



Inclusive Growth in Vietnam

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Outline

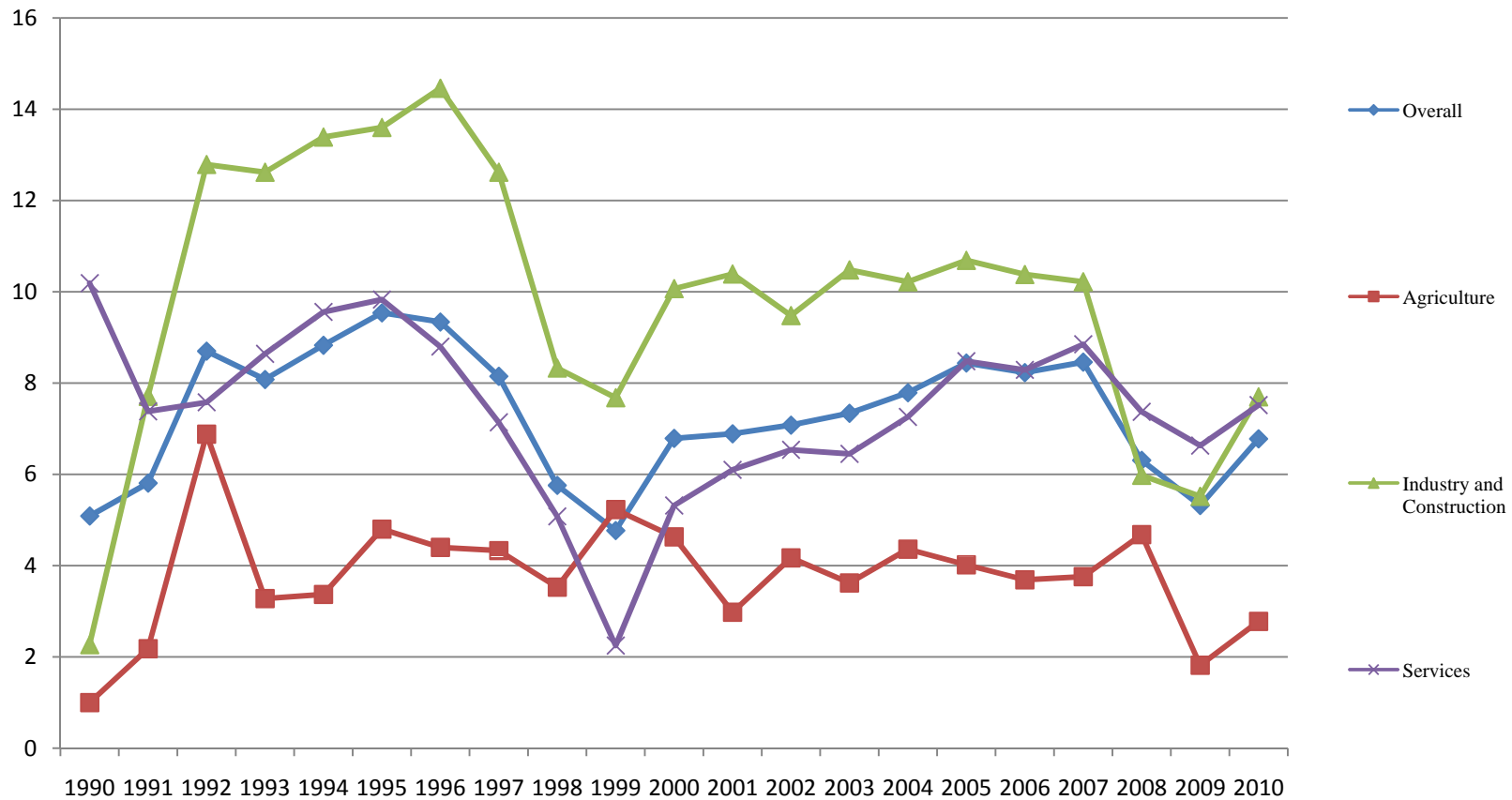
- Brief country economic profile
- Inequality, employment and poverty profile
- Climate change
- Government education, health and social protection expenditures as share of GDP
- Inclusive growth in the new decade: Key elements

1. Brief country economic profile

- Three aspects of Vietnam economy:
 - In transition
 - In globalisation
 - joined ASEAN in 1995
 - signed BTA with the US in 2000
 - Joined the WTO in 2007
 - In developing:
 - Crossed the USD 1,000 per capita income threshold to become a lower middle income country in 2009
- And now in restructuring
 - Latest GDP per capita in 2005 purchasing power parity dollars: in 2012 is 3133US\$

Vietnam's Growth Performance 1990-2010 (%)

- GDP's average growth rate 7.3%; agriculture: 3.8%; industry and construction: 9.8%; services: 7.4%
- 2012: 5,83%; 2013 is about 5.5% 2014: 5.5% -6%, 2015: around 6 – 6.5%.



Economic Development till 2013

- **Macroeconomic environment**
 - **Challenges**
 - ✓ Impact of global economic crisis
 - ✓ Breakdown of real estate industry, low liquidity
 - ✓ Bad debt from financial sectors and the banks
 - ✓ High inflation
 - ✓ Low efficiency in operation and bad debt from enterprises, especially of State-owned enterprises
 - **Government's intervention**
 - ✓ Resolution 11/2011/NQ-CP
 - ✓ Resolution 13/2012/NQ-CP
 - ✓ Resolution 02/NQ-CP, v.v...

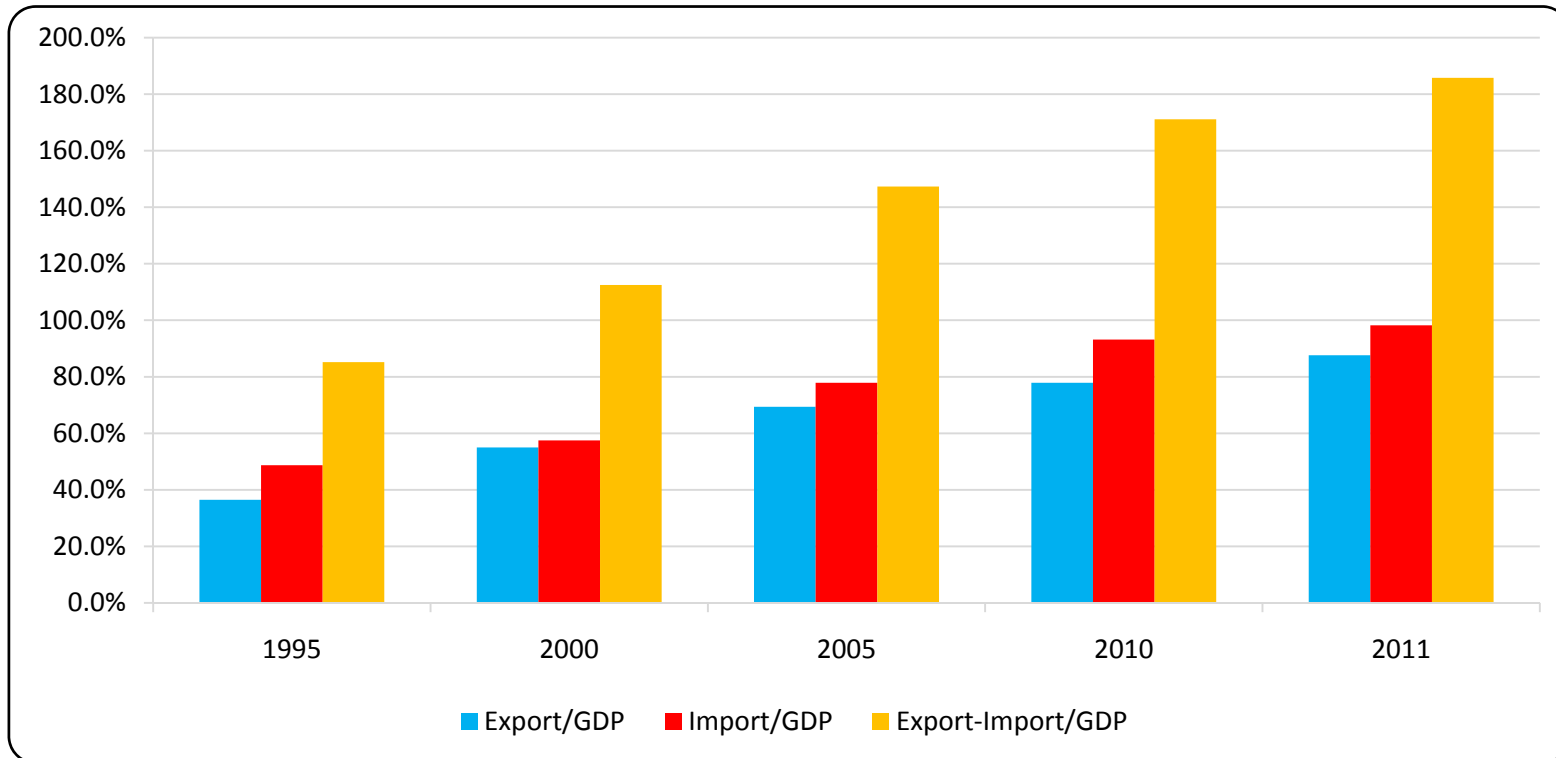
Macroeconomic environment

- Vietnam has gradually stabilized its economy

	2008	2009	2010	2011	2012
Real GDP (percent change)	6.3	5.3	6.8	6.0	5.0
GDP (in billion of U.S dollars)	91.1	97.2	106.4	123.7	141.7
Per capita GDP (in U.S dollars)	1,070	1,130	1,224	1,408	1,596
CPI (%)	19.9	6.5	11.8	18.1	6.8

(Source: the World Bank)

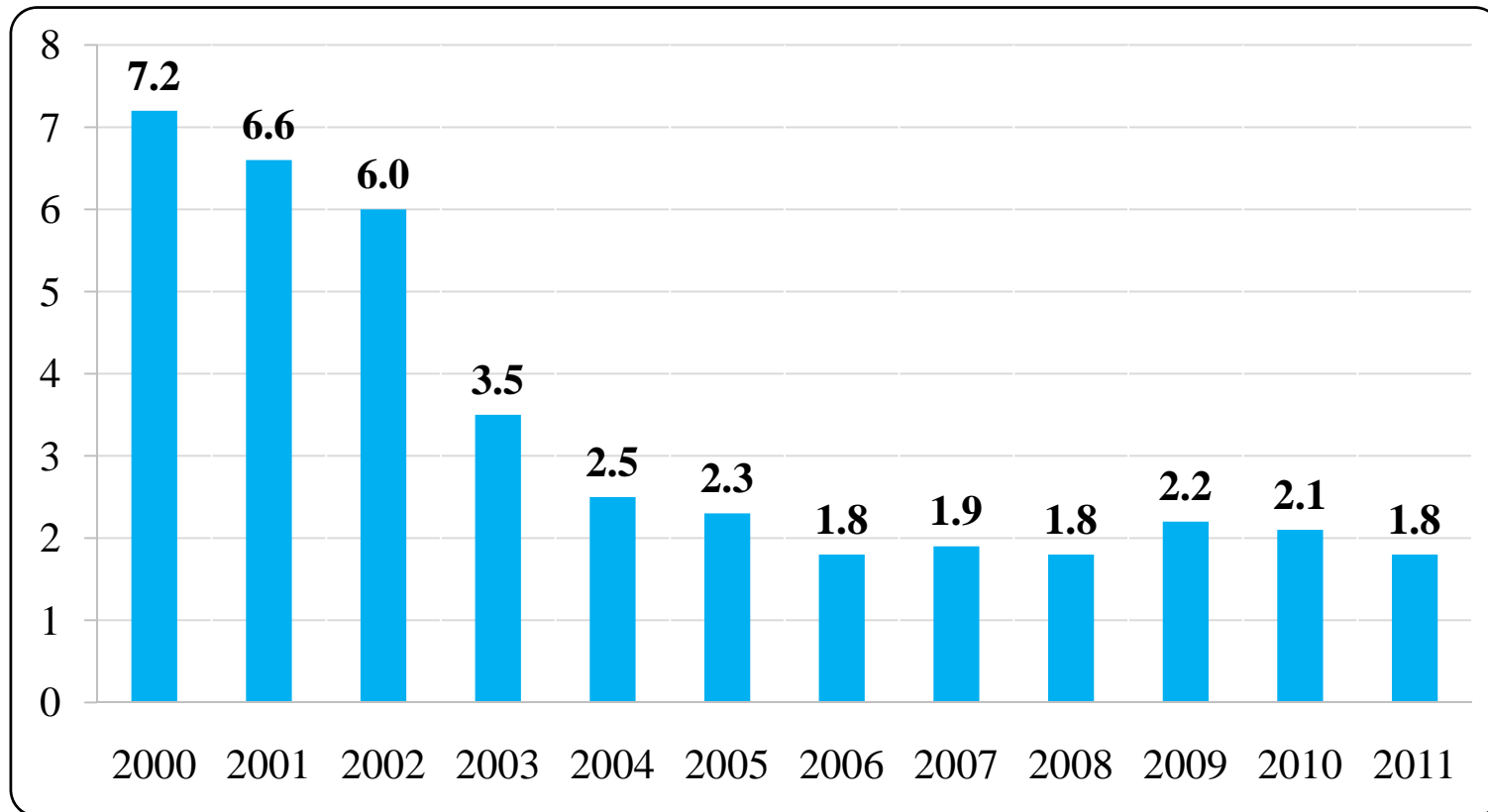
International trade of Vietnam



The ratio of import and export to GDP
(Source: GSO)



Public debt still stays within the international safe limit of debt and is kept under control



Debt service as percentage of exports of goods and services and net income (%)

Source: UNDATA

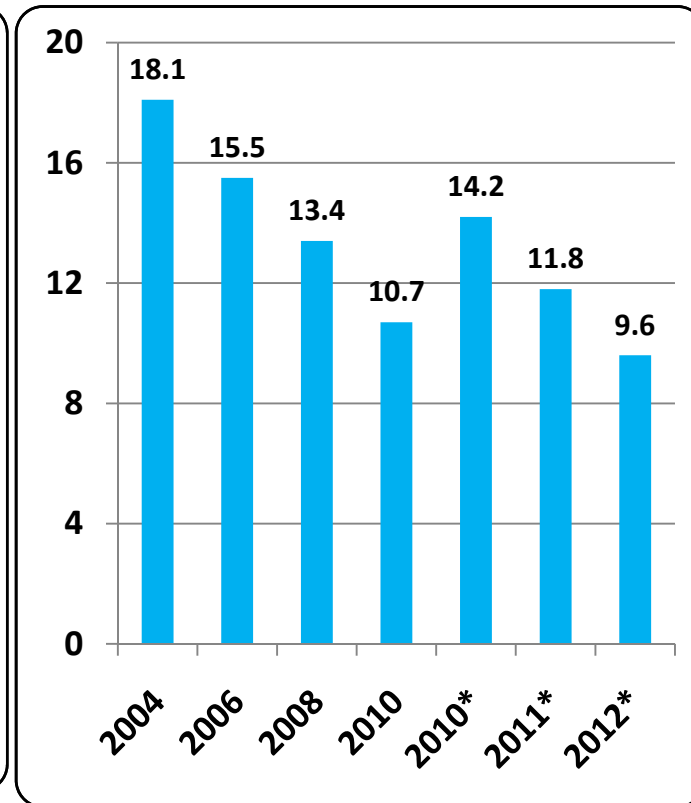
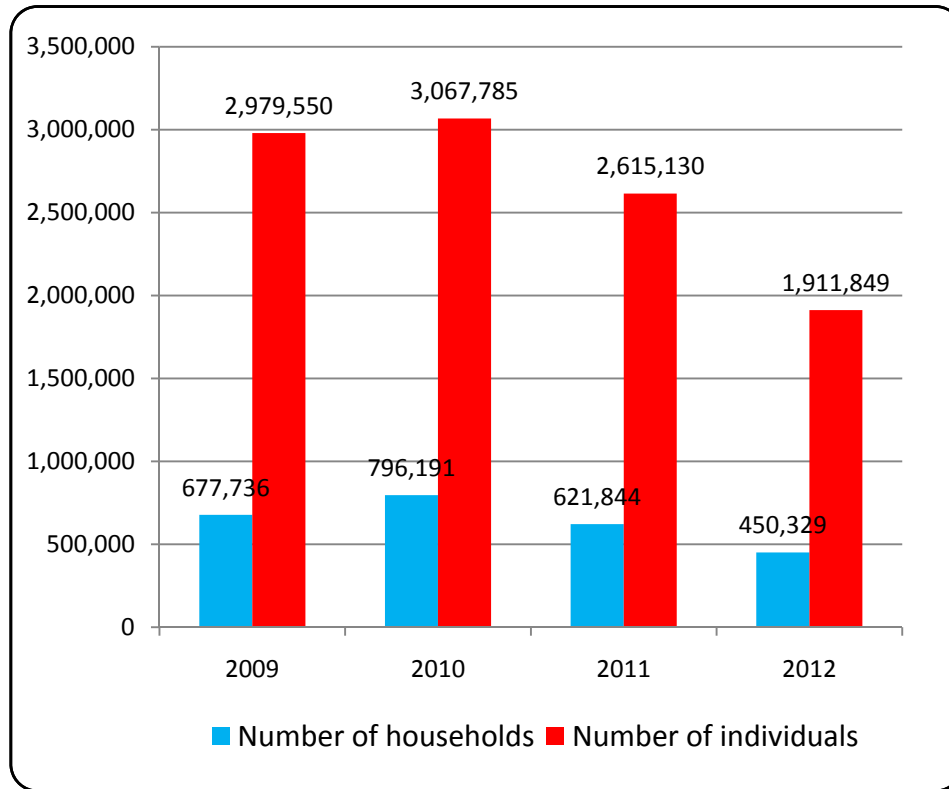
Macroeconomic environment

- Strong growth in export
 - ✓ Export value increased by 18.2% in 2012
 - ✓ Export in the first 4 month of 2013 increased by 16.0% from the previous year
 - ✓ Foreign direct investment reached 8.2 billion U.S dollars in the first 4 months of 2013 (a 17.0% increase from 2012)
 - ✓ GDP growth rate for 2013 is projected at 5.3%
 - ✓ Reduction in trade deficit

2. Inequality and poverty profile

- Poverty reduction and social protection policies are always put among key priorities of the Government
 - ✓ 70,868 billion VND was allocated for poverty reduction in two years 2011 and 2012
 - ✓ A comprehensive policy coverage has been provided for the poor and the disadvantaged in every important aspect of living:
health, education, nutrition, housing, legal services, culture, information & vocational training support, etc...

Poverty reduction



National poverty rate (%) (Source: GSO)

Poverty reduction

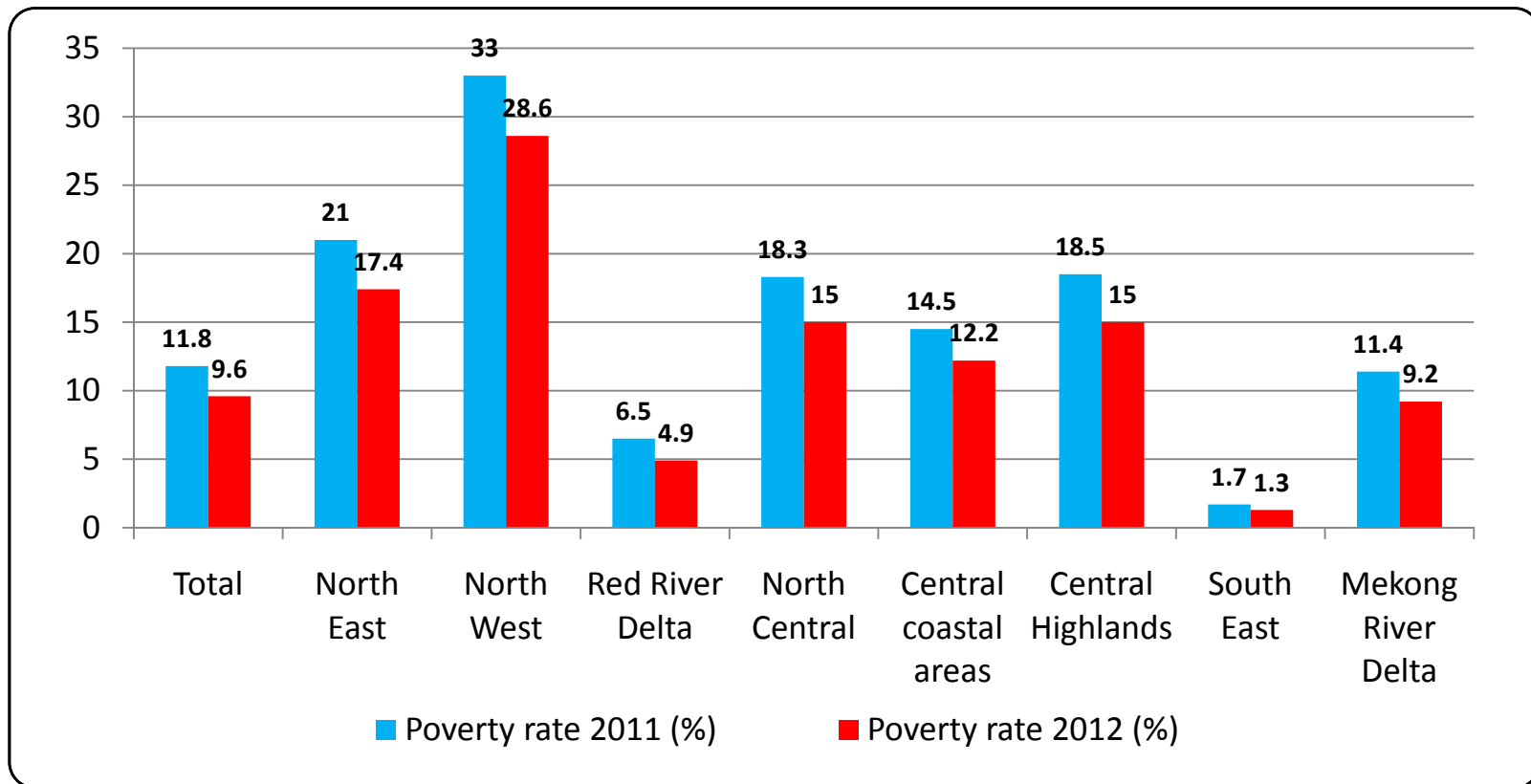
- Results:
 - ✓ Reduction in poverty rate per annum indicated 2,3% during the period 2010-2012, surpassing the Government's target.
 - ✓ Especially hardship areas such as 62 districts of Program 30a has an average of 7 percent reduction in poverty rate per annum during 2010-2012, despite its high poverty rate at 43,9% in 2012
 - ✓ Program 135 – Phase 2: poverty rate of beneficiary households decreased by 10% and income increased by 20% during 2007-2012

Impact of the economic slowdown

- Impact on labor and employment (2008-2012)
 - ✓ Unemployment rate decreased slightly
 - ✓ Average working hours/week decreased (46.2 hours/week in 2008 and 42.1 hours/week in 2012)
 - ✓ The quality of work had dropped
 - ✓ More than one million labor moved from industrial and service sectors to agricultural sector
 - ✓ Labors in agricultural sector are the most vulnerable
 - ✓ Strong shift in labor across sectors (especially during 2011-2012): 26.5% of State-owned enterprises moved to other sectors in 2012

Inequality in socio-economic development

- Inequality in living standard between geographic regions



(Source: DOLISA)

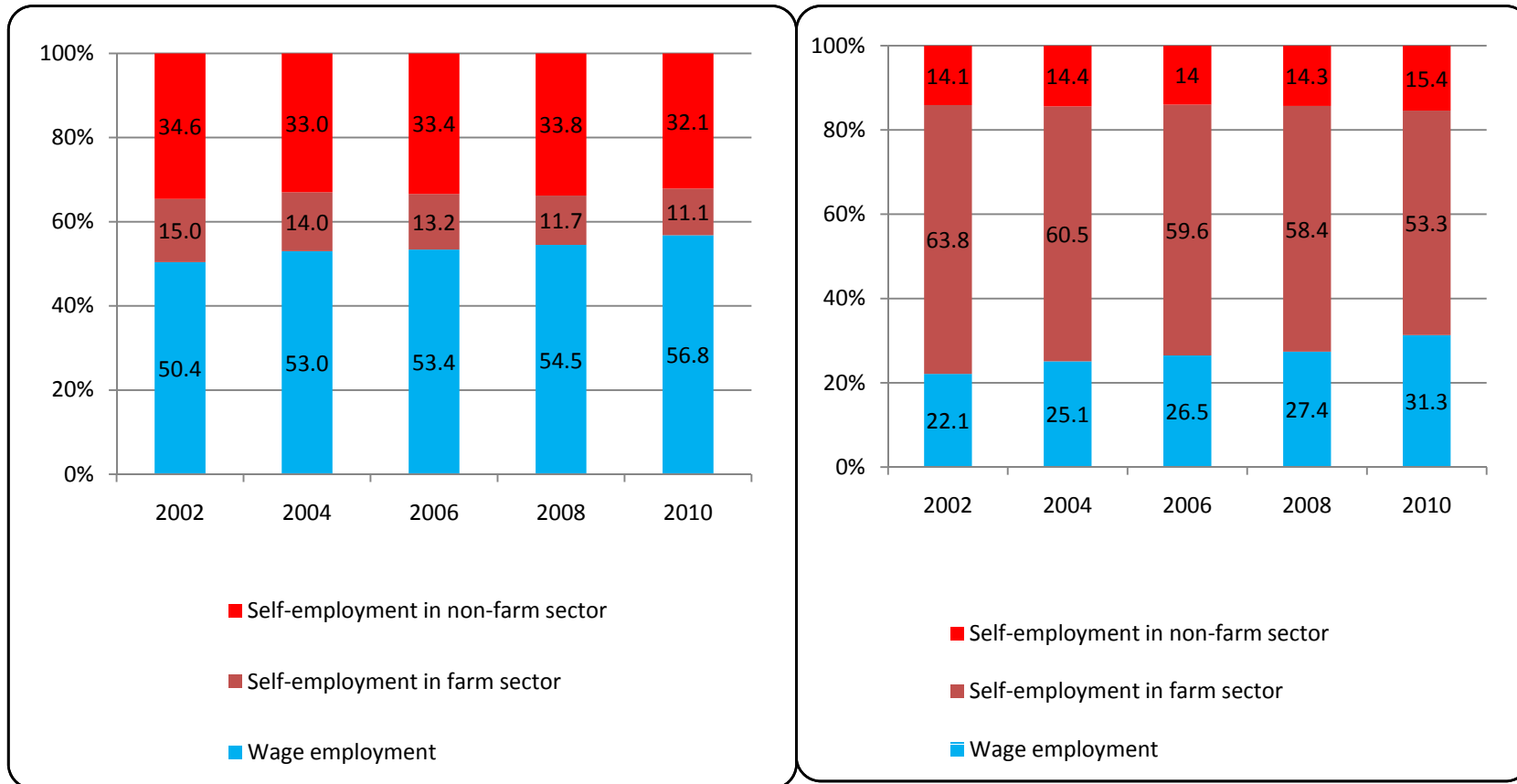
Inequality in socio-economic development

- Slow progress of the ethnic minorities as compared to national level
 - ✓ Increasing inequality in living condition and poverty rate between the Kinh and the ethnic minority
 - ✓ Ethnic minority population accounts for 15% of total population but takes up an increasing proportion of poor population (20% in 1993, and 47% in 2010)
 - ✓ Average income of ethnic minority household is equivalent to 1/6 of the national average

Employment

- ✓ National programs have helped provided new jobs for more than 1.5 million people in 2012
- ✓ Working population aged 15 and older in 2012 was 51.6 million people, an increase by 2.9% from 2011
- ✓ Unemployment rate in 2012 decreased slightly as compared to the figure in 2011 but proportion of labors in informal sector increased in 2012 had increased (34.6% in 2010 and 35.8% in 2012)
- ✓ Gradual shift from self-employment into wage employment during the period 2002-2010
- ✓ Economic slowdown in 2011-2012 resulted in strong movement of labors from non-farm into farm sector

Employment



Employment structure in rural and urban areas (Source: GSO)

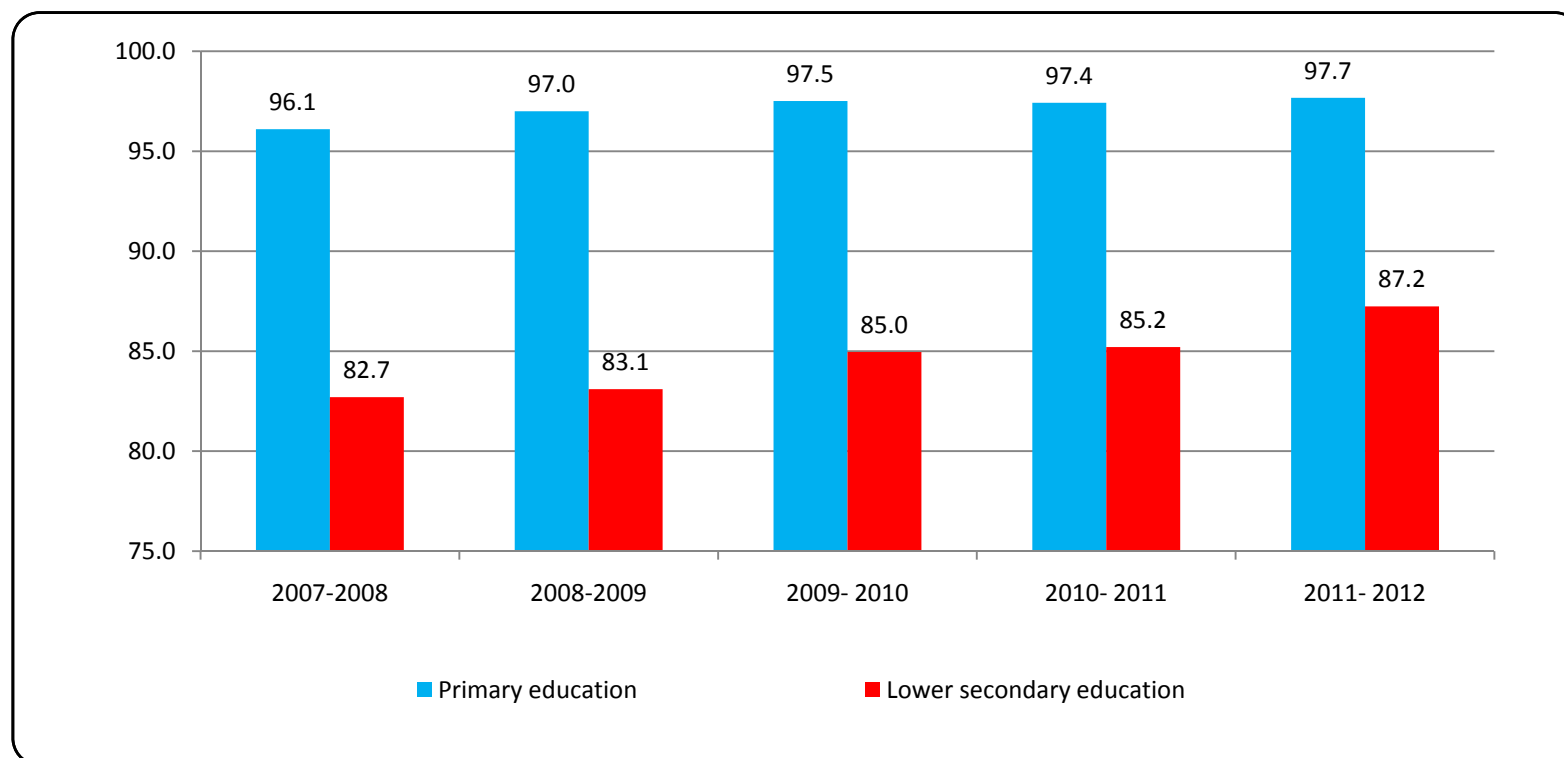
3. Climate Change

- Challenges
 - ✓ Profound and far-reaching impact to socio-economic achievements
 - ✓ VN one of the countries most affected by climate change
 - ✓ Mekong Basin: one of the few “global hotspots” of climate-related vulnerability
 - ✓ Rank 5th in terms of Extreme weather direct risks
 - ✓ Rank 8th in terms of Sea level rise direct risks
 - ✓ HCM city ranks 6th in the list of most vulnerable cities, facing extreme risk

Climate Change

- Challenges
 - Impact of climate change in VN is more serious due to:
 - ✓ $\frac{3}{4}$ of the total national area is mountains
 - ✓ 85 percent of the total area is below 1,000 m
 - ✓ Long coastal line
 - ✓ Situate in the region with many tropical typhoons and storms
 - ✓ Agriculture accounts for 20% of GDP
 - ✓ Agricultural labor amounts to 48.4% of labor force
 - ✓ Adversely affect socio-economic development, threaten the sustainability of MDGs

4. Government education, health and social protection



Net enrolment rate (%)
(Source: MOET)



Education has received increasing attention from the Government and households

- ✓ National budget for education increased by more than 2 times from 2008 to 2011
- ✓ Household expenditure for education in 2010 increased by 64% as compared to 2008
- ✓ National programs and policies in 2010-2015 focus on providing school facilities especially for schools at remote areas, strengthening capacity for teachers, and supporting poor and ethnic minority students



Education quality - Provide access to affordable essential medical care

- Inequality in access to education between rural and urban areas, between the ethnic minorities and the ethnic majorities , among geographic regions: By geographic regions; By ethnicity
- Social health insurance policy (06/2013: cover about 70% of population); Issues legal documents to manage drug prices; Apply centralized bidding system to improve the efficiency of drug price management; Foster domestic pharmaceutical industry

5. Inclusive Growth in Vietnam in the New Decade: Key Elements

- Reducing systemic risk: ensuring macroeconomic stability
- Reducing risk: Strengthening Social Protection
- Issues: shares of agriculture and non-agricultural activities in the labor force 50% and 24% respectively

Therefore, policy should aim at

- Encouraging two transitions
 - From agriculture to non-agricultural activities
 - From informal non-agricultural to registered enterprises
- Lowering contribution to social security for informal sector firms
- Better targeting of social assistance programs
- Climate change is one of the biggest challenges in the upcoming years

Enlarging Opportunities

- Raising agricultural productivity: irrigation, agricultural extension services, land use title and rural credit availability
- Supporting labor-intensive manufacturing and supporting small-medium sized enterprises (SMEs) and household businesses (HHs): equal playing field with state-owned enterprises in access to resources (land, credit, information etc.)
- Facilitating labor mobility: reducing barriers to migration, equal access to social services
- Investing in health and education for the poor and the low income

Conclusion

- Vietnam has got big progress in many aspects of growth and poverty reduction
- However, there are still a lot of challenges
- Need more and more attention to many issues to take off

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