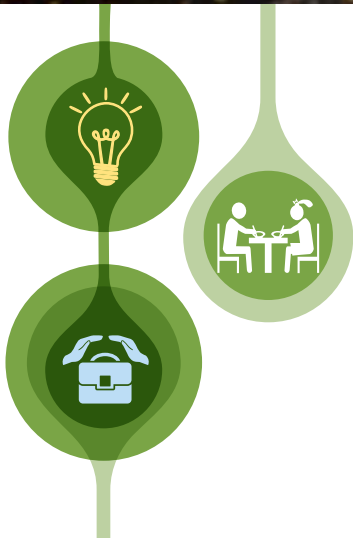




Cooperation between Finland and
VIETNAM
2016-2020

MINISTRY FOR FOREIGN AFFAIRS



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1. Introduction

Vietnam has been one of Finland's main development cooperation partner countries for almost four decades. Vietnam's development has been remarkable during this time. Over the last 30 years, Vietnam has achieved major success in fighting poverty. It has transformed from one of the poorest countries in the world into a lower middle income country with one of the fastest growing economies and firm aspirations to be a modern and industrialised nation by 2035.

Finland's grant-based bilateral development cooperation programmes will come to an end in 2018, and the focus of bilateral relations between Finland and Vietnam is increasingly shifting towards mutually beneficial cooperation and more comprehensive partnerships. In order to move swiftly and efficiently from aid to trade, a well-planned and efficiently executed transition strategy is needed.

The starting point and conditions for shifting this focus are promising. Since diplomatic relations were established in 1973, Finland has become one of Vietnam's old friends. Finland is well-known and enjoys a positive image and goodwill in Vietnam. This is mainly due to successful long-term development cooperation and the good results achieved over the decades.

Trade exchange between Finland and Vietnam provides a clear indication of the vast opportunities for a new type of relationship. Bilateral trade has been growing steadily over the last few years, passing the 300 million euro mark in 2015. In 2015, Finland's exports grew by 35% compared to 2014, reaching 108 million euros. The objective is to further strengthen economic relations and increase trade volumes.

Vietnam's socio-economic development plans include a stronger emphasis on environmental and climate sustainability, the development of the private sector, creating conditions for the development of the start-up and innovation ecosystem, and the complete reform of its education system. Finland has know-how and technology that are highly relevant to various priority areas of Vietnam's future development.



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A successful transition in relations with Vietnam will be based on a combination of several elements. Development cooperation is laying a strong foundation for enhanced, trade-based cooperation and has created a broad network, from central to local level, that can be used to identify new business opportunities and partners. Development finance instruments and Team Finland Growth Programmes are key tools for supporting this transition.

To facilitate the transition, a broad based framework arrangement (agreement or joint declaration) with Vietnam is being negotiated. Such a political expression of mutual interest will serve as a platform for new relations.



2. Vietnam's success story

Vietnam is a great development success story and has been dubbed 'a new rising tiger' in Asia. When a political and economic renewal programme (*Doi Moi*) was launched in 1986 to return the country from a centrally planned economy to a market oriented one, Vietnam's per capita income was around US \$100. By the end of 2015, the per capita income was around US \$2,100 and double that in urban areas.

Vietnam is strongly integrating into the international trading system, with the continued opening up and reform of its economy. An important step in Vietnam's integration with global markets was its accession to the World Trade Organization in 2007. The Association of Southeast Asian Nations Economic Community was established in 2015 and Vietnam negotiated the Trans Pacific Partnership Agreement and the EU-Vietnam Free Trade Agreement in the same year. Both agreements are expected to generate considerable growth.

Vietnam has many comparative advantages, such as its geographical location next to China and major global shipping routes, membership of the Association of Southeast Asian Nations (ASEAN), having a young and reasonably well educated workforce, low salaries, strong economic growth and a growing middle class, as well as a strong investment climate and the desire to become more appealing to foreign investments. The government wants to attract high quality investments and projects based on advanced and environmentally friendly technologies, which use natural resources in a sustainable way.

Next to China, Vietnam has attracted the highest level of foreign direct investment (14,5 billion USD in 2015), and its share of the economy is now more than three times higher than that of development assistance (4,2 USD billion in 2014). The remittances by Vietnamese individuals residing abroad are also significant (12.2 billion USD in 2015).



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Due to Vietnam's rapid development, many European donors have already withdrawn, or are in the process of phasing out, their grant-based development assistance or have shifted increasingly to concessional credits.

Vietnam had fully achieved three of the eight Millennium Development Goals by the end of 2015 and had made notable progress towards five others. Poverty reduction efforts have been particularly impressive, with the poverty headcount falling from 58% in 1993 to 13.5% in 2014. However, the Government still faces the major challenge of preventing the many Vietnamese who live just above the poverty line, particularly in remote and ethnic minority areas, from slipping back into poverty.

In spite of being able to meet the economic, social and cultural needs of its citizens, as the progress of the Millennium Development Goals show, the civil and political rights are restricted. The limited freedom of expression and restrictions on the media continue to be issues of particular concern.

Vietnam has signed up to the United Nation's Sustainable Development Goals, which will shape some of Vietnam's key, long-term goals over the next 15 years. Vietnam has also ratified the Paris Agreement on Climate Change and is developing its national implementation plan.

Social development has been impressive across the board. The Vietnamese population is better educated and has a higher life expectancy than most countries with a similar per capita income. Vietnamese high-school students ranked 8th in the world and clearly above the Organisation for Economic Co-operation and Development (OECD) average in the 2015 Programme for International Student Assessment (PISA) in maths and science. The size of the country's dynamic urban middle class has surged rapidly. The 2014 Global Connected Consumer Study found that 40% of the population accesses the internet on a daily basis and one in three Vietnamese owns a smartphone. Worldwide, Vietnam has one of the highest rates of social media users as a percentage of its overall population.

Economic growth is stable and has averaged 6–7% per annum. After Singapore, Vietnam has the highest export to gross domestic product ratio within the ASEAN, although exports are mainly (79%) fuelled by foreign direct investment. Home-grown private industry is still weak and the sup-



porting industry is almost non-existent or outmarketed by major, inefficient state owned enterprises. Red tape and ambiguous legislation remain barriers to faster private sector development.

Vietnam is third in terms of population within ASEAN (behind Indonesia and the Philippines), and is in a process of rapid urbanisation and industrialisation. One million people enter the labour market and roughly 200,000 students graduate from universities each year. Vietnam is, however, also one of the fastest ageing societies on earth. To absorb its population growth, Vietnam requires a minimum economic growth rate of 5% a year, which is putting pressure on the budgets for education, professional training and social housing. In a similar manner to its rapid population growth, Vietnam's fast-ageing population is creating various pressures on economic growth, infrastructure and social protection services.

Vietnam is engaged in a new wave of economic reform in order to avoid the middle-income trap and to move from a low-cost, production-based economy towards a higher value added, knowledge-based economy in an environmentally and socially sustainable manner. To achieve this, Vietnam aims to build a more competitive private sector, support smart urbanisation, promote innovation, invest in education reform, infrastructure, and research and development, as well as taking advantage of increasing trade opportunities in order to enact broad structural reforms.

Vietnam's rapid development has introduced serious environmental challenges: air and water pollution are increasing, waste management and recycling are inadequate, and food safety is among citizens' main concerns. Environmentally sustainable development involving increasing adaptation and resilience to climate change is an integral element deemed crucial to Vietnam's achievement of its development goals for 2035. Corruption remains a major issue and the Provincial Governance and Public Administration Performance Index 2015 (UNDP, April 2016) showed a further weakening of transparency, control of corruption and local participation.

3. Bilateral relations – moving from aid to trade

The mission

The prerequisites for a successful transition from bilateral, grant-based development cooperation to trade and economic cooperation, and other mutually beneficial partnerships, will be created:

- With financing for development cooperation projects, in order to support Vietnam's transition towards an open civil society and a competitive economy, with an emphasis on environmental sustainability;
- By promoting Finland as a well-functioning, clean, high-tech country offering state of the art technology, world-class know-how and innovative solutions to Vietnam;
- By promoting Vietnam's business opportunities in Finland.

The vision

Our vision is that, by 2020, ongoing, bilateral, grant-based development cooperation projects funded by Finland have been successfully closed with sustainable results, bilateral trade has grown substantially, and Finland is known in Vietnam as a reliable partner providing economically and environmentally sustainable solutions that contribute to Vietnam's development goal of become an innovative, knowledge based economy.



Objectives

The overall objective is to promote inclusive development in Vietnam, and to increase trade and other mutually beneficial forms of cooperation between Finland and Vietnam. Finland is supporting Vietnam's development efforts by means of both political advocacy and financing. The targeted outcome of the transition is a *strengthened bilateral partnership* with trade and commercial relations as its new core, based on the notions of equality and mutual benefits.

Development cooperation in Vietnam focuses on two priority areas of Finland's development policy (2016): developing the economy in order to generate jobs, livelihood opportunities and well-being, and improving access to water and sanitation while promoting the sustainable use of natural resources. A human rights based approach is a cross-cutting objective and is integrated with all development cooperation. It is also accounted for in trade by emphasising responsible business. Furthermore, all activities underline economic and social equality, including gender equality.

The goal is to ensure that development projects funded by Finland achieve sustainable results that have positive, long-term impacts on society. Dialogue between both governments is the key to achieving a common understanding of the desired development results. Regular bilateral consultations are being held to review progress.

Elements of successful transition

Development assistance is needed beyond the completion of the development programmes in 2018. Interventions can serve as a springboard for kicking off larger commercial projects and keeping existing networks active, as well as creating new networks.

Regular meetings and dialogue between leaders, including *high-level* visits in both directions, and exchanges of delegations and meetings on the margins of international and regional forums, are important to ensuring a successful transition. Team Finland visits led by a Minister are essential



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to opening doors for Finnish companies. Visits from Vietnam to Finland are equally important to increasing knowledge of business opportunities in Vietnam and raising awareness of Finland's expertise.

The EU-Vietnam free trade agreement is expected to enter into force in early 2018, eventually dismantling almost all tariffs between the EU and Vietnam, while broadening market access opportunities in the services sector and public procurement. The agreement includes provisions on green technology, labour standards, and trade and sustainable development (Annex 2).

Finland already has a *positive country brand* in Vietnam, which has been earned on the basis of decades of development cooperation, particularly in the water and forestry sectors. Team Finland will focus on broadening the country brand by promoting Finland's advanced technological knowhow, its innovative and environmentally friendly solutions, and its expertise in education. It will also promote Finnish culture through the social media and other communication channels. Cultural activities will be realised in Vietnam when possible, particularly during Finland's centenary celebration year 2017.



4. Funding instruments and resources

Team Finland is working closely with programmes and funding agencies playing a central role in the transition and promotes funding instruments among Finnish companies and their potential Vietnamese clients. Several funding instruments are available for Finnish companies interested in the Vietnamese markets. It is possible to get funding for example for matchmaking between Finnish and Vietnamese companies, feasibility studies, guarantees and interest rate payments combined with grant fund for loans by commercial banks for public investments in Vietnam that use Finnish technology and /or know-how. Funding is also available for government institutions and civil society organisations. (For a list of funding agencies and support mechanism, see Annex I.)

Team Finland Growth Programmes are important to providing support services for Finnish companies interested in Vietnamese markets. Growth Programmes (Waste to Energy and Bioenergy, Education Export Finland, Water and Smart Grids as part of Cleantech Finland, Wood from Finland, and Emerging Markets) are targeting activities in Vietnam (see Annex I).

Adequate *human resources* are a key factor in ensuring a successful transition, considering the demanding and difficult business and operating environment in question. The Embassy of Finland in Hanoi and Finpro in Ho Chi Minh City form the core team for Team Finland activities in Vietnam. In addition, Finpro has a regional manager in Kuala Lumpur and there is regional Team Finland expert in the Embassy in Singapore.

Besides the Ministry for Foreign Affairs, key partners supporting the transition include the Ministry of Economic Affairs and Employment, the Ministry of Education and Culture, Finpro, The Finnish Funding Agency for Innovation, Tekes, the Finnish Water Forum and the institutions eligible for institutional cooperation funding (ICI).



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An informal Vietnam group of key MFA partners has been established in order to network, share information, learn from best practices, disseminate information on business opportunities in Vietnam, and plan visits, roadshows and study tours.



5. Cooperation in key focus areas

Finland's development cooperation with Vietnam is focused on sectors in which Finland has strong competencies and long experience and that lacked broader donor support in the early stages. Finland is best known in northern Vietnam for its support in securing the water supply; Finland was the first development partner to support this sector, and the large northern cities of Hanoi and Haiphong built their water supply systems with technical and financial support from Finland.

Rural development, particularly forestry, is another long-term cooperation sector in which Finland was among the first development partners and still plays an important role. More recently, in 2009, Finland became the first partner to work with Vietnam in supporting the development of its national innovation system. Education sector cooperation has mainly consisted of institutional cooperation between higher education institutions, but demand for Finnish expertise in the sector has been rising and several trade-based cooperation opportunities have emerged.

Vietnam's infrastructure development has been supported by Finnish technology and know-how for around twenty years, through financing based on concessional and mixed credits.

Vietnam's Socio-Economic Development Strategy 2011–2020 emphasises structural reforms regarding environmental sustainability, social equity and macroeconomic stability. The three breakthrough areas identified for reforms are human resource development, improving market institutions and infrastructure development.

The Vietnam 2035 report (by the World Bank and the Ministry of Planning and Investment), defines the goal for 2035 as a modern and industrialised nation moving towards becoming a prosperous, creative, equitable and democratic society. The key transformations required for achieving this vision are:



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- enabling economic modernisation firmly led by a competitive private sector;
- improving the country's technological and innovative capacity;
- reshaping urban policies and investments for more dynamic cities and urban centres;
- charting an environmentally sustainable development path, with growing adaptation and resilience to changing climate patterns;
- promoting equality and inclusion among marginalised groups in order to promote the development of a harmonious middle-class society;
- establishing a modern state based on the rule of law, and a democratic society.

This strategy focuses on five priority sectors – *water; forestry; science, technology and innovation; energy and other cleantech solutions; and education* – in which Vietnam has defined development needs and demand, and Finland has expertise to offer.

Team Finland's actions, which aim to facilitate partnership building between Finnish and Vietnamese companies and other stakeholders, include the following:

- identifying new business opportunities and sharing business leads
- facilitating partnerships and network building between Finnish and Vietnamese companies, as well as with relevant international partners and institutions
- helping with the identification of support services and soft landing options for innovative Finnish companies seeking to enter the Vietnamese markets
- assisting companies with contacts



- facilitating the participation of delegations from both countries in study tours, visits, fairs and exhibitions
- providing information on Vietnamese markets and policy developments
- organising roadshows and business-to-business events, both in Finland and Vietnam.

Sector-specific instruments and programmes, and the actions related to them, are explained in the following sections.

Water sector

Providing safe and clean water is a high priority for the Government of Vietnam. Collaboration in the water sector between Finland and Vietnam began in the mid-1980s in Hanoi. Since then, this has been considered the flagship sector of Finnish development cooperation in Vietnam. Clean water is still known in Hanoi as Finnish Water, *Nuoc Phan Lan*, which the Finnish Water Forum has recently registered as a trademark in Vietnam.

Finland has provided support for the construction of water and sanitation schemes during 2004–2017 in more than twenty small towns in northern areas largely inhabited by ethnic minorities. The project has had a significant impact on improving quality of life through improved access to water and sanitation services, and by enhancing the quality of such services. The project has also had a positive impact on the environment. In addition to the small towns water project, the Geological Survey of Finland (GTK) completed two projects in 2011–2016, which focused on sustainable water management under changing climatic and socio-economic conditions. Furthermore, concessional credit projects related to water supply and waste water will continue beyond 2016.

With the completion of the small towns water project, Finland and Vietnam are witnessing the phasing in of new forms of collaboration and a broader network of actors in the water sector: in March 2016, the Finnish Water Forum signed a Memorandum of Understanding, with the Vietnam Minis-



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try of Construction, on water safety planning and the better management of water supply and sanitation risks in Vietnam. In addition, Team Finland's ongoing Waste to Energy and Bioenergy Growth Programme is serving as an engine for identifying business opportunities and enhancing partnerships between Finnish and Vietnamese companies in the waste water sector.

New types of partnerships will continue, in order to help Vietnam to realise its future goals and visions in the sector. The Prime Minister's Decision on "Orientations in the development of water drainage in Vietnamese urban centres and industrial parks" sets the target of 100% of wastewater from hospitals and industrial parks being treated in accordance with defined standards by 2020. In urban centres, it is forecast that 15–20% of all wastewater will be collected and treated. These targets provide an interesting basis for enhanced business partnerships between Finnish and Vietnamese companies, as well as institutional cooperation between research institutes.

The transition strategy for the water sector includes the following actions:

- Ensuring that the results achieved by the small towns water programme are communicated to the Finnish and Vietnamese public and that the lessons learned from the programme are documented and shared with the relevant stakeholders.
- Promoting Finland's green and clean solutions in Vietnam. Sharing information on Finnish experience and offering, using various platforms.
- Actively expanding existing networks.
- Sharing information with the relevant Finnish public and private sector actors on opportunities, needs and current policy developments in the water and sanitation sectors, as well as the waste-to-energy sector in Vietnam.
- Facilitating the implementation of the Memorandum of Understanding on water safety planning and institutional cooperation between Finnish institutions and their Vietnamese counterparts.

- Exploring and sharing information on openings e.g. linked to climate change adaptation, disaster risk reduction and management, and water-related emergencies.

Forestry

Vietnam plays a key role in the timber processing sector in Southeast Asia. The value of Vietnam's timber product exports, particularly those based on wooden furniture sales, continues to rise each year. Finland has been cooperating with Vietnam in the forest sector since 1996, when a forest plantation programme began. In the 2000s, the focus shifted towards sector support and funding was provided for the multi-donor Forest Sector Support Programme and Trust Fund for Forests. Finland's forest sector development cooperation in Vietnam has had a positive impact on the sustainable management and protection of forests. It has also contributed to improved access to and quality of information on forests. In addition, the basis of a sustainable national forestry fund has been built, with a demonstration of how the fund could be made sustainable through payments for ecosystem services.

Finland's development funding in the forest sector is focused on building a more enabling environment for the public and private sectors, and for civil society. The development of a Management Information System for the Forestry Sector, through the FORMIS project (2013–2018), has the aim of deploying a country-wide open-source and internet-based management information system for the sector. The project has involved the development of tools and applications, such as the forest resource monitoring system used for updating the database. Open, accurate and up-to-date forest resource data will open up new business opportunities, boost innovation and growth in the sector, and contribute to more efficient forest administration. A project implemented by ActionAid Vietnam is assisting FORMIS in ensuring that the results are sustainable at local level.

In addition, technical support is being provided for the EU Forest Law Enforcement, Governance and Trade (EU FLEGT) process (2011–2017), which aims to reduce illegal logging by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber. The bilateral Voluntary Partnership Agreement between Vietnam and the EU is likely to be ratified in 2017. It aims to guarantee that wood exported to the EU comes from legal sources.



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Demand for wood materials, particularly certified wood for furniture exports, is increasing annually. Finnish spruce and pine are known by Vietnamese customers as premium-quality soft woods in comparison to similar species from other countries. However, only modest volumes of Finnish timber are available on the Vietnamese market. Wood from Finland Growth Programme, launched by Finpro in 2014, is targeted at small and medium-sized Finnish saw mills, facilitating their access to the Vietnamese market. This will play a key role in increasing bilateral trade relations in the sector. The FORMIS project is also paving the way for the involvement of a larger number of actors in the sector in both countries. The identification of future needs and demand in Vietnam's rapidly changing environment is another key issue, in addition to match-making and linking with potential partners.

The transition strategy for the forestry sector includes the following actions:

- Supporting management information system development in the sector through FORMIS until 2018, to ensure that up-to-date data is available for use by the forest administration and a wider group of stakeholders.
- Sharing the lessons learned and communicating the results achieved by FORMIS with the public of both countries.
- Systematically promoting Finnish forest sector products and services and sharing information on the Finnish experience and offering through various platforms.
- Facilitating the implementation of the Wood from Finland Growth Programme, with the aim of increasing the interest of Finnish companies in the Vietnamese market.
- Exploring opportunities in the forest education sector for collaboration between Finnish education exporters and Vietnamese organisations, with possible linkages to the FORMIS project.



Science, technology and innovation

Spurring learning and innovation lies at the heart of Vietnam's ambitious reform agenda for achieving its long-term development goals for 2035. Vietnam's national innovation system has taken great strides ahead recently. A start-up boom is underway and the Government aims to fuel it by improving legislation and start-up support services, with the ambition of making Vietnam a start-up nation. Vietnam's information and communication technology industry is receiving greater worldwide recognition, particularly for its outsourcing potential. According to state media reports citing the Vietnam Software and Information and Technology (IT) Services Association, the turnover of the software and IT services industry was US \$3 billion in 2015, up from US \$2 billion in 2010.

Development cooperation with Vietnam in science, technology and innovation began in 2009, through the Innovation Partnership Programme (IPP). Finland was the first development partner to support the national innovation system's development, which has generated good will and trust with a view to deeper cooperation. The first phase of IPP (2009–2014) contributed to the introduction of an innovation concept and policies in Vietnam and the indirect leveraging of large-scale investment by other donors (Country Strategy Evaluation, 2016).

The second phase of IPP (2014–2018) focuses on the holistic development of national innovation ecosystem. It builds capacities and networks, functions as a catalyst, initiator and accelerator and facilitates business and institutional partnerships and network building between Vietnam and Finland. It also assists in the identification of support services and soft landing options for innovative Finnish companies seeking to enter Vietnamese markets, and facilitates organisational visits between Vietnam and Finland. Long-term sustainability is being built through policy and legal development work, raising awareness of the importance of innovation development, capacity building, and creating models for replication.

Finland also supports Vietnam in the field of meteorology. Institutional cooperation between the Finnish Meteorological Institute (FMI) and the National Hydro-Meteorological Service of Vietnam (NHMS) on the modernisation of Vietnam's hydrometeorological services has been successful. A



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concessional credit project for upgrading the rainfall, storm and lightning detection capabilities of the NHMS was launched in 2016. Vaisala is the main supplier, while the FMI will provide the software toolkit for weather forecasting.

The Memorandum of Understanding on scientific and technological cooperation between the Ministry of Science and Technology of Vietnam and the Ministry of Economic Affairs and Employment of Finland was signed in 2008. This forms a governmental umbrella for all science, technology and innovation projects and collaborative activities between Finnish and Vietnamese companies, universities, research and financing organisations.

The Finnish innovation funding agency, Tekes, and the Ministry of Science and Technology of Vietnam signed a Memorandum of Understanding to fund Finnish-Vietnamese innovation projects in March 2016. The Business with Impact programme BEAM is the main funding source supporting the Finnish companies participating in these joint calls for proposals.

In addition, the Finnish Information Security Cluster (FISC), the Vietnamese Security Network, the Vietnam Information Security Association and the CMC Corporation have signed a Memorandum of Understanding on cooperation in information technology, particularly in information security.

The Ministry of Economic Affairs and Employment has leadership in government cooperation on science, technology and innovation, and Tekes is primarily in charge of concrete collaborative activities. Tekes will intensify its focus on Vietnam and provide Finnish companies with more information on market opportunities there, as well as providing funding for the Finnish private sector's project-based operations in Vietnam.

Tekes' Future Watch Report – Digital Asia has identified potential demand for Finnish technology in Vietnam's digital industries, including sectors such as financial technologies, communication and security applications. Team Finland will conduct a thorough examination of the needs of Vietnam and strengthen cooperation with the Ministry of Information and Communication and companies, in order to identify business opportunities for Finnish industries.



The transition strategy for the science, technology and innovation sector includes the following actions:

- Continuing to support the development of the National Innovation System in Vietnam through IPP until 2018.
- Facilitating the implementation of the BEAM programme in Vietnam, including the operationalisation of the Memorandum of Understanding between the Ministry of Science and Technology of Vietnam and Tekes on financing Finnish-Vietnamese innovation partnership projects, as well as other possible BEAM cooperation in Vietnam.
- Promoting cooperation between Finnish and Vietnamese researchers, universities and research institutions through networking and thematic events.
- Continuing to facilitate cooperation between the Finnish Information Security Cluster (FISC) and Vietnamese private and public sector actors.
- Monitoring digitalisation in Vietnam and strengthening cooperation with the Ministry of Information and Communication in the identification of business opportunities for Finnish companies.
- Promoting participation in innovation and start-up related industry events among Vietnamese delegations to Finland (particularly to Slush) and Finnish delegations to Vietnam.
- Promoting the utilisation of Finnish technology and knowhow in Vietnamese public sector investments, through the new Public Sector Investment Facility of the Government of Finland.



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Energy and other cleantech solutions

The energy sector is playing a major role in the development of Vietnam, due to fast-growing demand for power. Demand for electricity is expected to continue to grow by over 10% per year. The Vietnamese government plans to invest heavily in power production, as well as in strengthening the national grid. The energy market monopoly exercised by the state-owned enterprise EVN is gradually being lifted. Vietnam has begun opening up the production market and is planning to have a competitive electricity wholesale market by the end of 2016, and an electricity retail market by 2023.

Renewable energy and energy efficiency issues are growing in importance, but renewable energy's share of the energy mix is negligible, excluding hydropower which counts for 1/3 of total power production capacity. Renewable energy targets remain at a modest level (10.7% of generation and 14.7% of production capacity by 2030). Solar power, biomass, and wind power are the focuses in increasing renewable energy capacity. The main barriers to investments in renewable energy are low energy prices and the EVN's monopoly as the sole power purchaser.

The cleantech markets are still at an early stage, but can be expected to develop in the near future, as environmental issues due to pollution and climate change have an increasing effect on the economy and public health. Waste management, energy efficient buildings and air-quality-improving technologies, for example, are increasing in importance at policy level, but little has so far been implemented on the ground.

Finland's energy sector cooperation has been based on development assistance. The regional Energy and Environment Partnership Programme with the Mekong Region (EEP Mekong) will run until 2018, supporting improvements in livelihoods and climate resilience through improved access to reliable, sustainable and affordable energy. The programme is leveraging private sector investments for use in sustainable energy projects, while facilitating partnership building, including between Finnish and Vietnamese companies, through the organisation of various events (study visits, match-making events, etc.) and project funding through calls for proposals.



Via concessional credit projects, Finland has funded power grid rehabilitation and upgrading. Two small projects are ongoing in central Vietnam, with ABB Finland as the supplier. In the southern province of Binh Duong, a waste treatment project, including a waste-to-energy component, is being implemented by Doranova.

Team Finland's Waste to Energy and Bioenergy Growth Programme has Vietnam as one of its target markets. Smart Grids form part of the Cleantech Finland Growth Programme and companies' level of interest in the Vietnamese markets will be explored. Water is also part of the Cleantech Finland Growth Programme and Vietnam is one of the focus markets.

The transition strategy for energy and other cleantech solutions includes the following actions:

- Continuing to support the mobilisation and leveraging of private sector investments in clean energy in Vietnam and other Mekong countries through the EEP until 2018.
- Continuing to support public sector investments in clean energy in Vietnam based on Finnish technology and knowhow.
- Participating in energy sector policy dialogue on the sector reform process to create a stronger enabling environment for renewable energy development and private sector investments.
- Monitoring the development of the energy and cleantech markets in Vietnam, in order to identify business opportunities for Finnish companies.



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Education

Education sector operatives in Vietnam are generally familiar with Finland's achievements in education and have shown a genuine interest in learning from and cooperating with Finland in this sector. Vietnam has the ambition of improving its education system but needs support in implementing the related reforms. For example, Vietnam is planning a comprehensive education reform to be implemented during 2016–2020. The country has shown proactive interest in making use of Finnish knowledge and expertise in this demanding activity.

Education cooperation between Finland and Vietnam has traditionally occurred between institutions, mainly in the higher education sector, but also among vocational institutions. The Innovation Partnership Programme IPP also has a strong educational component, mainly focused on entrepreneurship training. Many projects have been supported by Finnish development aid through institutional cooperation instruments (ICI, HEI ICI). Moreover, an alumni network for Vietnamese citizens who have studied in Finland has recently been established.

Regarding new cooperation, a flagship project, Vietnamese-Finnish elementary school in Ho Chi Minh City will be launched in 2017. The independent and progressive Ton Duc Thang University intends to open an elementary school based on the Finnish school model. The university is seeking expertise in areas such as curriculum design, teacher training, Finnish teacher recruitment and school building architects.

An updated Memorandum of Understanding being negotiated between the Ministries of Education outlines five principal areas of cooperation in the education sector: curriculum design and implementation, teacher training, vocational education, the higher education and educational system, and management. The main content of the Memorandum strongly reflects demand from the Vietnamese side.

Finland aims to become Vietnam's number one partner in education. Means of achieving this include active Team Finland engagement with education sector authorities in Vietnam. The aim of such



engagement is to maintain positive policy dialogue and interest in Finnish solutions, as well as building a strong network and personal ties with the relevant decision makers. The possibilities will be explored of concluding a sectoral strategic or comprehensive partnership agreement between the two governments.

The transition strategy for the education sector includes the following actions:

- Continuing to facilitate cooperation between higher education institutions and vocational institutions in Finland and Vietnam, including student mobility. Some grant funding for this purpose continues to be important.
- Continuing to enhance the Finnish country brand and excellence in education. Using positive PISA-results and other rankings and reports as strong and visible communications tools.
- Actively working on promising projects already in the pipeline. Using these and other success stories to create a snowball effect and increased interest in both Vietnam and Finland.
- Promoting Team Finland services and Vietnam's market potential to Finnish companies in the education sector. Effectively supporting education companies entering the Vietnamese market and intensifying fact-finding efforts aimed at identifying possible business leads.
- Upholding a positive policy dialogue and creating strong networks with Vietnamese education authorities. Organising study tours to Finland and Finnish education events in Vietnam. Promoting Finland as a study destination.
- Using the alumni network for Vietnamese people who have studied in Finland as ambassadors promoting the excellence of Finnish education. Encouraging alumni to become active Finnish ambassadors on social media platforms and at Finland-related events.

6. In the pipeline

Health care

Vietnam's health care industry is forecast to grow by around fifteen per cent per year between now and 2023. The country's large population is served by a very small number of medical institutions. Medical facilities and equipment are obsolete and there is a severe lack of personnel. Private hospitals provide twelve per cent of health care facilities, but this number is projected to grow rapidly as the country's economy expands.

In order to increase and secure overseas investment, the Vietnamese government has introduced a range of incentives in the sector, including tax benefits. Foreign investment has been aimed at the top end of the sector in metropolitan areas, but demand for high-grade medical services will inevitably increase as the Vietnamese economy continues to grow. The sector is now seen as a premium investment area for companies with a track record in the healthcare industry.

The pharmaceutical market in Vietnam is largely based on imported production. Annual per capita drug expenditure is only around €32. Combined with an expanding and ageing population, higher levels of health awareness, and increased access to pharmaceuticals, this creates a strong basis for market growth, assuming that the required resources are invested in the development of the health-care sector.

Around 95 per cent of Vietnam's medical device market is made up of foreign goods. Medical equipment being used in Vietnamese hospitals and clinics can be described as outdated and shortages are common. Wholly foreign-owned companies have been allowed to establish a market presence in the health care sector since 2009. Vietnam is also interested in increasing research and development cooperation and developing its nascent biotechnology industry.



Finland has excellent products in the field of medical and health technology in particular. Vietnam will simplify its criteria for marketing authorisation, which will in turn reduce delays and costs. Nevertheless, Finland's engagement in the Vietnamese health care sector has consisted of isolated projects. Team Finland now aims to investigate this sector further and identify the most promising niches in which Finnish players might become involved. The health care sector has been identified as highly relevant to continued Finnish engagement in Vietnam, mainly on the basis of its vast investment needs and the strong know-how available in Finland. Lack of trained personnel in Vietnamese hospitals is also linked to the aim of increasing cooperation in the education sector.

The transition strategy for the health care sector includes the following actions:

- Mapping of the health care sector in Vietnam in order to identify possible openings for Finland-Vietnam cooperation. This may include sectoral reports, market studies and business opportunity assessments.
- After gaining a deeper understanding of the sector, Team Finland will build networks with the relevant players in the field, including health care sector decision makers and key project owners.
- Study tours between the countries will be facilitated by Team Finland, in order to increase mutual understanding of needs in the Vietnamese health care sector and of Finland's offering.
- Strong links between Team Finland and Finland Care will be developed, through which further measures will be planned and coordinated with the Finnish business sector.
- Team Finland will also actively promote Finland's health care track record and high-tech solutions in Vietnam, increasing the relevant information sharing and the linkage of potential business partners.
- Investigating opportunities for Finnish players to become involved in the training of health care professionals in Vietnam.



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Other potential areas of cooperation

Finland has been supporting **cold water fisheries** in the Sapa region for a decade, first through a local cooperation fund, and later through institutional cooperation between the Natural Resources Institute Finland and the Research Centre for Aquaculture in Vietnam. Over a hundred fish farms have been established and cold water fish farming is becoming a significant livelihood in the Sapa area, including among ethnic minorities. Such cooperation has also resulted in small-scale exports of fish feed from Finland to Vietnam, and emerging interest among Finnish companies in fisheries in Vietnam. Experiences in the sector have led observers to believe that there may be markets for Finnish clean technologies. Team Finland in Vietnam will study this market potential in further detail.

Demand for **smart solutions in transportation** is increasing rapidly due to the fast urbanisation of Vietnam's main cities. Finland has expertise in solutions it can offer to city planners and developers.

As the Vietnamese middle class continues to grow, the promotion of exports of Finnish **consumer goods** to Vietnam is a potential area in transition. Luxury end products for the richest Vietnamese have potential, as do mass orientated products for the middle class.

Team Finland is also watching for other possible areas of cooperation, such as food safety, that may emerge during the transition process.



ANNEX 1 Funding instruments and support mechanisms

Business with Impact (BEAM)

BEAM is a joint programme between the Ministry for Foreign Affairs of Finland and Tekes, and Vietnam is one of the programme's priority countries. BEAM assists Finnish enterprises and other actors in using innovations to address global development challenges, by converting such innovations into successful and sustainable business in both Finland and developing countries. More information www.tekes.fi/en/programmes-and-services/tekes-programmes/beam--business-with-impact/

Other Tekes programmes

www.tekes.fi/en/programmes-and-services/tekes-programmes/

Energy and Environment Partnership programme for the Mekong (EEP)

The EEP provides funding for renewable energy and energy efficiency partnership projects through Calls for Proposals to the Mekong countries (Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam). More information www.eepmekong.org/

Finnfund

Finnfund provides long-term risk capital for profitable investments in developing countries. This includes co-investments with Finnish companies, as well as ventures that use Finnish technology, cooperate with Finnish partners on a long-term basis, or generate major environmental or social benefits. More information www.finnfund.fi/en_GB/etusivu/

Finnpartnership

Finnpartnership provides financial support for the planning, development and training phases of projects aimed at establishing commercial activity in developing countries, or beginning imports from



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developing countries. It also operates a Matchmaking scheme for actors that need assistance in seeking out business partners for their projects, planning and financial advice, or mentoring services. More information www.finnpartnership.fi/www/en/index.php.

Finnvera

Finnvera plc, the official Export Credit Agency (ECA) of Finland, provides financing for the start-up, growth and internationalisation of Finnish SMEs. Finnvera strengthens the operating potential and competitiveness of all Finnish enterprises, by offering export credit guarantees and other services associated with the financing of exports. Finnvera provides a range of export credit guarantees and other financial products that support the competitiveness of Finnish companies in international markets. More information www.finnvera.fi/eng/

ICI and HEI ICI

Institutional Cooperation Instrument is used for supporting partnerships between Finnish and developing countries' institutions. HEI ICI supports higher education cooperation. More information www.cimo.fi/programmes/hei_ici and www.formin.finland.fi

Local Cooperation Fund (LCF)

The Local Cooperation Fund supports projects implemented by Vietnamese civil society and the private sector. The Embassy of Finland in Hanoi provides small grants for projects selected through Calls for Proposals. <http://www.finland.org.vn/>

Public Sector Investment Facility (PIF)

The concessional credit instrument is in the final stages of being revised and will be available soon. The PIF will provide concessional loans (0% interest) combined with a grant portion to provide public investments made by developing countries with Finnish technology and know-how. Funds are also expected to be available for the new PIF instrument, for hiring consultants in support of preparatory and implementation tasks. <http://formin.finland.fi/public/default.aspx?nodeid=50017&contentlan=2&culture=en-US>



Team Finland Growth Programmes

Team Finland runs several programmes each year to promote international business operations by Finnish companies. These programmes include service portfolios aimed at one or more sectors. Some are focused on building national strategies and Finnish competitiveness. The programmes assist companies in seizing business opportunities we have identified and in networking with Finnish and international operators in the same sector. <http://www.exportfinland.fi/web/eng/services/programs>

Information on Finland's development cooperation funds in Vietnam:

<http://formin.finland.fi/public/default.aspx?nodeid=48020&contentlan=2&culture=en-US&listFocus=13979&listmode=1>

ANNEX 2 EU-Vietnam Free Trade Agreement

The EU and Vietnam have concluded negotiations on a comprehensive and ambitious free trade agreement (FTA), containing all essential elements of trade. The agreement is expected to enter into force early 2018. Effective implementation will be crucial. Some elements of the agreement are listed as areas where Vietnam will need support for the effective implementation of the provisions.

Once implemented, the agreement helps in further developing business opportunities between Finland and Vietnam by improving market access to the other side's markets and tackling potential trade barriers that traders may encounter. Transparent rules and practices provide stability and predictability for the businesses and allow them to make long-term plans. The FTA dismantles almost all tariffs between the EU and Vietnam, and broadens market access opportunities in services and public procurement. There are also provisions for green technology, labour standards and trade & sustainable development.

The FTA with Vietnam is part of the EU's free trade agreement network with ASEAN countries. The agreements are intended to be compatible, to allow for a potential future region-to-region free trade agreement. Negotiations have been concluded with Singapore, and negotiations with Malaysia, Thailand, Philippines and Indonesia have been initiated.

Forest sector

With the FTA, the EU liberalizes wood imports from Vietnam immediately upon entry into force. Vietnam's wood tariffs are already mostly down to zero. The FTA also contains a chapter on trade and sustainable development with provisions on effective implementation of all the ratified multi-



lateral environmental agreements. The EU and Vietnam cannot derogate from or fail to effectively enforce, any of its domestic environmental laws in order to attract trade or investment.

Science, technology and innovation

Vietnam is a party to the plurilateral Information Technology Agreement (ITA). It has not yet signed up for expansion of the ITA agreement, finalized in 2015. ITA brings tariffs down to zero in the listed IT equipment, including medical devices and various types of measuring instruments. However, Vietnam liberalizes these items to the EU through the FTA. The FTA also strengthens Vietnam's Intellectual Property Rights (IPR) regime. In the FTA, Vietnam agrees to accede to World Intellectual Property Organization (WIPO) Internet Treaties. Vietnam will also apply WIPO recommendation on the protection of well-known trademarks. It has also committed to acceding to the Hague Agreement on the registration of designs and to extend term of protection for designs to fifteen years. Efficient enforcement will be a key in effective IPR. The agreement contains provisions for improving the legal framework for enforcement.

Energy and other cleantech solutions

The EU-Vietnam FTA contains a chapter on non-tariff barriers to trade and investment in renewable energy generation. In order to encourage trade in this sector, the parties refrain from local content requirements and ensure that authorization, certification and licensing procedures are objective and transparent. International standards are to be used for green technology products. These products that are listed as part of the agreement contain machinery and engineering products that are relevant in Finland's cleantech know-how.

Health care

The EU-Vietnam FTA contains a chapter on pharmaceutical products and medical devices. Finland has excellent products in particular in the medical and health technology field. As tariffs are already at zero on most products, the biggest challenge in terms of market access are the non-tariff barriers.



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The provisions in the FTA ensure that recognized international standards, practices and guidelines are to be used for medical devices. Vietnam will also simplify requirements for marketing authorization, which in turn will reduce delays and costs. The FTA will also open government procurement to European bidders in several Vietnamese hospitals under the Ministry of Health. Special thresholds apply.



ANNEX 3 Contact information

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Finpro

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<http://www.finpro.fi/web/finpro-eng>

Finpro Vietnam

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Floor 5, Somerset Chancellor Court,
21-23 Nguyen Thi Minh Khai Street, District 1,
Ho Chi Minh City, Vietnam
Tel. +84 8 3823 2644
<http://www.finpro.fi/web/finpro-eng/contact/vietnam>



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European Chamber of Commerce in Vietnam (EuroCham)

EuroCham is a member-based, independent, non-profit organisation comprising European companies that are investing in Vietnam. <http://www.eurochamvn.org/>

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Email: info-hcm@eurochamvn.org

Nordic Chamber of Commerce (Nordcham)

Nordcham is a non-governmental, non-political, non-profit business organisation providing support for Nordic companies and individuals operating in Vietnam.
<http://nordcham.com/>

Petroland Tower, 17th Floor, No. 12 Tan Trao Street, Tan Phu Ward, District 7,
Ho Chi Minh City, Vietnam
Tel: +84 85 416 0922

EU Vietnam Business Network (EVBN)

EVBN is an EU funded project that helps European companies to access the Vietnamese markets. They provide free services to European SMEs, such as first guidance and orientation, sector specific market studies, market guide, newsletter and a database of European service providers in Vietnam.



15th floor, The Landmark, 5B Ton Duc Thang, District 1,
Ho Chi Minh City, Vietnam
Tel. +84 (0)8 3823 9515
<http://evbn.org/>

The South-East Asia IPR SME Helpdesk

The IPR helpdesk is an EU-funded service that provides European SMEs with free advice on IPR issues in SEA. They offer first-line advice, training materials, online services, and training events and webinars.

Room 2480, Beijing Sunflower Tower
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Tel. +86 (10) 8527 5705
Email: question@asean-iprhelpdesk.eu
Website: www.asean-iprhelpdesk.eu

Finland-ASEAN Trade Association

The trade association aims to promote trade, investment and economic cooperation between Finland and ASEAN countries. Its goal is to keep its members informed about the ASEAN countries and it organises 3–4 meetings or seminars a year.

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<http://formin.finland.fi/developmentpolicy>