

**PROJECT OF ON-GOING RENOVATION AND
STIMULATION FOR ECONOMIC STRUCTURE SHIFT
PERIOD 2011- 2020 TOWARDS PRODUCTIVITY,
EFFICIENCY AND COMPETITIVENESS
IMPROVEMENT**

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INTRODUCTION

Economic structure shift has always been one of major concerns in the renovation and economic development policy of the Party and government. In the Tenth National Congress of Communist Party, achievements¹ (period 2000-2005) were highly evaluated. Also in the session, shortcomings and solid direction for renovation and economic structure shift were specifically identified, including: (i) Quality of growth is still low, while economic growth is largely based on in-width developing factors, and on traditional sectors and products; (ii) Economic structure is shifted slowly; (iii) *Major economic areas* have not made full use of their advantages to speed up the integration into modern economic structure; (iv) *Economic components'* development does not correspond to their potentials; (v) *Investment structure* shows inappropriateness, main focus is not yet put on in-depth investment, and on high value-added sectors and jobs creation; trade deficit is still high.

In the Ninth Party Central Committee Conference on 2nd February 2009 (session X), the three-year implementation of the 10th Party Congress's Resolution was assessed. In terms of structure shift, the Party Congress's Resolution noted: "Achievements are lower than state's potentials, and capability. Macroeconomic stability is not sustainable enough as there are still hidden risks of volatility. Economic growth quality, productivity, efficiency and competitiveness are low and improved slowly; economic structure shift towards modernization and industrialization is slow. Mobilization and utilization of internal as well as external

¹ Economic growth rate is considerably higher annually; Economic structure continues to be transferred towards industrialization and modernization; Social investment increases rapidly; Socialist-oriented market economy has been established, macroeconomic is generally stable; International economic integration and foreign economy gain significant progresses; Education and training are fairly developed; Science and technology have some advancements; Socio-culture is progressive on many facets, connection between economic development and social problems settlement has changed positively, human development index is also increased; National unity for the development cause continues to be consolidated; Socio-politic is steady, national defense and security are enhanced, foreign relations are developed, creating favourable conditions for socio-economic development.

resources for socio-economic development is very limited and low efficient, etc. The gap between the country and regional peers has not yet been narrowed.”

So far, shortcomings in economic structure have not been remedied generally. In addition, many areas of the economy were hit by the global economic crisis; economic growth rate declined; weaknesses of the economy were revealed more evidently. All of these need to be overcome soon otherwise it would be very challenging to maintain a high growth rate and sustainability level in the next coming years. Thus, renovating and speeding up economic structure shift in order to ease the crisis and raise the country’s position to a higher level of development is a pressing need in both short and long term strategy. In such a context, the Prime Minister has directed² Ministry of Planning and Investment to research and design Project “Renovating and speeding up economic structure shift towards productivity, efficiency, and competitiveness improvement until 2020”.

Economic structure within the scope of this Project is understood as relative roles of *components* in the *whole* economy. Aggregate supply of the economy, for example, could be classified by areas, sectors, or economic components, etc.; or aggregate demand of the economy is examined according to its constituents such as investment and consumption. Economic structure shift is the process of transforming and gradually setting up a more effective and modern structure, bringing the economy to a higher level of development and creating larger added-value. Accordingly, renovation and economic structure shift are supposed to improve the appropriateness and effectiveness of resources and properties allocation in the economy. In other words, renovation and economic structure shift is a mid and long term transforming process which creates a new composition for more appropriate and effective economic resources allocation and utilization, and

² This project was implemented under direction of the Prime Minister in Official document No 722.VPCP-KTTH on 5th February 2009 by the Government Office on making Project to restructure the economy and Official document No 3529/VPCP-KTTH on 28th May 2009 by the Government Office.

step-by-step transforms the economic structure onto a higher grade (or level), bringing in more added-value.

The Project aims to examine real situation to detect causes and reasons leading to current economic condition; to propose solutions for on-going renovation and economic structural shift in period 2011-2020, contributing to the composition of socio-economic development strategy for the period 2011-2010, socio-economic development plan period 2011-2015 and to the government's management quality in the coming years.

The Project scope principally focuses on major patterns (even internal compositions of each pattern) of our economy from 2000 until now, including growth pattern and main balances of the economy, sector structure, economic components structure, area structure, investment pattern, with reference to similar cases and problems in regional and international countries and territories.

Apart from Introduction, the Project comprises of 3 other parts. Part I is Economic structure condition, international setting, opportunities and challenges to Vietnam's economy period 2011-2020. Part II is Goals, principles and proposed solutions to renovate and speeding up economic structure shift towards productivity, efficiency and competitiveness improvement. And part III is Implementation.

I. Economic structure condition, international setting, opportunities and challenges to Vietnam's economy in the coming years

1. Economic structure condition and causes

a. Major achievements

During the past decade, Vietnam's economy has attained remarkable achievements in various fields. Economic growth rate is pretty high, even during the global economic crisis; average growth was at 7.2% per year between 2001 and 2010 (at 7.5% for the period of 2001-2005 and nearly 7% during 2006-2010). GDP according to nominal price has doubled compared to that of 2000; and 3, 4 times higher than GDP according to real price in the same period; GDP per capita according to real price is estimated to reach US\$1,200 in 2010, bringing our country into low average income group; rate of poor households decreases rapidly, from 58% in 1993 to 26% in 2000 and is predicted to be under 10% in 2010; gap of development comparing to other regional economies³ was considerably narrowed. Overall, macroeconomic and big balances of the economy remain stable.

Mobilization rate of social investment capital remains high at about 41% GDP, in which domestic investment capital holds a sizeable part, accounting for 70% of total social investment capital; in the last ten years, an amount of US\$60 billion foreign direct investment, equivalent to nearly 36% of total registered capital, was dispersed; another merely US\$20 billion of development supporting capital was also dispersed, accounting for 46.5% of total pledged capital. Many economic sectors with high efficiency and large share in GDP have received adequate investment. State investment is more focused into some sectors, especially into infrastructure, transport and other public services. Most of the

³ For example, GDP per capita measured in US dollar purchasing power of Thailand in 1995 was 4.4 times higher than Vietnam's in 1995, but this gap was reduced in half to only 2.2 times in 2008. Similarly, this gap between Vietnam and Singapore, Indonesia, and Korea reduced from 27 times to 18, from 2.3 to 1.4, and from 13 to 10.4 respectively.

foreign investment has been drawn to sectors with comparative advantages in resources and labour.

There have been positive changes in structures of each sector and of economic sectors as a whole. The share in GDP of agriculture, fishery and forestry fell from 24.5% in 2000 to about 22%; industry and construction share increases from 37% to nearly 40%, share in GDP of service sector remains at about 38%. There is also an increase in the share of processing industries which makes up 60% of industrial production; and high technology industries contribution is approximately 25%. A number of service sectors such as trade, restaurants, hotels, tourism, transport, warehouses have a pretty fast development pace and are expanding its scale; specially, telecommunication service has had a breakthrough development, making our telecommunication sector a modern service capable to compete with regional peers.

Economic components have basically changed to get in line with the development policy of socialist oriented multi-sectoral market economy. The share of state owned businesses in GDP in total social investment has decreased considerably; however, state owned enterprises leading by corporations and general corporations continue to play important roles and help control crucial economic sectors. Businesses with foreign investment and private businesses have expanded pretty rapidly, currently contributing about 65-66% of GDP, an equivalent to two thirds of industrial production and 70% of social investment. The domestic private sector has attained great progress and powerful growth; up to now, there have been more than 500 thousand registered enterprises, making up over 11% GDP, which means that they could create 25% of industrial production and use up to 10% of the labour force. Hundreds of enterprises are now operating in large scale with high competitiveness, enhancing the trademarks for Vietnam in international market.

Economic zones are being established, particularly major ones. The Northern and Southern key economic zones are playing more important roles, making bigger contribution and becoming the driving force of national economic growth; central industrial areas and clusters, export processing zones, and special economic zones founded in some areas and locals have promoted the local economic growth.

Labour structure also saw optimistic transformations which make it more appropriate for the structure shift of economic sector, components and areas. Millions of labourers moved from agriculture and forestry to such sectors like fishery cultivation and processing, industries, constructions and others; many have found better jobs with higher salary. As a result, workers' and their families' life are much improved. Specifically, number of labourers in agriculture declined significantly from over 62% in 2000 to about 50% of the work force in 2009; amount of workers in the manufacturing industry increases by 4%, from about 10% to 14% in the same period. Laboural share of some high value added service sectors like telecommunication, finance, banking, tourism and real estate consultancy has also improved impressively.

The mentioned above achievements are attributed by timely renovation policies and directions of the Party, by flexible and effective administration of the government, and by the dynamic and creativity of the people in different fields, including: (1) control and stabilize macroeconomic; (2) expand and encourage freedom right to do businesses, particularly in domestic private sector; (3) refine and improve business environment towards unity, equality, transparency and more emphasis on market orientation; (4) open and integrate more deeply, widely and comprehensively into international market; (5) enhance technical and social infrastructure in terms of both quantity and quality; (6) reform, refine managing model and improve state owned enterprises' efficiency; (7) reform state

administration and economic operation for better transparency and accountability; further decentralize at local authority level; make the most of grassroots democratic.

b. Main shortcomings of economic structure

In addition to the above significant achievements, Vietnam's economic structure has been facing some noticeable shortcomings.

There are signs of decreases annual growth rate and lower quality of growth. Economic growth continues to expand in width, largely based on amount of investment capital and exploitation of resources; efficiency of resources utilization (capital, natural resources, land, etc.) and productivity are still low; production costs, energy wear-out on a product unit are high and tend to increase further. Currently, investment contributes approximately 60% to growth; labour and total factor of labour make up the rest 40%, of which the total factor of productivity accounts for about 25%. The annual increase of total factor of productivity in Vietnam is about 1.5%; meanwhile that of China, India, Singapore and Thailand are 4%, 3%, 2.5% and 2% per year respectively. Technology is slowly updated; high technology products take up just a modest part⁴ in the total export turnover and this situation merely changed during the past decade. More importantly, this shortcoming of the economic structure was revealed years ago but so far there has been no sign of improvement. Big macro balances of the economy are not stable enough. The disproportion between domestic savings and investment, deficit of current balance of payments and budget deficit are bigger in both scale and level. Macroeconomic stability level is not high; market confidence and people's expectation in macroeconomic stability are still low.

⁴ According to World Development Indicators 2009 by the World Bank, high technology products only account for 6% of Vietnam's total export turnover; and this figure merely changed since 2000 to 2008.

Economic sectoral structure is fragmented, small, and dispersed; the country's comparative advantages are not made full use of; such areas like resources exploitation, over utilization of natural resources and unskilled labour are sadly main supporters of the economy; technology and manufacturing level of industries are humble; most of industrial manufacturing works are done manually and largely depend on imported inputs and intermediate products; added-value⁵ and technology are at low level; new anchor product is still missing; there is a lack of products that are prestigious in regional and international market to represent the country's trademark. Most of products with large share⁶ in GDP as well as in export turnover belong to agriculture, fishery, mine ores, pre-processed industrial products and consumption services that over-use unskilled labour; number of manufacturing industry products is still small.

Economic components structure is irrational in resources allocation; state owned enterprises have not proved their leading roles in the causes of economic structure shift, renovation and technology development. Private economic sectors still operate in small scale and have not been able to become an economic driving force; unofficial economic areas together with small scale and dispersed production are still common, especially in terms of labour. Businesses with foreign investment grow rapidly and expand their scale to such a level that our country is more and more dependent on international factors. However, the influence of foreign invested companies on technology transfer, improvement and enhancement is not noteworthy. As for domestic businesses, efficiency of state owned

⁵ General value added of the economy accounts for about 41% of total production (dropping from 45% in 2000); value added of processing industry constitutes approximately 30% of total production (dropping from 40% in 2000).

⁶⁶ Among 112 national economic sectors, only 26 contribute from 1% GDP and over; they are mainly products in agriculture, fishery, mine ores, pre-processing industries and services which make use of unskilled labour. Other 21 products which are also pre-processed products, materials and some services contribute from 0.5 to less than 1% GDP. There are only 5 products of processing industry including automobile, motorbike, bicycle and other transportation accessories, and equipment and machinery for electricity and garment.

enterprises and private sectors is still humble; enterprises are not capable of joining international value chains and international allocation system.

Economic space is being divided, ruled by administrative units, especially at provinces and cities directly under central government. Hence, regional economy is not yet established on the basis of physical linkage, cooperation and supplement among different areas in the region, basing on comparative and competitive advantages of the region in general and of each local in particular. In stead, locals often pursue similar economic structure and compete with each other, even following “all or nothing” competing phenomenon; resulting in misleading or broken economic space and incoherent development planning of the region and the whole economy, causing disadvantages for intermediate and long term development of each local, region and the whole economy. Key economic zones are not connected, thus, could not motivate and stimulate the neighbouring areas to develop.

Investment structure is also inappropriate and inefficient. Investment is not focused on crucial sectors with great contribution to economy, or with high efficiency, sensitiveness or with big influence like producing and processing rice, rubber, coffee, cultivation and processing seafood, agricultural products, wooden furniture, garment and leather products, automobile, bicycle, basic chemicals, machines, electrical products and households, tourism, restaurants, financial services and banking, etc. High technology sectors receive insignificant investment and are not attractive to investors. Government investment is dispersed, unfocused and inconsistent; therefore, projects are usually in lack of capital, delaying the process of implementation and bringing into utilization; cost increases while utilized efficiency decreases as a result. Infrastructure has become a priority of investment; however, traffic congestion is not yet improved, particularly in big cities, key economic zones and major seaports connecting the country with outside

the borders. There is an upward trend of foreign investment in real estate market and in domestic-oriented products. The use of resources like land, natural resources and labour is wasteful and inefficient. Phenomena of “suspended planning”, “suspended projects”, land uses for wrong purposes, etc. are quite common.

The above shortcomings are attributed by both subjective and objective causes. Objective cause roots from the fact that our country just starts to enter the process of development in general and industrialization in particular. Therefore, growth in width which bases mainly on investment, natural resources exploitation and sectors that over use unskilled labour are unavoidable. However, the negative impacts on various fields of current economic crisis have crashed the high growth rate in Vietnam, weakening and deteriorating momentum for development in width; revealing many more weaknesses in the economic structure; exhausting the development in width and making it inappropriate. Subjectively, there are a number of main causes as follows:

Firstly, the logic in socio-economic development, especially logic in development periods, in roles of government, state owned enterprises and market in resources allocation and utilization, is slowly renovated. Logic on development space is restricted and influenced by the logic and bind of administrative areas. Productivity improvement, growth efficiency and quality are not paid enough attention. Therefore, weaknesses in the models and style of growth in width have been identified for a long time but are not improved.

Secondly, the capacity and method to draw up policies and to employ state management are weak and out of date compared to the pace of market liberalization, decentralization, opening economy and international integration as well as to the demand of rapid and sustainable growth. There is a lack of mechanism to provide guidance and central and focused supervision; a lack of

organizing works and effective coordinating mechanism between central and local, as well as among ministries and among areas relating to development planning like research, construction, implementation, and result evaluation, and to solving crucial issues to make full use of developing potentials and opportunities. A considerable number of policies, especially strategies and development planning of sectors, products, localities, economic zones, industrial zones, etc. are the results of incoherent and spontaneous initiatives which only pursue the benefits of each sectors or locals involved. Decentralization of economic management and distribution of benefits between central and local remain inappropriate in many facets. This increases the level of separation, dispersion and partiality in policy establishment and implementation, resulting in even a worse economic structure.

Thirdly, business environment is restricted in various areas. Administrative procedures are wasteful and tiresome; are not transparent, equal and fair enough; are not capable of inspiring faith and safety level to attract investors, enterprises who could make the best use of creativity and self-control and could accept risks in business, big and long-term investment, renovation, technology upgrade and competitiveness enhancement; have not limited and eradicated unfair competition, business activities profiteering from personal relationship and market monopoly; at the same time, competition to eliminate inefficient and incompetent enterprises is not intense enough. Internal force of capital, skills and business management in the non-government sector in general and private sector in particular is still poor; capability, opportunities and condition to mobilize, access long and mid-term investment capital, land and other resources, technology information and technology sources, etc. are low.

Fourthly, state management of national resources allocation and utilization (capital, land, and natural resources) is not really effective. In many cases, investment distribution, project selection for investment, land allocation, land

renting and natural resources and minerals exploitation licensing, etc. still follow “ask-give” mechanism in different forms; solid and specific criteria for measurement and assessment of socio-economic efficiency are still missing; as a result, many approved investment planning and development spaces are made misleading or even broken. Mechanism to encourage investment lacks a solid target, as well as conditions, criteria and tools to create responsibility bonds of support and aids receivers; moreover, as it is disperse and unfocused, the support is not attractive enough to big, potential and prestigious investors. The works of supervising, monitoring and evaluating the implementation of such policies like preferential policy, investment supporting policy are not carried out on a regular basis.

2. International and regional outset

Concerning the international background, there are two factors that have considerable influence on Vietnam’s economic structure shift till 2020 and the following years. The first one features a fundamental and long-term factor that is typical for this era. The second includes direct effects (mid-term) of the current global economic crisis.

Although being inhibited and slowed down by the global crisis to a certain extent, globalization and international integration remain the main trend; continue to expand in scale, level and form of performance; have both positive and negative unpredictable effects to our country’s economy. International markets, especially the capital, energy and material ones, are more vulnerable and fluctuating. The competition among newly-emerging economic superpowers and other economic superpowers for status and market will be fiercer and more severe. Competition for talents, well-skilled labour force among economies and enterprises will also become more common and severe.

The current global crisis has been resulting in a series of long and mid-term changes in the economic structure shift and development. The import demand and share in different markets will witness some changes; penetration of imports into markets could be tougher; opportunities to access and mobilize foreign investment will be restricted; it will be more difficult to maintain a stable payment balance; there will also be more risks of instable macroeconomic.

Under the effect of climate change and global economic crisis, the models and pattern of economic development worldwide can also be adjusted. It is likely that the new model and pattern of development will be more balanced, more respectful to social responsibilities of enterprises, more environment-friendly, and more power saving; food safety and hygiene and protection of consumers' health will become more and more tighten and respected. Such products that cannot prove their origins, or are produced in environment unfriendly way, or do not go through quality and hygiene check will find it very difficult or impossible to access the market.

As for the region, China has become a powerful country which is gaining more and more influence and dominance, both politically and economically. The power and influence of China will even be extended in the process of global economic changing. China's emergence and development embraces both opportunities and challenges for economic development in general and economic structure shift in particular in Vietnam. China's development would spread to Vietnam, bringing with it both positive and unpredicted harmful effects. Import to China may increase; but competition of China's goods on the domestic market will be more severe and fiercer; demand for natural resources and minerals in China may create pressure on the exploitation of our natural resources; reallocation of manufacturing structure in China may lead to a part of productive

capacity moved to our country, wherein some of the processes and stages might be out-of-date and environment unfriendly.

ASEAN countries have entered the cooperation period according to ASEAN Charter and built up ASEAN Community. The closer and more effective cooperation and connection among ASEAN members might become an inherent demand. Each member country will need certain adjustments to its development strategies and patterns towards more attention to inter-regional trade and commerce compared to the past. In this process, a number of new regional manufacturing networks will be set up in order to provide a connection among member countries and enterprises.

All the above changes will have effects on our economy in the short, mid and long term; they create not only opportunities but also challenges; and they are factors that need thorough consideration while actively adjusting the policy to stimulate economic structure shift in Vietnam.

3. Opportunities and challenges in renovation and economic structure shift in Vietnam from 2011-2020

A number of strength, weaknesses, opportunities and challenges in renovation and economic structure shift are drawn basing on the analysis and evaluation of current situation and attributions of economic structure, international and regional outset, as follows:

a. Strength and weaknesses of our economy

Some main strength of our economy includes: (1) the rates of economic growth and poverty reduction and hunger elimination remain relatively high and much higher than many other countries and economies in the context of global crisis; (2) Ratio of social investment capital is high and very attractive to foreign

investment (including foreign direct and indirect investment, development supporting capital and remittance); (3) Population is young and labour force is in its “golden structure” consisting of dynamic workers with a thirst for jobs to improve their income and living standard; (4) In terms of geopolitics, our country has a favourable position connecting North Asia (China, Korea, Japan, the vast eastern area of Russia) with ASEAN, South and West Asia, with a large and long territorial water and many important international waterways running through; (5) Socio-politics is stable which is a strategic strength of Vietnam compared to other developing countries in region and in the world; and (6) The government is competent, and capable of issuing and implementing policies in a consistent, focused and swift manner.

Apart from above strength, shortcomings still exist. They are: (1) Growth in width is no longer suitable for the needs and requirements of development; productivity, growth quality and efficiency of resources utilization are still humble and following a downward trend; many policies which used to be righteous making economic growth and poverty reduction and hunger elimination rank high on the international list are now out dated or entirely exploited. (2) Big balances of the economy are not steady; macroeconomics is not really stable and there are many hidden risks. (3) Economic structure, products and structures of small scale and disperse economic region are obstacles to the works of concentrating, gathering and making use of scale economy for development. (4) Competitiveness of the economy, of enterprises, and of products is weak without any sign of improvement. (5) The quality of labour force is low with a lack of trained workers and competent engineers and management staffs. (6) There is no mechanism to ensure policy’ s quality; administrative system does not have enough capability, skills, tools and sources to quickly, timely and effectively carry out approved policies.

b. Opportunities and challenges

Our economy is now embracing many golden opportunities. (1) First of all, there is an opportunity to improve and enhance efficiency of investment and other resources. Together with high level and high efficiency of investment capital mobilization, an increased efficiency in utilizing investment capital will boost economic growth rate to about 9-11%; and economic stability will also be consolidated. (2) Active integration into the world economy has been a great success; and this success will make our country much more attractive and competitive in attracting investment and other outside resources; as a result, capacity and scale of production will increase rapidly. (3) If we can make use of the above two advantages, our economy will make a steady progress to a higher development stage, wherein main sources of growth are to improve efficiency, productivity and competitiveness, resulting in considerably higher average income and living standard; socio-politic stability will be consolidated; development gap between Vietnam and other countries in the region will be narrowed down.

In addition to great opportunities, our economy also faces notable challenges. It is the risk of renovation process being slowed down, and failed to meet the internal development demand and outside changes; productivity, efficiency and competitiveness will not be improved, decreasing growth rate but increasing cost for each growth unit. This situation, if really happens, will deteriorate people and market's faith in maintaining macroeconomic stability; inflation expectation will increase, causing people and enterprises to reduce or not holding assets in VND; demand for foreign currency will exceed supply, exchange rates will no longer be stable and will be passively adjusted; macroeconomic instability and high inflation will not be challenges anymore; it is macroeconomic instability that drags investment to a low level and makes it less effective; income and living quality will be reduced as well, causing achievements in hunger

elimination and poverty reduction to be depreciated; finally, we will fail to bridge the gap with other peers in the region.

II. Targets, principles and suggested solutions for renovation and speeding up economic structure shift in the period 2011-2020

1. Targets

General targets for economic renovation and structure shift in the next ten years are that our economy will attain a development level similar to that of countries with average income of US\$3,000-3,200 according to real price until 2020; economy is open and has modern infrastructure and market institution, as well as a good competitiveness and growth based on productivity and efficiency improvement; macroeconomic and socio-politic are sustainably stable.

In order to achieve such general targets, following specific goals for each period need to be realized:

- Step-by-step reduce and narrow down the gap between and aim at equalize current payment balance and budget spending and earnings. Particularly, deficit of current payment balance till 2015 will not exceed 5% GDP and till 2020, there will basically no deficit in current payment balance and budget overspendings will be about 3% and below of GDP.

- Continuously and gradually improve utilization efficiency of resources, enhance productivity and quality of growth until 2020: (1) share of added-value in gross national products must be 50% minimumly (meaning one percent increase each year); (2) share of added-value in gross manufacturing industrial products will be about 40% (meaning one percent increase each year); and (3) contribution of aggregate productivity factors in economic growth will reach at least 35% (meaning one percent increase each year).

- Until 2020, agriculture, forestry and fishery account no more than 15% GDP, whereas industry, construction and services will make up 85% GDP minimumly. Economic structure will be diversified, refined and more sophisticated within each sector; high value added industries and services using high technology will be the driving force in GDP growth; value of high technology products will account for 45% GD; and product value of manufacturing industries will be about 40% of total industrial products value.

- Equitized corporation and general state-owned enterprises, which have become public joint-stock company operating under market principles and rules, will remain nationwide leading economic corporations and maintain their roles as regulators in crucial economic sectors by improving productivity and competitiveness; will pioneer renovation and technology transfer processes in order to stimulate economic structure shift towards modernization. Private economic sectors strongly develop in both quality and quantity, becoming one of the economic driving forces. Investment will focus on sectors with comparative advantages originated from capital-intensive and high technology; on sectors which have influence on renovation and technology transfer of other economic components, especially domestic private enterprises.

- Economic zones, which were firmly founded on comparative advantages of each region and relating localities including three key economic zones, will connect and support each other in order to create a coherent economy, and to effectively open and integrate into the world.

2. Economic structure shift and improvement principle

Improving and boosting economic structure shift are carried out basing on the following principles.

First of all, economic structure shift and improvement is an on-going, frequent and long-term process; it is a step-by-step process based on exploiting current competitiveness advantages; and at the same time, it is an accelerated one to form and build competitiveness in the future at some potential service and high-tech industries to gradually bring our economy to a higher development level and eventually, a developed economy.

Second, growth must be more balanced between width and depth. Investment and other resources must continue to be mobilized to its maximum, and technology of different level must be employed to utilize labours; at the same time, their usage effectiveness must be constantly improved and enhanced in order to achieve sustainable, constant and high growth rate in tens of years. High growth rate of 7.5 to 8% per year on average in tens of years combined with sustainable macro economic and socio-economic is a necessary and sufficient condition to overcome “mid-income trap” of developing countries which are becoming developed economies.

Third, the policy of encouraging all areas of the country to develop must be implemented in a way that city directly under the central and provincial economy have independence in development base on local advantages, without competing or breaking regional economic structure; and regional economic structure must be an organic part of the general structure of the economy. It is also important to form driving force areas for regions and economy with large scale, spread and induce development of the whole economic area, other related areas and the whole economy.

Figure 1. Shifting process from a less developed to a developed economy

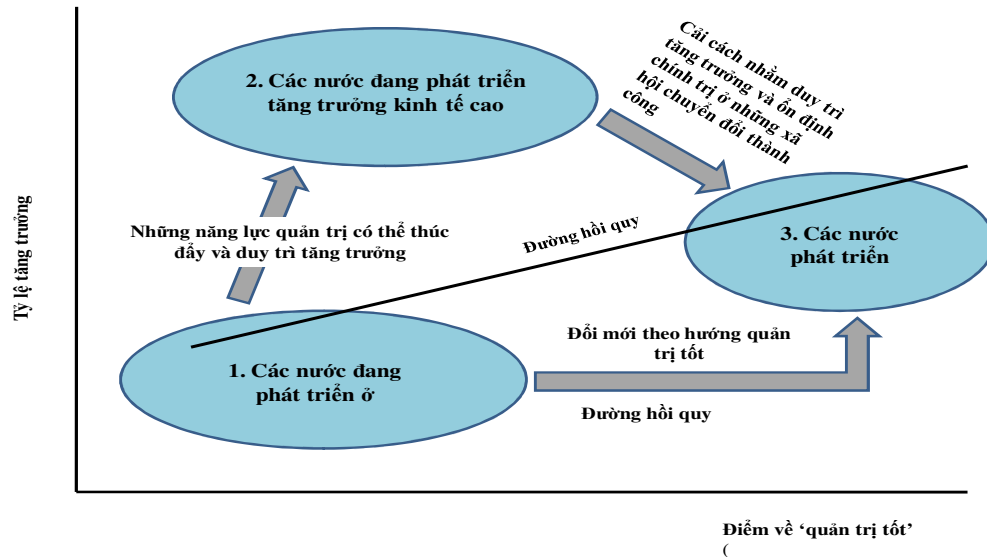
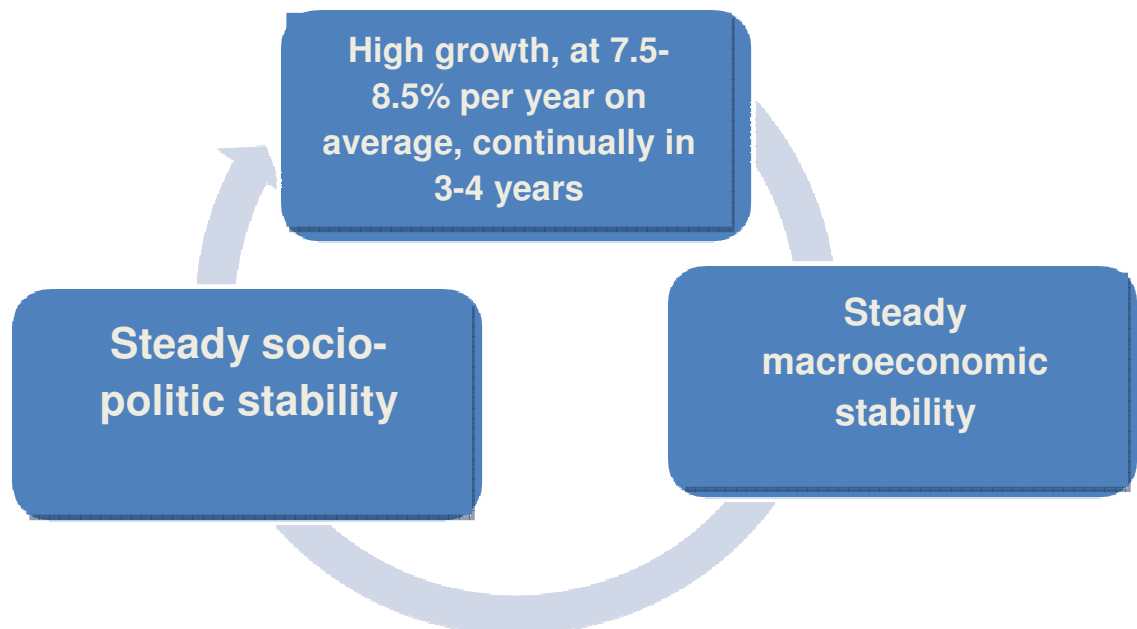


Figure 2: Three necessary conditions to successfully shift from a less developed to a developed economy.



Fourth, economic components must develop equally without discrimination. The government must create favourable business environment, appropriate policy lever system so that enterprises do not discriminate independent economic components, and develop without scale limit in sectors that are legal or not limited; at the same time, prove each component's advantage with the economic structure shift and renovate process.

Fifth, economic structure shift should be export oriented and towards integration, connecting our economy to regional and global economy, improving the position of all enterprises, sectors and the whole economy in the global value chain; at the same time, pay more attention to domestic demand. Experiences from the latter half of XX century until now have shown that only economies which patiently follow export oriented development strategy may achieve desired success and one of them overcame "mid-income trap," successfully joined the developed economy group.

Sixth, harmoniously associate government and market role in distributing resources that speed up economic structure shift. Resources must be shifted and distributed according to market structure, from less competitiveness advantage sectors, products to higher ones, bringing individual region and area advantage into play. The government plays the role of guidance, promotion to accelerate and make break-through development in some priority sectors, growth driving force regions, build and enhance competitiveness advantage and growth driving force for the economy. In order to play that role, the lever system which carry out development priorities must also operate according to market principle; there must be clear target and timeline, specific criteria for encouraged beneficiary, conditions to bind responsibility of beneficiary; unity concentrate guidance, frequent supervision and evaluation, timely punishment and adjustment, when necessary.

3. Some policy and solution proposals for renovation and speed up economic structure shift towards enhancing productivity, effectiveness and competitiveness of the economy

a. Stabilize macro economy

The focus priority of macro economy management is to guarantee market and people's trust with: (1) stabilize macro economy with the expectation of an appropriate, acceptable inflation rate; (2) Government ability and potential to successfully tackle instability, fluctuation of domestic and foreign market. In order to achieve the above target, there always have to be strong, clear and consistent political commitment about stabilizing macro economy and it has to be supported by specific, clear and feasible policies, including:

- In terms of fiscal policy, aside from fully mobilize income according to legal regulation and disburse, manage expenditure effectively, budget overspending must gradually be reduced; and from 2015, annual budget overspending must not exceed 3% GDP.

- Clearly define that long-term and ultimate target of monetary policy is to stabilize VND value, control inflation and contribute to stabilize macro economy; monetary policy foster and support growth mainly and firstly through stabilizing currency value and macro economy. Research, remove regulation about ceiling interest; gradually switch monetary policy management from regulating money quantity to regulating interest.

- State Bank of Vietnam implements focused and united government foreign exchange reserve management, gathers foreign currency to bank system; constantly increases foreign currency reserve, national reserve to an appropriate level, enough to deal with unusual changes in domestic and international market.

- Combine appropriately fiscal, monetary policy and exchange rate, gradually narrow nonresident payment balance and from 2015, it should not exceed 5% GDP; fiscal policy and monetary policy only extent when there is a need of increasing total domestic demand to compensate losses due to lower demand in regional and international area.

- Constantly follow, analyze timely, forecast in short and mid-term about macro economic situation, domestic and foreign market and their impact on stabilizing macro economy.

- Open and make information, forecast about macro economy and market changes more transparent in a timely, comprehensive and trusted way; strengthen trust of market about macro economy stabilization.

- Improve capacity and effect of government management on finance system by: (1) Promulgate sufficient regulations, standards about administration system in general and accounting, auditing, publicizing and explicating in particular, in accordance with common international standards and practices applied to credit organizations, finance companies; at the same time, set up institution to ensure the above standards and principles are comprehensively followed and carried out; (2) Supervise, evaluate, identify trust norm, measure administration regulation abidance level of credit organizations, finance companies, post up companies, etc. to categorize management object; whereby, more resources will be focused on objects that need supervision and management.

b. Continue to complete socialist oriented market economy institution

Continue to complete socialist oriented market economy institution by continue to reform, expand and develop market in large-scale, while overcome shortcomings, failures of market. Detail solutions include:

- Continue to research and implement early Project on restructuring electric market, separate production, distribution, transshipping and selling electricity, establish an individual and professional electric market management and supervision agency.

- Gather, re-check and eliminate administrative restrictions to business and assessment independency of enterprise in accordance with market mechanism, except for natural exclusive services, products or public welfare services; enterprises have total assessment right according to market mechanism.

- Promulgate mechanism to manage price of natural exclusive services, products or public welfare services which is stable, transparent and estimable, ensure related enterprises are able to be independent in building investment plan, organizing manufacturing and posting business stably.

- Check, remove discrimination in market joining, in business right and business independency according to economy components, especially discrimination between public enterprises and domestic private enterprises.

- Extend the duration for Project 30 about administrative procedure simplification on some government management field to 2015. After reducing at least 30% of current administrative procedures in 2010 according to set plan, continue to check, supplement, amend, simplify the rest of them, or remove procedures which are no longer necessary. At the same time, establish supervise mechanism and organization to ensure that new and current administrative procedures are always appropriate, simple, easy to carry out and not expensive.

- Study, implement Project about changing career unit into organizations which are managed and work as enterprises according to market mechanism.

- Research and carry out Project about developing Vietnam finance market; build a more balance finance market between monetary market and budget market, stock market and bond market, including company bond; encourage and attract long-term, stable institutions; check and remove effectively risk which lead to “bubble” market, creating instability in macro economy.

- Have mechanism and tool to ensure small and medium enterprises may approach mid and long-term investment credit of commercial banks and other finance organizations.

- Keep on expanding and carrying out effectively campaign “ Vietnamese use Vietnam goods,” and “ Vietnam goods for Vietnamese;” also, increase supervision, management effectiveness on imports by appropriate tools.

- Research, separate 3 public management functions in one related ministry, public management office. They are: public administrative management, market regulation and management, and perform public owner right in enterprises. Separate public owner right from Ministries, and establish an independent office system, specialized in performing and supervising public owner right performance in enterprises. Separate market regulation function, especially exclusive market, from related Ministries; also, establish, develop and enhance ability of some market regulation office specialized and responsible for each market.

c. Enhance effectiveness and speed up industry and service structure shift

Priority sectors, products

There are two priority sectors. One is sectors, products which are having competitiveness; and the other is sectors, products which are prioritized to build, develop more competitiveness of the economy in period 2016-2020.

Sectors, products which are having competitiveness are those that have high effectiveness, value-added density, pervasion or sensitiveness, create many jobs, take a big portion in GDP and export turnover. These include:

- In agriculture, producing and processing rice, coffee, rubber, cashew nut and some other plants, tropical vegetable and fruit, breeding pig, growing, developing and processing aquatic product and seafood, processing wood and products from wood, knit rattan and bamboo and handicraft, etc.

- In industry, processing food, soft drink, clothing, footwear and other leather products, building material, electric cable, household products, petrochemical, plastic products, tourism products, electric and appendix, shipbuilding and other vehicles, etc.;

- In service, commercial service, building, hotel, restaurant, tourism, telecommunication, finance-banking, logistics, education and training, healthcare, agricultural production services.

It is quite difficult to choose priority sectors, products to build and enhance competitiveness in the future in general, and in period 2016-2020 in particular. First of all, it has to be a high-tech industry, high value-add, and may become main sector of the economy in the future if it is developed. In principle, we may choose any sector, industry which is high-tech. However, experience shows that the

further the chosen one is from current advantageous sectors of the economy, the higher the cost for development plan and the riskier it is.

Considering the situation of current sector structure of Vietnam and market trend of the world in the coming years, the Project suggests priority sectors, products to increase, enhance and develop competitiveness of the economy for the coming years, including:

Metallurgy;

Oil refining and petro chemistry,

Shipbuilding and other vehicles;

Civil electric devices;

Computer electronics;

Logistics service (seaport, good transportation, custom service, warehouse and goods preservation, distribution service, etc.)

Tourism service (restaurant, hotel, travel, passenger transportation, convalescence, health care, culture, entertainment service, shopping, traditional village, producing, processing and providing food, etc.)

Develop these sectors into competitive sectors, complementing current competitive ones; at the same time, replace some labour costly sectors such as textile, footwear, processing wood and other forest products, etc.

Continue to modernize post-telecommunication and information technology infrastructure.

Implementation method should be in gradational order and breaking through at the same time.

Reformation and gradational order economic structure shift is carried out in three ways, including: (1) improve, increase product quality base on current manufacturing process; (2) renovate manufacturing process, expand production scale, diversify and increase product quality of current sectors; and (3) transform into other sector with higher technology level, productivity and value-add.

Reduce necessary time to successfully transform into high-tech sector, high productivity and value-add is a breakthrough in economic structure shift. Once priority sector has been chosen, we must choose and employ the most modern technology and apply the best management and manufacturing method to develop that sector.

Enterprises have the decisive role in renovating and shifting in a gradational and step-by-step method. Government has the role of creating favourable business condition, real fair competition so that resources may be allocated well from less effective enterprises, sectors and areas to better ones. In terms of breakthrough shiftment, the role of Government is bigger and much more important, even decisive role; Government does not only identify priority sector, but also directly or take part in investment under appropriate form, directly build hard and soft infrastructure, direct, orient and attract investors and other related partners to participate in the program of breakthrough development of priority sectors and products.

Develop and plan industrial zone clusters, big scale free economic zones into growth driving force regions; combine and connect industrial development with urbanization, build some international commercial merchandise warehouses and zones, in order to organize industrial manufacturing, service providing on a big scale, categorized into related, supplement products.

Draft and implement comprehensive programs for developing priority sectors under concentrate, unify guidance from the central (about target, resource, mechanism and implementation, supervision, evaluation, supplementation and amendment method, etc.)

Complete and operate effectively high-tech park; research to develop some research zone about improving and innovating technology.

d. Improve agriculture productivity and life quality in rural area

Encourage to develop agriculture and organize rural life in a modern way.

- Consider and increase appropriate amount of budget investment for rural and agriculture development;

- Foster and create favorable condition to gather and accumulate agriculture, forestry and fishery; apply industrial manufacturing method in agriculture, forestry and fishery, diversify agriculture scale, diversify and improve seed and breed quality and products; develop some large-scale agriculture areas.

- Establish and develop cluster connecting manufacturing, processing, distributing and consuming some main agriculture products in a particular area, such as rice in Mekong Delta River and coffee in Highland, etc.

- Develop and improve service quality for rural residents by: (1) Continue to invest in developing rural infrastructure, linking villages to towns and administrative centers; develop small urban centers, resident group with lifestyle similar to that of the city; (2) Upgrade, develop both quantitatively and qualitatively district hospital system, including attracting private and public-private investment; (3) Support to improve quality of colleges, universities in rural area by providing curriculum, detach, exchange teachers, etc. (4) Study, change trade villages with

potential into tourism location, link tour route of local and neighbor area; (5) reduce environment pollution due to traditional method, low-tech at trade villages.

e. Build growth driving force area, encourage the whole area development

The principle of developing economic are is to create favorable condition for all areas in the country to develop as well, in which city directly under the central and provincial economy have independence in development base on local advantages, without competing or breaking regional economic structure; and regional economic structure must be an organic part of the general structure of the economy. It is also important to form driving force areas for regions and economy with large scale, spread and induce development of the whole economic area, other related areas and the whole economy.

Combine economic sector development with economic area development; co-operate effectively investment projects in related, supplement sectors (both upstream and downstream,) as well as investment project which compete with each other in the same sector and area, ensure that local economic structure in the same area supplement, support each other, eliminate the current closed space of local economy. Growth driving force area must combine industrialization with urbanization. Chosen sectors, products to develop in each growth driving force area rely on that area's advantage, socio-economy condition and related sectors development plan, especially prioritized sectors.

Continue to perform direct development support program from budget for ethnic areas, borders and islands.

Development programs or plans for the area and the country growth driving force area are under focused direction and co-ordination of one central agency;

enhance, improve capability and specialty of current Steering Committee function and activity about developing economic area;

Enhance co-operation and co-ordination between regions in the area effectively with appropriate methods such as: (1) exchange information and co-ordinate in research; (2) periodic and sudden shifting; (3) conference, meeting; (4) special task force of the area, etc. Priority co-ordination area includes: (1) building and implementing socio-economy development plan, land usage, construction, and infrastructure development planning; (2) assessing and choosing important projects, projects that have impact on other regions in the area.

f. Increase quality, effectiveness of resource usage and efficiency of government management with investment.

- Research, build government investment program, in which we must clearly identify: (1) strategic target that government investment must achieve in period 2011-2020, divided into two 5-year periods; (2) issues (or obstruction of the economy) that government investment must deal with (divided into two 5-year periods); (3) priority areas, sectors, fields for investment; (4) principles to assess and choose projects to be invested by government budget, to evaluate investment project's socio-economy effectiveness; government budget allocation mechanism towards quality, effectiveness, focused investment, serve, boost or guide economic structure shift.

- Base on issues, priority areas, issued principles, check and re-evaluate all projects (in process or in plan), categorize according to their priority, remove projects that do not satisfy the above principles. Give priority to checking traffic infrastructure project, gather budget for projects at main transport junction of commodities in major economy areas, projects to connect major economy areas with other regions or economy areas.

- Plan, exploit, process and use some mineral resources economically and friendly with the environment, for the breakthrough development of metallurgy, oil refinement and petro chemistry and related sectors.

- Renovate investment priority and support system towards priority with focus and major, target, condition, duration, supervision and evaluation, to mobilize and direct investment to: (1) current competitive sectors, products with high sensitiveness and spread, contribute greatly to economic growth; (2) foster FDI and public enterprises become “spear-head” in innovation research and industrial structure shift towards high-tech and modern; (3) perform accelerate program with some indentified priority sectors, products; (4) encourage investors to apply manufacturing technology and procedure which economize energy, resource.

- Compose standard criteria for investors and foreign project investors which aim towards using fewer natural resources, land, and low-cost labour; direct foreign investment onto high technology and high value-added sectors, products to stimulate technology transfer under appropriate forms. Distribution and lending of land are not applied with criteria unsatisfied investors.

- Support export through develop and provide high quality export supporting services such as services of research, investigating and forecasting international market, studying legal system of major markets, examining technical barriers in markets, etc.

- Encourage and support enterprises in establishing and developing distribution network (in both domestic and international markets).

- Improve capability, validity and efficiency of the supervision and evaluation of state investment through some specific measures like: (1) Indentify the chief organization that links and takes charge of the final step in supervision,

examination and evaluation of socio-economic efficiency among invested projects in particular and state investment in general; (2) Set up a consistent information network nationwide about state investment; (3) Amend, modify the structure of decentralization in investment management; (4) Improve the validity and effectiveness of investment supervision; supervise investment basing on planning, strategies and approved consistent investment planning; control investment distribution, and approved consistent investment planning; administer investment allocation, project disbursement and implementation as planned; and supervise project's quality.

- Make it transparent and clear-cut about information of investment in particular and state investment in general on the information website of the People Committee at provinces, Ministries, bodies equal to ministry and chief departments in charge of state investment.

- Continue to simplify investment procedures, and at the same time enhance capability and validity of post-check activities to foreign direct investment projects with a number of criteria: selection and assessment of invested project, capital disbursement and implementation, financial effectiveness and budget contribution, foreign currency spendings and earnings, state of technology, working condition and income of labourers.

- Renew methods and content of investment promotion programs towards giving prior to multinational companies, and world leading corporations to invest into Vietnam.

g. Gradually step up a consistent and large scale infrastructure system

Develop infrastructure system with priority for transport infrastructure to serve development demand of regions, particularly economic motivated regions,

central and connected industrial zones so that to combine appropriately and effectively business activities among regions, economic motivated ones and relating localities, as well as among our economy and others in the region and in the world. Under that spirit, it is essential to maximize the collection of state investment capital and other economic components' capital to: (1) Gather investment capital and entirely complete infrastructure system at the soonest for economic motivated regions and the whole nation (starting with the three key economic zones); speed up and create breakthrough development for selected prior sectors; (2) Construct and complete at the soonest three deep-water seaport, three international airports in three key economic zones, which are large and capable of international transportation demand as well as of effectively connecting Vietnam to other countries in the world; (3) Develop suitable main routs (roadway, waterway and railway depending on each region condition) to provide links among economic motivated regions, and between those regions and other economic zones; (4) Develop, diversify and improve quality of urban transport infrastructure; at the same time, renovate and enhance management quality to reduce traffic congestion and accidents.

h. Train and improve quality and efficiency in using human resources

Policy of human resource development must on the one hand increase the scale, diversify types of training and improve quality of human resources training, on the other hand create favourable working condition and environment, effectively utilize trained workers to make sure that they could maximize their working ability and grasp opportunities to learn and improve their skills. Specific solutions include:

- Build up a renovated national technology system with a network of modern and high tech universities, research institutions and laboratories, which primarily

serve the development demand of selected prior sectors; and where scientific and technological staffs are free to research and are pledge with favourable condition to carry out and apply experiment results, as well as to commercialize those results.

- Encourage enterprises, especially large scale ones, to spend more on research and development; require foreign invested companies to train their Vietnamese staffs and managers, and to transfer technology to Vietnamese partners.

- Reform mechanisms of recruitment, utilization, evaluation of performance and achievements, payment, bonus, promotion, raise and disciplines, and dismissal in government bodies, state owned enterprises. Implement open recruitment and competing designation; well treat real talent; evaluate and quantify performance and achievement in public and attach them to planned targets and assigned duties; provide promotion and payment according to performance and achievements.

- Prioritize the training for high quality labour, especially technological staffs for prior sectors, including the work to select excellent students to send to world leading technology universities.

- Continue to encourage private sector and enterprises participate in vocational training; convert public vocational schools into self-financed ones.

Renovate and put state vocational training quota out for tender or appoint tender (converting into public services). Allow vocational training institutions register recruitment target; work out an appropriate and sufficient tuition that suits market condition and at the same time provides enough fund for the operation of vocational training centers and motivate learners' responsibility in learning.

- Diversify national programs about vocational training: (1) High level vocational training programs for industrial zones, key economic zones, spear-head

national economic sectors, and labour export; (2) Vocational programs for the youth, particularly in rural areas, areas of transferred purpose land, among ethnic minorities and discharged soldiers; (3) Retraining and changing career programs for unemployment and abundant workers.

- Formulate and operate a system of labour market information and database about national labour market; enhance ability to forecast and plan the human resources based on market signs.

- Reform higher education system, allow more self-control in university's recruitment, syllabus, training programs and teaching methods, etc. basing on educational requirements, conditions and criteria by Ministry of Education and Training; increase capability and validity of supervision, evaluation and inspection by Ministry of Education and Training and other departments that relate to higher education quality; independently evaluate prestige, quality and ranking of universities; consider this as an important criterion to allocate budget for each university.

i. Continue to renovate administration, rearrange and improve state owned enterprises' efficiency

- Complete the alteration from state owned enterprises into limited companies or joint stock companies which are administered and operated along Law of Enterprises in July 2010;

- Calculate precisely and adequately business costs, including cost of land use right, cost of business operation; and evaluate business efficiency of state owned enterprises;

- Publicize and make it more transparent for information about corporations, state owned economic corporations, following standards that minimumly equal to that of listed companies;

- Compile a set of rules on management of corporations and state owned General Corporation. Encourage, instruct and from 2015 compel all corporations, state owned general corporations and other state owned enterprises to act upon the rules.

- Gradually and effectively enforce right of state ownership: (1) Rebuild or amend, modify strategies of corporations and general corporations before 2012; development of corporations and state owned general corporations prioritizes renovation and improvement of company's capability and level to become leaders and supporters in renovation and technology transfer among medium and small private domestic enterprises; (2) Define clearly and specifically development targets of corporations and general corporations; those targets must reflect competitiveness and development potentials of enterprises including profit rate, export turnover or/and market share, technology level, capability of technology and research; (3) Establish an institution (mechanisms of organization, human resources, tools, evaluation criteria) to regularly supervise and evaluate the operation efficiency of state owned enterprises; make it more transparent and publicize information and evaluation results; (4) Study and

(4) Research and establish institution on performing effectively government owner right, make good of administrative, disperse, separate and weak report responsibility situation at present.

- Add, complete plan and law about equitization; complete corporation, general public company equitization by 2015.

j. Encourage development, increase scale and quality of domestic private enterprises and foreign invested companies

- Continue to simplify business registration procedures, implements starting business programs, especially in rural areas to increases the numbers of newly registered enterprises.

- Establish General Office for domestic private enterprises support whose missions are not only to directly or indirectly provide supports to enterprises development, but also to help enterprises to settle down legal conflicts and difficulties with authorities; and to act as trustworthy “moral support” to private enterprises.

- Form a funding system of investment guarantee for medium and small enterprises.

- Set up bank of export credit guarantee, supporting fund for transfer and up date technology for medium and small enterprises.

- Require that credit organizations must spend at least 30% of development invested credit for medium and small domestic private enterprises.

- Amend and make changes to related legal regulations to make clearer, simpler and easier to implement procedures about merging, buying companies, buying and selling companies’ assets and investment project to focus, gather capital and to increase enterprises’ scale; through which establish private economic corporations.

- Compose a set of rules about management of private company, set of rules about social responsibility of enterprises; propaganda, stimulate and encourage enterprises to use these set of rules.

- Apply a unified financial contribution procedure, order and public body in charge will take care of financial contribution and share buying of foreign investors to Vietnam enterprises in sectors, areas that do not limit foreign investment as domestic enterprises and investors.

- Add, amend related legal regulations which allow investors, foreign investment enterprises to establish parent company, associate to become company group with foreign investment in Vietnam.

k. Improve quality and capacity in planning, managing and implementing policies and law

- Evaluate effects of law and policies under the Law of legal normative act issuance on economy and society in a thorough, consistent and precise manner; particularly, pay special attention to quality improvement, not to quantity in issuing legal normative act.

- Direct the planning of sector development towards single responsibility holder of each sector by one and only one ministry; remedy the situation of disperses separation and incoperation.

- Construct and upgrade system of socio-economic statistic information that meets common international standards, particularly macroeconomic information system; build up a quarterly model of economic forecast that offers scenarios and solutions to actively and effectively run microeconomic.

- Establish (new or from existing ministry) a Development and Renovation Committee or Ministry of Economic Development that has authority, capability and tools to draft or orient the composition of economic development strategies, policies, as well as to control content and qualities of those documents; coordinate

and incorporate, supervise and evaluate the implementation and effectiveness of strategies and policies; make proposals to amend or edit if needed.

- Increase investment for state administrative management, focus on improving working condition, enhance analyzing capability, evaluate policies, policy and law implementation capability of state management offices from central to local level. Apply information technology into state management.

III. Implementation

The targets of this Project is to make contribution to the formulation of socio-economic development strategy 2011-2020, five year socio-economic development plan 2011-2015, and to the Government's operation and development in economic field for the next few years. However, since it concerns basic and urgent issues, on the one hand, the Project's content needs to be selectively collected and supplemented into the above two significant documents; on the other hand, the Project must be further researched and converted into appropriate policies as soon as possible.

Concerning implementation, there are two groups of solutions. The first group comprises of instantly implemented solutions; and the second one are solutions that need to be further researched and converted into sound policies. A series of instantly implemented solutions include: (1) Solutions that aim at consolidating big economic balances and maintaining a stable and sustainable macroeconomic; (2) Solutions that continue to liberate market and improve business environment, especially to eliminate and simplify administrative procedures as planned; (3) Solutions that review and direct investment to focused projects, remove tiresome administrative procedures and enhance construction capability in order to complete main projects as soon as possible, particularly with transport infrastructure projects; (4) Solutions to revamp administration, rearrange

and improve state owned enterprises' efficiency, as well as to increase operation quality of foreign investment and enterprises with foreign investment; (5) Solutions that build up mechanism and methods to ensure the medium and small enterprises' access to mid and long-term credit capital from banks and other investment sources; etc. The Prime Minister assigned Ministries and relating departments to carry out the above solutions from 2010.

For solutions that need to be further studied to translate into appropriate policies, it is necessary to form groups of experts, including independent, knowledgeable and experienced experts, to work under the direction of concerning authorities. In this spirit, Ministry of Planning and Investment has made a proposal for research groups as follows:

The first group will study and renovate the methods in allocating, managing and utilizing National resources (land, natural resources, state investment, state credits, etc.).

The second groups will research to: (1) Formulate developing speed-up programs for priority sectors and products; (2) Making development planning for driving force fields, series of industrial zones, open economic zones; (3) Construct and develop a serial network that connects production, processing, distribution and consumption of some major agricultural products in a particular area (rice in Mekong Delta, coffee in High Land, etc.)

The third group will work on the project of improving quality in higher education and vocational training.

The fourth group revises and renews the system of prioritizing and encouraging investment and enhancing the quality of foreign investment.

The fifth group studies the way to renovate administration and to restructure state owned enterprises.

If later the Committee of Renovation and Development (or similar department) is formed, it will take over all the works, duties and responsibilities of the above research groups./.