SOCIO-ECONOMIC DEVELOPMENT PLAN FOR 2011-2015-
THE MISSION OF RESTRUCTURING THE ECONOMY AND IMPLEMENTATION SOLUTIONS

Hanoi, October 2011

Recommendations of the Workshop


In the context of the world double economic recession, European public debt crisis became more complicated, American economic growth slowed down, inflation in new emerging countries increased, etc..., after the socio-economic development plan 2006-2010, our country has reached considerable achievements and escaped from weak development to become a mid-come country. However, our country’s economy continuously faced to macroeconomic instabilities and serious challenges, especially since the first months of 2011. Resolution 11 of the Government has been deployed since the end of February to aim at curbing inflation, stabilizing macroeconomics, ensuring social security, which was considered as a strong and drastic solution and in reality it has gained initial results such as quarter GDP growth was at quite good level, inflation tent to decrease steadily, foreign currency market became stable, foreign currency reserve and balance of payment were improved, budget deficit and trade deficit decreased, etc…

However, some 2011 economic indicators approved by National Assembly such as GDP at 7-7.5%, < 7% inflation could not able to be reached. Real inflation increased at high level, CPI in the first 9 months of 2011 raised 16.63% in comparison with
the end of 2010, 22.42% higher than that of previous year. Accordingly, the life of the labors, the poor and other vulnerable groups in the society became much more difficult. The basic factors which created high trade deficit have not tackled, thus current account deficit remained high and the foreign currency reserve, overall balance of payment and exchange rate were impacted negatively. Public investment has not been significantly cut down, which had negative influence on macroeconomic stability, etc… The objectives and core indicators of the socio-economic development plan 2011-2015 were considering to adjust appropriated to new context and real situation.

The current economic problems were the consequences of not only short term macroeconomic policy but also unsuitable economic structure and growth model (method) in many recent years. This statement was the focusing content in recent workshops organized by The Economic Committee Of National Assembly and other relevant agencies, especially the Workshop “Public investment restructuring in Vietnam’s context of growth model innovation and economic restructuring” in December/2010 \(^1\) and “Vietnam’s economy: issues in the medium and long-run” in

\(^1\) The recommendations of Workshop “Public investment restructuring in Vietnam’s context of growth model innovation and economic restructuring” included 11 recommendations as followed: (i) In transition process of growth model, it is necessary to reduce the proportion of public investment in society's total investment, improve the efficiency of public investment as well as create equal opportunities for other sources of society; (ii) The role of public investment in the economy needs to be changed in the direction of reducing function of "investment business", enhancing function of "welfare" of the public investment; (iii) Strict control of public investment is an important measure to help reduce the budget deficit, create the conditions for macroeconomic stability and create a solid foundation for sustainable growth in the medium and long term; (iv) Improve the quality capital and effectively use capital for public investment activities raised from government bonds. This should be considered as a key measure in restructuring public investment; (v) Reform the design and improve the efficiency of the implementation of the National Target Program (NTP) and other targeted programs is a key solution to restructure and improve the efficiency of the public investment; (vi) Prioritize public investment for infrastructure projects under the development plan (both in space and time of nation, region, and province) and get approval based on the criteria for assessing economic - society - environment effectiveness; (vii) Strengthen public investment in agriculture and rural development, focus on developing transportation, education and training, science and technology in the agricultural sector because this is the foundation for the sustainable development of the economy; (viii) Promote reformation of SOE sector is a condition to enhance the efficiency of public investment; (ix) Review and complete legal system of public investment, minimize overlap and inconsistency between the laws relating to public investment, towards promulgating the Law on Investment; (x) Continue to adjust and renew the decentralization of investment to improve the efficiency of public investment; (xi) Improve the effectiveness of supervision of public investment projects through strengthening
March/2011. The detail recommendations from above workshops have been sent to agencies of Party, National Assembly, and Government by the Economic Committee to contribute to the discussion and planning of growth model renovation and economic restructuring. The 3rd workshop of Central Committee of the Communist Party of Vietnam course XI confirmed that 3 focusing content were public investment; financial market restructuring which concentrated on commercial banking system and financial intermediates restructure; and restructuring SOEs which mainly aimed at state economic groups and corporations.


2 The recommendations of Workshop “Vietnam’s economy: issues in the medium and long-run” included 10 recommendations as followed: (i) In order to sustainably develop the economy in medium and long-run, it’s required to stabilize macroeconomics sustainably, which was considered as top priority in upcoming years; (ii) Reforming growth model and restricting economic towards sustainability were urgent requirements to tackle thoroughly the reasons creating macro-instabilities in short-run; (iii) Changing industrial development strategy which mostly based on state economic sector without the consideration of comparative advantage, motivating sectors and fields which had higher and more effective comparative advantage; (iv) In order to comprehensively tackle trade deficit- one among the most important macro-balance of the economy- the saving-investment difference solving should be considered as the focusing solution in medium and long-run, together with exchange rate policy, administrative tools or supporting industries;(v) Determinedly reducing public investment and enhancing fiscal disciplines so as to decrease budget deficit and stabilize public debt were core factors to ensure macroeconomic stability and sustainable growth in medium and long-run; (vi) It’s required to build collaboration principals and mechanisms in planning and implementing fiscal policy and monetary policy consistently and aiming at priority target of the country; (vii) It’s required to restructure SOEs to ensure basic task of tackling market shortcomings and provide public goods and services instead of taking “dominated” role by investing numerous and ineffectively; (viii) Developing comprehensively and restructuring commercial banking system, reducing risk through safety monitoring system of financial market in general and commercial banks in particular were basic foundation to stabilize macroeconomic and develop sustainably;(ix) Controlling effectively capital inflow and outflow (FDI, ODA, and FII) played important role in stabilizing macroeconomics as well as reducing financial crisis risk in medium and long-run;(x) in medium and long-run, agriculture and rural development should be considered as prioritized policy in strategies and social-economic development master plans.
project “Supporting for advisory capacity, verification and monitoring macroeconomic policies” sponsored by UNDP in Vietnam.

Dr Nguyen Van Giau, Members Secretariat of Central Committee of the Communist Party of Vietnam, Member of National Assembly Standing Committee, the Chairman of the National Assembly Economic Committee, Pr. Dr. Nguyen Xuan Thang, Members Secretariat of Central Committee of the Communist Party of Vietnam, President of Vietnam Academy of Social Science co-chaired the Workshop. The participants were: National Assembly Economic Committee staff, representatives of National Council and some National Assembly Committees; representatives of Party Central Committee Office, Office of the President, Office of the Government, relevant ministries and departments, the representatives of People’s Council, People’s Committee, representatives of National Assembly delegations in some cities, provinces under Central control, scientists and economic experts of Vietnam Academy of Social Science and other research institutions, universities; representatives of World Bank, UNDP in Vietnam and Star-Vietnam project, Fulbright teaching program, media agencies and newspapers.

Many opinions in the Workshop have been consulted and presented in the Examination Report submitted by Economic Committee to National Assembly, Workshop Recommendations Report selected some main contents referring to detail solutions for restructuring the economy and implementing the Social-Economic Development Plan in 2011-2015 period, including: (i) restructuring capital resources for effective and sustainable growth; (ii) restructuring industrial and agricultural economic sectors; (iii) restructuring, developing enterprises sector and creating equal business environment; and (iv) reforming institutions to support for the restructure of the economy.
I. Restructuring capital resources for effective and sustainable growth

Recommendation 1: Restructuring public investment capital towards the increase of capital proportion for agriculture, the decrease of public investment on sectors which private enterprises were able to operate effectively and the concentration on sectors playing important role in the social-economic development but lacking of private enterprises’ participation.

Agriculture played the important role in social-economic development and political stability, but in recent years, the investment on this sector was not correspondent. The agricultural development increased income of residents living in rural areas, stimulated consumption of industrial products and thus contributed to industrial development. The agricultural sector generated net foreign currency for the economy, supported industry and construction sector which had trade deficit (see Figure 1), at the same time created lots of employment for the economy. The Asia financial crisis in 1997 or financial crisis and global economic recession in 2008 showed that agricultural sector played the good “shock absorber” role for the economy in front of crisis and recession. Besides, recently food security was global issue, food price increased significantly, many countries severely lacked of food. With the advantage of exporting rice and other agricultural products in the top of the world, Vietnam could take this advantage in negotiations of many economic and political areas. However, in recent years, agriculture lagged behind the industrialization and modernization requirements of the country, in the agricultural and rural sectors, the rate of poor households remained high. The investment on agriculture did not increase correspondently with its production’s contribution to the economy. Investment on agriculture accounted for 7.12%, 6.89%, 6.88% social

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3 The experience showed that in the countries which had high agricultural sector such as Thailand, they were not received impacts of severe social-politic crisis as other countries who narrowed agricultural sectors significantly during their industrialization process such as Indonesia.
investment in 2008, 2009, 2010 respectively. Investment on agriculture over total public investment in 2008 was 8.12 %, in 2009 was 6.67%, in 2010 was 6.66%. Therefore, it’s required to increase the investment proportion of agricultural and rural areas in the next 5 years, at least it must be correspondent with agricultural contribution to GDP- 15% total investment capital or until 2015 the agricultural investment should be doubled.

As mentioned in previous workshops’ recommendations, in the period 2011-2015, it’s required to motivate investment on private sector and decrease investment on state one steadily (public investment). Accordingly, public investment should only aim at core infrastructure projects which the private sectors were not able to invest in. The State continuously created equal environment for capital accession among different ownership types. In recent years, the investment proportion of state economic sector in total social investment decreased (see Figure 2), however this phenomenon was resulted from the investment increase of private sector, not the decrease of capital resources. Therefore, in order to support for private sector to increase its investment, the investment in state economic sector should be decreased to spend more resources (capital, natural resources, land, etc…) of the economy on private economic sector which was evaluated to have higher investment efficiency than state economic one and even foreign invested one (see Figure 3). As a result, overall effectiveness and productivity of the economy could be improved and contributed to promote economic growth in 2011-2015 period.

II. Restructuring industrial and agricultural economic sectors

Recommendation2: Restructuring, building and implementing consistent industrial policy based on the efficiency standard, the competitiveness of the
economy and closed to the transition tendency of international industrial structure.

Our industry sector had stable development and high growth rate in many continuous years, which accounted for increasing proportion in the economy; at first it has formed some competent industrial sectors which were able to adapt domestic demand, to compete in international market. These sectors had high export turnover and grew quickly. However, in general, the competitiveness of industrial enterprises remained weak; industrial development stayed at high but unstable level, added value of industry tent to continuously decreased, which showed the quality and efficiency of the whole sector slowly improved; the connection among different sectors remained poor, supporting industries were at very beginning stage, production and exportation depended on inputs and international price fluctuated unstably.

In the 5 year period 2011-2015, the proposed solutions as followed:

- Monitoring and predicting exactly the transition tendency of industrial sectors, sector groups from regional and international countries to Vietnam. Reviewing, evaluating and timely adjusting development plans, strategies of industrial sectors/fields, industrial zones, economic zones over the country in the correspondence with FDI-called project list. As a result, building list of some core projects whose technology included spreading ability, calling multi-national corporations to provide capital, then forming effective collaboration, connection between domestic enterprises and these corporations, aiming at going deeper in global value chain. It’s essential to have advantageous and synchronous tax and credit mechanism, policies to attract and transfer modern technologies from outsides, at the same time
maximizing supporting policies and preparing domestic resources to push up the technology understanding, mastering and renovating process.

- Restructuring domestic industry following the principal of connecting closely to market mechanism and international industry structure transition. Determining to restrain and stop giving permits for sectors in which demands were excess domestic level, added value remained low, land, energy resources such as cement, steel, etc… were overspending and sectors which had low exportation value but polluted the environment such as mining. Using tax and fee lever to motivate the production of high quality and high added value products, especially processing industry of agricultural and aquatic raw products to tackle the “raw” exportation; continuously remaining suitable level of labor-intensive production sectors such as garment, leather shoes, at the same time motivating, promoting the new product research and design. Focusing on the development of supporting industries through SMEs network.

- Reforming industrial allocation effectively in terms of locals, traffic lines and industrial zones, economic zones in local areas. Keening on diminishing spreading development of economic zones, industrial zones; developing industry together with maximizing comparative advantages of geography, resources, and particular features of each local area.

- Renovating state industrial governance method, avoiding the separation of industrial areas under the policy governance of different ministries, departments, which led to the complication in focusing points and specific responsibility.

**Recommendation 3: Restructuring agricultural production sectors towards the increase of animal and aquatic production together with solutions to develop**
science-technology, human resources, infrastructure, service providing, production and business operation.

In the recent 10 years, despite continuous growth and important contribution to poverty reduction, economy recovery, Vietnam agricultural sector has faced to many challenges such as: (i) unsustainable growth\(^4\); (ii) low production efficiency and low competitiveness which led to unstable market\(^5\); (iii) many low quality agricultural products; (iv) slow development in industry and supporting services to agriculture sectors; (v) slow structural transition\(^6\); (vi) slowing-down rural poverty reduction and high vulnerability in the context of economic recession; and (vii) polluted environment and over-exploited natural resources.

It’s required to implement some basic solutions as followed:

- Restructuring agricultural sub-sector: agricultural growth should be 2.6\%-3\% in 2011-2015 period, in which crop production should increase about 2.7\%/year to reach rice output until 2020 at 41 million ton rice in the cultivation area of 3.7 million ha. Besides rice, it’s necessary to develop advantageous crops with high demand, decrease disadvantageous crops which would be imported for processing and consumption. In animal production aspect, It’s required to reach 6-7\% growth in 2011-2015 period towards development following advantages of each local, each ecoregion to meet domestic market demand. The industrial concentration production, food

\(^4\) GDP growth rate of agricultural sector reached 4\% in average in the recent 20 years and tent to slow down recently; growth of agricultural sub-sectors fluctuated strongly and unstably (see Workshop Recommendations of the “Vietnam’s economy: issues in the medium and long-run”).

\(^5\) Agricultural labor productivity in Vietnam (USD/labor/year) in the recent 2 decades were much lower than China, India and other regional countries such as Philippines, Indonesia, Thailand (see Workshop Recommendations of the “Vietnam’s economy: issues in the medium and long-run”).

\(^6\) Until the beginning of 2011, crop production accounted for 50\% total agricultural production value, while growth of aquatic animal production stayed unsustainable, forestry developed towards wrong potential. (See report of Dr. Nguyen Do Anh Tuan in Workshop Yearbook).
safety ensuring, epidemic prevention and environment protection should be promoted. The maximum self-production and necessary importation demand of products in which the foreign countries had more advantageous should be defined to focus on investment and development of processing industry. *In the aquaculture aspect*, it’s required to create breakthrough innovation and increase aquaculture proportion in the agricultural structure at growth rate of 10.5% in 2011-2015 period. The aquatic production factories which had high technology standard should be re-organized towards food safety, product diversification, added value increase and close connection with material concentration production areas. *In the forestry aspect*, the average growth should be 3.5-4%, the other forestry product logging must be prioritized. The protective forest in the upstream which was vulnerable to environment in the North Mountainous Area, Central of Vietnam and coastal areas should be invested to develop. It’s required to reinforce, develop the specialized forests, preserve bio-diversified primitive state, develop ecosystem to adapt top environmental objectives and implement collaborated missions such as tourism, research.

- The solutions attached with agricultural restructure orientation:
  - Science and technology serving agricultural and rural sectors: The science-technology management mechanism should be reformed to increase budget for researching, planning research institutions and agricultural universities, to build technology-science concentrations connecting universities and research institution, to motivate ownership types’ participation in science-technology research and transference so as to link training with researching and agriculture extension, which supported farmers and enterprises to access science-technology application in production and business.
- Human resource development: Specializing farmers, providing vocational training systematically for agricultural labors, supporting farmer union, agricultural service cooperatives and agricultural extension associations, vocational training, information accession. Building and training rural intelligentsias, training community development, rural development groups, building state management staffs, sector management staff.

- Infrastructure: Investing on building infrastructure for agricultural, aquatic, forest production and trading, market development and promotion, aquatic fishing ships, forestry development.

- Industry and supporting services for agriculture: applying policies to attract domestic and international investment to develop the mechanic manufacturing, agricultural machines repair, animal food production, veterinary medicines and vaccines, plant protection products, fertilizes; building and repairing ships, machines for fishing and aquatic product processing.

- Production operation and trading: Facilitating farmer households to consolidate fields, exchange parcels, lease lands, accumulate lands, rearrange farming and afforestation yards, develop agricultural enterprises in every ownership types; forming large scale agricultural production areas which applied high-technology.

III. Restructuring, developing enterprises sector and creating equal business environment

Recommendation 4: restructuring SOEs towards accurate role identification of SOEs; renovating state ownership implementation mechanism in SOEs; focusing on core business; arranging and restructuring big corporation and fostering SOEs equitization.
In the recent decade, SOEs sector has been narrowed under the equitization and rearrangement policies. Thousands of SOEs have been equitized, diversified ownership; the rest have been renovated in management model to form economic groups which contributed significantly to social-economic development.

However, this sector remained a lot of shortcomings which had negative impacts on the sustainable development of the economy such as: (i) SOEs were receiving lots of resource incentives which were not correspondent with its contribution to economic growth, budget revenue and employment creating; (ii) the business and investment efficiency of state economic sector in general and of SOEs in particular remained low in comparison with others; and (iii) the operation of some SOEs contributed to macroeconomic instabilities\(^7\).

To reform SOEs sector, it’s required to implement the below urgent solutions:

- The State should not use SOEs as a macroeconomic or market regulating tool or social policy implementation measure. To comprehensively reformed SOEs, it’s required to change the dominated role of this sector.
- The State should foster the separation of state ownership and administrative governance function of ministries, provincial people’s committee, aiming at forming specialized ministry-level agency to implement ownership consistently, concentratedly and professionally.
- An equal competitive environment should be formed to implement sufficiently and comprehensively the market mechanism principals to SOEs. The conditions were required as followed: (i) public transparently

\(^7\) The big investment of SOEs in particular and state economic sector in general was exacerbating state budget deficit in large scale. Besides, after excluding oil, coals and minerals, SOEs generated only about 15-20% total exportation turnover; but with the huge capital and investment projects, SOEs had very high importation turnover. Thus, SOEs also contributed significantly to balance of current account deficit of the economy. Therefore, state economic sector in general and SOEs in particular were contributing to create macroeconomic instabilities of the economy (Source: Vu Thanh Tu Anh (2010), “SOEs are not competent enough to play the dominated role”, Saigon Times Online)
the information of SOEs’ activities under strict standards of production, 
business objectives, annual profit, etc… according to standards applied for 
companies listing in the Vietnam stock market; (ii) diminish all of SOEs 
incentives in approaching credit resources, franchises, accessing natural 
resources, land, information, especially information of planning types, 
communicating with policy makers, etc… (iii) Keen on refusing “debt 
freezing, debt rescheduling” for any SOEs; deny paying or resolving debts 
for SOEs. The State should complete the legal framework for tackling 
social issues (employment benefits, new employment creating) and it was 
willing to let SOEs bankrupt if the enterprises lost their solvency; and (iv) 
continuously open the market in state exclusive sectors to create 
competitive environment for every ownership type.

• With the increasingly limited and expensive resources, SOEs were only 
allowed to focus on their core business, not to distribute investment 
resources to others, especially finance, insurance, real estate, stock sectors 
which included high risk. In 2012, it’s required to build divestment plans 
and aim at diminishing doing sub-business in state economic groups and 
corporations.

• The arrangement and restructuring of every economic groups and big 
corporations: It’s insisted to evaluate and define the position of each 
corporation, economic group in each specific sector. The economic groups 
and corporations should be assigned the mission that in the next 10-15 
years, they had to become one among top enterprises of South East Asia 
or Asia, which was considered as foundation to motivate economic groups 
and corporations to specialize, invest and apply science, technology and 
actively integrate into international economy.
SOEs equitization must be fostered, especially in big corporation to quickly decrease state participation. It’s required to attract more strategic investors in private sector and foreign invested sector to join corporations and SOEs.

Recommendation 5: The private economic sector must be considered as the important driving force of new economic growth model. The state must ensure the equal business environment and complete institutions to reject development barriers for this sector, direct SMEs to develop supporting industries.

In recent 10 years, the number of registered enterprises in domestic private sector increased significantly, about 15 times after 9 years (2009 in comparison with 2000). It’s said that SOEs has reached prominent development in many perspectives such as job creating, the increase in total assets and revenue, registered capital, exportation revenue, state budget contribution, people’s income, which contributed to economic growth and poverty reduction.\(^8\)

However, recently, private enterprises were facing great problems as followed:

- Private enterprises mostly focused on labor intensive, low technology, and low capital sectors such as retails, small machines repairing, construction,

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\(^8\) In 2000-2008 period, an enterprise in private economic sector increased its average asset 4 times (14.6 billion dong in 2008 in comparison with 3.3 billion dong in 2000) and until 2008, the total fixed assets of private enterprises accounted for 36.4% the enterprise sector. Private enterprises also generated 57.5% total revenue of the enterprise sector and had higher revenue/total assets ratio than others, in 2008 this ratio was 118%, that of SOEs was 80% and that of FDI enterprises was 89%. In labor aspect, this sector was creating 4.72 million fulltime jobs, accounted for 57.1% total employment of enterprise sector, annually it attracted more 8.7% labor force in average. Meanwhile, the cost for creating jobs of private enterprises was lowest among ownership types. In 2008, to create a new job, private enterprises need only 224.1 million VND while SOEs need 436.5 million VND and FDI enterprises need 249.4 million VND. The non-state enterprises (including private enterprises) also the sector which spent capital effectively at highest level among 3 sectors. In 2000-2007 period, ICOR of private economic sector was 3.3, in comparison with 5.2 and 7.8 of FDI and state sector (Source: Ministry of Planning and Investment (2009), Draft of Project “continuously reforming and transiting economic structure until 2020”; Bui Trinh and Duong Manh Hung (2009), Economic and Forecast Review Magazine No 7, April, 2009)
processing. The number of private enterprises investing in agricultural, education, human health and science-technology sectors remained limited.

- In comparison with other ownership types, private enterprises had smaller scale\(^9\), lacked of SMEs, very few big private enterprises had confirmed their position in the market but these positions were not strong enough to lead the development of other SMEs in the same field.

- In terms of business efficiency, ROA and ROE of private enterprises remained low and lower than other sectors\(^{10}\). Profitability ratio was an implicit risk to threaten the sustainable development of private enterprises.

- Besides, private economic sector remained lots of limitation in competitiveness capacity, participation capacity in regional and international production network, as well as weak business strategies; the human resource quality remained low, science-technology knowledge was not high, market accession and expansion for product consumption and exportation kept limited.\(^{11}\)

Therefore, private economic sector mostly expanded quickly in small and medium scale with low efficiency and had not held leading position in some core production

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\(^9\) Private enterprises had small scale. In 2007, each private enterprises had about 12.4 billion dong capital in average, equal to 1/23 SOEs and 1/14 foreign invested enterprises. Similar to capital scale, labor scale of private enterprises was smaller than others. In 2008, each SOE spent 425 employees, FDI enterprise spent 325 employees, private enterprises spent only 24 employees in average (equal to 1/17 SOEs, 1/13 FDI enterprises) (Source: Ministry of Planning and Investment (2009), Draft of Project “continuously reforming and transiting economic structure until 2020)

\(^{10}\) In 2008, ROA of private sector reached 1.5% while that of SOEs was 5.4% and of FDI enterprises was 10.6%; ROE was only 3.7% while that of SOEs was 13.3% and that of FDI enterprises was 24.3% (Ministry of Planning and Investment (2009), Draft of Project “continuously reforming and transiting economic structure until 2020)

areas of the economy. This also was the vulnerably damaged by disadvantageous shocks\textsuperscript{12}.

The solutions as followed:

- Theoretical thinking and viewpoints of the politic system on the role of private economic sector should be renovated, the private economic sector should be defined as the important driving force of new economic growth model\textsuperscript{13}.

- The development of private enterprises depended on economic policies of the State. The biggest barrier which private enterprises faced to was unfair competitiveness environment in which SOEs received the approaching priority of market, capital and land, then they took the “dominated” position in comparison with private enterprises. Thus, the prerequisite conditions were to diminish proprieties of SOEs in approaching resources. The role of State was ensuring equal and free business environment for private sector. The resources distribution should be ensured to distribute to enterprises who were able to use those resources effectively.

- The institutions should be completed to diminish development barriers for private enterprises sector, especially:

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\textsuperscript{12} In 2012, Private enterprises faced to many difficulties due to economic struggle and impacts of tightened economic policy. According to a workshop document, in the first 6 months of this year, there were 39,5000 new registered enterprises, with the registered capital at 230,200 billion dong, decreasing 4.7\% in quantity and 12.8\% in number of registered capital. According to reports of VCCI, in recent years, 3000 enterprises have been dissolved, many enterprises decreased production, dismissed employees. According to the Ministry of Investment and Planning, in the first 9 months of 2011, about 4.7 thousand enterprises dissolved with the total registered business capital of about 34 thousand billion dong

\textsuperscript{13} Although the State frequently committed to support private sector, in reality, state sector continuously received lots of advantages, including land and capital. Meanwhile, state officers always created difficulties for private sector, especially in tax and custom areas (Perkins and Vu Thanh Tu Anh (2008), The industrial policies of Vietnam towards sustainable development, Policy Dialogue of UNDP- Harvard “Vietnam joins WTO and international competitive research”.

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- Credit Policy: diminish the treatment discrimination of commercial banks between private enterprises and SOEs; build specialized lending program to aim at small and medium private enterprises.
- Land policy: the Law of Land and land management policies should be revised to form transparent land market, accordingly, the enterprises of every ownership types had equal opportunities in land approaching.

- It’s necessary to have preferential policies to motivate private sectors to invest in areas which the State had oriented to foster the intensive development of small and medium private enterprises such as aiming at supporting industries, participating actively in global value chain, or sectors which created many employments.

- Besides, it’s require to pilot the establishment of large scale private economic corporations which had high competitive capacity and focus on technology intensive sectors, capital and grey matter intensive sectors, key sectors of the economy, which created impetus for the development of private economic sector in the national and international scale. However, in order to reach this objective, the State need to dismiss partly or totally the controlling right in some core sectors.

- The more advantageous business environment should be built for private sector through promoting administrative procedure reforming in issuing business licenses, business registration, tax, custom procedures, etc…The information supplement system should be built to support private enterprises, at the same time applied IT to reduce cost for these enterprises. The administrative and non-economic measures should be decreased in economic governance. It’s also necessary to avoid corruption and exacting in the civil authority system; public information and policies transparently.
IV. Reforming institutions to support for the restructure of the economy.

Recommendation 6: It’s required to reform the macroeconomic policy planning and governance towards market principals; coordinate scientific policies; stabilize and implement common targets consistently.

Following growth model renovation and economic reforming requirements in the context of complicated and unpredictable happenings of international economy, macroeconomic policy planning and governance faced to many difficulties and challenges. In recent years, most of the policies included administrative features which raised a lot of arguments because the core reasons have not been tackled comprehensively while resource allocation was less effective. Besides, it could not ignore the influence of “interest groups”.

Therefore, it’s proposed to reform macroeconomic policy planning and governance towards:

- In order to synchronously and drastically deploy SOEs restructuring policy, public investment reforming and bank restructuring were among policies which had influence on interest of many different groups, ministries, departments, the National Assembly should have a Resolution or research on issuing Law of economic restructuring, accordingly The Restructuring Committee should be established, in which Prime Minister held the president position. This committee should include independent experts. At the same time, the Resolution or Law of economic restructuring would revise current laws which included difficulties for economic restructuring process and assigned special rights and obligations to Restructuring Committee.
• The State Bank should have more independent position (relative independence) with Government in monetary policy controlling. The Governor Council or Monetary policy Council should be established early under the control of State Bank to implement functions of The Central Bank, following regulations of Vietnam state bank Law which just took effect recently. Then, the targeted inflation mechanism should be implemented. Specialized financial market monitoring mechanism should be strengthened (monetary market, stock market, insurance market), at the same time the consolidated monitoring institution of these markets should be identified.

• Macroeconomic policy tools should be coordinated and implemented consistently following common objectives of the economy\(^{14}\). Monetary policy not only cooperated effectively with other policies, but this policy itself should be implemented consistently. Once tightened monetary policy was announced, it would impact on inflation expectation of the people and if the people trusted on this policy, inflation expectation would decrease and the cost of curbing inflation would also reduce. However, once inflation and inflation expectation tent to decrease, the people would no longer trust on tightened monetary policy and the cost for curbing inflation would be much higher\(^{15}\). Therefore, the policy coordination, especially monetary policy and fiscal policy, foreign trade policy (import-export) for stabilizing macroeconomics and ensuring consistency in policy governance was essential to stabilize macroeconomics in upcoming years.

\(^{14}\) In 2011, inflation remained high and in order to curb inflation, the Government issued Resolution 11, implemented tightened monetary policy and fiscal policy, reduce public investment. However, while tightened monetary policy was implemented effectively, the public investment reduction was not drastic enough as expectation, which exacerbated the burdens of curbing inflation and stabilizing macroeconomics on State Bank’s shoulders.

\(^{15}\) In recent years, at the beginning of the year when the inflation increased, monetary policy was tightened, but when inflation controlling reached some achievements and when enterprises complained about high interest rate, monetary policy was tightened and inflation cycle came back.
The macroeconomic policy planning must comply with market principals, limit administrative policies which decreased efficiency of resource allocation in the economy and created opportunities for interest groups to “dominate” their favorite policies. The macroeconomic policy planning should aim at maximizing welfares of the whole society and economy, not focusing on an enterprise groups.

Policy planning mechanism should be scientific and stable to react quickly to continuous fluctuation of international economy. Recently, social-economic development strategy of our country has been implemented in 10 year period and short term, medium term plans have been planned for every 1 year or 5 year period. However, our economy recently was open one, not only received internal impacts following predicted sequence, but also got influence from external shocks, thus the ability to reach planned indicators faced to lots of difficulties. Therefore, instead of issuing specific qualitative indicators, social-economic plans could only release oriented indicators. The building of National Assembly Resolution on social-economic sectors should follow this orientation.

The institution reforming which served the restructuring of the economy should be close to the revision of Constitution 1992 and law building activities of National Assembly course XIII, in which it’s required to prioritize and concentrate on promulgation, revision, supplement of current relevant laws such as Law of Land, Law of state budget, Law of Public Investment, Law of Planning, plans, Law of state capital management in enterprises.

**Recommendation 7:** It’s required to review, adjust the central-local decentralization towards the consistent management power in the Central and
the local active, creative capacity reinforce; The management of different sectors should collaborate closely to the management of different locals; Investment decentralization should go together with planning management decentralization

Enhancing local decentralization was among core objectives of the Administrative Reforming Master Plan in 2001-2010 period. In that important role, the Government issued Resolution 08/CP on 30/6/2004 about continuously fostering state decentralization between the Government and authorities in cities and provinces under the Central control. The provincial authorities received more power mostly in some sectors such as: planning; investments and plans; finance-budget; land, resources, state assets; public service; system operation and civil servants management. However, many shortcomings occurred during the implementation such as developing investment project stretchily, breaking general plans; devaluing locals connection; confusing detail powers, missions and responsibilities of different authority levels of state governance; ignoring providing necessary conditions for lower authority levels to implement their assigned tasks, etc…

The obvious consequences of above weaknesses in terms of investment decentralization was breaking steel-electricity production plan; low FDI quality (environmental pollution), over-exploiting natural resources and minerals (forests, valuable minerals), narrowing agricultural land (golf project); investing in technic infrastructure ineffectively16 (ports, airports), etc…

In order to tackle above situation, the solutions as following:

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16 According to Dr Tran Dinh Thien, Vietnam’s economy reached only 1000 billion USD income, but recently Vietnam owned hundreds of ports, 100 commercial banks, 22 airports including 8 international airports while Japan had 4,500 billion USD GDP but owned only 4 international airports.
• Investment decentralization should ensure the consistent management of central state agencies on institutions, strategies, policies, plans, inspection; at the same time promote self-control, self-responsibility, dynamic and creative of the local authorities in implementing state management tasks in their locals under law and regulations.

• Investment decentralization in terms of capital should follow the procedure: the Government, ministries governed investment projects using state budget, the provincial people’s committee selected projects which received local budgets. It should diminish the situation in which the local selected project and decided its total investment capital, then the Central authority provided capital. In order to increase capital, as well as the dynamic of the locals, it’s required to continuously adjust revenue resources and increase returning ratio for the locals in the direction that the provinces under the control of the Central could balance their regular expenditures under state norm by themselves if they reached the average development level.

• The management in terms of sectors and the management in terms of locals should be closely coordinated to match with economic structure. The state governance responsibility of the Ministries and departments should be clearly fixed the boundaries with that of local authorities to ensure the close coordination between ministries, departments and local during implementation process.

• Investment decentralization should connect closely to management decentralization of planning, social-economic development plans, land and national resources management and accord with particular local social-economic development capacity and conditions.
The detail recommendations proposed above have been collected, drawn from presentations and contributed opinions of the scientists, economic experts, National Assembly representatives, managers in order to propose specific solutions for implementing The Social-Economic development Plan in 2011-2015 period, in which the focusing mission was restructuring the economy. This document was expected to be the useful reference in order to support for National Assembly representatives, relevant agencies during preparation, discussion, approval and implementation process of related Resolutions in the 2nd sessions of National Assembly course XIII.
APPENDIX

Figure 1. Trade balance in 3 areas (billion dong)

Source: GSO

Figure 2. Investment capital structure in terms of ownership types (%)

Source: GSO
Figure 3. ICOR in 3 sectors

Source: GSO and calculations of some economic experts in the Workshop

Figure 4. Investment level 1995-2007 and investment structure in 2007 (1994 price)

Source: GSO
Project “Supporting for advisory capacity, verification and monitoring macroeconomic policies”

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