

# Some issues in Building and Implementing the 2011-2020 Socioeconomic Development Strategy

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**Abstract:** *Vietnam is on the point of concluding the implementation of the Socio-Economic Development Strategy for the period of 2011-2020 and prepare to devise the national development strategy for the next 10 years. The article focuses on analyzing and assessing a number of issues in building and implementing the 2011-2020 strategy, drawing out certain lessons and proposing recommendations with the view to strengthen the preparation and implementation of the new strategy.*

**Keywords:** Socio-Economic Development Strategy (2011-2020), Strategic Building, Strategic Implementation, Strategy

## **I. Identification and implementation of development orientations and breakthroughs and strategic objectives for the 2011-2020 Socioeconomic Development Strategy**

### ***1. Identification and implementation of development orientations and breakthroughs and strategic objectives for the 2011-2020 Socioeconomic Development Strategy***

Viet Nam's Socioeconomic Development Strategy for 2011-2020 (herein the Strategy) was built and implemented in the aftermath of the global economic and financial crisis with positive, albeit feeble and unstable, recovery signals. Viet Nam's extensive economic growth model reached its limits, leaving no room for development. The economy also encountered a slow

transition, wobbling macro-economic balance, and a lack of determinant internal forces for a sustainable development. The Communist Party of Viet Nam had rightly forecasted the situation and started the economic restructuring and change for a new economic growth model, which is considered the only way to accelerate economic growth with better quality. It was an accurate and prudent decision of the Party in building the Strategy.

The identification of three strategic breakthroughs, growth incentives of the economy in the Strategy was also considered accurate.

The previous renovation of management mechanisms had not motivated the transitional economy of Viet Nam to continue its fast growth. Market economy

institutions (MEIs) had been incompletely developed. Particularly, many newly established institutions had been distorted due to the inherent dysfunctions of the market and institutional bottlenecks. As a result, the market was deviated and distorted, leading to unbalanced economic structure, inefficient market economy, poor competitiveness, unsustainable development, and no room for long-term growth and development.

Identifying high quality human resources and sciences and technology as two among the three breakthroughs for a robust and steady economic growth, is completely valid, given the limit of Viet Nam's for a growth model based on capital and natural resources and low labor cost. Development of human resources, especially with high quality, and sciences and technology can only break ground for the economy through fundamental and comprehensive renovations of the national education and training.

Considering sciences and technology as motivations for the Viet Nam's development process was unquestionable. However, the government had confronted controversy in promoting the private sector as one of economic drivers, which marked a profound transformation in awareness and viewpoints of the Party and also a right, albeit late, decision. An economy only blossoms once resources are efficiently utilized and the private sector can ensure it. Such decisions had been based on objective assessments and accurate forecasts of the Party on international and national contexts and economic situation. Nevertheless, a number of decisions under the Strategy had been not so appropriate or accurate, resulting in some failures or ineffectiveness.

Several specific objectives were deemed not in line with the economic status quo. For example, in the period of 2008-2010, economic growth was low and slow down, with 2008, 6.23%; 2009, 5.32%; 2010, 6.78% despite a stimulus package of USD eight billions since mid-2009. Meanwhile, there remained macroeconomic instability with uncontrollably high inflation rate. Except for the year 2009 with an inflation rate of 6.52%, the inflation in the other years all touched double digits: 2008, 19.89%; 2010, 11.75%; 2011, 18.13% (Tan Anh et al, 2013). While substantial budget deficit and surge in public debt, State-owned enterprises (SOEs) and State economic corporations (SECs) showed deficiencies and suffered significant losses. The economy was not reasonably structured with a bulky and yet inefficient bureaucratic system. Such issues were difficult to be addressed in a short time for realizing the annual GDP growth targets of 7%-8%. In fact, during the period of 2011-2018, the economic growth reached its peak of 7.08% in only 2018 and at all times was below 7% or even under 6%. The economic growth target set for 2019, therefore, was expected just between 6.6%-6.8%.<sup>1</sup>

Besides, the implementation of the guideline on establishment of SECs was far from success. Up to 2009, a wide range of SECs incurred losses in terms of public capital investment and assets. They were, however, still promoted through the guideline of "consolidating and developing efficient large-scaled SECs for international and national competitiveness in key economic sectors and industries"

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<sup>1</sup> Resolution 69/2018/QH14 dated 8th November 2019 of the National Assembly.

(Viet Nam Communist Party, 2017: 67).

It can be seen that such decisions were based on unthorough and subjective analysis and assessment, resulting in forecasts with short of accuracy.

## **2. Implementation of development orientations and breakthroughs and strategic objectives under the 2011-2020 Socioeconomic Development Strategy**

### **2.1. Successes**

*First*, successes with three strategic breakthroughs.

The reform of the state economic management was carried out together with the building of a tectonic government for integrity and at the service of the people. The legal system had been improved to cover almost areas and economic activities. Numerous policies were carried out effectively. The government has actively enhanced the business environment. From 2014, four resolutions on improvement

(WEF) and the World Bank (WB). The government also pushed for administrative reform and trimming down business requirements and procedures, particularly in the recent three years. Business environment has shown positive signs. Global competitiveness of the economy had been improving in the period of 2012-2019, ranking from 75<sup>th</sup> in 2012 to 55<sup>th</sup> in 2017 (Nguyen Chi Hieu, 2017; LPB, 2017). In 2018, according to new methods of calculation for the global competitiveness index on a 0 to 100 scale, Viet Nam scored 58.1, a slight increase from 57.9 in 2017, and ranked 77<sup>th</sup> out of WEF's 140 countries but slipped three grades from 74<sup>th</sup> out of 135 in the 2017 chart (LPB, 2018; DT, 2018). In 2019, however, Viet Nam rose to the 67<sup>th</sup> among 141 ranked economies, 10 grades higher than in 2018, with a score of 61.5/100, increased by 3.5 points compared to 2018 (See Table 1).

**Table 1. Scores and rankings of Viet Nam on the global competitiveness chart, 2012-2019**

YEAR	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
SCORE	4.1	4.2	4.2	4.3	4.3	4.4 57.9	58.1	61.5
RANKING	75/144	70/148	68/144	56/140	60/138	55/137 74/135	77/140	67/141

*Source:* Data for the periods of 2012-13 and 2017-18 from the Global Competitiveness Report 2017-2018, WFF (Cited from Nguyen Chi Hieu, 2017 and LPB, 2018); Data for the periods of 2018-2019 and 2019-2020 from ĐT (2018) and Phuong Nhung (2019).

of business environment and national competitiveness were issued<sup>1</sup> following the approach of the World Economic Forum

The market system had gradually developed with more complete market factors.

The development of human resources, particularly high quality labor, on attachment to the development of sciences and technology, education and training had been seriously focused on. A 20% of the state budget was always dedicated to

<sup>1</sup> The government resolutions no. 19/NQ-CP dated 18<sup>th</sup> March 2014, no. 19-2016/NQ-CP dated 28<sup>th</sup> April 2016, no. 19-2017/NQ-CP dated 6<sup>th</sup> February 2017, and no. 02/NQ-CP dated 1<sup>st</sup> January 2019.

education. There were also many policies put in place in favor of development of sciences and technology, promotion of start-ups and creative innovation, which had brought about certain achievements. Economic activities took place more bustlingly with new business forms thanks to the scientific, technological, digital applications, contributing to the overall economic recovery and growth.

The infrastructure system had taken shape and developed rapidly, which created motivation to accelerate economic activities and labor productivity improvement thanks to reduced time of travel and transport.

All these efforts had facilitated the economic activities for the fulfilment of the objectives set out in the Strategy.

*Second*, secured macroeconomic stability

After unsuccessful efforts to curb inflation and stabilize the macro-economy in 2008-2010, the government in 2011 has decided to persevere with the objective of macroeconomic stabilization as stated in Resolution 11/NQ-CP dated 24 February 2011. As a result, in 2012, inflation rate was down to 6.81% from 18.13% in 2011 and maintained low in the subsequent years (Tan Anh et al, 2013), which facilitated an economic rebound and growth in 2012-2018.

*Third*, progress in transforming the growth model and developing rapidly and sustainably.

The period of 2011-2018 in fact had been a time of reorganizing and restructuring the economic system and correcting the consequences from the previous period to advance the economy ahead.

The relation between growth and macroeconomic stability had been well addressed, paving the way for economic

recovery in the aftermath of the global economic and financial crisis and hasty policy directions. Growth quality had been improved. In 2018, the total factor productivity (TFP) contributed 43.5% of the GDP growth and averaged 43.29% in 2016-2018, much higher than the average of 33.58% in 2011-2015. The average labor productivity in 2016-2018 increased by 5.75% annually, higher than the annual increase of 4.35% in 2011-2015. The incremental capital-output ratio (ICOR) gradually improved, down from 6.42 in 2016 to 6.11 in 2017, and was estimated to reach 5.97 in 2018 with the ICOR average of 6.17 for the period 2016-2018, lower than that of 6.25 in 2011-2015 (General Statistics Office, 2018).

*2.2. Shortcomings*

Objectives and orientation for development and breakthroughs were rightly set forth but were not properly implemented.

(i) Lack of specificity for implementation

The objective of “initially becoming a modern industrialized country by 2020” had been set out under the Socioeconomic Development Strategy for 2001-2010 and continued its presence in the Strategy for 2011-2020. Up to now, however, specific criteria of “an industrialized country” or “a modern industrialized country” have not yet identified. Accordingly, it is difficult to enact proper policies for the implementation and assessment of the objective. How to conclude its success by 2020 remains a question.

The conception and criteria for a tectonic state/government have not been either consistently defined in the legal document which was recently explained by the Prime Minister Nguyen Xuan Phuc under interrogation at the National Assembly session on 18 November 2017.

## (ii) Overdue implementation

The economic restructuring in three critical areas was started behind schedule and implemented with delay. The duration for implementation of the Strategy was 10 years, yet not until the first quarter of 2012, one year after the 12<sup>th</sup> National Congress of the Party, had the proposal for economic restructuring been approved by the National Assembly. The tectonic state, despite being mentioned in the 2014 new year message of the Prime Minister, was only carried out since 2016 with robust efforts. As a result, a number of major guidelines and orientations had not made a breakthrough as expected.

## (iii) Lack of effective policy instruments and consistent policy application

- *In terms of implementation of three breakthroughs:* From a neutral viewpoint, the so far results had not created any 'breakthrough' or 'critical' changes for the economy as expected (similarly to the three economic programs set out in the 6<sup>th</sup> National Congress of the Party).

The specific roadmap, plans and policies for the implementation of the Strategy were inadequate and inconsistent. For instance, there were inconsistencies between the objective for a modern industrialized country by 2020 and the construction and implementation of its fostering policies.

While comprehensive policies for the implementation of three strategic breakthroughs were absent, policies for improving market economy institutions had not made significant changes for economic growth. Market economy institutions faced many setbacks. Market system was lacking completeness and consistency. The policy quality remained limited and some inadequate policies even created

more hurdles to the economy. Not only the administrative system is still large in size, its performance was ineffective with poor enforcement. Hence, the effectiveness and competitiveness of the economy were restricted.

There were also infrastructural inadequacies since airports, especially small ones, did not operate efficiently and traffic connections was unsynchronized. BOT projects had brought about controversial consequences. Such issues took their roots from this breakthrough phase.

Many education and training policies in practice did not help improve educational quality but, quite the contrary, "encouraged" downgrading the quality of training and education and "promoted" dishonesty in education and training. Policies promoting the hasty expansion of undergraduate and postgraduate education and excessive part-time training courses, coupled with the regulation on non-discrimination between types of training in recruiting civil servants and public employees, were clearing the way for the training institutions to compromise their quality.

Viet Nam targeted to become a modern industrialized country by 2020, yet training structure is designed for having "too many chiefs, not enough Indians" and biases resources towards such fields as economics, finance, banking, business administration or commerce, but not technical and technology training.

Many studies (in 2018) show a shortage of quality human resources and skilled workers to meet the demand for development of Viet Nam's key economic sectors (Viet Nam Resource Enterprise Business Partner, 2018). Nevertheless, even for the group of high quality human resources in Viet Nam,

they seem theoretically knowledgeable but weak in creative and practical ability and adaptability, particularly in a competitive environment.

*- In terms of implementation of the guideline on development of sciences, technology and the role of the private sector as a growth driver of the economy:* there is a shortage of policies to ensure adequately effective exploitation and use of resources of the State and society for the development of sciences and technology. Accordingly, sciences and technology had not become the motivation and foundation for growth, economic restructuring, and labor productivity improvement. Policies for high quality human resources did not go hand in hand with those for sciences and technology. Policies for promotion of the private sector were not implemented effectively. Private enterprises have not been treated as equally as SOEs and FDI enterprises in many aspects. Domestic private sector has yet to become the driver of the economy. The economy is thus not yet strong and efficient enough.

It can be said that growth drivers in the period of 2011-2018 have not changed much. The economic growth still relies on capital and labor intensiveness (accounting for 60%) (Minh Son, 2019).

*- In terms of the viewpoint of “developing fast and sustainably”:* Growth quality has remained low and not improved in many aspects. After almost 10 years of following the development orientation of “economic development coupled with environmental protection and green growth”, environmental pollution due to the booming economic growth and environmental governance limitations has not yet been addressed and prevented. The

ecosystem is seriously degraded while environmental pollution and deforestation for growing coffee and pepper and so forth have caused increasingly adverse consequences.

Macro-economy has been stabilized but remained unsteady. The inflation rate from 2012 up to now has been under control, yet economic growth is still low compared to the previous periods. The economy is still vulnerable to externalities. Trade balance surplus is thanks to the exports of the FDI sector. Export turnover of the domestic sectors in 2018 was higher than that of 2017 but accounted only for 28.3% of the total export turnover of the country. Meanwhile, this figure of the FDI sector was 71.7% (General Statistics Office, 2018). Labor productivity, albeit significantly improved, is lower than in other countries in the region.

Degrading social ethics and problematic social evils are the issues yet to be addressed and prevented. Equality in opportunity and distribution of resources and income are not well addressed despite positive progress of the economy. Confidence of the people and enterprises in policies has somehow restored but remains still a factor hindering the implementation of the Strategy in the remaining time of this period.

Apart from above-mentioned shortcomings, there are more evidences that prove the lack of specific, pragmatic and effective policies as well as lack of full, proper and stern implementation of policies.

(iv) Some guidelines and policies were implemented in a hasty, subjective and single-minded manner.

Throughout the period of 2007-2018, only in 2017 and 2018 that all twelve targets set out at the beginning of the year were achieved.

For the other years, some targets, albeit adjusted, could not be reached and some could only be reached after adjustment. It could be attributed to the hasty manner when putting economic growth and other targets on priority without deliberations of the economic conditions for realizing them. The establishment of SECs, with ambition to turn them into “steel fists”, who are capable of competing internationally in the context of deep international integration into the global economy, is considered as a rushed and inconsiderate direction. It is evidenced by an overflowing of SECs were established in such a short period of time while the legal framework for management was deficient.

(v) Delays in adjustment and correction of inappropriate and ineffective guidelines and policies

The inefficiency of Viet Nam’s SOEs resembles other countries’ in the world, or may be even worse, due to the fact that their management mechanism is inadequate and deficient. The current mechanism for appointment of SOE leadership does not ensure a fair and right selection of people of high competence and morality. This situation has lingered over decades and we are still struggling to find a way for improving SOEs’ efficiency. Vietnam National Petroleum Group was still established (in 2011) and added to an already large number of SECs regardless of the fact that a mass of SECs made losses of the state capital investment and assets (in 2009). Such corporations could not succeed in their roles tasked by the State, nor become those with sufficient power to compete on regional and global markets. Nevertheless, we still advocate “consolidating and developing large-scaled efficient SECs who are capable of

competing on regional and global markets in key economic sectors and industries.” (The Communist Party of Viet Nam, 2017).

The situation would be still very far from conclusion if we do not change the role and position of SOEs.

Despite improvements, the current personnel policies have not been able to prevent political corruptions for the right picks of people of high competence and morality. FDI policies, albeit decades of contribution to economic growth, brought about negative consequences in terms of environmental issues, outdated technology, and losses to the state budget due to transfer pricing. FDI enterprises on which the country’s economy is dependent have not created linkages and spillover effects for Viet Nam’s private sector. If rightly calculated, would the country’s benefits received outweigh its losses incurred by FDI? Not until recently that the Politburo issued Resolution 50/NQ-TQ dated 20 August 2019 on orientations for perfecting institutions and policies for improvement of FDI quality and efficiency towards 2030. For decades, large investments in education and training as well as in sciences and technology have been made but the quality of education and training and human resources and the scientific and technological capacity of the country has changed slowly and stayed weak. On top of it, we lack policies for an effective reform in education and training and sciences and technology in order to fulfil this strategic breakthrough and economic growth objectives.

## **II. Lessons and Recommendations**

### ***1. Lessons from the building and implementing the 2011-2020 Socioeconomic Development Strategy***

*First*, public administration apparatus must be of integrity, effectiveness and harmonization for the benefits of the country, enterprises and people.

The State undertakes the functions of orienting development, creating a healthy, transparent and equal competitive environment; enacting policies for development, inspection and supervision to check on unbalances, faults, violations, and so forth in order to promptly adjust, address, correct, and ensure macro stability and disciplines of the legal and policy system. The apparatus must be potent and clean with corruption under control and able to take actions for the benefits of the country, enterprises and people and be trusted by the people.

*Second*, to make neutral assessments and accurate forecasts of the international and national contexts for formulating guidelines and orientations for development and strategic breakthroughs. On the other hand, it is necessary to circumvent the hasty, subjective and single-minded manner in setting objectives without full consideration of capability of the economy and the apparatus.

*Third*, to set priorities for certain phases according to capability of the economy and the governing apparatus; not to aim for excessively various or ambitious objectives.

*Fourth*, plans and policies should be made as specific and clear as possible towards realizing strategic choices with greatest determination and from the mindset of deliberation and carefulness, but not of hesitance or indecisiveness. All policy measures must be uniform and consistent towards the objectives.

*Fifth*, there should be a particular focus on regular supervision and assessment on

the implementation of the Strategy and prompt adjustment in cases of limitations and inefficiencies. Democracy within the Party and society must be implemented of substance and widespread. At the same time, rules and discipline shall be upheld strictly and firmly in the Party, state organs and the society.

*Sixth*, to build up the people's confidence in and consensus with the Party and State. People's eagerness to receive and support proactively the implementation of State policies is a benchmark for the rightfulness of the latter.

*Seventh*, do not repeat the past failures.

Above all, there are lessons about the past failures which regretfully we repeated, leading to unwanted consequences that should have been avoided.

## **2. Recommendations**

On the basis of lessons learned from the organization and implementation of the Strategy, we would like make the following recommendations for the building and implementation of the Socioeconomic Development Strategy for 2021-2030.

*First*, to continue the transition of the economic growth model and to accelerate and implement effectively economic restructuring and sustainable development. It is the only way for the country to develop sustainably. Economic restructuring must be moved up a gear with power, quality and of substance. Sustainability should be on the agenda and realized without hastiness for fast-paced growth.

*Second*, to identify properly and adequately strategic breakthroughs in the upcoming phase.

In the next phase, focus should be made on (1) perfecting market economy institutions with socialist orientation; (2)



nurturing high quality human resources together with scientific and technological development; (3) protecting and remedying environmental degradation, taking care of and improving people's health; (4) building up an advanced culture with in-depth national identities.

*Third*, to bring a developmental state of integrity and willingness at the service of the people into focus. Accordingly, the focal point is to build a body of leading and managing staffs of integrity, capability and competence. Especially, those with vested power to formulate national-level policies must be outstanding and of high social distinction. To fundamentally reform mechanisms to evaluate, select, appoint and use personnel to tackle political corruption. To build a mechanism to automatically control the exercise of power in the apparatus to tackle and control corruption.

A specialized organ for policy formulation should be established under the Government and assigned directly by the Prime Minister to devise policies. Ministries should only undertake the function of organization, supervision and inspection of policy implementation to avoid self-interested behaviors and abuse of power for individual and group interests. The people must be given way to actually and effectively participate in the building and supervision of policy implementation and supervising public servants.

To build up a culture of public servants and to develop a public mechanism at all levels in order to ensure the realization of their words and promises to the people, hear out people's opinions and stay at the service of the people.

All the above-mentioned issues must be

legalized and implemented in accordance with the law.

*Forth*, to redefine and narrow down the roles of SOEs. Viet Nam's SOEs should only play as a remedial tool of the State to fix the market's dysfunctions. Their scale should not be too big to exclude the risk of monopoly and inflexibility in the face of unpredictable economic conditions.

*Fifth*, to continue building an independent and autonomous economy. Accordingly, the domestic private sector must be given maximum support with a view to become the sturdy pillar of the economy. Robust measures should be devised for relieving the dependence on FDI enterprises and foreign economies, particularly China owing to the reason that China is an economy with potential room for partnership, yet fraught with unexpected risks and perils to be handled and in many cases hefty prices to be paid □

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