, forestry and fishery sectors where women earnings were equal to only 66% of men's. In 2016, average earnings of formal economy workers ranged at 6.8 million VND/month, while informal economy workers 4.4 million VND/month.</i>		(GSO/MOLISA), VSDG report
	a2) Number of migrants, human trafficking victims, refugees, and internally displaced people or individuals from host communities protected or assisted with EU support*	a2) 0	a2) 5,000 migrants	a2) EU support report
	a3) Number of fatal occupational injuries, by sex and migrant status (SDG 8.8.1)	a3) nearly 1,000 fatal (2019)	a3) 920 fatal (2027)	a3) MOLISA
	a4) Proportion (%) of children aged 5-17 years engaged in child labour, by sex and age (VSDG 8.7.1)	a4) 5.4% (2018)	a4) 0% (2025)	a4) Viet Nam National Child Labour Survey (MOLISA), VSDG report
	a5) Level of national compliance with labour rights (freedom of association and collective bargaining) based on ILO textual sources and national legislation (SDG 8.8.2)	a5) ILO Convention 87 not ratified and no national legislation (2021)	a5) ILO Convention 87 ratified and national legislation on freedom of association in force	a5) ILO NORMLEX and NATLEX
b) ER-2.2.2: Gender equality at work is improved	b1) Proportion (%) of vulnerable employment disaggregated by sex	b1) 47.4% male, 60.3% female in 2020	b1) <50% for both male and female (2027)	b1) ILOSTAT database
	b2) Gender wage gap	b2) 11% nationwide (14% in urban areas)	b2) 10% (2027)	b2) Report on Labour Force Survey

				(GSO/MOLISA)
	b3) Female share of employment in managerial positions (SDG 5.5.2)	b3) 26.3% (2020)	b3) 30% (2027)	b3) ILOSTAT database

Specific objective 2.3: Youth and adults equipped with relevant technical and professional skills				
Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-2.3.1: TVET systems are in line with labour market and enterprises requirements	a1) % of TVET graduates having jobs or stable income sources 6 months after graduation (disaggregated by sex and age)	a1) 55% in 2019	a1) 80% by 2025 85% by 2030	a1) MOLISA quarterly labour market update, MOLISA report on implementation of TVET strategy
	a2) Number of people (disaggregated by sex) who have benefitted from institution or workplace based VET/skills development interventions supported by the EU, disaggregated for digital skills*	a2) 0	a2) 10,000	a2) EU support reports
	a3) Number of students and staff (disaggregated by sex) moving to Europe with international credit mobility supported by EU programmes	a3) 449 (2020)	a3) 600 (2027)	a3) European Commission (DG EAC) data
b) ER-2.3.2: Digital skills are enhanced	b1) Number of online teaching and training programs supported by the EU	b1) 1 (under Switch-Asia Eco-Fair project) (2020)	b1) 2 (2027)	b1) EU support reports
	b2) % of workers with basic information and communications technology (ICT) skills, by sex and age	b2) Baseline <i>under preparation</i> ²¹	b2) 80% by 2025 90% by 2030	b2) MOLISA report on Support Scheme for Viet Nam's Labour Market Development by 2030

²¹ Baseline not mentioned in Support Scheme for Viet Nam's Labour Market Development by 2030; Ministry of Labour, Invalids, and Social Affairs (MOLISA) to establish baselines with five-year implementation plan.

Priority area 3: Strengthening governance, rule of law and institutional reform

Specific objective 3.1: Governance is more effective

Expected Results	Indicators	Baseline	Targets	Means of verification
a) ER-3.1.1: Public administration is more effective, accountable and inclusive	a1) Weighted overall core Provincial Governance and Public Administration Performance Index (PAPI)	a1) 37.4 in 2019	a1) 40 in 2027	a1) PAPI report by CECODES, VFF-CRT, RTA & UNDP
	a2) Open Budget Index (OBI) score for public participation	a2) 11/100 (2019)	a2) 13/100 (2027)	a2) International Budget Partnership Open Budget Survey website
	a3) Percentile rank Worldwide Governance Indicators (WGI) - Government effectiveness	a3) 53.8 (2019)	a3) 60 (2027)	a3) World Bank WGI website
	a4) Percentile rank Worldwide Governance Indicators (WGI) - Voice and accountability	a4) 11.8 (2019)	a4) 12.5 (2027)	a4) World Bank WGI website
	a5) Score of Corruption Perceptions Index	a5) 36/100 (2020)	a5) 40/100 (2027)	a5) Transparency International CPI website
	a6) Proportion of population satisfied with their most recent experience of public services / Satisfaction Index of Public Administration Services (SIPAS) (disaggregated by sex)	a6) 84.5% (2019)	a6) 85%	a6) Ministry of Home Affairs SIPAS / annual SDG report
b) ER-3.1.2: Public administration is digitalised	b1) Number of e-governance systems and services established and/or improved (in line with international standards) with EU support	b1) 0	b1) 2	b1) EU support report

Specific objective 3.2: Rule of law and human rights are improved

Expected Results	Indicators	Baseline	Targets	Means of verification
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a) ER-3.2.1: Enhanced access for citizens and businesses to an increasingly qualified, transparent, more inclusive and independent justice system in line with international human rights standards	a1) Number of people directly benefiting from legal aid interventions supported by the EU (disaggregated by sex)*	a1) 0	a1) 30,000 (2027) of which two thirds are women	a1) EU justice related project reports
	a2) Percentile rank Worldwide Governance Indicators (WGI) - Rule of law	a2) 53.37 (2019)	a2) 55 (2027)	a2) World Bank WGI website
	a3) Country score in the World Justice Project Rule of Law Index	a3) Overall score: 0.49 (2020)	a3) 0.5 (2027)	a3) Annual Rule of Law index
b) ER-3.2.2: Respect for human rights is promoted	b1) Implementation status of Universal Periodic Review (UPR) recommendations	b1) Viet Nam was reviewed by UPR Working Group 32 in January 2019, received 291 recommendations and supported 220 at the adoption of its UPR outcome at Human Rights Council 41 in July 2019 (increase of 13% with respect to the 2 nd cycle). Supported recommendations related to: Legal and general framework of implementation, universal and cross-cutting issues, civil and political rights, economic, social, and cultural rights, women's rights, and rights of other vulnerable groups	b1) Reduction in number of recommendations at next UPR review	b1) UN Human Rights Council Reports

		and persons.		
	b2) Number of grassroots civil society organisations benefitting from (or reached by) EU support*	b2) 0	b2) 100	b2) EU internal reporting on CSO roadmap

* refers to indicators selected from the EU-INTPA Results Framework

VSDG: Viet Nam Sustainable Development Goals

PDP8: Power Development Plan 8

Attachment 2 - Donor Matrix

Development partner	Agriculture and rural development	Environment and natural resources	Private sector development and trade	Education / TVET	Health, nutrition, social protection	Good governance	Other
EU	X	X	X	X		X	
Denmark		X		X	X	X	
Finland		X	X	X		X	
France	X	X	X	X	X	X	X
Germany	X	X	X	X		X	
Hungary		X		X	X	X	
Italy		X	X		X		
Luxembourg		X				X	
Netherlands	X	X	X				
Poland							X
Asian Development Bank (ADB)	X	X	X	X	X		
Australia			X		X		
Japan (JICA)			X		X	X	
Korea (KOICA)	X		X	X		X	
New Zealand	X		X	X			
Switzerland			X				
United Nations (UN)	X	X	X	X	X	X	
United Kingdom		X	X			X	
United States (USAID)		X	X			X	
World Bank	X	X	X	X	X	X	