

Viet Nam

A. Medium-term economic outlook (forecast, 2019-23 average)

GDP growth (percentage change):	6.5
Current account balance (% of GDP):	1.4
Fiscal balance (% of GDP) (central government):	-5.1

B. Medium-term plan

Period: 2011-20
Theme: A modern, industrialised country by 2020

C. Basic data (in 2017)

Total population:	93.7 million*
Population of Hanoi:	7.4 million*
Nominal GDP (US dollar):	220.4 billion**
GDP per capita at PPP:	6 927.8 (current International Dollar)**

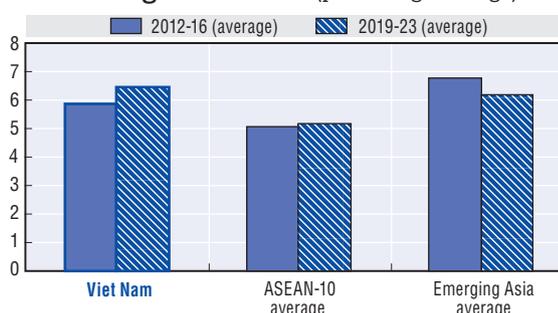
Exchange rate in the first half of 2018 (period average): 22 493.8 (VND/USD)

Note: * Population data are year-end government estimates.

** IMF estimate.

Sources: OECD Development Centre, national sources, CEIC and IMF.

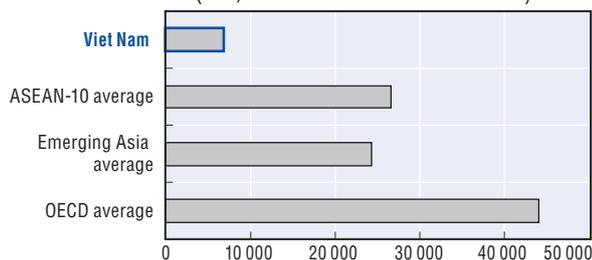
GDP growth rates (percentage change)



Source: OECD Development Centre, MPF-2019.

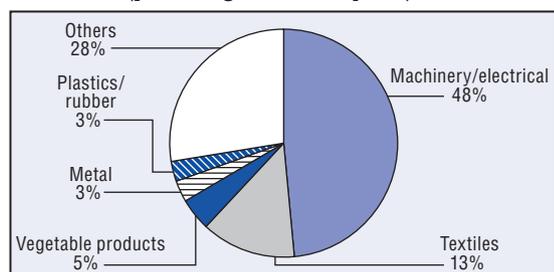
GDP per capita, 2017

(PPP, current international dollar)



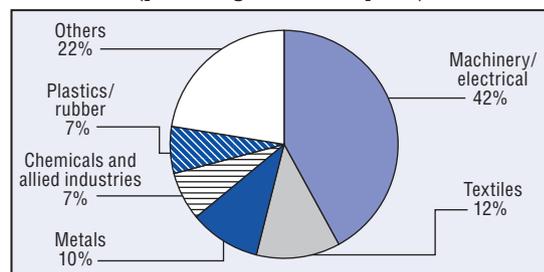
Source: IMF.

Composition of exports, 2017 (percentage of total exports)



Source: Trademap.

Composition of imports, 2017 (percentage of total imports)



Source: Trademap.

Structural policy challenges discussed in previous editions of the Outlook

2014	Skilled labour	Increasing access to education, and strengthening Technical and Vocational Education and Training (TVET), to improve the quality of human capital
	Private-sector development	Making it easier to access to credit, and lowering transport costs to develop the private sector
	Financial-sector development	Restructuring the financial system to enhance the effectiveness of monetary policy
2015	Policy stability	Maintaining stability in key economic and social-policy areas in order to be able to implement socio-economic strategies for the country
	Skilled labour	Fulfilling the as-yet-incomplete implementation of measures to develop high-tech industries and skills training
2016	Infrastructure	Improving infrastructure to support growth
	State-owned enterprises (SOEs)	Reforming and restructuring SOEs
	Skilled labour	Promoting both job creation and productivity growth
2017	Skilled labour	Training a skilled workforce to work in high-tech manufacturing
	Infrastructure	Building hard and soft infrastructure to allow the country to participate as fully as possible in promising new technologies and industries
2018	State-owned enterprises (SOEs)	Building momentum towards greater privatisation of state-owned enterprises (SOEs)

Recent developments in policy areas covered by previous editions of the Outlook

New measures to support SMEs

- On 1 January 2018, a new law establishing support measures for small and medium-sized enterprises (SMEs) entered into force in Viet Nam. It creates a legal framework to increase support for SMEs both from the private sector and from government agencies. It defines SMEs as enterprises that employ – on average and per year – no more than 200 staff covered by social insurance. In addition, the total capital of such a firm should not exceed VND 100 billion (Vietnamese dong), and its total revenue in the preceding year must not exceed VND 300 billion.

A new legal framework for infrastructure

- In July 2018, Viet Nam brought into effect a new railways law. The new legislation focuses on infrastructure planning, investment procedures, construction, protection, management, maintenance, preferential tax treatment, concessional loans, and the development of high-speed rail. It applies both to domestic and foreign firms, as well as to individuals involved in railway activities across the country.

POLICY FOCUS

Access to secondary education as a driver for social equality and social mobility

Over the past two decades Viet Nam has recorded great progress in steadily alleviating the number of people living under the poverty line while also managing to increase the average income of its population overall. Since the 1990s, almost 30 million people have moved above and away from the national poverty line. This has resulted in a dramatic increase in the country's Human Development Index rating. Following on from this achievement, Viet Nam attained the status of a lower-middle income country as of 2009.

Since the beginning of the process of economic reforms known as Doi Moi, which began in 1986, education in Viet Nam has gone through a remarkable overhaul. The Doi Moi reforms led to changes in socio-economic policies, which resulted in turn in the gradual reform of the education system. Before this period of reform, Viet Nam's education policies and system were part of a centrally-planned economy. Since the beginning of the period, Viet Nam's education laws have changed many times.

Viet Nam's strategic plan for the development of education in 2011-20 targets a fundamental and comprehensive reform of the system. The plan re-emphasises the objective of the country's 2009 education law, which is to provide universal pre-school education for children under five by 2015. This objective came to fruition. Another key objective of the plan is to increase the rates at which children enroll at the correct age in primary and lower-secondary education to 99% and 95% respectively. The strategic plan also aims to deliver a major reform agenda with regard to management in the education system, as well as the development and training of both teachers and education managers.

Several key challenges continue to hold back many of Viet Nam's schoolchildren

These steady reforms have resulted in an impressive score in the OECD's Programme for International Student Assessment (PISA) rankings, with Vietnamese students out-

stripping the performance of their counterparts in most countries in the region, including Indonesia and Thailand (Table 3.5.1).

Table 3.5.1. PISA scores in 2015 for selected countries in the region

	Science	Reading	Maths	Science, reading, maths	
	Mean score in PISA 2015	Mean score in PISA 2015	Mean score in PISA 2015	Share of top performers in at least one subject (Level 5 or 6)	Share of low achievers in all three subjects (below Level 2)
OECD average	493	493	490	15.3%	13%
Singapore	556	535	564	39.1%	4.8%
Viet Nam	525	487	495	12.0%	4.5%
Thailand	421	409	415	1.7%	35.8%
Indonesia	403	397	386	0.8%	42.3%

Source: OECD (2016).

According to Goyette (2016), if one looks only at Viet Nam's PISA scores for reading and maths and the generally low inequality they revealed compared to other nations in terms of socio-economic background, gender, and rural or urban residency, one gets the impression that education in Viet Nam is high in quality and low in inequality. Nevertheless, other indicators such as completion rates for lower-secondary education, the transition to and completion of upper-secondary schooling, and the average levels of education achieved, reveal a different story – one in which educational inequality is actually relatively high. Moreover, such inequality of opportunity results in turn in social immobility, especially for the poor and for ethnic minorities.

According to a study from Oxford University's Young Lives programme, which collected data on 3 000 Vietnamese children, poor performance in the classroom is the biggest reason why children leave school early. Household poverty and parental education are also important factors behind the probability of this phenomenon. The most common reason that parents cite for children ceasing to attend school is lack of interest. Moreover, in-depth interviews undergone in the study revealed that children's performance at school, and their perception of the value of schooling, are the most prevalent reasons why they drop out.

A World Bank study (World Bank, 2014) has shown that school students who fail to pass high-school entry exams have to go to private schools. These schools are generally more expensive, and are beyond the affordability of many poor students. This is also why many of these students have no choice but to drop out of high school. The government should improve the incentives for students to stay in school and complete secondary education, notably because of the importance of inclusive education in supplying the workers who can help Viet Nam to make the most of the so-called fourth industrial revolution.

Keeping children interested, and helping students from less well-off backgrounds

Since performance at school and the perception of the value of a school education are the most common reasons that children give for dropping out, attractive educational and extra-curricular programmes may entice children to stay in school and stay interested in studying. One way to keep children interested is to introduce classes providing extra tutoring and to make sure these sessions are accessible to all. This can help children who are falling behind and who need extra help after school.

This extra coaching may also improve the performance of students who are preparing to enter secondary school, and who have therefore shown commitment to keep on learning. Beyond offering extra tutoring, the government may wish to target assistance and subsidies towards students who are in transition (from elementary to high-school) and to those entering upper-high school, as the World Bank has done with success. Indeed, from 2010 to 2013, a World Bank programme – GPOBA: Viet Nam Education Project – provided tuition subsidies to more than 8 000 poor students to attend non-public upper-secondary schools and professional secondary schools. Using an approach of output-based aid, the project linked the payment of a tuition subsidy with student performance. This helped to increase access to upper-secondary school education in 12 rural provinces in Viet Nam.

Another approach to funding students from poor households who are prone to dropping-out is to bring in multinational companies (MNCs), which can provide assistance as part of their corporate social responsibility programmes. Students can be paired with selected MNCs, which will then provide financial support, as well as subsidising after-school programmes such as coaching from a tutor, or attending cultural activities during the weekends. MNCs can also introduce the students to the corporate world, hence motivating them to do well at school so that they will have a better chance of getting a good job after graduation. As well as the schools themselves, public and private agencies can also act as the mediators for this kind of initiative, which has been very successful in France and elsewhere in Europe.

Another incentive that should help to underscore the attractiveness of studying hard at school is the abundance of job opportunities and attractive salaries that are available in Viet Nam. The government's new labour policies have aimed to ensure that the supply of labour force is continuous, protected, and equipped to support the fourth industrial revolution. The government's approach has been to empower the workforce with more flexible working hours and by increasing minimum wages to keep up with inflation, as highlighted below (Box 3.5.1).

Box 3.5.1. New labour policies

As of January 2018, and as agreed by the National Wage Council, Viet Nam's labour ministry implemented an average increase of 6.5% to the Regional Minimum Salary (RMS). The new RMS for regions 1 through 4 in 2018 are 3.98, 3.53, 3.09 and 2.76 million Vietnamese Dong, respectively. The law defines the RMS as the minimum monthly salary level paid to employees who perform occupations in normal working conditions with normal working hours, and who meet labour-productivity standards or agreed work duties under employment contracts. Viet Nam is divided into four regions with different RMS standards. The RMS is also used to determine a maximum premium for calculating unemployment insurance contributions for both employers and employees. As soon as a decree on the RMS comes into force, labour costs will increase accordingly – both in terms of the salary that employees must receive and their contribution premiums towards unemployment insurance.

This recent increase in salary levels is low compared to recent trends – in the past few years, the increase has tended to be between 11-14%. This emphasises the struggle the government faces in balancing workers' rights and the objective of attracting more foreign direct investment into the country.

Viet Nam also introduced a new policy on flexible overtime working hours in 2018. Previously, the country had one of the lowest caps on overtime working hours in the

Box 3.5.1. New labour policies (cont.)

region. With the cap increased, production is now projected to increase in manufacturing, especially in the garment industry, to keep up with high demand.

In line with the goal of empowering workers, companies are mandated as of this year to make extra payments – such as the so-called responsible allowance and area allowance which will be included in the base salary. These allowances are regular fixed payments offered by the employers to cover working conditions, complexity of the job and living conditions which are not fully reflected in the contractual salary.

Key government ministries in Viet Nam

Prime Minister	Nguyễn Xuân Phúc
Agriculture and Rural Development	Nguyễn Xuân Cường
Construction	Phạm Hồng Hà
Culture, Sports and Tourism	Nguyễn Ngọc Thiện
Education and Training	Phùng Xuân Nhạ
Finance	Đình Tiến Dũng
Foreign Affairs	Phạm Bình Minh
Health	Nguyễn Thị Kim Tiến
Home Affairs	Lê Vĩnh Tân
Industry and Trade	Trần Tuấn Anh
Information and Communications	Trương Minh Tuấn
Justice	Lê Thành Long
Labour, Invalids and Social Affairs	Đào Ngọc Dung
National Defence	Ngô Xuân Lịch
Natural Resources and Environment	Trần Hồng Hà
Planning and Investment	Nguyễn Chí Dũng
Public Security	Tô Lâm
Science and Technology	Chu Ngọc Anh
Transport	Trương Quang Nghĩa
Governor of the State Bank	Lê Minh Hưng

Note: Valid as of 16 October 2018.

References

- Goyette, K. (2016), *Comparing Educational Inequality in Viet Nam to Other Nations (ICESI 2016 Working Paper)*, International Conference on Education and Social Integration Ton Duc Thang University, Ho Chi Minh City, Viet Nam, 11 August 2016.
- OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264266490-en>.
- World Bank (2014), *Taking Stock : An Update on Viet Nam's Recent Economic Development*, World Bank Group, Washington, D.C., <http://documents.worldbank.org/curated/en/641241468133544451/Taking-stock-an-update-on-Vietnams-recent-economic-development>.