



# VIETNAM ECONOMIC POLICY FRAMEWORK

Development break-throughs based on the Industrial Revolution 4.0 to increase productivity, quality, efficiency and competitiveness of the economy. Achieve rapid and sustainable development; soon turn Vietnam into a modern industrialized nation.

Improving the effectiveness and efficiency of state economic management and state capability in enabling development.

**December 2018**

**VIETNAM MINISTRY OF PLANNING AND INVESTMENT**

In order to leverage the achievements of comprehensive economic Renovation during the last over 30 years, based on the foundations of a socialist-oriented, modern and internationally integrated market economy institutions, and opportunities brought about by the Industrial Revolution 4.0, a focus must be placed on implementing economic policies with strong aspiration of reaching higher.

The Vietnam Economic Policy conveys a clear message to the business community, international organizations, managers and the entire Vietnamese people about the determination to build a developmental, action-taking and integrity state to continue pushing up the course of reform, improving the business and investment environment, and mobilizing resources for development with an aim to jointly building Viet Nam into a prosperous, harmonious and sustainable nation.

**Nguyễn Xuân Phúc**  
Prime Minister  
The Socialist Republic of Vietnam





## VIETNAM MINISTRY OF PLANNING AND INVESTMENT

**"PUTTING THE PEOPLE  
AT THE CENTER OF DEVELOPMENT.  
GOVERNMENT POLICY SHOULD PROMOTE  
PEOPLE'S HAPPINESS."**



Minister of Vietnam Ministry of Planning and Investment  
Nguyễn Chí Dũng

# PART I: THE VISION OF VIETNAM

## 1

## WHERE IS VIETNAM NOW?

### Domestic Context

**30** years of reform have completely changed Vietnam's economic landscape – high economic growth has improved the living standards; Vietnam has become a middle-income country in 2010.

But considerable amount of work remains to be carried out for Vietnam to become a modern, industrial country; sustaining innovative reform mindset is required to solidify and further advance the past achievements.

### International Context

The Industrial Revolution 4.0 has introduced rapid changes in the organization and arrangement of productive activities and life everywhere.

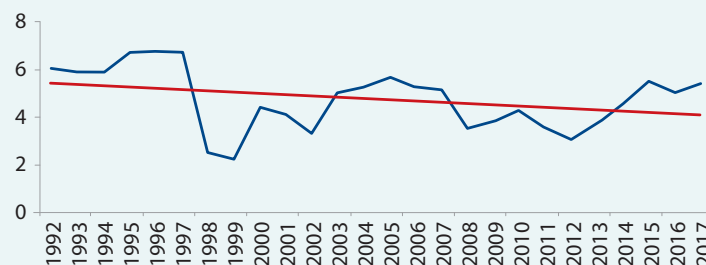
A deepening globalization and market integration process is taking place; the world trade order is changing profoundly.

The geo-political developments have become more complex and having significant impact on development policies of many countries.

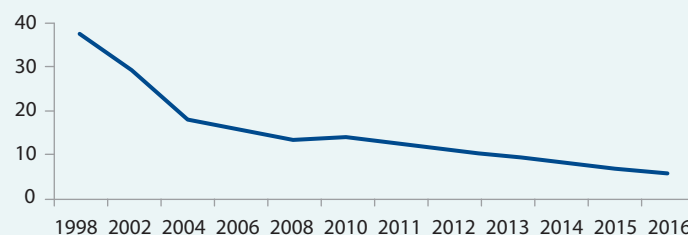
### Vietnam's GDP size and growth rate



### Vietnam's average productivity growth rate (%)



### Poverty rate in Vietnam (%), 1998-2016



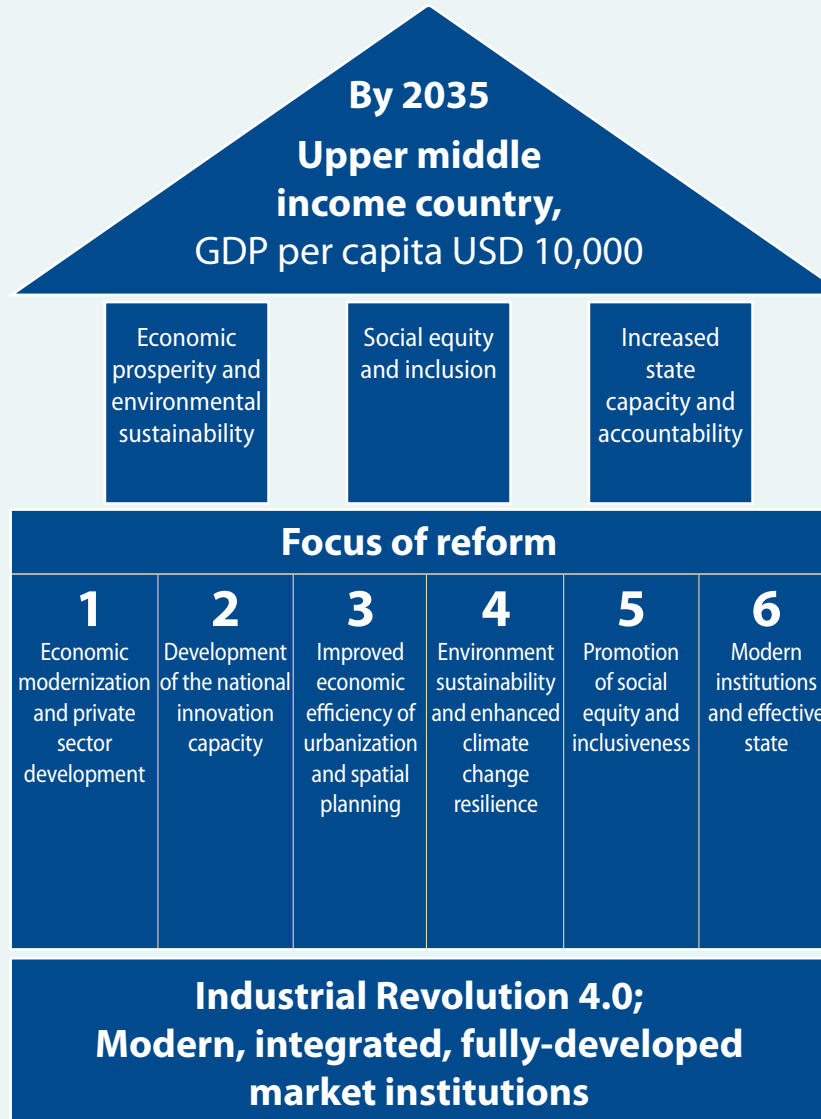
### GDP GROWTH

- 2001-2010: **7.3%**
- 2011-2017: **6 %**

### IN 2017

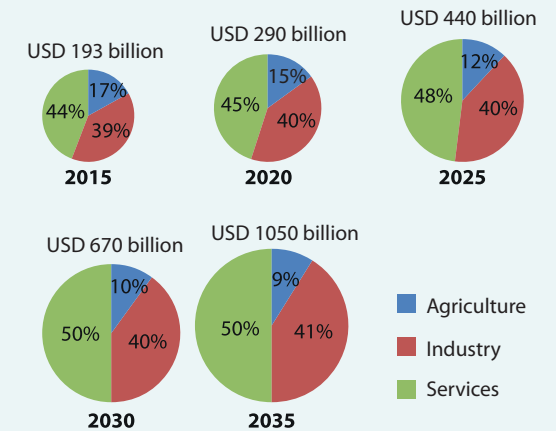
- **Population:** 93.7 million
- **GDP:** USD 223 billion
- **Per capita GDP:** 2,389 USD (ranked 134/187 countries and territories)
- **Commodity export:** USD 214 billion
- **Commodity import:** USD 211 billion
- **Trained labor force:** 21.5%
- **Unemployment:** 2.24%
- **Human Development Index (HDI):** 0.694 (ranked 116/189 countries and territories)
- **Global Competitiveness Index (GCI):** 4.36 (ranked 55/137 countries and territories)
- **Doing business index (DB):** 67.93 (ranked 68/190 countries and territories)
- **Global Innovation Index (GII):** 38.34 (ranked 47/127 countries and territories)

# 2 LONG TERM DEVELOPMENT GOALS

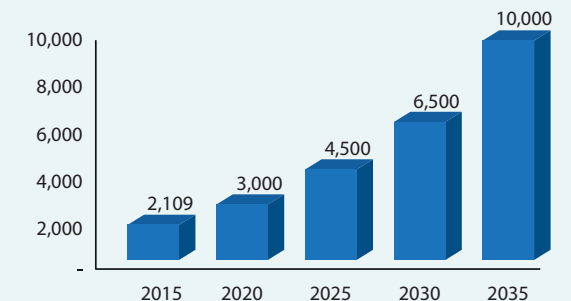


**Average per capita GDP growth during 2016-2035: 6.8%** (corresponding to an annual GDP growth rate of 7.5%)

**Size (USD billion) and structure of the economy**



**Per capita GDP (USD)**



## PILLAR 1: Economic Prosperity, Environmental Sustainability

### Economic modernization and private sector development

1. Strong development of the private sector
2. Reforming state-owned enterprises
3. Leveraging industrial revolution 4.0 and integration for growth

### Innovation capacity development

4. Putting the enterprise at the center
5. Enabling an innovation-conducive environment
6. Making resources available to mobilize leading experts

### Increased urbanization and spatial planning efficiency

7. Improving economies of scale and efficiency of urbanization
8. Expanding and linking satellite cities to metropolitan urban centers
9. Developing growth centers
10. Ensuring equal access to public services

### Environment sustainability

11. Restoring and sustaining natural resources (land, water, forest, others)
12. Enhancing adaptation to climate change

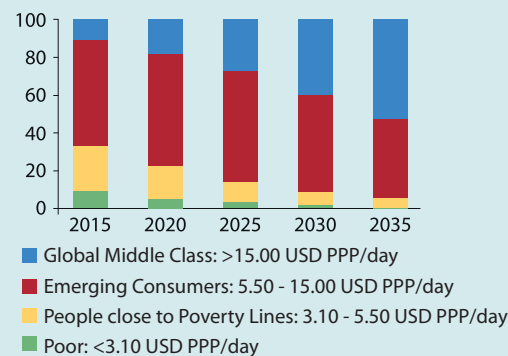
## PILLAR 2: Social Equity and Inclusiveness

1. Ensuring equal opportunities for all, especially for the disadvantaged groups
2. Evolving the role of the state in public service provision
3. Adapting social policies to the changing population structure
4. Promoting the new middle class to reach the common prosperity

### Major social changes by 2035

- The poverty rate will be reduced to 1%
- More than half of Vietnam's population will join the global middle income

### Structure of Vietnam Middle Class



## PILLAR 2: State Capacity and Accountability

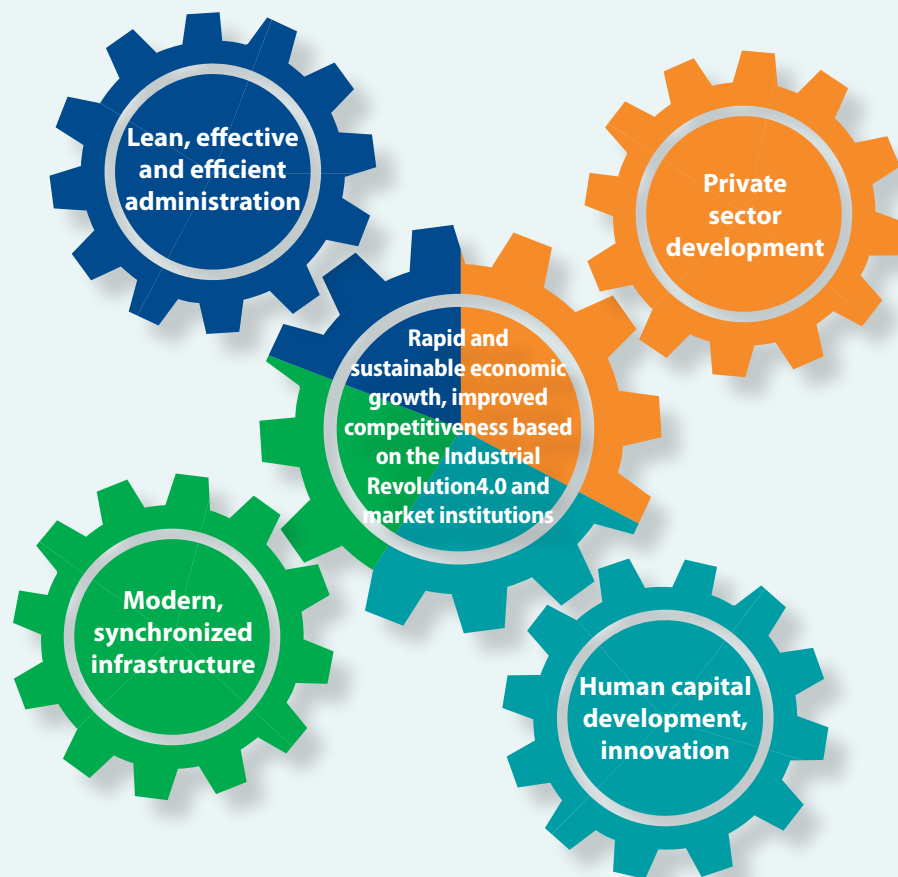
1. Building the rule-of-law state
2. Modernizing the state administration based on the e-government and meritocratic system
3. Implementing market-based economic policies
4. Enforcing accountability, transparency, and public disclosure



# PART II:

## MID-TERM ECONOMIC POLICIES

### GROWTH DRIVERS



### Key economic indicators

No.	Indicator	Unit	2020	2030
1	GDP growth	%	6.5 - 7.0	6.5 - 7.5
2	GDP/capita	USD	3,000-3,500	6,000-6,500
3	Economic structure			
	Agriculture	%	15	<10
	Industry	%	40	40 - 41
	Services	%	45	49 - 50
4	Manufacturing/ GDP	%		20
5	Annual productivity growth	%	5.8	6.0 - 6.5
6	Agriculture labor / Total labor force	%	40	20 - 25
7	Urbanization rate	%	38 - 40	40 - 45
8	Competitiveness		ASEAN 4 average	

## 1

# PRIVATE SECTOR DEVELOPMENT

## Promotion of Domestic Private Sector Development

1. Removing restrictions to business in all sectors
2. Protection of property rights, including the use rights of land and intellectual property
3. Equitable access to resources (capital, land, minerals, labor, etc.)
4. Level playing field
5. Promotion of innovation, technological modernization, and human resource development
6. Liberalization of factor markets, especially land, labor and technology markets
7. Promotion of linkages with the FDI sector

### Private enterprises

- 2020: 1 mil enterprises
- 2030: 2 mil enterprises

### Private sector contribution to GDP

- 2020: 50%
- 2030: 60%-65%

## SOE Reform

1. Promotion of market-based fair competition
2. Introduction of good international governance in SOEs
3. Speeding up equitization and effective divestment
4. Effective management of state equity in enterprises

### SOE Reform 2016-2020:

- Equitization of 137 SOEs
- The state shall hold 100% share in only 103 enterprises
- Divestment of at least VND 250 trillion

## FDI Attraction

1. Creation of favorable conditions for FDI aiming at economic restructuring, economic growth, and modernization
2. Focus on high-tech companies taking into account the environmental protection aspects
3. Encourage the linkage and transfer of technology to domestic enterprises





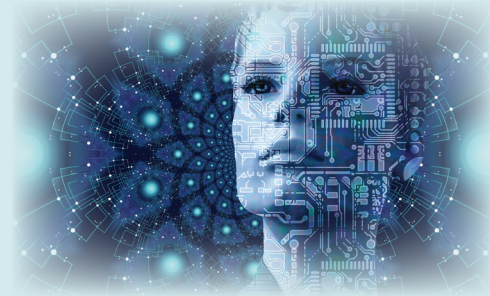
## 2

## HUMAN RESOURCE DEVELOPMENT AND INNOVATION

1. Reform of the national innovation system, put enterprises at the center
2. Promote innovation and business startup
3. Protect the intellectual property rights, develop the technology market
4. Apply the achievements of the Industrial Revolution 4.0, promote smart production (with a focus on agriculture, tourism, IT); develop smart cities, green cities
5. Implement strategic breakthroughs in human resource development, comprehensive reform of the education system, starting with the higher education and vocational training system
6. Prioritize the full employment of the trained labor force
7. Promote green growth, clean energy

### Support the national startup and innovation ecology until 2025

- Support 2,000 startup proposals and 600 startup firms
- Support 100 venture startups
- Establish the national innovation and start up center



Develop 3 national universities (Hanoi, Da Nang, Ho Chi Minh City) to become the training hubs to catchup with the IR 4.0



54% population using internet, ranked 5th in the EAP region regarding internet connectivity



55% population use smart phones



Energy usage/GDP to reduce 1-1.5% per year in 2011-2020



In 2020 the high-tech and green technology shall contribute 42-45% in GDP

## 3

## MODERN AND INTEGRATED INFRASTRUCTURE

### Break-through in Infrastructure Development

1. Prioritize key infrastructure projects such as: North South Highway, High-speed Railway, Long Thanh Airport, large ports (Hai Phong, Van Phong, Cai Mep - Thi Vai), transport system in major cities, key regional reservoirs
2. Transport connectivity between major economic hubs, transport nodes, etc.
3. Sufficient power supply for production and residential consumption; by 2030 renewable energy shall account for 10%
4. Ensure sufficient water supply for production and residential consumption; adaptation to climate change, and sea level rise
5. Modern and synchronized urban transport infrastructure; reduction of traffic congestion and flooding in major cities
6. Improvement of the national IT infrastructure



### Improved Public Investment Efficiency

1. Introducing international investment management practices--project appraisal, evaluation, selection
2. Public investment reform linked with the medium term state budget and debt restructuring
3. Giving funding priority to completion of national targeted programs and major projects linked with the economic restructuring
4. Encouraging the involvement of other players in the public service provision

#### Public investment restructuring plan 2017-2020, directions until 2025

- Annual public investment disbursement rate: > 90%
- Continued public investment management reform
- Public investment average allocation: 10-11% GDP
- Further diversification of investment sources and modalities





## 4

## A STREAMLINED, EFFECTIVE, AND EFFICIENT STATE ADMINISTRATION

1. New roles of the State to better support a modern market economy, and economic integration:
  - Clear decentralization of power and responsibilities between the central and local levels
  - Improved coordination and enforcement of policies implementation
  - Improved capacity of the state employees and civil servants; introduce a meritocratic recruitment and compensation system
2. Full implementation of the ownership of the public and the social organizations
3. Improving transparency and accountability
4. A modernised and efficient state administration
5. Promote social mobilization in the public service delivery
6. Adopt special mechanisms for Ha Noi and HCMC
7. Establish special administrative – economic zones) with modern institutional arrangements







# // NEW MINDSET, NEW VISION, NEW OPPORTUNITIES //

## Big Investment Opportunities

1. Infrastructure projects
2. Human resource training and high quality service delivery projects
3. Priorities linked with IR 4.0
4. Hanoi and Ho Chi Minh City; special administrative – economic zones) with modern institutional arrangements

## High Market Potential

- 94 million population, fast growing middle class
- Regional and global connectivity (16 FTAs and multilateral agreements)




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**Shared Aspiration**  
**Economic Prosperity**  
**Harmonized Society**  
**Sustainable Future**

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The Vietnam Economic Policy Framework is an initiative of the Minister of Planning and Investment to support the implementation of the report Vietnam 2035. It was developed in collaboration with the Australia-World Bank Group Partnership, Phase 2 (ABP2).



Australian Government



MINISTRY OF PLANNING AND INVESTMENT



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