

**MINISTRY OF PLANNING AND INVESTMENT**

**THE FIVE-YEAR  
SOCIO-ECONOMIC  
DEVELOPMENT PLAN  
2006 – 2010**

**HANOI, March 2006**

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# **THE FIVE-YEAR SOCIO- ECONOMIC DEVELOPMENT PLAN (2006-2010)**

The Five-Year Socio-Economic Development Plan for 2006-2010 plays a critically important role in the success of the implementation of the Guidelines for socio-economic development set forth by the 9<sup>th</sup> Congress of the Communist Party of Vietnam. These are the last five years in the implementation of the 10-year (2001-2010) socio-economic development strategy; continue the implementation of the strategy of accelerating the process of socialist-oriented industrialization and modernization of the country for Vietnam to basically become an industrialized nation by 2020. The five-year Socio-Economic Development Plan for 2006-2010 specifies the directions and tasks of the 10-year (2001-2010) strategy.

## **PART I**

### **ASSESSMENT OF THE IMPLEMENTATION OF THE FIVE-YEAR SOCIO-ECONOMIC DEVELOPMENT PLAN (2001-2005)**

#### **I. GENERAL ASSESSMENTS**

Entering the five-year plan of 2001-2005, besides some advantages such as the continued political and social stability, the strengthened national solidarity and unity, increasingly expanded international relations, increased production resources of many economic sectors, we still had to face with numerous difficulties inherent in the poorly developed economy as well as emerging difficulties and challenges. Inside the country, new epidemic diseases appeared (such as SARS and Avian (bird) flu, natural disasters, complex changes of weather and climate, etc. Internationally, the complexity of the world's politics and security after the event of 11 September 2001 in the United States, the changes of prices in the world market, natural catastrophes, etc., have significantly affected the development process of our country.

Under that circumstance, our Party and our people as a whole have made our best efforts, surmounted trials, reached almost all and even exceeded some of the targets of the five-year plan for 2001-2005<sup>1</sup>, attained important achievements in the socio-economic

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<sup>1</sup> The feasibility of the 19 major targets of the 5-year socio-economic development plan 2001 – 2005 passed by the National Assembly in its Resolution No55/2001/QH/10 is as follows:

1. GDP growth is estimated to reach 7.5% (7.5% in the plan), in which agriculture, forestry and fishery can grow by 3.83%, industry and construction 10.23%, services about 7%.
2. Agriculture, forestry and fishery production value is estimated to increase by 5.5% (4.8% in the plan).
3. Industry production value is estimated to increase by 15.9% (13.1% in the plan).
4. The proportion of agriculture, forestry and fishery in GDP may reach 20.89% by 2005 (20 – 21% in the plan).
5. The proportion of industry and construction in GDP may reach 41.03% by 2005 (38 – 39% in the plan).
6. The proportion of services in GDP may reach 38.08% by 2005 (41 – 42% in the plan).
7. Export turnover is estimated to increase by 17.3% (14 – 16% in the plan).
8. Population growth rate may be 1.33% by 2005 (1.2% in the plan).
9. Average fertility rate decreases by 0.041% (0.05% in the plan).
10. Job creation and supplementation for about 7.5 million laborers, as planned.
11. Trained laborers may reach 25% by 2005 (30% in the plan).
12. 85% of children of schooling age attend lower secondary school by 2005 (80% in the plan).
13. 50% of children of schooling age attend upper secondary school by 2005 (45% in the plan).
14. Poor households fall under 7% by 2005 (under 10% in the plan).

development process, implemented an important step in the ten-year socio-economic development strategy 2001 – 2010.

## **1. Achievements:**

*Firstly, our economy has recorded a relatively high growth rate which has increased from year to year.* Annual average GDP growth rate of 7.5% satisfied the planned targets. Industry also continuously achieved high growth rate, much higher than the previous five years<sup>2</sup>. Production structure and quality of products evolved positively. The ratio of processing industry, machinery, engineering industries, and the localization of industrial products, has increased. Many products have strong competitiveness in the market. The agricultural sector overcame numerous difficulties and maintained good growth rate<sup>3</sup>. Services have developed step by step and achieved higher efficiency. Thus, the increase rate of services value added grew considerably<sup>4</sup>. People's life continuously ameliorated, income per capita rose from VND5.7m in 2000 to VND10m in 2005, that is an increase of 12.1% per annum.

*Secondly, economic structure has been gradually shifted along the line of industrialization and modernization.* The proportion of industry and construction in GDP has considerably increased. Structural transformation is evident in each sector, with production closely tied to market for better efficiency. The production shift in agricultural structure and rural economy has brought about a lot of benefits. The structure of economic regions has been adjusted in such a way that their advantages can be fully used, each increasingly developing and contributing to the national growth, particularly key economic regions and provinces with border gates. Favorable development investment policies for particularly difficult regions and areas of ethnic minority groups have resulted in positive economic, political and social achievements. The proportion of labor in industry, construction and services in social labor structure has increased. The economy develops thanks to contributions from various forms of ownership and economic sectors.

*Thirdly, the mobilization of resources, especially those from people, rapidly increased.* The total social investment accounted for 37.5% of GDP on the average during the five years; in 2005 alone, it reached 38.9%, exceeding the planned targets. The investment structure has shifted positively, focusing more on important objectives for the socio-economic development. Projects on industrial production<sup>5</sup> has strengthened production and business capacity, creating highly competitive products; completed and put into use a number of economic and social infrastructure projects, including large-scaled works, fostering potentials and economic facilities; contributing to the cause of national development.

*Fourthly, the macro economy was stable, major economic balances basically met the demands for the growth of the economy.* The relation of accumulation and consumption ensures both investment development and improvement of people's living standards. The

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15. Malnourished children fall to around 25% by 2005, as planned (22 – 25% in the plan).

17. 40% of medicine provision is produced in the country (40% in the plan).

18. Life expectancy is about 71.3 years of age by 2005 (70 years in the plan).

19. Rural inhabitants with clean water supply account for 62% of the total population by 2005 (60% in the plan).

<sup>2</sup> Industrial production value in the five years 1996 – 2000 increased by 13.9%.

<sup>3</sup> Agriculture, forestry and fishery production value in the five years 1996 – 2000 increased by 5.8%.

<sup>4</sup> Increase by 6.1% in 2001, 6.5% in 2002 and 2003, 7.3% in 2004 and about 8.5% in 2005

<sup>5</sup> including steel production, equipment, heavy machinery, precision devices, ship building, etc.

export-import relation is maintained for market expansion and production consolidation. Financial and monetary situation considerably improves; national potentials and state budgets are gradually strengthened. Monetary policies are flexibly adapted to the market mechanism, which stabilizes currency value and maintains surplus of the balance of payments. The relation of money and goods is reasonable, ensuring the necessities for production and social life.

*Fifthly, diplomatic activities, foreign trade, international economic integration have made important progress.* International relations are widened; international commitments are well implemented; many bilateral and multilateral agreements have been signed, creating new development in foreign trade. The export market is maintained and widened; the total export turnover increases speedily (17.3% p.a.), exceeding the planned target. Total export turnover accounts for above 50% of GDP; in 2005 alone, the total export turnover accounts for 60% of GDP and reaches the level of nearly USD390/person. Official Development Assistance (ODA) consistently grows every year and Foreign Direct Investment (FDI) considerably increases with positive progress, and some investment into projects overseas has started. Foreign loans are well managed. Foreign political activities are intensified, which well executes our foreign policy of autonomy, independence, multilateralization, diversification and expansion of relations with all countries in the world, and improves Vietnam status in the international arena.

*Sixthly, indicators show improvements in human resources; science and technology has made progress.* Educational innovation along with primary and secondary educational universalization has produced positive results. The number and size of universities, colleges, vocational secondary schools and technical training schools continue to rise rapidly. The system of teacher training universities continues to expand. Investment in education and training increases and facilities have been improved.

Science and technology made new progresses; their scale and effectiveness start to improve. Scientific and technological potentials and levels in the country considerably develop. Several research projects have been conducted and applied, contributing to the renovation of technology and raising technological level in production and services. The State budget allocation to science and technology increasingly grows. Technological transfer is enhanced among enterprises, which improves their competitiveness. Both natural and social sciences have well served the country's socio-economic development.

*Seventhly, social-cultural sectors, especially poverty alleviation, gain important results, and become more harmoniously combined with economic development thanks to their gradual positive changes. Initial socialization of several social fields has been conducted.*

The activities in *culture, communication and press* gradually diversifies. Their innovative contents and forms contribute to the improved spiritual life of the people. National cultural traditions are preserved and developed. Physical exercises and sports also develop.

*Labor and employment* draw much attention of all sectors and levels. 7.5 million of jobs have been created during the last 5 years.

Progress is also evident in *gender equality*. Women's role in society ameliorates.

*Health care* receives more attention, medical network is strengthened and upgraded. Preventive medical activities are enhanced; some new epidemics are promptly controlled.

More care has been offered to *people with meritorious contribution* to the national revolutionary cause, and timely aids have been delivered to people suffering from natural calamities.

*Poverty alleviation* has gained considerable achievements; a lot of measures have been well implemented. The poor have gradually gained access to basic social services; facilities and infrastructure in the poor areas and villages, especially in mountainous, remote areas and areas of ethnic minority groups, have ameliorated. The number of poor households according to Vietnam poverty standards in 2001-2005 decreases by a half compared to 2001 from 17.5% to 7%. The life of the poor has improved.

Eighthly, stable politics and society, and reinforced security create a favorable environment for the country's faster and more sustainable socio-economic development. The effectiveness and efficiency of State management have improved. People's solidarity, democracy and trust are intensified. The Public Administrative Reform has acquired good results in terms of institution, mechanism and staff. Strict penalties have been imposed on those who violated the regulations or involved in corruption. Material and spiritual life and technical facilities of the armed forces gradually improved. Defense and security potentials have been reinforced; political security and social safety order are maintained. Activities to prevent and combat with crimes have achieved good results.

## **2. Shortcomings and weaknesses:**

*1. The economic growth level is under the national development capacity; the quality of development is low, the competitiveness of the economy is weak.*

Economic growth in the past years has not made the full use of all the country's positive factors. Competitive capacity, productivity, quality, effectiveness of the economy remain low. Potential impacts of economic growth on social progress and equity, for example the protection and care to human development, or protection and improvement of the ecological environment, have not been fully realized.

The socio-economic infrastructures remain poor and fail to meet the needs of development and competitiveness increase. Some major, important national construction projects are not duly completed as planned. Production capacity of some key sectors and products increases slowly.

*2. Economic structural transformation is uneven and fails to bring into play potentials in each sector, each region, and each product. Service structure has not been significantly shifted and high quality services slowly develop.* The industrialization and modernization of agriculture and rural areas are slow and lack sustainability. The proportion of assembled and subcontracted goods is still high; technological change is very slow. The proportion of services in GDP is low and does not have significant change. The development of major economic regions is disproportionate to potentials, which make them unable to serve as economic driving forces. Investment and supporting policies fail to meet the requirements of under-developed regions. Development is uneven across different economic sectors. Slow development and deficiencies are evident in the collective economic sector. Trained laborers account for a really low percentage, which makes the labor force unsatisfactory to the requirements of the country's industrialization, modernization and economic structural transformation.



3. *Socialist-oriented market economic institutions* are incomplete and immature. There have been several difficulties in building socialist-oriented market economic institutions. Financial market, real estate market, science and technology market slowly develop and fail to satisfy requirements. State management of each type of markets contains a number of shortcomings.

4. *Some macroeconomic balances of the economy appear unstable.* Food security is guaranteed, but energy security, state budget balance, export-import balance and national reserves in foreign currencies are not steady enough. Not all national resources have been mobilized or effectively utilized; internally generated revenue remains low, budget expenditure structures are not truly reasonable; the efficiency of Government investment and resource use is low. Bad debts remain high among the banking system, credit quality is low, which are all potential risks. Mechanism for banking activities is both restrictive and loose, irresponsive to production and business, which makes it difficult for non-state economic sectors to get access to loans and capital.

5. *International economic integration* and foreign trade activities meet with a lot of limitations. There is a lack of a proactive roadmap for international economic integration. The integration process is not closely associated with the completion of the laws, policies and economic structural shift. The increase of competitiveness of commodities, enterprises and of the whole economy cannot catch up with the requirements of integration. The proportion of intensively processed export goods remains low, and production scale remains small.

Investment environment is not attractive enough to countries in the region. It fails to attract considerable amounts of investment capital and advanced technology from major economic groups; mechanisms are insufficient for the mobilization of indirect investment capital from international capital markets. ODA disbursement is slow.

6. *Mechanism and policies on culture and society are slowly concretized; some burning social problems are slow to be solved and prevented.*

There are some inappropriate elements in the structure of the current system of education. Vocational education is still too small in size to meet the requirements of high-skilled human resources for economies. The quality of education reveals various inadequacies. The low educational results, therefore, fail to meet the requirements of human resource training for the development of our country. State management in education and training is still limited.

Science and technology do not exert significant impacts on the implementation of socio-economic development objectives. The management of science and technology has improved, but only at a slow rate and subsidy is still very prevalent. The research quality appears to be low and disconnected with production and business practices. Science and technology market is slow in its establishment. Investment in science and technology is scattered with low efficiency.

Achievements in hunger eradication and poverty reduction are unsteady. The rate of households re-falling under poverty lines remain high. Several policies for poor people and poor regions have not been efficiently carried out. The rich-poor divide between mountainous regions, areas of ethnic minority groups and other difficult areas, and developed and urban areas tends to widen. Jobs are inaccessible to many laborers in

several areas. Infrastructure in remote, mountainous regions remains poor, and the life of ethnic minorities is still difficult.

Inequalities remain in the society, which considerably hinders hunger alleviation, poverty reduction and economic growth. The gaps in living standards among different communities tend to widen. Public health care is insufficient. Medicine production, management and use still show various weaknesses and shortcomings. Ethical violations of medical staffs are slow to be detected and duly punished. Some crucial social evils are not effectively handled. Organized crimes tend to increase and are not effectively prevented. Serious traffic accidents still occur.

### **3. Causes of achievements and weaknesses**

The above-mentioned achievements and weaknesses result from various objective and subjective causes, in which the subjective causes are as follows:

#### *1. Causes of achievements*

*Firstly*, we have consistently implemented economic innovation guidelines for the development of a multisectoral economy operating under socialist-oriented market mechanism; socio-economic management policies and mechanisms start to be more complete and harmonious; a number of policies for the mobilization of internal resources and foreign capital, policies for the development of agriculture and rural areas, for domestic and export market expansion, for social development, job creation, poverty eradication, etc., have been successfully implemented, exerting positive impacts on the country's development.

*Secondly*, thanks to the efforts and enthusiasm of our Party and our people as a whole, the proactiveness, creativity and determination of all sectors and all levels, we have successfully implemented the tasks of the five-year plan for 2001-2005. Especially, businesses have gained more experience in the market mechanism and become more and more dynamic in grasping at market needs, thus executed a more efficient and suitable mode of production.

The above-mentioned achievements are the results of the resolutions of the 9<sup>th</sup> Congress of the Communist Party of Vietnam and its Central Committee's plenums. These results are attained thanks to the correct and firm guidance of the Party's Politburo, the renovation of the Government's oversight activities, focusing on the core fields such as mobilizing investment capital sources, shifting economic structure and investment structure, implementing laws, developing production, promoting export, surmounting consequences of droughts, natural disasters and diseases, and solving pressing social problems. With such effectively implemented mechanisms and policies, production and businesses environment has been gradually ameliorated, and the process of economic integration has been accelerated.

*Thirdly*, these achievements are the results of investment in the past years financed by more efficient mobilization of internal and external resources, especially internal resources in the process of national development. In the past five years, mobilization from all economic sectors, especially capital mobilization from the people, has made considerable contribution to higher economic growth, hunger eradication and poverty reduction. Investment in the past years has created good production capacity in various branches with

more modern technologies and boosts the competitiveness of some products and some branches in the world market.

## *2. Causes of weaknesses.*

*First and foremost*, economic thought is slowly innovated. Some economic theoretical matters such as socialist-oriented market economy, the key role of the State sector, economic independence and autonomy, etc have not been satisfactorily clarified. Thus, it is not easy to implement specific activities, which results in delayed implementation of some major policies such as re-arranging and equitizing SOEs, renovating management mechanism of social-cultural fields... These slow down the institutional establishment of a socialist-oriented market economy, the economic structural shift for better utilization of comparative advantages, and limit contribution to a faster growth rate, particularly contribution from services industries with high potential (e.g. real estates, insurance, finance and banking, tourism services, etc.).

Meanwhile, the institutionalization of some policies, resolutions of our Party is slow and inconsistent. We have not succeeded in creating a stable and open environment for production and business, equality among economic sectors, especially between State and other economic sectors, which discourages the use of all possible development resources. Some policies are infeasible with low implementation efficiency; social development policies are slow to be carried out or implemented inconsistently from the Central to local levels, which hinders the socio-economic development process.

*Secondly*, these weaknesses result from the low starting point of a competitively weak economy, the small scale of the economy, under-developed socio-economic infrastructures and supplementary industries, low productivity, low technological standards, high production costs. We also have not got good policies or measures to mobilize internal and external resources in socio-economic development. In addition, external negative factors (rising prices, especially oil prices, dumping litigations against us) have significantly affected the results of production, business, export and import of our country.

*Thirdly*, the reform in personnel, organization work and public administration is too slow to meet the development requirements in new situations. The socio-economic management in ministries, sectors and various levels of authority still contains a number of deficiencies and overlaps. Mechanisms for supervising the execution of policies, resolutions, directives from the Party and Government lack consistency and strictness, and power is dispersed. The responsibilities of the sectors, levels of authority or their leaders are not clearly defined; decentralization and empowerment remain unclear, which creates problems in the realization of specific tasks and gaps in the management.

The quality of State officials in general has insignificantly ameliorated both in knowledge and in thoughts, in behavior and in responsibility. A number of Party members do not set exemplary behaviors and even violate regulations. The existence of red tape, corruption, waste, embezzlement has caused adverse effects on public trust in Our Party and State.

*Fourthly*, we still lack the sense of initiative and proactiveness in guidance and implementation. There still exist subjective and self-satisfied thoughts towards the attained achievements, which has discouraged the determination to gain better success. Coordination among ministries, sectors and levels is weak. Solutions for the implementation of plans are slowly carried out. A number of investment policies have been

promulgated but they lack consistency, which results in non-harmonious implementation. Indicators for the evaluation of socio-economic situations tend to focus on quantity rather than quality and efficiency.

Three key fields considered “breakthrough”<sup>6</sup> in the ten-year socio-economic development strategy (2001 – 2010) have not received good guidance, which generates not very good results and fail to meet the requirements of renovation.

The State management effects on some fields such as planning, land, prices and traffic safety are low. Planning work is non-compatible to market mechanism due to its low quality. Planning management work is not good. The closed feature in planning also affects the mobilization of resources and the participation of non-State economic sectors.

Inspection and settlement of violations in various sectors, localities and units have not been regularly, strictly and timely conducted, which significantly affects the implementation of the development plan.

## II. ASSESSMENT OF THE IMPLEMENTATION OF THE FIVE-YEAR PLAN (2001-2005) ACCORDING TO CONCRETE TARGETS, TASKS AND MEASURES

### A. ECONOMIC ACTIVITIES

#### 1. Economic growth and macro-economic stability

During the five years (2001-2005), our national economy has maintained its rapid and quite stable growth rate. The estimated annual average GDP growth is approximately 7.5%, reaching the targets set out for the 5-year plan of 2001-2005. Despite very difficult circumstances, both internally and externally, that our economy continuously grew in the five years, meeting the planned targets, with its annual average growth rate higher than that of the previous five-year plan by 0.6%, can be assessed as a great achievement. Moreover, our growth rate was quite good, in both regional and global comparison<sup>7</sup>.

Unit: %

Targets	1996-2000	2001-2005
1. GDP growth rate	6.9	7.5
<i>Of which:</i>		
- Agriculture, forestry, fishery	4.4	3.6
- Industry and construction	10.6	10.2
- Services	5.7	7.0
2. Growth rate in production value		
- Agriculture, forestry, fishery	5.8	5.5
- Industry	13.9	15.9
- Services	6.8	7.6

<sup>6</sup> Establish a harmonious institution for a socialist-oriented market economy with focus on policy and mechanism renovation; create a substantial change in human resource development; renovation of the apparatus and operational practices of the political system with focus on the public administrative reform.

<sup>7</sup> WB assessment shows that during the five years 2000 – 2004, on the average, Chinese economy growth rate is 8.7%, South Korea 4.7%, Indonesia 4.6%, Malaysia 4.3%, the Philippines 4.2%, Singapore 2%, Thailand 5.3%

3. National budget revenue in comparison with GDP	20.7	23.8
4. Budget deficit percentage of GDP	3.9	4.9
5. Index of price of goods and services	3.3	5.1

***Remarkable achievements in economic growth and macro-economic stability***

*(1) Our economy has recorded positive development; the quality of growth and competitiveness have been gradually improved.*

Our economy has gained many changes right in the first year of implementing the Five-year Plan 2001 - 2005; economic growth was quite high<sup>8</sup> and increasingly higher from year to year. In 2001, the GDP growth rate attained 6.89%, opening a period of rapid and sustainable growth.

In 2002, we concentrated on bringing into full play the internal resources, solving each obstacle in production and trade, etc. Therefore, the socio-economic situation gained positive improvement from month to month, particularly later months of the year; the annual economic growth rate reached 7.08%.

In 2003, our economy faced with serious difficulties and challenges caused by long-lasting drought and SARS disease. However, thanks to quick and timely steering from the State, immense efforts made by all sectors and administrative levels, we still maintained encouraging achievements, attaining an economic growth rate of 7.34%<sup>9</sup>.

In 2004, although our economy experienced numerous complicated changes<sup>10</sup>, the Government, Ministries, sectors and local authorities deployed many effective measures according to the guiding principle of trying to get better results from month to month, from quarter to quarter. Thus, the economic growth rate in 2004 reached 7.79%.

The year 2005 is expected to be a starting step for brand-new and overall changes of the whole economy; for the realization of major policies, approved by the 9<sup>th</sup> Congress of the Communist Party of Vietnam, which will create new driving forces to encourage all economic sectors to invest into and promote production and trade. The economic growth rate is estimated to reach 8.4%.

On the average, the annual economic growth rate of the five years (2001-2005) can reach 7.5%. The growth rate in each sector is 3.8% in agriculture, forestry and fishery, 10.2% in industry and construction, and 7.0% in services.

In 2005 GDP will probably double that of 1995, which means that the annual economic growth rate during the last ten years (1996-2005) is about 7.2%. In 2005, the estimated GDP is VND 837.8 thousand billion according to the current prices and GDP per capita is

<sup>8</sup> In the three years 1998 – 2000, the growth rate only reached 5.8% on the average.

<sup>9</sup> In the three years 2001 – 2003, it reached only 7.1% on the average, higher than the 5.8% of 1998 - 2000.

<sup>10</sup> The Avian flu broke out and spread to numerous provinces and cities, which laid negative impacts on agricultural production, considerably influencing tourism, services and people's life. Prolonged severely cold weather and serious droughts caused damage to agricultural production as well. Prices of many items, particularly prices of raw materials and fuels such as steel, petroleum, gasoline, fertilizers sharply increased, causing negative impacts on production and business, slowing down the implementation of various major construction projects.

over VND 10 million (equal to USD 640), higher than the average level of low income countries group<sup>11</sup>.

Along with economic growth, we have maintained the macro-economic stability; ensured the socio-political stability, national security and defense; begun to bring into play advantages of the whole country, of each sector and each territorial region; reformed economic institution; gradually improved management policies and monitoring system; reformed and boosted the effectiveness of the financial-monetary sector; promoted the development of and upgraded the quality of human resources; strengthened science and technology, etc.

Many of our major products and services have shown quite good competitiveness such as specialty fruits, cashew, pepper, rice, coffee, aquatic products<sup>12</sup>, drinks, goods of arts and crafts, woodwork, low-capacity diesel engines, car tubes and tires, motorbike tires, batteries, washing chemicals, transformers, electricity cables, construction services, etc. In 2005, seven products, the export values of which are more than 1 billion USD, are oil, textile and garment products, shoes, aquatic products, electronic products and woodwork.

*(2) All economic sectors have gained remarkable growth, the economic structure has recorded some shift, and the quality of products and services has been much improved.*

a. *Agriculture* continued to develop. The production value of agriculture, forestry and fishery, on the average, has increased by 5.5% for the past five years, higher than the planned target of 4.8%. More specifically, the production value of agriculture went up by 4.2%, forestry up by 1.3%, fishery up by 12.2%. The average growth rate of added value in agriculture, forestry and fishery is 3.8% (the target is 4.3%).

Agricultural production has step by step moved in the direction of producing goods with higher quality and value which is responsive to market demands. The food cultivating area decreased by 220 thousand hectares due to the shift in agricultural structure; however, thanks to improved productivity and quality (annual maize and rice productivity increased by about 100kg/hectare against that of the previous five years), the national food security, the volume and turnover of exports are ensured. Food production increased by 1.1 million tons per annum on the average, and the estimated production in 2005 can reach 39.9 million tons. Industrial plants of export advantages like rubber, cashew, pepper are all developed. Animal husbandry strongly develops with the average production value increase rate of 6.4% per annum. Moreover, more modern livestock farming also flourishes.

*In forestry*, attention has been paid to afforestation and preservation; forestry has gradually changed from mainly State-managed to forestry development with the participation of various economic sectors. Forest coverage rose from 33.7% in 2000 to 37.4% in 2005, satisfying the planned target of 38-39%<sup>13</sup>.

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<sup>11</sup> 2004 WB assessment shows that the average income of 59 countries with the lowest income level is USD 510 per capita.

<sup>12</sup> A number of agricultural products assume top-ranking positions in the world in terms of export volume, such as rice, coffee, pepper and cashew.

<sup>13</sup> About 1 million hectares of forests were planted in those five years. Basically, all existing forests are protected; and nearly 1 million hectares of forests have been re-generated.

*Fishery* has grown rapidly, especially aquaculture. The aquatic production output in 2005 is estimated to be 3.43 million tons, 1.56 times more than the output in 2000. Aquaculture is estimated to account for 1.44 million tons and fishing for nearly 2 million tons. The share of fishery in the whole economic sector (including agriculture, forestry and fishery) increases from 15.6% in 2000 to 21.2% in 2005.

*Rural economy* has grown in the orientation of crop and craft diversification, increasing the share of industry and services while decreasing purely agricultural production. During the past five years, the ratio of industry within rural economy has reached over 6% of GDP; the ratio of services over 4%; while the ratio of agriculture, forestry and fishery drops to below 10%. Rural production relations have positively changed. Farming economy has been formulated and developed at various scales to suit the characteristics of each region. Old co-operatives have been changed; many new ones have been founded and effectively operated. State-run farms and State-owned forestry enterprises have shown initial renovation and been re-arranged in the spirits of Resolution No 28 of the Politburo. Defragmentation of fields has been well conducted in various localities; tiny and scattered pieces of fields have been eliminated, facilitating effective agricultural production.

Many restored and promoted craft villages as well as small and medium industrial parks have mobilized capital from people, created a good number of jobs for local people, making contribution to exports and structural shift in rural economy.

Rural infrastructure, particularly roads, irrigation works, electricity-supply systems, clinics, markets, etc... has been paid more attention and investment, which really changes the face of rural areas. Rural living standards have been significantly improved. The ratio of farmer households owning brick and concrete houses and expensive facilities has been raised.

*Increased agricultural production standards* and new scientific and technological achievements having been applied have raised productivity and quality of products. So far, new varieties have been planted in over 90% of rice fields, 80% of cornfields and 60% of sugar cane, cotton and fruit fields. Scientific and technological advances have also been applied in selecting seeds, creating new breeds for multiplication, but there are few domestic seeds. Industrial techniques of shrimp raising or shrimp culturing on sandy ponds have been gradually improved. The model of VND50mil-per-hectare field has been built and developed in many areas with favorable conditions.

*Productive capacity*, technical and material facilities of agriculture, forestry, fishery have been enhanced step by step. 220 irrigation works have been completed and put into use, increasing water-supplied areas by 94,000 hectares and drained areas by 146,000 hectares. Water sources also increase by 206,000 hectares, salinity prevention increases by 226,000 hectares; and 1.038 million hectares have received better quality water supply. By 2005, the total watering capacity can reach 8 million hectares of crops, drainage capacity 1.7 million hectares; river and sea dyke systems are consolidated and upgraded. Processing capacity for farm products has been highly strengthened. We have also attached special importance to investing and upgrading scientific research as well as breed and variety production.

*b. Industrial production has maintained high growth rate and stability.* Averagely, industrial production value increases by 15.9% per annum, 2.8% higher than the planned

target and the value five years before<sup>14</sup>. This contributes much to the growth rate of the whole economy. The growth rate of public economic sector is 12.1% higher than the planned target of 9.5% while that of non-public economic sector is 21.8% and that of the economic sector with foreign investment is 15.3%. The average industrial production value added reaches 10% per annum. Productive capacity of many industries and products has been remarkably promoted; some products can compete well in domestic as well as international markets, basically satisfying essential needs of the economy and contributing much to exports. Several industries have completed the planned targets ahead of time. Some new industries have been started and developed, such as shipbuilding, total machinery manufacturing, automobile and motorcycle assembling, woodwork producing, etc. The proportion of domestic materials, equipment and parts has got higher and higher. The structure of products and technology has been moved in a positive and market-oriented direction. New product research and designing have been paid more attention and developed. The proportion of processing and mechanical engineering industries and the domestication of industrial products have been raised.

Strengthened industry, boosted rural small-scaled industries and craft diversification have partially changed rural economic structure with increased industrial share within GDP up to 6% and improved rural laborers' income.

Regional industrial development has been maintained within key economic regions. Provinces of high industrial production value such as Dong Nai, Binh Duong, Hai Phong, Quang Ninh, Vinh Phuc, etc., have kept fair growth rate.

So far, 125 industrial and export processing zones have been built, attracting investment from various companies and enterprises many of which are equipped with modern technology.

Industrial export value in the five years is USD 82bil<sup>15</sup>, occupying 74% of national overall export turnover. The structure of exported products has become more varied. Some hi-tech mechanical products such as electronic devices, motorcycles, ships, diesel engines have gained respect in several international markets.

The participation of all economic sectors has diversified industrial production in terms of production scale, technological standards, types and quality of products, catering for different demands of the consumers.

The construction sector has shown remarkable advances in the direction of modernization, not only in civil engineering but also in construction materials, architecture and construction planning, urban and housing development. The building capacity has been strengthened, sufficiently meeting the building demands, even large-scale projects requiring high quality and modern technology in the country and overseas. The sector's production value reaches an annual growth rate of about 16.5%; the value added reaches approximately 11% per annum.

The industry of construction materials has got more investment. The quality of materials has been raised in order to gradually replace imported materials and strongly concentrate

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<sup>14</sup> Industrial production value in the five years 1996 – 2000 increased by 13.9%, of which the state sector accounted for 9.8%, non-state sector 11.7% and sector with foreign investment 22.4%.

<sup>15</sup> Increased from 10 billion USD in 2000 to 24.4 billion USD in 2005



on export. The annual growth rate reaches over 17%.. Many modern, large-scale production lines have been used, particularly for production of cement, ceramic bricks and tiles, artificial granite, and sanitary ware, building glass, etc. Industrial products have been exported to 26 countries; many products have gained position and prestige in the international market. Clinker and cement have been produced domestically, ensuring the reserve and stability of cement price.

*c. Services* have shown positive moves in the direction of better satisfying the requirements of production, trade and daily life of people. Both Vietnamese and foreigners have started to enjoy services at more or less equal charges. The average annual value of services increases about 7.6%, higher than the planned target. The average value added is 7.0% per annum, higher than the objective of 6.2%. Following are details of some services:

*The trade sector* has shown a quite vibrant operation, ensuring more and more trafficked volume of goods. The types of goods have been strongly diversified in the orientation of meeting fundamental demands of domestic production and consumption, ensuring reserve and export. The total goods retail sales and service revenue in five years have increased at an annual rate of about 15%, surpassing the planned objective of 11-12%.

The trading modes have been increasingly diversified, civilized and modern; trading network has been enlarged in urban, rural and mountainous areas. Trading co-operatives have maintained their operation, initially providing good sale services for the products of cooperative members and farmer households and supplying consumer goods to people. Private trading system has rapidly developed, making much contribution to the purchase and consumption of farm products, particularly in rural areas.

State management, market and price regulation have shown some advances. Price-managing mechanism has been installed for some key commodities or fields, on the grounds of gradual monitoring of production costs, production modes and distributing modes. Price fluctuation has been prevented step by step, which helps stabilize domestic market's prices, ensuring production activities.

*The tourism sector* has shown a quite rapid advance. The number of foreign tourists to Vietnam has increased from 2.1mil people in 2000 to 3.47 mil in 2005, which meets the set objective. Domestic tourism has been paid more attention. The number of domestic tourists rises from 11.2mil in 2000 to 15mil in 2005. Tourism market has been widening. The forms of tourism have strongly diversified with richer and more attractive tourism products to exploit tourism potentials. Tourism turnover has increased dramatically, which helps create jobs, reduce poverty, eliminate hunger and shift economic structure. Tourism infrastructure and legal environment for tourism activities have been improved. The link among tourism, transportation and other industries has been promoted, creating solid premises for tourism development in the period from 2006 to 2010.

*The transport sector* has continuously developed, basically satisfying requirements on goods circulation and people's travels, with various means of transport and convenient modes. Its infrastructure facilities and transport quality have remarkably risen. The volume of goods circulation increases by about 9.56% on the average while the volume of passenger traffic increases by 10.51% per annum. The annual volume of goods throughput via seaports increases by 9.8%.

*The sector of postal services and telecommunications* has rapidly developed; the network of telecommunications has been modernized. In five years (2001-2005), 11 mil new telephones were installed. It is estimated that by the end of 2005, 83% of the total number of communes have had commune cultural post offices, and there were 2.68 million Internet subscribers, i.e. an average rate of 3.2 subscribers/100 people. The sector's total turnover has increased at an annual average rate of 18.3%; and its total contribution to the State budget has had an average increase of 16.5%

The financial, banking, insurance, auditing, legal consultancy, IT services, technical services, health care, education and training, sports, have shown good development and advance. To date, insurance and stock markets have been set up with the participation of domestic and external enterprises. Stock market has developed with caution and ensured safety, which helps mobilize financial resources for investment. The total value of bonds and securities posted in the stock exchange during the last 5 years reached over 30,000 bil VND (i.e. about 2 bil US\$). Financial services (auditing, accounting, etc.) recorded good growth rate, with an annual average increase of 18%. Insurance services increased by over 30% per annum (in 2005 revenue from insurance premium reached 15,000bil VND).

*(3) Macro-economics and major balances of the economy have been highly improved.*

*a. Accumulation-consumption balance* has been stabilized. The total consumption fund has moderately increased by about 7.6% while the planned target was 5.5%. In the past five years, consumption per person rises at an annual rate of 6.2%. The living standards of many people have been rapidly improved. Domestic consumption has really become one of the driving forces for development for the past five years.

Together with economic development, accumulation and consumption funds have shown much improvement, in the direction of rapidly increasing accumulation for investment and development. The ratio of domestic savings in 2005 makes up about 29.8% of GDP, while the planned target is from 28 to 30%; of which savings from people and enterprises occupies about 23.4% and savings from the public sector occupies 6%. Total savings increases at an annual rate of 10%. The ratio of mobilization of domestic savings for investment is 85%. These fairly high ratios have helped rapidly raise investments into the development of the economy. Export-import balance has been ensured.

*b. The national fiscal situation* continues to be improved and strengthened, helping to stabilize macro-economics and better mobilize resources. The total budget revenue in the five years increases by 18.3% per annum, higher than the economic growth rate plus price increase rate, reaching the amount of nearly VND 760,000 billion, 140,000 billion higher than the planned target (an excess of 23,4%). On the average, the ratio of mobilization to State budget makes up 23.8% of GDP (if excluding revenue that is paid for subsidizing imported petroleum, and the investment expenditure in key works of the petroleum sector using after-tax profit of petroleum business reaches 22.5%), surpassing the planned objective of 20-21%.

Budget revenue structure has been moved in the direction of increasing proportion of stable revenues from domestic production, decreasing proportion of external revenue. Proportion of domestic revenue (excluding crude oil) has risen from 50.7% in 2001 to 54.7% in 2005. After rising from 22.1% in 2001 to 25.9% in 2002, the proportion of import-export revenue is estimated to decline to 18.2% in 2005.

Thanks to the increase in revenue, budgetary expenditures have been improved, concentrating on targets of development, salary reform, economic, cultural, education and healthcare development, hunger eradication and poverty reduction, and other emergency expenditures like disaster relief. On the average, the total budgetary expenditures have increased at an annual rate of 18.3%. The estimated total budgetary expenditures in 5 years is about VND 922,000 billion, an increase of over VND 170,000 billion against the planned targets.

The structure of budgetary expenditures has shown positive moves. The proportion of development expenditures accounts for nearly 30% of the total budgetary expenditures, equal to 8.5% of GDP. The proportion of education and training expenditures has been increased to 19% in 2005 from 15% in 2000, reaching 5.1% of GDP, higher than the average level of Asia<sup>16</sup>. The proportion of expenditures for health care, cultural and social affairs in five years has had an increase of 2.2-2.5 times.

The annual state budget deficit ratio has been stable, accounting for 4.86% of GDP<sup>17</sup>.

The Government and foreign debt is below 35% of GDP, ensuring the national financial security at present and in the next medium term.

During the last five years, many mechanisms and policies relating to finance and budget have been continuously improved. Renovated policies on financial encouragement have helped to free and bring into play all national resources for socio-economic development. Main taxes like VAT, special consumption tax, business income tax have been further supplemented and amended to adapt to real situations and international practices. Taxes are adjusted in the spirit of simplifying tax-paying procedures, reducing tax rates, self-consciousness of taxpayers as well as creating favorable conditions for monitoring and examining against loss and fraud. Besides tax renovations, many other policies have been adopted to improve revenue, such as those relating to land and housing, particularly revenues from assigning land use rights.

The mechanism of distributing and utilizing financial resources has recorded positive shifts, ensuring financial resources for major socio-economic development tasks and helping to efficiently change economic structure. Administrative expenditure norms have been adjusted to better satisfy demands on expenditure for administration, education, healthcare, and culture. Apart from the change in expenditure quotas, staffing quotas and block grants, the management of budget expenditure has experienced positive changes both in the mindset and practices of people involved. Procedures of State budget expenditure through the treasury systems have been highly improved, simplified, with unnecessary formalities removed.

*c. Monetary activities* have been flexibly managed, putting inflation under control while actively supporting development and economic structural shift. Money supply has been adjusted in accordance with price fluctuation and economic development, increasing at an annual average rate of 21.9%. The ratio of M2/GDP rose quite rapidly, from 58% in 2000 to 82.2% in 2005.

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<sup>16</sup> The average level of Asia is 3.8% of GDP

<sup>17</sup> According to international calculation formula, it is about 2.5 – 3%

The annual mobilized capital increases at an average rate of 23.1%, meeting the planned target of 20-25%. The credit balance increases by 25.3% per annum, higher than the set objective of 22%. Credit in foreign currencies dramatically went up by 34.3% over the past five years. USD low interest rate and stable VND/USD exchange rate have encouraged enterprises to borrow foreign currencies to invest into business or repay old loans of high interest rate. The ratio of loan among non-public sectors increased while the ratio of credit for State-run enterprises decreased. It is estimated that by the end of 2005, the ratio of loans among non-public sectors will account for about 47% of total credit balance, while banking credit for State-run businesses will decline to 39% and credit for economic sector with foreign investment will occupy 14%.

By the end of 2005, the ratio of bad debts will account for about 4% of the total credit balance, much less than that of the earlier years of the 5-year plan<sup>18</sup>.

Interest rates continued to be liberalized, creating favorable conditions for banks to actively adjust mobilized capital and loan interest rate to suit international interest rate fluctuation as well as domestic financial changes. The decrease of the rate of foreign exchange surrender down to 0% can be assessed as a positive step in the process of liberalizing Vietnam financial market, ensuring our implementation of international commitments in the integration process.

Commercial banking system has been strengthened and re-structured. The four State-run commercial banks have founded loan-managing and asset management companies to free capital from bad debts, making the financial situation of banks healthier.

Thanks to sound financial policies, flexible and dynamic monetary policies, we have basically maintained stable price systems, reasonable goods-money relations, and controlled inflation. Price index growth attained at an average of about 5% per annum<sup>19</sup> over the last five years. The exchange rate between VND and US\$ is generally stable, rising by 2.2% annually.

*d. Capital balance for development investment* has been continuously improved over the years. Development investment capital highly increases, particularly capital mobilized from the population. This helps successfully fulfill the set plans on development investment and boost the economic growth and social stability.

Development investment capital of the whole society (according to current prices) increases at an annual rate of 18%, making up 37.5% of GDP<sup>20</sup>. Domestic capital mobilization shows good improvement, occupying more than 70% of the total investment capital, creating better conditions for developing the country's objectives of higher priority such as agriculture and rural areas, hunger eradication and poverty reduction, improvement of human resources, scientific and technological development, socio-economic infrastructure construction, etc.

Owing to timely adjustments in capital mobilization and utilization policies, investment scales in all regions have been enlarged; regional investing mechanism has been improved;

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<sup>18</sup> Bad debts in 2001 were 8.53%, 7.15% in 2002, 4.8% in 2003 and about 4% in 2004.

<sup>19</sup> CPI in 2001 increased by 0.8%, by 4% in 2002, 3% in 2003, 9.5% in 2004 and 8.4% in 2005

<sup>20</sup> The ratio between investment and GDP considerably increased: 35.4% in 2001, 37.2% in 2002, 37.8% in 2003, 38.4% in 2004 and estimatedly 38.9% in 2005.

the ratio of capital invested into mountainous areas and areas of difficult conditions has got higher than that of the five years 1996-2000.

Out of all investment capitals, the capital from State budget has played an important role and has positively influenced and attracted other capitals of all economic sectors, helped strengthen socio-economic infrastructure, ensure sustainable development and narrow the gap among regions.

### **Shortcomings within macro-economic development and stability**

*(1) Economic growth is not quite sustained; the quality of development, the efficiency and competitiveness of the economy is still low and slowly improved.*

Contribution to growth mainly comes from capital and labor. Though the application of science and technology has been promoted, they only account for a small proportion. The low quality of development is shown in three aspects: economically, the competitiveness of our products as well as the whole economy is still limited and weak<sup>21</sup>; socially, social advances are not parallel to economic growth; environmentally, the environment has been badly polluted and ruined, as no effective solution has been found<sup>22</sup>.

*Within agriculture*, advanced cultivating methods at large scale has been slowly applied. The productivity of many trees, animals and the quality of agricultural products are still low<sup>23</sup> and too much dependent on weather and climatic factors. The structural shift in agricultural production and rural economy is slow, spontaneous and unsustainable in many regions. Agricultural, rural industrialization and modernization has not been carried out methodically. Many agricultural products have not been able to establish their own brand names or trademarks, which leads to low economic effect. Though production values of agriculture, forestry and fishery have risen and surpassed the planned objectives, high production costs lower the increased value of the whole sector than the planned (only up 3.8% lower than the target of 4.3%).

Rural infrastructure fails to satisfy the demands of rural and agricultural industrialization and modernization. The issue of employment in rural areas has not been improved. Pollution, particularly water pollution in craft villages, has not been solved. Production models with sale contracts have not been widely adopted; services of production input and output have not been well-organized.

*Although industrial production* has gained rapid growth rate, its quality and efficiency have not been much improved. In the five years 2001-2005, the industrial production value increases at an average rate of 15.9% per year; however, the value added is not equal (only 10.2%). The processing industry accounts for 50-60% of production value of the whole sector, but it is the industry of highest material costs, which leads to low value added,

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<sup>21</sup> Vietnamese enterprises rank the 62<sup>nd</sup> among 75 countries; the economy ranks the 60<sup>th</sup> among 75 countries in terms of competitiveness. In terms of business operation and strategies as well as national business environment, Vietnam is behind other countries in the region like China, the Philippines, Indonesia, Malaysia, Thailand, South Korea, Singapore.

<sup>22</sup> Vietnam's ESI (environment sustainability index) in 2005 was 42.3, ranking the 8<sup>th</sup> among ASEAN countries, behind even Myanmar, Laos and Cambodia.

<sup>23</sup> Vietnam's rice productivity reached about 4,500 – 4,600 kg/hectare, while China, Japan and South Korea's was 6,200 kg/hectares. Indian corn (maize) productivity was 3,100 – 3,200 kg/hectare in Vietnam while it is 8,000 kg/hectare in the US, Australia or France.

particularly the garment and textile industries, shoes and leather industries, woodwork processing for export, etc. These can generate high production value, yet the highest costs are due to the importation of raw materials, and their value added is very modest.

Industries of modern technology occupy small percentage of the whole sector; the speed of technological renovation is slow. Technologies applied in industrial sector are mainly of intermediate level. The production of materials, especially new materials that create premises for the development of other industries, has not been organized.

The competitiveness of many industrial products is still limited, production costs remain high, which makes them unable to compete with other regional countries. The forecasts for strategic product development orientation are not clear.

Inadequate attention has been paid to industrial development in rural and remote areas. Rural and agricultural industrialization is still scattered and small-scaled, without a concrete orientation and has not made considerable contribution to hunger eradication and poverty reduction and rural and agricultural economic structural shift.

Some important industrial projects have been slowly implemented, which results in big wastes and reduction of investment efficiency.

Though the growth rate within *the services sector* has satisfied planned targets, it is still below potentials. The share of the services sector in GDP is humble; the quality and efficiency of services are not high enough; several charges for many services are unreasonable and higher than those of other regional countries. The marketing capacity of enterprises is still weak. Services of high value added like financial, monetary or estate services have been slow despite some recent improvement. Particularly, the real estate market is unstable. The creation of facilitative environment and the encouragement of capital investment in tourism facilities still fail to satisfy the demands and possibilities of the sector's development.

The competitiveness of our services is weak, as shown both in high costs and low quality. The marketing ability of enterprises is still limited.

Urban infrastructure bears much weakness; overloads are popular in rush hours; traffic jams and accidents are partially solved, but the results are still unstable and these continue to be a serious problem to be addressed synchronously in the coming years.

*(2) Macro balances within the economy are still limited and unstable.*

The mobilization of financial resources for development is limited; many capital potentials both domestically and abroad have not been well developed. The State budget revenue is unstable. By 2005, 44.3% of total budget revenue is estimated to depend on external factors, including crude oil export (26.4%) and import-export tax (17.9%). Annual forecasts and estimates were not realistic. Both State budget revenue and expenditure are much higher than the estimated ones, making the arrangement of major balances passive.

Policies and laws on taxation have not been fully worked out to include all sources of revenue, while there remain too many levels of tax rates and tax exemption and reduction on a large scale, which are difficult to implement and create favorable conditions for tax fraud, badly influencing the economic structure and the fairness of the trading and investing environment. Many subsidy-like budget expenditures such as loss-compensation,

interest-compensation, compensation for exchange rate, export allowance, additional capital, have increased rapidly. The criteria for allocation of budget expenditure are not clear. The efficiency of budget capital utilization is still low; loss, waste and inefficiency in using State budget have not been solved.

Even though the ratio of savings and investment in GDP has been remarkably raised, it is less than the real potential; it could be higher for satisfying the development demands. 15% of domestic accumulation has not been mobilized for investment. The State budget for development investment was insufficient and partly dependent on foreign loans. The solution of bad debts is still faced with many problems, including the discrepancy between banking reform and SOEs reform. The minimum rate of capital safety of public banks is only 4.4-6.2%, much less than the target (8%). Banking services have not fully developed; the main income of commercial banks, particularly State-run ones, depends on interests they can get from loans. The credit quality is still limited; the ratio of bad debts has not decreased enough. The financial situation of enterprises, especially big enterprises, is unsound; loss and debts are popular and slowly improved.

The governance of monetary policies is still limited. The tools of monetary policies like exchange rate, interest rate, open-market operations have not shown their high efficiency. Price-controlling activities are weak; analyses and forecasts are not timely, which leads to passive response to domestic and international price fluctuation.

### *(3) The scale of the economy and the danger of “lagging behind”*

The current scale of our economy is small. In 2005, GDP is estimated to be over USD 53 billion and GDP per capita is USD 640, which is much smaller than that of more developed countries in the region; thus the country is still among the low-income group, the danger of economic lagging-behind is still big<sup>24</sup>. The openness of the economy only reached 3.83%<sup>25</sup>.

## **2. Economic structural transformation**

In the last 5 years, there has been important transformation in economic, sectoral and labor structures in the orientation of making full use of their comparative advantages, as illustrated in the table on the next page.

### *(1) The shift in economic structure:*

The ratio of agriculture, forestry and fishery in 2005 has decreased to about 20.89%. The ratio of industry and construction in 2005 has increased to about 41.03%. Services in the period 2001-2005 account for 38.08%. The ratio of non-agricultural sectors has increased,

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<sup>24</sup>WB assessment shows that GDP and GDP per capita in 2004 in China are USD 1677 billion and USD 1272 per capita, South Korea USD 673 billion and USD 14,110 per capita, Malaysia USD 117 billion and USD 4674 per capita, the Philippines USD 97 billion and USD 2,620 per capita, Thailand USD 159 billion and USD 2,620 per capita, Indonesia USD 258 billion and USD 1,184 per capita, Singapore USD 107 billion and USD 24,841 per capita.

According to the World Bank classification (calculated upon 2003 income), LICs (low income countries) are those under 765USD; LMCs (lower medium countries) 766 - 3,035USD, UMCs (upper medium countries) 3,036 - 9,385USD, and HICs (high income countries) over 9,386USD

<sup>25</sup> According to the World Bank's 2005 report, Vietnam economic liberalization is lower than that in other countries in the region: Malaysia 2.96, the Philippines 3.25, Thailand 2.98, Indonesia 3.54, Singapore 1.6 (the lower the figure, the higher the liberalization).

leading to a considerable change in the economic structure. Initially several sectors, areas and products, which are important driving forces to development, such as petroleum, steel, cement, ship building, automobile and motorbike assembling, etc., have been set up.

*The industrial internal structure* has made significant progresses in the orientation of industrialization, gradual modernization, making full use of the advantages of each branch and product, with production tightly connected with foreign and domestic markets. The shift in the production structure and the industrial product structure is toward gradually higher proportion of the processing industry in the value added. The processing industry has initially made use of advantages of domestic materials to heighten the value of exported products<sup>29</sup>.

Indicators	Unit: %		
	1995	2000	2005
1. Economic structure (GDP):	100	100	100
<i>Of which:</i>			
Agriculture, forestry and fishery	27.2	24.5	20.89
Industry, construction	28.8	36.7	41.03
Services	44.0	38.8	38.08
2. Economic sectoral structure:	100	100	100
<i>Of which:</i>			
State sector	40.2	38.5	38.5
Non-State sector	53.5	48.2	46.0
Foreign invested sector	6.3	13.3	15.5
3. Labor structure:	100	100	100
<i>Of which:</i>			
Agriculture, forestry and fishery	71.1	68.2	56.8
Industry, construction	11.4	12.1	17.9
Services	17.5	19.7	25.3

*The services structure has made considerable progresses.* Traditional services such as trade, transport, post and telecommunication, hotels and restaurants have significantly developed. Especially some services with low intermediary costs such as banking and insurance have developed rather rapidly, contributing to the higher value added of the services and helping the shift of service structure with higher proportion of high-quality services.

*(2) The structural transformation and development of economic regions:*

*The Northern midland and mountainous region* has made good use of land and forests, which are initially used for industrial trees, fruit trees, livestock raising and farming. The region has developed suitable industries such as forest product processing, construction

<sup>29</sup> More specifically, the ratio of the processing industry in the value added of industry and construction sector has gone up from 50.5% in 2000 to 51% in 2005; the ratio of the exploitation industry decreased from 26.3% to 25%; the ratio of electricity, gas and water production and distribution, went down from 8.6% to 8.4%; the ratio of construction up from 14.6% to 15.8%.



materials, hydroelectricity, coal thermoelectricity, metallurgy, engineering, fertilizer, etc. Its GDP accounts for 6.0% of that of the whole country. The region has recorded positive economic shift<sup>30</sup>.

*The Red River Delta* has made rather synchronous development in its infrastructure; it has initially developed some industries with high-level technology, highly productive and high quality agriculture, tourism and diversified services, etc. Its GDP now makes up 22.5% of the national GDP; the economic structure shift is in the orientation of modernization<sup>31</sup>.

*The Central Coastal region* has had the production shift in the orientation of bringing into full play the advantages of coastal areas and islands. Many economic and industrial zones have been built and gradually proved effective; tourism development has started; cultivation and animal husbandry transformation is carried out in such a way that adverse impacts of natural disasters can be minimized. The region's GDP makes up 14.5% of the national GDP; its economic shift can be evident in the transformation from agriculture to industry<sup>32</sup>.

*The Central Highlands region* is developing hydroelectricity; constructing clusters of processing industries, developing handicrafts industry, farming; restructuring crops, developing animal husbandry. Its GDP now accounts for 2.8% of the whole country; there has been a positive economic structural shift, especially the services sector<sup>33</sup>, which has received more attention.

*The Southeastern region* is taking advantages in natural conditions and infrastructure to develop industrial zones, high-tech zones and urban areas. Its GDP accounts for 36.9% of the whole country. Its economic structure has recorded positive shift with rapid industrial development in the orientation of industrialization and modernization<sup>34</sup>.

*The Mekong River Delta* is restructuring its production, transforming the structure of plants, animals and crops to have a higher income per unit of cultivated area. The implementation of Ca Mau gas-power-nitrogenous fertilizer project and the economic zone in Phu Quoc island have motivated the region's economic structural shift<sup>35</sup>. The region's GDP now makes up 15.2% of the whole country.

### (3) *Economic sectors:*

*The State economic sector* is continuing its renovation and restructuring in accordance with the Central Resolution No.3. Enterprises, after reorganizing their operations, become more effective and active in social and economic activities.

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<sup>30</sup> The proportion of agriculture went down from 53% in 1995 to 40.6% in 2002, industry and construction up from 18.6% to 21.8%, services up from 28.4% to 37.6%.

<sup>31</sup> The proportion of agriculture went down from 30.7% in 1995 to 20.1% in 2002, industry and construction up from 26.6% to 36%, services up from 42.7% to 43.9%.

<sup>32</sup> The proportion of agriculture went down from 42.2% in 1995 to 34.4% in 2002, industry and construction up from 19.1% to 28.2%, services down from 38.7% to 37.4%.

<sup>33</sup> The proportion of agriculture went down from 66.1% in 1995 to 51.6% in 2002, industry and construction up from 11.5% to 17.8%, services up from 22.4% to 30.6%.

<sup>34</sup> The proportion of agriculture went down from 10.8% in 1995 to 6.2% in 2002, industry and construction up from 44.3% to 59.3%, services down from 44.9% to 34.5%.

<sup>35</sup> The proportion of agriculture went down from 62.1% in 1995 to 50.9% in 2002, industry and construction up from 14.1% to 19.8%, services up from 23.8% to 29.3%.

In the last 5 years, the government has made great efforts to direct ministries, branches, cities' and provinces' People's Committees in the renovation and development of State enterprises in accordance with the government's Action Program to implement the Central Resolution No.3, in order to restructure, equitize, sell and lease State enterprises; it has had several pilot transformations from State-owned enterprises to one-member limited companies, and some pilot restructuring in the model of parent companies and subsidiaries (holding companies). Several corporations have been stabilized, gradually leading to the establishment of economic groups and the decrease in the State's subsidy.

The equitization of State-owned enterprises or parts of them is the most important mode in their organization and renovation process. In the period between 2001 and 2005, 2254 State-owned enterprises have been equitized, 104 proposals of State enterprise restructuring which have been approved by the Prime Minister will have been completed.

Besides equitization, other methods such as transferring, selling and transforming State enterprises into one-member limited companies are also applied. After 5 years of implementation, 139 enterprises in the whole country have been handed over, sold, merged, united, dissolved, declared bankrupt, transformed into one-member limited companies, and many new enterprises have been established.

During the enterprise re-structuring process, many guidelines and policies were promulgated to stabilize laborers' life and facilitate enterprises' development after the restructuring.

The Enterprise Law has been amended to be more suitable and to bring into full play each enterprise's activeness. Together with other mechanisms and policies, the amendment of the Enterprise Law has directed enterprises to focus their investment on fields in which other economic sectors do not want to or have not wanted to engage; it has also motivated State enterprises to take the lead in the application of scientific and technological advances in order to maintain the predominance of the State economic sector.

*Non-State enterprises*, including private enterprises, co-operatives, households and individuals, continue to develop with diversified models, in accordance with the Central Resolution No.5.

The transformation from the old-style co-operatives to the co-operative model in the Co-operative Law has initially heightened the collective economic sector's production and business effectiveness. There have been models of diversified co-operatives or specialized ones with effective operations, thanks to the production expansion and the application of scientific and technological advances, contributing to the stabilization of jobs and incomes for nearly 10.5 million members of cooperatives and laborers. In 2005 the collective economic sector has generated over 7% of the country's GDP.

The private and individual economies have recorded a good development, especially in agriculture, forestry, fishery, industry and small-scale industry, trade, and services, making an important contribution to socio-economic achievements. Assistance has been provided to the development of rural markets, wholesale and retail markets, handicraft villages, small and medium industrial clusters in many regions. The promulgation of the Central Resolution No.5 on the private economies' development and the effective implementation of the Enterprise Law have created a driving force for the private economic sector's development. There have been about 144,000 enterprises with registered capital of VND

294,000 billion established from 2001 to 2005, an increase of 2.6 times in terms of enterprise quantity and 6.1 times in terms of registered capital against those of the previous ten years. This sector's economic growth rate is the highest in the economy at present. In 2005, the private and individual economies have generated about 40% of the country's GDP.

*The economic sector with FDI* continues to record good developments, creating some new products and markets, becoming an important part in the national economy. With continued high growth rate, this sector is estimated to generate 15.5% of GDP in 2005, making important contribution to the promotion of the shift of the economic structure, job creation and our economy's efficient international integration.

The results show that the shift of the economic structure in the last few years plays a positive part in the mobilization of economic sectors' potentials, encourages creativeness and generates a new driving force for development and international integration. The resources for various economic sectors' development have been better mobilized and gradually proved more effective.

#### *(4) The shift in the labor structure:*

Up to 2005, the total number of laborers in the economy is nearly 42.7 million, of which 24.9 million people work in agriculture, forestry and fishery; 7.8 million in industry and construction; 10.9 million in services.

The number of employed laborers during the 5 years from 2001 to 2005 is estimated to be about 7.5 million people, reaching the target set by the Party Congress, of which over 4.7 million people work in agriculture, forestry and fishery, 1.2 million in industry and construction, 1.6 million in trade and services.

Thanks to these results, there has been an initial positive shift in the labor structure along with the economic structural shift in the orientation of industrialization and modernization, and business effectiveness has been heightened. The proportion of workers in agriculture, forestry and fishery in comparison with the total number of laborers has gone down from 68.2% in 2000 to 56.8% in 2005; the proportion of workers in industry and construction up from 12.1% to 17.9%; the proportion of workers in trade and services up from 19.7% to 25.3%.

### **However, there remain some problems in the economic structural shift process**

(1) The process of *sectoral structural shift* has not been carried out with a long-term vision, planning or strategy, or according to a logical roadmap.

In general, the structural transformation in the last 5 years has been mostly spontaneous, partly oriented by branches and localities' own planning. This is the reason why the master planning is often violated, therefore not meeting the requirements of sustainable development. Sectoral structural transformation focuses on a higher proportion of industry and services without paying adequate attention to the structural shift in the orientation of modernization or to the strong development of advanced technologies in every branch and field. As a result, some industries with backward technologies, high costs, low economic effectiveness and yet strongly requiring a high level of protection have been developed. In some fields the orientation of domestically targeted development with the focus on some

protected branches is still observed, which leads to the economy's lower competitiveness in the international integration process in the future.

The number of branches and fields with advanced technologies is still low. The assembling industry is making up a major proportion; the speed of technological renovation in almost every industrial branch is still slow and mainly at the medium level<sup>36</sup>. The structure in agricultural production and rural economies has not shown clear changes; only a few jobs have been created for laborers in rural areas. The supporting system for production development is weak, inadequate and ineffective, especially the systems of supporting industries. The proportion of services in GDP is low and it takes time to be improved<sup>26</sup>. There are few changes in the internal structures of services, especially those with low intermediary costs whose slow development is far below their potentials and requirements.

*(2) The economic structural shift in several regions is slow, which limits their advantages and potentials*

The development of focal economic zones has not made full use of their potentials; high-tech industries have not been facilitated; economic structural transformation has not truly been carried out toward modernization in order to exploit their comparative advantages and boost up the development of the whole region and adjacent areas. Many regions are facing with difficulties due to unfavorable conditions, limited local resources, inadequate supporting policies, which results in poor development of production, low income and living standards far from those in other more developed regions. Regional development has revealed several weaknesses, drawbacks, and there is the lack of tight connection in order to bring into full play each region's advantages. In *the Northern midland and mountainous region*, infrastructure is not good; cross-border transactions are limited; mining and hydroelectricity industries have not facilitated the general industrial and economic development. *The Red River Delta* has not taken advantages of its current labor and infrastructure; job shortage in rural areas remains high; high-quality services have not developed, rural industries have not been planned, regional economic development has not spread to the Northern midland and mountainous regions. *The Central Coastal region's* potentials remain inadequately exploited. The industry of *the Central Highlands region* is slowly developed; economic development is not closely linked to social development; there still remain many great difficulties for production and people's life, especially for ethnic minorities. The development of industrial zones and clusters in *the Southeastern region* is not synchronous with the development of infrastructure, environment and urban services, therefore there have appeared many difficulties that need to be overcome. The economic structural transformation in *the Mekong River Delta* contains a lot of shortcomings, and there is no coordination between provinces in order to have common planning; the socio-economic infrastructure is weak; industry, even the processing industry, is slowly developed. The development of human resources and production in association with environmental protection is still limited.

At present, zoning remains some kind of orientation; detailed planning and specific development plans for each sector, each product remain unclear; production trends,

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<sup>36</sup> The proportion of high-tech application in industry in the Philippines is 29%, in Thailand 30.8%, in Malaysia 51.1%, in Singapore 73% and in Vietnam 20%.

<sup>26</sup> WB assessment shows that the proportion of services in GDP of some regional countries in 2004 is the Philippines 54%, Thailand 46%, Malaysia 42%, Singapore 65%, Indonesia 38% and South Korea 62%.

investment, processing, sale policies, etc., still show evidence of their scattering, fragmented and inefficient nature.

*(3) The implementation of the development policies for economic sectors is subject to limitations, some policies have been not implemented efficiently, the internal resources and the capital from outside have not been well exploited.*

The operational effectiveness of the State-owned enterprises is still low. The re-structuring and renovation in SOEs are slow, mainly observed in enterprises with small capital. In some cases, the State needs to keep certain level of monopoly, but at present such monopoly falls into the hand of many State corporations. State-owned enterprises operating in the field of agriculture and forestry bring about low efficiency.

Several policies that encourage the development of non-State economic sectors are slow to take effect. In reality, there are signs of discrimination and unfair treatment that discourage these economic sectors from investing their capital in business and production development. The non-State economic sectors are mainly medium and small enterprises with little capital, low labor force and skill, backward technology, and weak competitiveness. The collective sector develops slowly; co-operatives are slow in renovation, with low efficiency. Small and medium enterprises, the private and collective sectors find it difficult to access the State's preferential assistant capital and credit sources from the State commercial banks. The foreign invested sector also meets with certain difficulties due to unclear and inconsistent investment environment.

*(4) The shift of the labor structure is still slow in comparison with the shift of the economic structure in some branches and regions.*

The shift of the labor structure is mainly spontaneous, which cannot meet the demands of the economic structural transformation in the orientation of industrialization and modernization. Many State enterprises are now facing the insolvable problem of having a large number of redundant manual workers but an inadequate number of skilled labors owing to the low ratio of trained workers, which leads to the failure in meeting the requirements to approach advanced technologies.

### **3. External economic relations**

#### *(1) Import-Export*

Our country's import and export activities have been expanded to all over the continents; by 2005, our country has established commercial relations with over 220 countries and territories among the total number of 250 countries and territories in the world.

*a) Overcoming difficulties and challenges, import and export activities could maintain their good growth rate and have really generated a driving force for development<sup>37</sup>. During these 5 years, the total export turnover has reached nearly USD 111 billion, the average growth rate of these 5 years is 17.3% (reaching the target of 16%). The export turnover per capita in 2005 is nearly 390 USD.*

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<sup>37</sup> In 2001, the turnover from export went up by 3.8%; in 2002 up by 11.2%; in 2003, thanks to timely solutions to overcome difficulties and to change markets, etc., as well as enterprises' activeness in looking for alternative markets, it went up by 20.6% despite the Iraq war's bad effects on our key markets and exported goods; in 2004 up by 31.5%; in 2005 it was up by 21.6%.

In terms of the structure of exported goods, generally there has been a good growth rate for all groups of goods. On the average, in the period from 2001 to 2005, goods from heavy industry and minerals increases by 16.6% and makes up 34% of the total export turnover; goods from light industry and small-scaled industry goes up by 21%, accounting for 40.2%; goods from agriculture, forestry and fishery up by 13.2%, accounting for 25.8%. Goods from light industry and small-scale industry records the fastest growth rate, gradually making up a large proportion in export turnover<sup>38</sup>.

Up to 2005, besides crude oil with the export turnover of over 7.4 billion USD, there have been 6 more items with the export turnover of over 1 billion USD, namely garment and textile, aquaculture, footwear, electronic goods and computer's components, wooden goods and rice. Rice and coffee remain the 2<sup>nd</sup> rank in the world, pepper ranks the first, and cashew nuts rank the third, etc.

Initially the export structure has been improved in the orientation of having more processed products and lower proportion of raw ones, producing some goods items with large quantities and rather stable markets. The quality of exported goods and their competitiveness are gradually improved.

*Services export* in the period from 2001 to 2005 is expected to reach 21.1 billion USD, the average annual growth rate is expected to be 15.7%, accounting for about 19% of the total export turnover, approximately equivalent to the world's average rate (which is 20%), some services have made good developments, namely aviation, post and telecommunications, marine transport, finance-banking, and tourism.

The structure of export markets has had positive transformation with decreased dependence on Asian markets, more stability in exporting to European markets, more rapidly increased export to American markets, especially to the US. Apart from that, more new markets with potentials for the coming years have been tapped.

#### *b) Goods and services importation*

Goods importation in the period from 2001 to 2005 has reached over 130 billion USD, with the average annual growth rate of 18.7%. Basically goods importation has been carried out under the guidelines that importation has to effectively serve production development and technological renovation, boost up the improvement of goods quality and competitiveness, provide life necessities and meet the requirements of export.

In terms of import structure, in these 5 years, raw materials and fuels take a large proportion with the average growth rate of 18%, accounting for 61.5% of the total import turnover; machinery, equipment and components have the average growth rate of 20%, making up 31.7%; consumer goods makes up 6.8%. The structure of imported goods has been transformed in the orientation of a higher proportion of machinery, equipment and components and a lower proportion of materials and fuels<sup>39</sup>.

The importation by domestic enterprises remains predominant but it is expected to decrease to 62.9% in 2005 or to 65.2% in the whole period between 2001 and 2005. The

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<sup>38</sup> The proportion of light industry and small-scale industry in 2001 was 35.7%, in 2005: 40.2%.

<sup>39</sup> The proportion in import turnover of machinery, equipment and components has gone up from 30.6% in 2000 to 31.9% in 2005 (the target set by the 9<sup>th</sup> Party's Congress is 32.6%); the proportion of materials and fuels down from 63.2% to 61.7% (the target set by the 9<sup>th</sup> Party's Congress is 63.5%)..

proportion of the foreign invested sector in the whole country's total import turnover is going up, being 34.7% in the period 2001-2005.

*Excessive goods importation* has been restrained and put under control; it is about 19.5 billion USD in the period 2001-2005, equivalent to 17.6% of the total exported goods turnover; it is going down in the last 3 years of the 5-year plan. In 2005 alone, it is 14.4%<sup>40</sup>.

*Services import:* The total turnover of services import in the period from 2001 to 2005 is expected to reach 21.2 billion USD with the average growth rate of 10.3%.

## *(2) The ODA attraction*

During the implementation of the 5-year plan from 2001 to 2005, due to the global economic difficulties, the world's ODA fund tends to decrease considerably. However, the ODA fund committed for Vietnam is continuously increasing<sup>41</sup>, which shows the approval and support offered by international donors' community to the socio-economic development policies of our Party and Government.

The signing of specific international treaties on ODA for these 5 years took place smoothly, the total value of the agreed ODA is approximately 14.7 billion USD of which grants account for 15-20%. However, the ODA disbursement rate is still low, the disbursement during these 5 years is expected to be about 7.8 billion USD<sup>42</sup>, equivalent to 87% of the plan.

There are several projects of national socio-economic importance among ODA projects and programs that have been signed. There has been an improvement in the direct ODA disbursement for poverty- and difficulty-stricken areas. The average ODA value per capita for poverty- and difficulty-stricken areas in the last few years has been increased. Many ODA-funded construction projects have been completed and put into operation, contributing to the economic growth, improving people's life<sup>43</sup> and enhancing social equity.

## *(3) The attraction of foreign direct investment*

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<sup>40</sup> Many countries in the region such as South Korea, Thailand, Singapore and the Philippines had the surplus import in large quantities during their industrialization period; for example from 1980 to 1985 the ratio of the surplus import and the export turnover in South Korea was 11% (the highest was 20%), in Thailand it was 39%, in Singapore 25%, in the Philippines 40%.

<sup>41</sup> The committed ODA was 2.4 billion USD in 2001, 2.6 billion USD in 2002, 2.83 billion USD in 2003, 3.4 billion USD in 2004 and it is expected to be 3.5 billion USD in 2005.

<sup>42</sup> The disbursement rate in each year: 1.5 billion USD were disbursed in 2001, 1.55 billion USD in 2002, 1.42 billion USD in 2003, 1.6 billion USD in 2004 and 1.7 billion USD are expected to be disbursed in 2005, excluding the disbursement within the donor's countries or payment to their expatriates.

<sup>43</sup> Examples are Can Tho bridge (289 million USD), Bai Chay bridge (62.2 million USD), the international terminal at Tan Son Nhat Airport (169.82 million USD), Phu My – Nha Be – Phu Lam 500kv power cable (114.15 million USD) and other programs and projects that are directly beneficial to people in provinces and cities, namely the community-based rural infrastructure development project (102.78 million USD), the Red River basin irrigation development project (70 million USD), Hochiminh City environmental sanitation project (166.50 million USD)... The ODA value per capita is 53.86 USD in the northern midland and mountainous region, 55.16 USD in the central coastal region, 59.12 USD in the central highlands region, and 47.11 USD in the Mekong River delta.

In the context of such difficulties in the world as limited and dispersed capital flow due to fierce competitions in the capital market, thanks to the increasingly improved investment environment created by the amendment and supplementation to policies, during the 5 years from 2001 to 2005, the total registered capital reached as high as 19.9 billion USD, 65.8% higher than the target (the target is 12 billion USD). The total obtained capital is 14.3 billion USD, 30% higher than the target (the target of 11 billion USD).

The proportion of the foreign direct invested sectors in GDP has increased over the years, reaching 15.5% of GDP in 2005<sup>44</sup>. In the last 5 years, foreign direct investment has accounted for nearly 17.7% of the country's total investment; the total revenue excluding oil and gas reached about 77 billion USD, 2.5 times more than the previous period; the export value excluding oil and gas reached 33.7 billion USD, 3 times more than the previous period and generating over 31.4% of the country's export turnover; the import turnover reached 44.5 billion USD, making up 34.7% of the total import turnover; the contribution to the State budget is 3.6 billion USD, over two times higher than the previous period and equivalent to 4.9% of the total budget revenue; about 900,000 direct laborers have been attracted, an increase of over two times higher than the previous period and the number of indirect laborers is estimated to more than double.

***Besides the above-mentioned achievements, external economic relations have had some limitations as follows:***

*a) Import and export are still facing many difficulties and challenges:*

The proportion of exporting raw material, minerals, agricultural, forestry and fishery products is still high; manufactured exports are mainly subcontracted goods with low value, small volume and low efficiency such as garment, footwear, electronic goods and computer components, which leads to low export effectiveness (the actual value added to the country's income). On the other hand, our export growth is unstable and depends a lot on the price fluctuation in the world market. The exporting areas are mainly centered in some big cities and provinces (such as Hanoi, Ho Chi Minh City, Binh Duong, Dong Nai, Hai Phong and Da Nang). The role of domestic enterprises has not been brought into full play, especially the export effectiveness of State-owned enterprises is still low. Trade barriers which hinder our country's export are gradually increased.

*b) The ODA utilization is still limited, the disbursement is slow, and counterpart's capital is inadequate, which decreases the ODA utilization effectiveness.*

The disbursement is slow due to many reasons, primarily the complicated procedures and processes in the country and as required by donors, the slow resettlement, ground clearing, and bidding work; and the limited and insufficient project management and monitoring capacity. At times and in places, the counter-part capital is not timely provided.

The ODA mobilization and utilization planning is not complete enough to guide the beneficiaries in their attraction and utilization of these resources.

The capacity of the project management teams generally does not meet the requirements due to insufficiency in the number of staffs, most of whom hold more than one position simultaneously, in quality, and in the lack of professionalism.

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<sup>44</sup> The number was 13.1% in 2001, 13.9% in 2002, 14.5% in 2003 and 15.17% in 2004.



*c) Foreign direct investment is still below potentials.*

Investment capital in the past years has increased but the proportion of foreign investments in the total investments is decreasing gradually because the growth rate is lower than the rising level of domestic investments. The proportion of the foreign direct investments in the society's total investments has fallen from 24% in the period 1996-2000 to about 16.6% in the period 2001-2005. The attraction of foreign investment in agriculture, forestry and fishery is still limited despite certain preferential policies. There are many reasons for this situation: these fields are subject to risks caused by natural disasters, the modes for cooperation with peasants are not suitable, the planning of the raw-material supplies is unsuitable and inadequate, foreign investors tend to invest in areas with good infrastructures and sufficient and convenient markets. The system of policies and laws is inconsistent and incomplete, causing negative impact on foreign investors. A leveled playing field for both domestic and foreign investments has not been created. In some production fields such as cement, iron, steel, electricity, even measures that limit foreign investments are applied. The link between the foreign invested sector and domestic enterprises is not tight. For instance, the domestic enterprises' supply of materials and accessories to foreign invested ones is limited, leading to the decrease in their participation in the localization and export through foreign invested enterprises. Sectoral and regional planning has not been substantially renovated in order to identify necessary amounts of investment capital and the responsibilities of ministries, branches and localities in the attraction of foreign direct investments. The post-licensing management work is not good. The rate of projects that fail or are prematurely dismissed is still high, some large-scale projects take a long time to be deployed, and there remain large amounts of investment capital still unused though licenses have been granted.

#### **4. Investments in the development and construction of socio-economic infrastructure**

*(1) Investments in social development*

The total investments that have been mobilized and put in use in the economy during 5 years from 2001 to 2005, calculated on the basis of the prices in 2000, has reached 1,098.8 thousand billion VND, equivalent to about 130.8% of the estimation in the 5-year plan and 1.98 times higher than that of the period from 1996 to 2000. The details are as follows:

Targets	Total capital (thousand billion VND)	Structure (%)
Total social investments	1,098.8	100
<i>Of which:</i>		
(1) Investments by State sectors	572.5	52.1
- Capital from State budget	269.2	24.5
- Capital from State credit investments	138.7	12.6
- Capital from State enterprises	164.6	15.0
(2) Investments by private sector and people	314.5	28.6
(3) Foreign direct investments		
(4) Others	182.7	16.6
	29.1	2.7

The investment structure has recorded a positive shift with more focus on important targets in the socio-economic development. Investments in economic fields account for 70.0% of the total investments from 2001 to 2005, with 13.5% in agriculture, forestry and fishery, 44.3% in industry and construction; 12.1% in transport and postal services; investments in social fields account for 26.9%, with 4.1% in education and training, 2.3% in social welfare and health care, 2.3% in culture and sports, 1.3% in science and technology, with particular attention to poor communes and regions.

22.2% of the State budget is invested in agriculture, forestry and fishery, 27% in transport and postal service, 8.9% in education and training, 6.9% in social welfare and health care, 4.3% in culture and sport, and 3.1% in science and technology.

Thanks to the adjustment in investment policies and structure, the investment scale in every region has increased. The proportion of investments in mountainous and disadvantaged areas is higher in comparison with that of the period 1996-2000; the proportion of investments accounts for 8.3% of the total social investments (the figure was 7.6% in the period 1996-2000) in the Northern mountainous region; 8% in the Northern Central region (7.7% for the period 1996-2000); 12.4% in the Central Coastal region (11.6%), and 5.3% in the Central Highlands region (4.8%),

There have been a lot of positive changes in the mechanism for managing investment and construction and in governance; the decentralization of decision-making power has been strengthened which facilitates the activeness and autonomy of ministries, sectors, localities and investors.

At the same time, monitoring of all projects during the entire investment process has been strengthened.

Besides domestic capital, during the last 5 years, the attraction of such foreign capital as ODA and FDI has been emphasized and contributed to boosting up the economic growth rate.

ODA funds are preferentially spent on assisting the development of socio-economic infrastructures, contributing to economic growth and hunger eradication and poverty reduction. A lot of important works in transportation, energy, large-scale irrigation, education and training, science and technology, health care, hunger eradication and poverty reduction, and environmental protection has been completed and upgraded. ODA funds have contributed to enhancing capacity and institution through programs and projects that assist the legal and administrative reforms, work out economic management policies in line with the roadmap of integration into the world economy, and enhance the human resource's quality. Through many ODA projects and technical assistance, many Vietnamese cadres have been trained and retrained to improve their professional skills; many advanced production technologies and modern management skills have been transferred. The relations between Vietnam and donors have been established on the basis of partnership, with more emphasis on the ownership of the ODA recipients through the harmonization of ODA processes and procedures.

Activities to attract foreign direct investments have been boosted up. The total newly registered and supplemented capital amount has reached USD 19.9 billion, an excess of 68.5% against the planned target; FDI during the 2001-2005 period has reached about USD 14.3 billion, an excess of 30% against the planned target (USD 11 billion), mainly focusing

on industry and construction with the proportion of 82%, services with 13%, and the rest on agriculture, forestry and fishery. The share is 68% in the Southeastern region, 17% in the Red River delta, and 4% in the Northern Midlands and mountainous region.

*The prominent point in investments in the last 5 years is the dramatic increase in investments from the private sector.*

Under the positive effect of the Enterprise Law, from 2000 to 2005, about 160,000 enterprises registered for establishment with the registered capital of about VND 295,000 billion, the number of enterprises joining the market increases by 21.8% per annum in quantity and 44.1% in the registered capital; the number of newly established enterprises from 2001 to 2005 is 2.6 times higher than that in the ten-year period from 1991 to 2000 with the registered capital 6.1 times higher.

The proportion of investments from domestic private enterprises keeps increasing and exceeding the investments from State-owned enterprises. The investments from the people and private sector in 2001 made up 22.6% of the total social investments; it is estimated that in 2005 the figure will be up to 32.2%.

Private enterprises have strongly contributed to export turnover, especially the items of handicrafts, fine arts, agricultural and aqua product processing, and have played an important role in the State's total revenue sources. Private enterprises, 96% of which being small and medium ones, have generated about 26% of GDP, 8% of the State budget revenue, 31% of the industrial production, 78% of the total retail sales, 64% of goods transportation and created 49% of non-agricultural jobs in rural areas. Small and medium enterprises are institutions that can recruit the majority of new laborers as well as redundant workers during the restructuring process of State enterprises, contributing to social stabilization and increased incomes for laborers.

## *(2) The construction of socio-economic infrastructures*

Thanks to the good resource utilization, the amount of investments has increased rapidly, allowing for a large amount of capital to be spent on some key works in various branches, fields and localities; on the strong transformation of production structure to raise effectiveness, to take advantages of each region, branch, and product, and to increase the economy's competitiveness; on the transformation of production structure in agriculture and the rural economy; on intensive investments in the modernization of industrial equipment and technology; on constructing and preparing for the construction of some industrial bases, technical infrastructures (transportation, telecommunication, irrigation, and power industry), infrastructures in rural areas, tourism, environmental protection and mitigation of natural disasters.

Besides, the capital from the State budget has been focused on the development of education and training, science, technology and environment, social welfare and health care, national programs, hunger eradication and poverty reduction, and priorities have been given to the socio-economic development in provinces in the central highland region, the northern mountainous region, and the Mekong River delta, in difficulties-driven provinces and regions frequented by natural disasters.

The structure of investments in branches and fields is as follows:

*In transportation and post and telecommunication:* In the last 5 years, the total investments in transportation and postal services have remained at 12% of the total social investments. Investments from the State budget account for 27.5% of the total State budget. Investments have been made in the system of national highways, important artery roads, infrastructures in rural areas, especially in mountainous and border areas, and in the central highland. Important segments of national artery highways have been completed and some major projects have been started with more focused investment<sup>46</sup>.

*In agriculture, forestry, fishery and irrigation:* Investments in the last 5 years have remained at 13.5% of the total social investments and 22.6% of the investments from the State budget. Focal investments have been made in shifting the structure of agricultural production and rural economy. A rapid implementation of programs on breeds of high-yield and high-quality plants and animals, especially aquatic breeds, has been made. In irrigation, focus has been put on flood monitoring programs, especially irrigation projects in the Mekong River delta, and Central provinces, on the 2<sup>nd</sup> phase of irrigation development in the Red River delta, on reservoirs in Central Highlands provinces.

*In social infrastructures:* the average investment rate in the last 5 years is equivalent to 27% of the total social investments and 43% of the investments from the State budget, in which:

*In education and training:* focal investments have been made in the implementation of the Central Resolution No.2 to create changes in education, enhancing the quality of human resource training, skilled worker training; in leading universities, regional universities, and vocational training colleges. By 2005, the proposal on school and classroom upgradation that has been approved by the Prime Minister in the Decision No.159/2002/QĐ-TTg dated 15 November 2002 will have been substantially completed.

*In science and technology:* Focal investments have been made in the construction of facilities for scientific and technological institutions, technical infrastructure for information technology and Hoa Lac high-tech zone, Hochiminh city's high-tech zone, in which priorities are given to intensive investments in laboratories, the construction of focal laboratories, Internet technical base, software developing centers, the computerization in information and administrative management in State offices and Party's agencies; 20 State's focal scientific and technological programs, the national breed program and 4 technical and economical programs on biotechnology, IT, material technology and automation technology have been implemented.

*In sports and physical training field:* focal investments have been made in central and local sport and physical training projects to serve the 22<sup>nd</sup> SEA Games. These projects were completed as planned to timely serve the 22<sup>nd</sup> SEA Games and the 2<sup>nd</sup> ASEAN Paragames.

In general, through continuous perfection of capital mobilization policies, investment and construction management mechanism, a large amount of investments has been mobilized; a

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<sup>46</sup> Big bridges are Can Tho bridge, Bai Chay bridge, Thanh Tri bridge, Rach Mieu bridge, and Binh bridge. There has been the extension and upgrading of terminal T1 and runway 1B at Noi Bai International Airport, the construction of international terminal at Tan Son Nhat Airport, the upgrading of Phu Bai Airport, Lien Khuong Airport, Buon Ma Thuot Airport and Tuy Hoa Airport. Seaports such as Hai Phong, Cai Lan, Nghi Son, Cua Lo, Tien Sa, Dung Quat, Lien Chieu, and Chan May have been extended and upgraded. The execution speed of Hochiminh Highway project has been sped up and the Ha Tinh-Ngoc Hoi part has been basically completed.

lot of important works on socio-economic infrastructure have been completed and put into use. The production capacity of different economic sectors has been significantly improved, in which: the power capacity of the whole sector has gone up by 4,863MW; coal output up by 15.4 million tons; fertilizer production up by 2,450,000 tons; crude oil up by 2.2 million tons; laminated steel up by 2,390,000 tons; cement up by 10.1 million tons per year; in irrigation: watering capacity up by 595,000 hectares, draining capacity up by 235,000 hectares; afforestation up by 975,000 hectares; the capacity of the transport sector has sharply increased, especially 4,575km of national highways have been built and upgraded; 65,004km of rural roads have been added, 380km of railway have been upgraded; seaports throughput has increased by 23.4 million tons per year, river ports up by 17.2 million tons per year, airports up by 8 million passengers per year, etc.

*However, there remain several problems in development investment*

(1) Investment mobilization mechanisms and policies are not attractive enough, the investment environment is still subject to risks despite some improvement; there are still signs of discrimination among different economic sectors which discourage them from boldly investing in business and production. Investment in key sectors with many potentials have been not paid much attention to, especially investment in socio-economic infrastructure and in training human resources, which leads to low efficiency of those key sectors. Despite some renovations, public administrative reform related to investment is generally sluggish, causing delay and difficulties and hence the missing of investment opportunities. Preferential policies and mechanisms are not attractive enough to investment in mountainous regions, areas of ethnic minorities and difficult regions.

Investments from the State budget, the State credit have not generated a boost for the attraction of other capital sources in order to form a logical, effective investment structure and to boost up the economic structural shift. There are no clear priorities in the allocation of investment expenditure; capital losses and wastes are high, affecting the quality of construction works. Violation of regulations in investment management are still popular.

In developing their investment plans, *some ministries, sectors and localities have not paid attention to the mobilization of other capital sources* among different economic sectors with diversified investment forms to achieve investment targets; they still rely too much on the State budget, therefore the investment results are still limited. The remaining debts in major construction investments from the State budget is the burning problem that has not been completely solved yet.

(2) Investment management procedures are complicated, cumbersome yet loose and ineffective, causing the drainage of capital, especially capital from the State budget and credit. The quality of feasibility and pre-feasibility reports is not good, the project assessment and bidding work is not good either, leading to the waste of capitals.

Investments in basic construction are not entirely in line with approved programs and targets, the number of projects pending approval and investment from the State budget tends to increase. The implementation of regulations on investment and construction management by branches, localities and investors is not serious enough, leading to low investment effectiveness. There still remain different forms of subsidy in the State sector. Backward technology and equipment in many branches and fields, bad organization and management, etc., are also the factors that cause the loss, waste and decreased effectiveness of investment utilization.

The effectiveness of investment is still low, especially of investments from the State budget; the comparative advantages and competitive advantages of each branch, locality and the whole economy have not been brought into play.

The master planning on socio-economic development as well as the planning on infrastructure development is not timely updated or amended, or without a long-term vision; the quality of the construction planning, especially urban planning is not good enough to become the solid basis for the making of development plans, especially public investment programs; there is no effective mechanism in the preferential target setting to guide the investments of other economic sectors.

(3) Infrastructure has not met the demands for development. The transport infrastructure is inconsistent and does not ensure smooth transport in the rainy season in mountainous areas and areas that are usually subject to frequent floods. The road system in cities, towns and focal economic zones has not met the demands for economic development. The system of seaports, railways and aviation's infrastructure, with low transport capacity, unsuitable storage, information and management and high costs, falls far below actual demands.

The irrigation system has not well served agricultural development, reservoirs in the central region, the central highlands and the mountainous areas are not invested completely; the quality and effectiveness of projects are still low; the main construction work and canals are incompatible. The irrigation work is mainly focused on rice production with little attention to the development of industrial trees, aquaculture and salt production. The sea dyke system is not strong enough to endure severe storms.

The infrastructure in terms of power has not met the demands for economic growth, especially when there is a high demand for power. The power infrastructure is unsound, some thermo-electric plants do not complete their plans.

Investment into and organization of the management of post, telecommunication and IT infrastructure within administrative territory is illogical and non-synchronous. The mechanism for shared information infrastructure has not received due attention from enterprises, and new enterprises' investment in the development of post and telecommunication infrastructure is non-aligned with services development.

The system of water supply is inadequate, especially in rural areas. The equipment for water treatment is old and backward; the water quality is bad. The system of water distribution is inconsistent with the capability to expand water sources. Domestic waste treatment systems, especially urban and hospital waste treatment are unsatisfactory, affecting the environment, life quality and the community's health.

The social infrastructure in education, training and health care is inadequate in terms of areas, and inconsistent in terms of equipment. The system of social and community health care is weak, especially at grassroots level. Beds and equipment for patients are inadequate and of low quality.

## **B. SOCIAL SECTOR**

### **1. Education, training and human resource development.**

There have been positive developments in the education and training sectors. Education in rural, mountainous and remote areas has made progress. The educational attainment of the population is raised in these areas. The national education system consisting of different training grades, levels, school types and education modes has been consolidated and reorganized. Educational quality is improved. The infrastructure for developing education and training has been enhanced. Coverage and quality of education system have continued to develop in response to increasing learning requirements of the population.

The educational institution network is expanded to every commune and ward nationwide. Almost no communes are without pre-school education. The quality of children care in pre-school institutions has gradually improved. Achievements in illiteracy elimination and primary education universalization have been consolidated. The number of pupils attending primary schools at the right age is increasing. In 2004-2005, it reaches 97.5%, exceeding the target (97%). The average increase of lower secondary school pupils is 2.8% per year. Lower secondary school universalization continues rigorously throughout the country. By the end of 2005, it is estimated that 31 provinces will reach the standard of lower secondary school universalization. The scale of upper secondary education continues to develop and the number of upper secondary school students increases by 5.7% per annum on the average. The rate of students repeating a grade and dropouts gradually declines. Many have won high prizes in national and international contests.

The contents of teaching programs have been renewed and teaching quality is initially improved. The size and training courses of university, college, technical and vocational schools have been extending. Recruitment structures of every level are adapted to quickly recruit more students into technical and vocational training institutions. University and college student intakes increase by 7.6% per year, technical school intakes increase by 13.8% per year and vocational training intakes by 8.4% per year.

University network planning has been proactively implemented<sup>47</sup>. The poor areas like the North West, the South Central, the Mekong Delta have more universities and colleges, which creates favorable conditions for local human resources training. The system of vocational training schools has been rapidly developed; so far, 236 vocational training schools have been established, an increase of 94 schools against those in 2000; the capacity of vocational training has increased by about 40% after 5 years. The teacher training university system from central to local level is continuously consolidated, enhanced in order to meet the needs of lower secondary education universalization and the implementation of new curricula for upper secondary education in the upcoming years.

Physical facilities of the educational sector have improved. Expenditure for education and training increased every year (it reached 18% of total State budget expenditure in 2005 in accordance with Resolution No2 of the Party's Central Committee). The mobilization of resources for education and training improved. Apart from the government budget, there are other capital sources such as people and entrepreneurs' investments, especially the

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<sup>47</sup> Two national universities are reorganized; 3 regional universities (Thai Nguyen, Thua Thien-Hue, Da Nang) continue to be upgraded and developed; key universities of teacher training, technology, agriculture, and economics are enhanced.

recent educational bonds and securities, which substantially contribute to the improvement of facilities for education and training.

However, the achievements in the past years are limited compared with the needs of improving human resource quality in response to the renovation process.

Firstly, The increase in training activities and institutions does not match the quality requirement. The structure of training activities are inadequate but slowly adjusted; vocational, secondary and university education are not in balance; irregular university and short-term vocational training develop too quickly to be properly and effectively managed.

Education quality is weak and out of date; education effectiveness is low, which fails to respond to the requirements of human resources for national development; the educational gap between rural areas and urban areas is still big. Education and training programs are inadequate. Practical capacity of trainees from many training centers is mostly insufficient. Education and training management does not meet the needs of renovation. The negative aspects in education and training are slowly settled, including violations and cheating in the entrance examinations, in learning and tests, diploma and degree conference, teaching and taking extra classes outside school hours.

Although education in remote and mountainous areas has made some progress, there remain a lot of shortcomings; the number of teachers is insufficient, their quality is low, learning costs are still unaffordable for many people; education and training are still inadequately provided for poor people and their children.

Education and training management in non State-owned institutions are not good; there is a serious lack of legal documents, and quality control is not strict enough. Social mobilization in education and training is not paid much attention.

## **2. Science and technology**

In the period of 2001-2005, science and technology activities have actively contributed to socio-economic development<sup>48</sup>. Social sciences and humanities have more focus in their research and surveys in order to provide statistics and scientific foundations for policy-making, and guideline formulation for socio-economic development as well as for the preservation and development of our traditions and cultures. Natural sciences have focused their research and surveys on assessing potential natural resources, protecting biodiversity and preventing natural calamities, which creates prerequisites for applied research to serve production and human resource development.

Science and technology concentrate more on applied research to better serve the requirements of socio-economic development. A number of crop and animal breeds with high productivity and quality have been selected, cross-bred and multiplied. A large number of research results in biotechnology, mechanical engineering, automation technology, and information technology are applied to production in order to increase quality and types of domestic consumer goods, increase export and substitute imported ones.

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<sup>48</sup> 10 science and technology programs, 10 national focal programs in social sciences and humanities, which include more than 400 research projects, pilot production and more than 100 state-level experimental production projects, have been implemented.



Technology renovation in production and service branches has been conducted with clear objectives. Technological levels of some branches and sectors are enhanced. Investment has been made into some projects of building models for technological application and transfer in socio-economic development, transforming production structures in agriculture, in which numerous advanced technologies, breeds with high productivity, good quality and economic effectiveness, have been utilized.

Technology and science capacity in our country is enhanced: more than 40 scientific research and technology development institutions have received investment for equipment improvement and upgradation; some key laboratories and two high-tech zones are being built<sup>49</sup>.

Technological transfer in enterprises, especially FDI enterprises and State-owned industrial enterprises, is strengthened to improve the effectiveness and competitiveness of many products and services.

Reforms in policies and governance as well as improvement of legislation on science and technology undergo several changes in such a way that the effectiveness of State management of science and technology is enhanced, and encouragement is provided to scientific, technological activities and innovation.

A lot of State legal documents related to the organization and management of science and technology are developed, promulgated and applied to real life. New policies and mechanism are issued in the spirit of innovation, significantly contributing to the promotion of science and technology development to serve the targets of socio-economic growth and integration.

*However*, there remain several issues in scientific and technological activities, such as: scientific research activities and technological development are not attached to reality and responsive to the requirements of socio-economic development. They fail to satisfy development requirements in terms of scale, level and depth; therefore scientific quality and economic effectiveness are still limited.

Financial structures are still administrative and subsidy-based in nature, which does not conform to the specific characteristics of scientific, technological activities in the conditions of market mechanism and in many cases, they wipe out dynamism and innovation in scientific and technological activities. The linkages between science, training and production are not considerably improved. Science and technology markets are slow to be established.

The tasks of renovating and raising technological levels actually have been very slowly conducted, far below expectation. Some improvement has been made in mobilizing internal scientific and technological resources, yet deficiencies linger on.

The process of building high-tech zones and key laboratories is very slow as well.

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<sup>49</sup> Investment has been made in building 17 key laboratories, among which 2 laboratories were finished in 2004. 3 military laboratories also received the same level of investment as key laboratories. Two hi-tech zones in Hoa Lac and Ho Chi Minh City have been established and are under construction.

### 3. Natural resources, environment and sustainable development.

*Baseline survey* activities have been regularly maintained so as to collect and process data on the natural conditions and resources for better understanding of the current situation and changes of natural resources, which provide scientific bases for developing and adjusting masterplans for the years until 2010. Such surveys are conducted periodically to study the socio-economic features of each region, locality and the whole country, which provides justifications for policy-making and social needs identification. These surveys have generated a good number of reports in which environmental data are collected, analyzed and stored; environmental pollution by industrial waste and domestic waste is investigated, and fundamental elements directly or indirectly related to the quality of the soil, water, air environment, or river and marine ecological systems, etc., are studied.

Meteorological, hydrological information is regularly and completely gathered and provided to all sectors. Measurement and adjustment have been conducted to improve the system of geographic position, altitude, astronomic observation, gravity on land and big islands in the South China Sea, particularly on the Spratly Islands. Administrative and land use mapping is conducted for agricultural, forestry, etc., planning.

Progress has been evident in the prevention of environmental pollution. A number of mechanisms and policies for environmental protection have been developed, such as the Environmental Protection Strategy until 2010 and Orientation until 2020; policies on prevention and remedy of environmental pollution and degradation and biodiversity protection. The system for environmental monitoring and analysis has been established, and periodical reports on the State of the environment have been compiled. The appraisal of EIAs (environmental impact assessments), supervision, inspection and oversight of the environment, record significant progress. IEC (Information, Education and Communication) work on the environment and sustainable development has been widely conducted by the mass media. Sustainable development has achieved some initial results. Many sustainable development models have been developed, making important contribution to poverty eradication, social order stabilization and economic growth.

However, *baseline surveys* have not been comprehensively conducted, their effectiveness is low, irresponsive to the needs of information and statistics; old data remain unsupplemented, un-updated or verified. Statistics management is not good enough. Data are insufficient and imprecise.

The system of legislation on *natural resources management* has been enacted but not all of them are equally effective and consistent, and they are slow to be implemented. Unlawful land allocation, land lease, land reclamation, conversion of land use purposes, which conflict with approved planning, still prevail. Inefficient land management and use caused losses for the State budget and affected the integrity of many cadres. Spontaneous mineral resources exploitation also causes pollution and affects the scenery.

Several policies and mechanisms for *environment management* have not been timely adapted to suit new economic management mechanisms. Policies for the socialization of environmental protection have not been formulated. Community awareness of environment protection is limited. The investment in environmental objectives is also limited.

Sustainable development has not been duly understood compared to the requirements of the development process. Institutional systems for sustainable development are newly established and still incomplete. There has not been the harmonization between the growth objective and environmental protection, which affected the sustainable development.

#### **4. Population and family planning activities, job generation, hunger eradication, poverty reduction and housing issues.**

##### *(1) Population-family planning activities*

Population and family planning activities have been continuously strengthened. The annual birth rate reduction has been kept at 0.41%/year on the average (previously targeted at 0.5%). Population growth rate is about 1.33% in 2005 (previously targeted at 1.2%) while the population size reaches 83.12 million by 2005.

##### *(2) Labor and employment*

Actually, employment has become the focal duty of all levels and sectors concerned. During the past 5 years, 7.5 million laborers have been employed, accounting for an average of 1.5 million additional jobs annually. Non-State economic sectors remain the most attractive which have employed approximately 91% of the labor force or accounted for 90% of new employment in the entire economy. About 293,000 workers and technical staff have been exported, 2.3 times more than the previous 5-year plan. During the 5 years 2001–2005, about 360,000 laborers have been exported to work overseas, that is 55,000 persons per annum on the average.

The total number of laborers working in economic sectors in 2005 is 42.7 million, in which the State sectors account for 9.6%, non-State sectors 88.8%, FDI sectors 1.6%.

Agricultural structural shift from cultivation to aquaculture, from plants of low value to those of high value, in conjunction with simultaneous development of craft villages, helps create more jobs, raising the rate of used working time of agricultural laborers from 74.2% in 2000 to 80% in 2005 (as planned). Urban unemployment rate has diminished from 6.44% in 2000 to 5.3% in 2005 (meeting the 5.4% target proposed by the Congress).

Labor market has gradually developed with the establishment of nearly 200 employment service centers and almost 1,000 employment centers within enterprises during the last 5 years.

*(3) Hunger eradication and poverty reduction* have obtained encouraging results thanks to flexibly adjusted methods in accordance with the CPRGS (Comprehensive Poverty Reduction and Growth Strategy), creating opportunities for the poor to have access to basic social services. IEC work has been effectively conducted to raise people's intellectual level; more jobs are created and incomes increased so that people can improve their life. The focus on personnel training for poor communes and the dispatch of provincial, district officials and young intellectuals to assist poor communes have been implemented.

Sectors and localities have successfully accomplished solutions to get rid of hunger and reduce poverty, such as: expanding access to credit funds for the poor households in need of capital for extended production and increased income; integrating National Target Program in their local plans, motivating all citizens in hunger eradication and poverty

reduction efforts; enforcing policies for supporting production land, housing, residential land, and clean water to poor people of ethnic minority groups. Policies on medical care, education and support to poor people have been carried out. Medical and Educational Assistance Funds for the poor households and pupils have been established. The Program 135 has, during the past five years, made fundamental provision of indispensable infrastructures facilitating production and daily life of people of the communes in extreme difficulties. Up to date, 56 per cent of communes have been sufficiently invested in 8 infrastructure works as has been ruled; 70 per cent of communes have constructed five chief infrastructure works; 30 out of 49 provinces have gained 100 per cent of communes having car assessable road to their centers. 143 commune centers with essential infrastructure have been basically completed and put into use.

Thanks to the high economic growth rate and aforesaid solutions, the poor household rate has sharply declined. This rate was 17.5 per cent in 2001, then fell to 7 per cent in 2005. It shows an average decline of 2-2.5% per year, corresponding to 300,000 to 310,000 households that account for 10% excess of the devised target (according to Vietnamese Poverty Standard in period 2001-2010).

Surveys of living standards executed by GSO (General Statistics Office) show that the general poverty rate in Vietnam according to International Poverty Standard (encompassing food shortage and non-food shortage), has obtained an enormous drop during the past decade, from 58 per cent in 1993 to 37.4 per cent in 1998, and from 28.9 per cent in 2002 to 24.1 per cent in 2004<sup>27</sup>. The drop in each region is shown in the table on the next page.

According to GSO, food and foodstuff poverty has fallen from 13.3 per cent in 1999 to 9.9 percent in 2002 and 7.8 per cent in 2004. Despite varied degrees between regions, it commonly shows a reduction of poverty over the areas: from 7.55 per cent in 1999 to 4.3 percent in 2004 for the Red River Delta. Similarly, poverty decreased from 19.3 per cent to 12 per cent in Northern Central Part; from 14 per cent to 7.3 per cent in Central Coastal Part; from 21.3 per cent to 14.9 per cent in Central Highland; from 5.2 per cent to 2.7 per cent in the Southeastern; from 10.2 per cent to 5.1 per cent in the Mekong Delta.

#### *(4) Housing*

Housing development and management: registration and issuance of housing ownership certificates have been pushed up, primarily in urban areas; regulations on housing ownership transfer have been rectified, promoting sale of State accommodation, diversifying types of housing business in urban areas. Gradually, the management mechanism of the real-estate market has been formed, including the land-use rights market.

Over the last five years, investment in the development of housing and urban areas has gained several achievements: a number of urban housing development projects have been dramatically accelerated. An annual average of 20 million square meter of urban housing has been accomplished and put into use, meeting the target of 10.8 square meter of floor per person.

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<sup>27</sup> According to the international assessment, in Vietnam, the rate of poor households has been decreased by a half, equal to 20 million people getting rid of poverty and reached 10 years earlier than the UN's target during the past ten years.

Housing for the poor has been enhanced, such as the program of housing support for ethnic minority people and the poor in the Mekong Delta, Central Highland and other mountainous areas. In many localities, the program of support by constructing houses for the poor has been conducted.

***Population, family planning work, job creation, housing, hunger eradication and poverty reduction are, however, facing with multiple difficulties.***

*High population growth rate results in the failure to achieve intended targets.* Particularly, the rate tends to have risen again since 2003<sup>52</sup>. The physical health and fitness of the Vietnamese are low, with limited height, weight and endurance. A good number of children under 5 years old still suffer from malnutrition, malformation and mortality due to low income, lack of food, old regimen and lack of information. The distribution of the population reflects recent patterns of spontaneous migration, which has raised a number of complications. There is still a lack of mechanism and policies to encourage the improvement of the labor force.

### Poverty Rate<sup>51</sup>

	<i>Unit: %</i>		
Target	1998	2002	2004
<b><i>Entire country</i></b>	<b><i>37.4</i></b>	<b><i>28.9</i></b>	<b><i>24.1</i></b>
<i>Regions:</i>			
The Red River Delta	29.3	22.4	21.1
Northeastern	64.2	38.4	31.7
Northwestern		68.0	54.4
Northern Central Part	48.1	43.9	41.4
Southern Central Coastal Part	34.5	25.2	21.3
Central Highland	52.4	51.8	32.7
Southeastern	12.2	10.6	6.7
The Mekong Delta	36.9	23.4	19.5

*Labor and job creation:* problems remain, such as poor quality and productivity of laborers, limited ratio of professional and technical staff in the total labor force, especially the shortage of skilled technical staff. Occupational and sectoral structures are not sensible. The shift of labor towards industrialization and modernization has remained relatively sluggish with high agricultural laborer proportion, low productivity and soaring

<sup>52</sup> According to data collected by GSO, the population growth rate is 1.32% in 2002, 1.47% in 2003, 1.38% in 2004 and estimatedly 1.37% in 2005. The rate increase is largely due to the annual augmentation by 0.5 million of women of child-bearing age, while the traditional preference of having many children, particularly sons to maintain the family line still prevails among the people. On the other hand, owing to insufficient consciousness and the contented feeling of past success, the management, operation and governance of population and family planning activities have loosened, which led to the recurrence of population increase. IEC work does not exert deep impacts and lacks innovation, which limits its effectiveness. The organization of population and family planning officials is unstable, resulting in low efficiency as well.

<sup>51</sup> According to surveys of living standards of households promulgated by GSO in 2004, the poverty standard per one person/month: VND 149 thousand in 1998, VND 160 thousand in 2002 and VND 178 thousand in 2004.

unemployment rate (above 20 per cent of rural workers lacks of full-time jobs. Urban unemployment rate is still high. Besides, poor quality of laborers exported has made integration and competitiveness capacity (in terms of qualification, physical health, foreign language fluency) weaker compared to exported workers from other countries in the region. The management of Vietnamese laborers in foreign countries is loose; low labor discipline has had negative impacts on Vietnam's credibility and laborer export activity.

*Unstable quality of hunger eradication and poverty reduction*, high rate of households falling back into poverty, hard life of inhabitants of remote and distant areas, drought, flooded and disaster-driven localities, still exist with complicated problems. The proportion of ethnic minorities suffering from poverty in mountainous areas of the north, northwest, northern central stays at high level, normally quadruple or fivefold of average rate of the country. The rich-poor divide among social classes or from region to region tends to widen (from 4.43-fold in 1992-1993 to 6.98-fold in 1997-1998 and 8.14-fold in 2001-2002, as shown in the GSO data through the living standard survey)

Despite the enactment of several pro-poor policies, shortcomings still exist in the implementation. The identification of poverty standard has not been done with an international method.

There are still a lot of difficulties in the provision of housing for the urban poor, workers of industrial zones and beneficiaries of social welfare. Not all old and degraded residential areas in cities have been repaired; and there is the absence of policies on housing fund for beneficiaries of social welfare. The number of farmers with housing difficulty is still big.

## **5. Health care and protection**

*Medical and healthcare services* are increasingly improved. Local medical network has been reinforced and upgraded; most communes and wards possess medical stations 15% of which satisfy national standards. Many dangerous epidemics have been controlled and eliminated. Medical services are getting more diversified. New technologies have been researched and applied. More efforts have been made in the provision of medicine and medical facilities. Medical insurance has been applied and taken initial effects. People of almost every region have been enjoying better health care. The State Budget has earmarked certain funds to provide medical services for the poor, children under 6 years old, and beneficiaries of social welfare via medical insurance services.

HDI's have been increasingly improved<sup>28</sup>. Indexes for community development have improved. The average life expectancy reaches 71.3. The decreased proportion of malnourished children to 25% in 2005 has attained the goals set by the Party Congress. Infant mortality rate and maternal mortality rate have shown positive changes. Under-1 infant mortality rate reduced to 18‰ in 2005 and under-5 children mortality rate diminished to 30‰, equivalent to rates common in countries whose income per capita is 2-fold or 3-fold than Vietnam. Maternal mortality rate reduces to 80 out of 100,000 live births, while 62% of the rural population has access to clean water in 2005, exceeding the goals set forth in the Congress. Domestically produced medicine has been advanced to meet over 40% of national demands.

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<sup>28</sup> Vietnam's HDI in 2002 is 0.691, ranking the 112<sup>th</sup> out of 117 countries, in 2005 ranking the 108<sup>th</sup>, while many countries with similar income rank the low level (the average level of low income countries is 0.5)

The traditional medical-pharmaceutical system is reinforced and developed, nearly 80% of provinces and cities have traditional medicine hospitals, 40% of commune medical stations have practitioners in the field of traditional medicine. Enhanced private health clinics have shared the burden of social health care and medical treatment for people.

However, there still have been limitations in health care operation, such as: sluggish renovation and poor adaptability of medical system to the socialist-oriented market economy development, to the variation in disease structure; unsatisfactory quality of medical services against diverse demands of the society; difficulties in providing medical services for the poor and the inhabitants and ethnic minorities in remote areas; improper policies for the encouragement and remuneration of medical officials, doctors and nurses working in remote and disadvantaged areas; various challenges in preventive medical operation and management. A proportion of community has not yet perceived and acquainted with the self-care and improvement of their own health. Environmental hygiene and food security has not been strictly controlled. Health indicators sharply vary among regions, especially the ratio of neonatal mortality, children nutrition and mothers' health. Professional ethical violations by a number of medical officials are slow to be settled. Medical insurance policies, medical fee and health care for the poor have not been adequately implemented. The rate of people buying social and medical insurance remains low. People living with HIV/AIDS are detected in all the 64 provinces and cities, or 95% of districts and 53% of villages and communes. By December 2004, 90,380 HIV infected cases have been discovered. Presently, there may be more than 240 thousand HIV/AIDS infected cases while the infection rate tends to increase and penetrate more intensively into the community. HIV infection among the youth seem to increase (the shares of infected people aged between 20-29 increased from 15% in 1993 to 62% in late 2002, and 95% of infected people are aged between 15-49).

Social resources for medical system development are not well mobilized while the government's investment in medical services remains low. Medico-pharmaceutical management of private businesses is not strict enough. Poor and inefficient production, management, distribution and utilization of medicine, as well as insufficient and unqualified medical staff and professional ethical violations continue to pose problems to the medical sector. Medicine prices have been unreasonably high, which negatively affected the treatment for the poor.

## **6. Cultural and information activities and sport issues**

### *a. Cultural and information activities*

Cultural-information activities continue to develop in line with the Party and State's guidelines and policies for an advanced and traditional culture of Vietnam. Cultural and information activities increasingly permeate the daily life of the whole society, promoting both domestic and international interaction and integration, making a step forward in improving spiritual life and intellectual level of the community, which are incentives for industrialization and modernization of national renovation and construction process.

In the global integration process when the economy develops in socialist-oriented market mechanism, cultural and communication activities have strived to preserve and promote the national cultural traditions as well as cultural heritage via diversified and profound

activities filled with abundant content<sup>53</sup>. Besides, the preservation of ethnic minorities' traditions and culture has been paid due attention, creating the diversity of Vietnamese cultural treasure.

Some typical cultural heritages have been recognized as the World Heritage, such as: Ceremonial Music of Hue Imperial Court, Phong Nha – Ke Bang National Park (Quang Binh), contributing to the introduction and confirmation of Vietnam cultural status in the world.

Cultural and information activities have received constant attention; investment is made in building people's spiritual and cultural life; the quality of cultural life at grassroots level is enhanced, ensuring that all grassroots units provide cultural services to the local people, such as books, newspapers, radio broadcasts, television broadcasts, movie shows, concerts and theatrical performances, etc., particularly in remote, mountainous and border areas, while "information-blank" areas are gradually eliminated. Attention is also paid to the movement to build up good families and preserve family rules, which helps diversify the cultural life at grassroots levels. The development of cultural institutions and regulations in a market economy has been fostered. Investments in cultural and information activities in the whole country have increased.

Cultural institutions, such as libraries, museums, training centers, mass media (the press, publications, propaganda), performing and art units, cultural service operation, etc., have been invested and consolidated. Day by day, people's cultural and information demands are more satisfied with better service quality.

Reading rooms and bookcases of communes, hamlets and communal cultural posts have been stabilized; increased social awareness of preservation and upholding of tangible and intangible cultural heritages has been an incentive for ceaselessly developed restoration works. The number of museums, traditional houses, historical monuments has been rising continuously; cultural houses from the Central, provinces, districts to communes have been maintained and extended with various activities of culture, art, and promotion of talents for all social classes. Performing artists, drama troupes, mobile movie-showing teams, cinematographical companies, etc., are encouraged to travel and serve people all over the country.

Mass media activities have made good qualitative as well as quantitative development with improved content and forms, extended scope and coverage, which helps heighten the role of public communication and mass media in the country's socio-economic development.

The press and publications have taken the lead in ideological orientation and made active contribution to socio-political stability, to the combat against negative phenomena, to the democratization of people's cultural life, and to the reinforcement of people's trust in the Party and Government. The duration and coverage of both domestic and international TV and radio broadcasts have considerably increased. Radio station systems from provinces

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<sup>53</sup> "Returning to national morality", "When you drink water, remember the source"; "Paying tribute to persons with meritorious services to the country"; "Solidarity, love, sharing of burden"; "Worship of national heroes, revolutionary martyrs and historical figures"; "Restoration and recovery of cultural, historical monuments, such as pagodas, temples"; "Taking care of family traditions and relatives"; "Exploitation of traditional festivals"; "Maintenance of good cultural practices and customs, traditional songs, national artistic traditions, such as singing, music, dancing, fine arts, handicrafts, architecture, etc."



and cities to districts have been established and more and more efficiently served the cultural life of all social classes.

New features of culture and personality of the Vietnamese in the industrialization and modernization period have gradually taken shape. Several valuable literary and artistic products have appeared, dealing with topics of revolution, resistance wars, and achievements in the renovation process. Practical activities commemorating the national origin, the revolution, the resistance wars, national heroes and outstanding figures, have been extensively conducted.

The program of grassroots cultural development and extension of TV and radio coverage has recorded positive results. In 2005, each citizen has received, on the average, 4.2 books and 8.4 newspapers per year. 90% of households could enjoy Vietnam central television programs (VTV) while 95% of households could listen to the Voice of Vietnam, reaching the planned targets.

Besides positive changes, there remain some shortcomings, firstly in awareness, ideology, virtue and lifestyles. The degradation of lifestyles and virtue has not been decreased. Corruption has been not strictly restricted. The pursuit of undue reputation, prizes and awards, costly celebrations, commercialization and depreciation of cultural values are still popular in cultural activities.

The management of art, literature and press publications contains a lot of gaps. The discovery, preservation, development and exploitation of the values of tangible and intangible heritages are limited.

The quality and efficiency of cultural information through broadcasting, television, books and newspapers for people in remote and mountainous areas are still low. Cultural exchanges with foreign countries are not actively done. There is lack of national strategies for selective absorption of the quintessence of cultures of other nations in the world. Cultural institutions are slowly established and not properly paid attention. Many cultural regulations and policies are still incomplete, unsystematic or difficult to implement. The development of cultural information activities is not synchronous with economic development. Building a symbolic image of modern people in the industrialization and modernization period has not shown clear changes. Cultural products are abundant but there is a lack of products with high ideological and artistic values.

#### *b. Sport activities*

Sport activities have been incessantly enhanced and attained great achievements. Public sport movements have been expanded over all regions with various types of participants. The rate of people frequently doing physical exercises has been increasing annually. National sports and traditional sporting games have been rigorously restored and developed. The socialization of sport activities has been paid attention and gained good results. The considerably intensified facilities for sports and exercises have created favorable conditions for the nation-wide network to train gifted sportsmen and sportswomen for high records.

Higher achievements and records have been made in successive international sporting events and games in which Vietnam participated. Vietnam sports have played an active role in promoting the country's international integration, relation and cooperation. The

success of the 22<sup>nd</sup> SEA Games and the 2<sup>nd</sup> ASEAN Para-games - the first international events ever hosted by the country - has made good impression among the people and international friends.

However, there remain some shortcomings: the education and training of virtue for sportsmen are weak. The achievement of sportsmen is not stable, their physical fitness is weaker than that of regional countries. The nutritious norm for sportsmen is not ensured. Socialization of sport activities is slowly carried out. Policies have not satisfied the demands of market mechanism. Facilities and cadres for sport activities are limited. The attention of authorities at all levels and in all sectors to sport activities is also limited.

## **7. The expansion of social services, healthcare for people with meritorious services to the country**

Social services and health care for merited persons have been maintained and extended. Movements, such as “thanks-giving”, “as you drink water, remember its source”, have been progressively promoted. Martyrs' cemeteries, particularly international ones, are being constructed and upgraded. Policies to support and rehabilitate houses for pre-August-1945 revolutionaries have gained achievements.

*Provision of charity and supporting activities* to persons in disaster-stricken regions, the helpless elderly, Agent Orange victims, have been extensively carried out, attracting a great deal of individuals as well as organizations. The increased retirement pension and minimum salary have helped stabilize the daily life of the pensioners or persons with meritorious services to the country. The movement to construct houses of “gratitude”, to present savings books to families who live under difficult circumstances, to contribute to charity funds, has been comprehensively executed.

Social insurance system has been enlarged. Up to date, there are about 10 million social insurance policy holders and 16 million medical insurance policy holders in the country (excluding children under 6 years old).

However, remuneration is unreasonable. Allowances have not encouraged laborers working in remote and mountainous areas. Social insurance has not attracted many buyers. Preferential policies for people with meritorious services to the nation has not received due attention. Many families with meritorious services to the country are still difficult in accessing basic social services. Social protection and support to the vulnerable are inadequate, and supporting mechanism is slowly renovated.

## **8. Improvement of living standards for ethnic minority people**

Following the policy on supporting socio-economic development for remote and mountainous areas and areas with ethnic minority people, so far, the State has paid attention to investment in such essential infrastructure as transport, irrigation, power, water, medical station, school, etc., in order to serve production and life of ethnic minority people. To date, 100% of communal cluster centers have had paved roads, cultural post offices, etc. The material and spiritual life of ethnic minority people has continuously improved. The rate of poor households in ethnic minority areas has reduced rapidly.

Moreover, in addition to continuing the policy of land allocation, forest allocation, bare land and hill greening coverage, and clear definition of land-use rights for ethnic minority

households, the Government has decided to support production land for ethnic minority households in order to stabilize and improve their living standards. The average area of production land of each household in ethnic minority areas has been increased. The work of agricultural settlement, fixed residence, life stabilization of ethnic minority people has been done well. Housing problems of ethnic minority people have been paid much attention. The policies on social, educational, medical and cultural assistance have been carried out.

*However*, mountainous and ethnic minority areas are still slowly developed. The gap of socio-economic development compared with other areas tends to be increased. Hunger and poverty rate and the danger of falling back into poverty are high. The access of ethnic minority people to basic social services is limited. The State assistance for ethnic minorities in some areas has not gained high efficiency.

## **9. Gender equality, youth movements and protection of children's rights**

Gender equality and women empowerment have made considerable advances, especially in education. The rate of secondary school-girls against school-boys has risen from 86% in 1993 to 94.5% in 2003. Similar increase is evident in colleges and universities. The number of elected female members of the National Assembly accounts for about 27.3%, the highest among Asian Parliaments.

The registration of both the husband and wife's names in the certificate of land-use rights has been conducted on a large scale, ensuring women of access to credit funds. Domestic violence has been restricted with improved position of women in family and society.

*Despite great advances in gender-related work*, gaps still exist. Early marriage, sexual discrimination and maltreatment against women, sexual abuse of girls, prostitution, trafficking of women and children, etc. – social problems and violations to women's right to equality and dignity – have not been effectively settled.

The youth's movement has made a long stride, arousing and promoting their voluntary spirit, their socio-political activeness through various campaigns (such as *Month of the Youth, Summer Activities of Pupil and Student Volunteers*). Community spirit, humanity, sharing, active participation in recovery of natural disasters, in rescue operation, in the struggle against negative phenomena and social problems, assistance to children under special circumstances, have become a prevalent trend and noble qualities of the majority of our youths.

Proactiveness and self-consciousness in study and practice to meet the increasing social demands tend to strongly develop among the youth. They are actively engaged in administrative reform and new working style building. Many of them have made great endeavours to be admitted to the Communist Youth League and Communist Party so as to improve themselves and devote more to the country.

The youth's needs of study and knowledge improvement seem to increase, the cultural level has been increasingly improved. Many of the youth have actively participated in scientific research and technical creation, and won many high-ranking awards in domestic and international contests.

Most of the youth have taken part with full enthusiasm in the socio-economic construction and development process, such as focal national and local projects (Program to replace makeshift bridges with new constructed ones, Ho Chi Minh Highway construction, construction of Bach Long Vi island for the youth, Con Co island, villages of the young career starters along Hochiminh Highway, etc.)

The youth have actively joined in volunteer movements with practical content, high efficiency, enriched and diversified manner with some examples as: traffic safety keeping, information dissemination and transfer of technical and scientific knowledge to the young farmers and people, construction of pilot agricultural and industrial models, etc.

The vanguard role of the youth in the extremely difficult and challenging areas in the fight against poverty and hunger, in production and socio-economic development, has been fostered.

However, a number of young people are not conscientious or diligent, spending more than their families and/or themselves can afford, they lack the will to strive for the better, they are self-indulgent and snobbish, which results in the high rate of juvenile delinquencies. A number of them do not have high educational levels, particularly those in rural and mountainous areas.

*Children protection and care have been emphasized.* All levels, sectors, organizations, unions as well as individual people have shown increased responsibility in the protection, care and education for children. Most children, girls or boys, of the majority or minority, north or south, are progressively enjoying their basic rights and benefits in such services as: birth registration, medical services, education, social welfares, etc. Thanks to the good implementation of the National Action Program for Children, neonatal mortality rate of the nation has increasingly reduced. Anti-malnutrition program for under-5-year-old children has been carried out nation-wide, resulting in a fall of malnourished children rate from 31.9% in 2001 to 25% in 2005. National Extended Vaccination Program for children is maintained. Groups of homeless children, child labor, drug addicts, sexual harrassment appear to dramatically drop. To date, 53.3% of the homeless, 75% of the disabled, 25% of the handicaped have been gathered to be taken care of in different ways.

The number of children who regularly live under special circumstances and receive regular social benefits in communities has been increasing<sup>54</sup>.

Educational support for orphaned, handicapped children is continued with 100% of them enjoying exemption or reduction of school fees and other payments. Health care and rehabilitation for children in the community have gained some achievements, along with well-organized programs to support children suffering from innate defects, such as eyes, heart, harelips, cleft palate, Agent Orange intoxication, etc<sup>55</sup>.

Vocational training and job generation for children have got further attention. During the past years, 12,813 children have attended vocational training courses and nearly 5,000

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<sup>54</sup> According to reports from localities, in 2003 alone, about 35,700 orphaned children and 42,768 disabled children received 45 thousand VND/child/month from social welfare supporting fund; 10,509 children living under difficult circumstances were brought up in social sponsoring units.

<sup>55</sup> In 2003, 12,316 children were granted support for rehabilitation in the community and about 1,000 received treatment from orthopedic and rehabilitation clinics.

have been employed. The issues of children being beggars or working as porters have been settled by many local authorities with efficient measures.

*However*, protection and health care for children have exhibited several limitations, such as insufficient medical care for children at medical facilities, or inadequate education. The annual rate of malnutrition reduction appears to be slow. Solutions for homeless children in some localities are not specific enough. Vocational training and job generation for children are coping with multiple obstacles due to the lack of efficient coordination mechanism among responsible agencies in the children's right protection machinery. On the other hand, the supervision of budget allocation for children-related issues has not been executed.

## **10. Prevention against drug and social problems**

The movement of building sound communes and wards free from social problems has been widely replicated. Some localities have devised effective solutions in treatments for drug addicts and in the struggle against trading, trafficking and circulation of drug in the community. Many effective modes of treatments for drug addicts have been multiplied, together with diversified modes and management of addicts after treatment. Materials and facilities of drug treatment have innitially intensified, leading to decreased rate of resumed addiction in localities. Professional security force against drug criminals have timely eliminated a number of drug-use places and stopped several big drug trafficking cases, contributing to the restriction of drug addiction and other social problems.

However, several social problems have not been efficiently prevented. Organized crimes, corruption, drug-related crimes tend to increase. In the struggle against bad habits, moral deterioration, synchronized measures and practical effects are still absent.

Drug crimes and commercial sex work are getting more and more complicated, making the situation of HIV/AIDS infection hardly controllable. Unless fundamental measures were applied on a large scale to promote HIV/AIDS prevention, sustainable development would have to face with serious consequences.

## **C. DEFENSE AND SECURITY**

During the past five years, together with concentration on economic development, the national defense and security force has been strengthened in order to well perform regular as well as emergency duties, which contributes to improving military strengths and the army's readiness for combat, firmly protecting the country.

People's security arrangement combined with people's defense systems in all key areas have been consolidated, helps to maintain national security and curtail civil unrest. The effectiveness and efficiency of State management in national security have been enhanced. A number of violations, social crimes and corruption have been disclosed and strictly penalized.

The material and spiritual life of the armed forces is ensured. Arms, facilities and equipment have improved considerably.

Economic development combined with defense in some localities have brought about innitial effects, giving tremendous support to hunger elimination and poverty reduction in remote, distant areas, borderline, islands and strategic zones. The strategically important

areas, especially the Central Highland, Southeastern, Northwestern, borderline, marine waters, islands, have received special attention, close leadership and good guidance from various sectors and levels of authority, and have been reinforced with more people, equipment and forces. Construction and investment in infrastructure to upgrade social life of the people have been given priority whereby poverty and hunger rate decreases remarkably. Political security, national sovereignty and interests, social security and order have been firmly protected and maintained.

Good security work has ensured absolute safety for major politico-social activities, commemorations, popular festivals, SEA Games 22, ASEM 5, etc.

Prevention against crimes, especially organized crimes, dangerous economic crimes and social problems have attained evident achievements. Transport safety maintenance has received special attention and some initial success has been achieved.

The achievements and results during the past years in national defense - security are extremely essential and crucial for a firm foundation of socio-economic development.

*However*, achievements in maintaining security, social order and safety are not really solid; obstacles and challenges still remain, including insufficient readiness for combat. Material and technical facilities provided to build up a regular and modern military and security forces are not appropriate in the new conditions. Investment for the requirement of guaranteed defense and security in frontier areas and islands is limited.

The combination of socio-economic development with defense-security reinforcement shown in development planning is not adequate and evident. Critical sectors and fields to be constructed and planned, such as industry, defense, industries producing equipment for security and the police, infrastructure, police system at communes, wards, rescue operation, borderline patrol, prison and retention camp systems are slow to make progress. The coordinating mechanism between the security sector and localities remains unclearly defined in socio-economic development planning in combination with defense – security planning. Similarly weak and ineffective combination of socio-economic development and defense-security is apparent in crucial zones, such as the Central Highland, Southeastern, Northwestern, Western Thanh Hoa, Western Nghe An borderline, marine waters, and islands.

The organization and implementation of political security duties, preservation of social order and safety are still insufficient. State management of national defense-security has revealed some weaknesses in several respects. Potential factors which may cause social and security disorder still remain, even become seriously dangerous at times. Four challenges to national security still linger and proceed in an ever more complicated and unexpected manner, and may lead to other risks as well.

## **D. BUILDING UP THE INSTITUTIONS OF A SOCIALIST MARKET ECONOMY**

### **1. Develop the economic legislative system**

Economic legislative system has been increasingly completed. Many legal documents on economy under the form of Code, Law and Ordinances have been issued<sup>56</sup>. The content of economic legislation has been more appropriate to the market mechanism, satisfying various requirements of economic reform and international economic integration, giving favorable conditions for free enterprise, developing multi-sectoral economy, productively exploiting social resources, boosting up commodity and service markets, facilitating the efficient operation of market mechanism, creating foundations for the formation and operation of markets of all types or of market factors.

*However*, the legal framework for the market economy fails to introduce an effective mechanism to protect the full rights of free enterprise, and is unable to create a sound, fair environment for competition pursuant to international commitments; it is also insufficient to satisfy the requirements for the liberalization of trade, investment, services and intellectual property protection; mechanism for implementation and enforcement has not been openly and transparently defined; expenditure regimes remain inconsistent; supervision, inspection and assessment of the observance of budget-related regulations are still weak.

### **2. Improve capacity and effectiveness of law enforcement**

The application of new legal framework to nearly every field of socio-economic life has actively progressed, substituting for out-of-date ones of the former centrally planned economy, making it easier for the introduction, operation and development of socialist-oriented market economy. As a result, economic and civil relations have gradually become regulated by law and order and market practices instead of administrative orders and disciplines of the former centrally planned economy. Trust and legal security for investment and business have been gradually improved, which helps enlarge investment and business scale of domestic economic sectors and overseas investors.

*A large number of obstacles*, however, remain to be overcome, such as: poor organization of the implementation and enforcement of enactments, a big gap between law issuance and enforcement in practical cases, inefficient execution of judicial functions by some law protecting agencies. The phenomenon “criminalizing of civil transactions” has led to investors’ hesitation in investment and doing business of large scale. Work related to people and enterprises has, in a good number of cases, not been performed in strict observance of the law, which results in arbitrary enforcement by many State officials. The majority of people, particularly those in remote, less developed areas still have limited awareness of the law and the market economy as well as poor observance of the law. The development and enforcement of policies as well as advocacy do not correspond to reality, customs, and practices of people in remote and mountainous areas.

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<sup>56</sup> Since 1986, more than 200 Laws and Ordinances, including Amended and Supplemented Laws and Ordinances, have been enacted and put into effect.

### **3. systematically establish different types of markets**

*Capital markets:* measures to develop the capital market and renovate the banking system towards transparency and soundness have been executed in order to improve operational efficiency and competitiveness of Vietnam banking system. The stock trading centers in Ho Chi Minh city and Hanoi have been put into operation and gained initial results. The Bank for Social Policies has been established to serve the Party and Government's social policies. Non-banking financial institutions are developed, such as finance and security companies, insurance companies, finance leasing companies, investment funds, etc., with a view to expanding the capital markets and creating a more balanced financial system. Insurance market develops in a quite vibrant manner; insurance revenues record good growth, owing to the dynamic operation of 18 domestic and many other reputable international insurers.

*Labor market* has taken shape thanks to the promulgation of the Labor Code and the reform of labor management schemes, together with the amendment and supplementation of social insurance regimes. Employment service network has been widely formulated to meet the needs of the labor market; various modes of transaction have been applied in the labor market, such as job fairs, employment brokers and labor provision, which facilitates the circulation of labor among sectors and regions. Attention has been paid to the participation in international labor markets through the application of new guidelines and policies concerning labor export.

*Real Estate market* has positive changes. The Resolution of the 7th Central Committee's plenum (of the IX term) on the continuation of renovation in land policies and laws in the period of industrialization and modernization was passed. The Land Law passed in 2003 made clear effects on establishing order and rules in the land management process, created a legal corridor for developing real estate markets, and brought into play resources and land sources in socio-economic development. Investment in real estates (tenements, offices for hire, hotels, storages, etc.) tends to be increased.

*Science and technology market* is established and gradually developed through the organization of equipments and technology fairs nationwide, together with services, software production and supply, technology transfer to enterprises, and legal and managerial consultancy activities. Scientific and technological research institutions and scientists install closer linkages with producers and manufacturers, and receive research orders to create initial supply-demand relations in a number of scientific and technological activities.

*However, market establishment is unsystematic and too slow.* Up to now, only goods and services markets have basically taken shape, and the market mechanism operates considerably effectively; other types of markets still remain very primitive. Although a stock trading center has been operating since 2000, it remains too small to serve as a 'barometer' or 'thermometer' or an effective channel for capital mobilization in our economy; real estate markets, especially the market for assigning land use rights, develop in a distorted manner, which severely restricts investment capacity; labor, science and technology markets are yet incomplete.



The legal framework for establishing and effectively operating numerous market types is insufficient, so they cannot adequately support the development of numerous essential market types at present, such as estate market, labor market, financial market, and science and technology market.

#### **4. Public administrative reform (PAR)**

The PAR has been strengthened in 4 respects: institutional reform; reform of the organizational structure of the administrative apparatus; renovation and improvement of civil servants' quality; and reform of public finance.

The mandates and functions of State administrative agencies from Government, Ministries, Central branches to local authorities continue to be clarified so as to eliminate or avoid overlaps and parallels in terms of functions and duties among institutions. Government and local authority apparatus is partly re-arranged; its operation is more effective and suitable to new economic mechanism. Budgetary decentralization, delegation of investment approval authority, land allocation and allotment, etc., continues to facilitate the autonomy of all levels and sectors in their specification of the Party and Government's guidelines and policies.

The institutional reform has helped simplify and streamline administrative procedures by applying the "one-stop shop", "one stamp", "on-site stop shop" and removing cumbersome formalities which have seriously bothered people so far. So far, over 40% of provincial departments, 85% of district units and over 11% of commune units have executed the "one-stop shop" regulation. Positive improvement has been made in the quality and capacity of State officials and public servants. Progress is evident in the PAR, contributing to improved quality of public services, higher effectiveness and efficiency of the administrative apparatus, and ultimately better serving the requirements of the country's socio-economic development.

The implementation of the "Democracy at Grassroots Levels" Regulation has made positive moves, enabling people to participate in the construction and consolidation of the authority. So far, 100% communes, wards and towns have organized the implementation of the said Regulation to various extents depending on their particular contexts and conditions. People have strictly observed the implementation of Election Law through two elections of People's Councils at all levels in the terms of office 1999-2004 and 2004-2009. Many corruption and negative phenomena have been disclosed by people. The working styles of officials at all levels, especially at grassroots level, have ameliorated to be more open and democratic, better satisfying people's needs and desires and reducing bureaucracy. Much progress has been made in the election of village heads, hamlet heads or residence heads; 80% of hamlets, residences or villages have established their own 'common' regulations and rules to which they comply seriously.

However, the process of PAR is slow, the State administrative machinery is cumbersome, with unclear decentralization and individual's responsibilities, complicated administrative procedures; affairs related to people, local authorities and enterprises are troublesome and slow to be addressed.

## **PART II:**

### **THE FIVE-YEAR SOCIO-ECONOMIC DEVELOPMENT PLAN 2006 – 2010**

#### **I. ADVANTAGES, DIFFICULTIES AND CHALLENGES TO THE ECONOMY IN THE NEW DEVELOPMENT STAGE**

At the beginning of the five-year plan (2006 – 2010) in the context of comprehensive economic integration, international and internal situations will exert very strong impacts on the country's socio-economic development possibility. It is forecasted that new advantages will emerge, creating huge opportunities for development; yet difficulties and challenges will also arise, requiring enormous efforts to overcome.

##### **1. Advantages to be utilized:**

*1. Internally*, the achievements of the last five years (2001 – 2005) and of the 20 years' renovation (1986 – 2005) have strengthened our capacity and status; political, social and economic stability continues to be maintained, which reinforces the trust of all people, enterprises, national as well as international investors.

Institutions for a socialist-oriented market economy associated with international economic integration have started to take shape and operate with initial effectiveness. Enacted policies and mechanisms have been materialized, bringing about their positive impacts, attracting more investment for the whole society; internal resources have been highly exploited, accounting for over 70% of development resources, which helps us to focus investment on key objectives, especially investment in infrastructure and promotion of economic structural shift.

Innovation has been made in economic mindset, as reflected in the Resolution of the 9<sup>th</sup> Plenum of the IX Party Central Committee and draft documents submitted to the 10<sup>th</sup> Congress of the Party which facilitates the design of better, more open policies and mechanisms in order to attract more resources and improve investment environment, fostering economic growth.

A positive shift has been made in structure of the economy in terms of industrialization and modernization; sectoral and regional strengths have started to develop ; the quality of growth in several sectors and fields has improved; enterprises and the whole economy have been more adaptive to international markets.

There is still a lot of room for substantial development of the services sector, which will facilitate to a rapid improvement of the effectiveness and competitiveness of products and the whole economy.

Regional economies have made use of their comparative advantages; the key driving economic regions have gradually developed their central roles, creating linkages with other regions and supporting better development of other regions.

International economic relations have been consolidated and developed. Vietnamese export goods have secured their place in various markets and have numerous prospects of expansion. Vietnam has been more proactive in international economic integration; the

implementation of various bilateral and multilateral trade agreements, the full membership of WTO, etc., will create opportunities for better development of Vietnam's strengths and position in the world.

Besides, positive achievements in the PAR in recent years, especially economic institutional reform, apparatus renovation, quality improvement of State officials and public servants, etc., have exerted positive impacts on the leadership, governance and guidance of the implementation of the objectives of the socio-economic development plan, improving the country's development quality over the years.

2. *Internationally*, the world and the region's political and economic situation may have complicate changes, yet the general trend is basically forecasted to exert positive impacts on our economy and society.

Peace, stability, cooperation for development continue to be the prevalent trend in the world and the region. The world's economy can possibly develop at a high pace as that of the past period, and the Asia-Pacific Region still is the most dynamic developing region.

The scientific and technological revolution, particularly information technology and biotechnology, continue to develop fast, and are increasingly becoming direct forces for production, extensively influencing the restructuring of the world economy depending on the technological absorptive capacity of each economy. Together with that is the global labor division which fosters the development of the world's economy. The construction and development of a knowledge-based economy continue to be the priority in the development policies of various countries, especially in industrialized, developed ones. We need to take maximum advantage of technology transfer and quickly increase the capacity and necessary conditions for the reception and mastering of new technologies, closely associate science and technology with production and business, with the organization of management and with all human activities.

Globalization and international economic integration in connection with trade liberalization will be strengthened; investment, movement of goods and services, labor and capital will be increasingly expanded. The issue we need to tackle is to promulgate more appropriate policies and flexible governance with a view to taking advantages of new opportunities offered by globalization and economic integration, overcoming challenges, minimizing adverse impacts, improving efficiency and competitiveness, gradually settling the 'lagging behind' situation in economy. In the coming time, it is necessary to intensify negotiations for the ascension to WTO, quickly become its full member, which facilitates our utilization of all opportunities and advantages created by the international context, expand the possibility for comprehensive international economic cooperation, exploit our comparative advantages, mobilize external resources for better development of our internal resources, making them the combined strength for the country's development.

## **2. Difficulties and challenges to be minimized and overcome**

1. *Internally*, the biggest challenge is the competitiveness and capacity for international economic integration of enterprises and the whole economy which are still below the requirements and the world's general level. Meanwhile, the roadmap for the full implementation of commitments to AFTA, WTO and other international agreements has created more severe competitive pressure on enterprises.

The production structure in each sector, field and region has not transformed quickly enough to fully respond to fast changes of demands in domestic and international markets. The socio-economic infrastructure has not been able to satisfy development requirements. The level of technology and the capacity to absorb technology transfer are generally far behind other countries in the region.

There remain a number of weaknesses in various social sectors, but they are very difficult to settle. The quality of human resources fails to satisfy development requirements in the new stage. People's life in remote, mountainous and disadvantaged, and natural disaster-stricken areas continues to face various difficulties. Serious social evils still linger. Social security and order in a number of regions are weak.

Public administrative reform has been slow slow; bureaucracy, corruption and waste have not been well prevented; the efficiency of State management is limited; these weaknesses will exert serious impacts on the implementation and achievement of the objectives and tasks of the next five-year plan unless these are solved in time.

*Besides*, the small size of the economy relative to its population with an average GDP per capita in 2005 of USD 640 still make Vietnam rank among the low-income countries in the world<sup>57</sup>. People's income and consumption are insufficient to foster the driving forces for production and markets; the financial and monetary system is weak and deficient. Our country is faced with the risk of 'lagging behind' other countries in the region and the world. This is a huge challenge.

According to assessment and comparison of the latest data for 2004 – 2005, Vietnam's business competitiveness index (BCI) ranks the 79<sup>th</sup> among 103, Vietnam's national general competitiveness index (GCI) in global comparison ranks 77<sup>th</sup> among 104. Even information technology, which records the highest acceleration in Vietnam, still ranks the 68<sup>th</sup> among 102 countries. Comparative corruption index published by the Transparency International reflects its seriousness in Vietnam, which ranks the 102<sup>nd</sup> among 144 countries in the world. Addressing these issues requires enormous efforts of the whole country in the coming time, especially the five years of comprehensive and intensive integration which may help the country to quickly rank among the middle income group<sup>29</sup>.

2. *Internationally*, the world's political situation contains various unexpected complications.

Firstly, local conflicts, terrorism and other disorders may possibly break out in a number of regions, seriously affecting global security. The world's superpowers are putting higher pressure on developing ones and increase their influence.

Besides, the trend to sign free trade bilateral and regional agreements, especially among developed countries, is also a big challenge for developing ones including Vietnam. This trend marginalizes the poor and underdeveloped out of the general development. Technical and trade barriers cause disadvantages for agricultural and semi-processed industrial goods with high production costs.

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<sup>57</sup> The World Bank's standards in 2005 with regard to low-income countries are those with average income per capita under USD765 per annum.

<sup>29</sup> By 2010, it is forecasted that middle-income countries are those with the average income level of USD 950-10,500 per capita, and USD 950-3,100 in low middle income countries.

Globalization will increase competition pressure, especially on countries developing at a low pace like ours. Economic, business, investment competitions become more serious. Financial, monetary and price markets will probably become more complex. The world's prices of some main products greatly affecting the global economy like energy, materials, etc. may have unexpected and negative chain effects on developing and underdeveloped countries. Exchange and interest rate policies of our largest global partners leave great impacts on our economy as well.

In addition, global issues like epidemics, environmental pollution, scarcity of material resources, the rich-poor divide, etc. will become more serious, strongly and diversely affecting our socio-economic development and efficiency.

## **II. GENERAL GOALS, MAIN TASKS AND TARGETS.**

The five-year socio-economic development plan for the period of 2006-2010 must continue to concretize the contents of the ten-year socio-economic development strategy for 2001-2010 in order to achieve the goals and tasks proposed in the Strategy, bringing our country out of the low development state<sup>58</sup>. Also, based on the implementation of the five-year plan 2001-2005 and the potential influence of new factors in the next five years, the five-year plan 2006-2010 not only limits at achieving the targets of the ten-year strategy but also strives more to create significant and stable development pace, helping our country out of the low income group, creating more jobs with higher productivity and quality, improving people's material and spiritual life in the orientation of sustainable development.

### **1. General Goals:**

General goals of the five-year socio-economic development plan in 2006-2010 are:

*Boost the economic growth rate, achieving important changes in the orientation of fast and sustainable development, quickly bringing our country out of the low development state. Significantly improve people's material, cultural, and spiritual life. Create foundations to boost the industrialization and modernization process and gradually develop the knowledge-based economy. Stabilize politics, orders, and social security. Firmly protect our independence, sovereignty, territory, and national security. Improve Vietnam's status in the region and the world.*

### **2. Main tasks.**

The above general goals are broken down into the following main tasks:

*First, strongly liberate the labor force, utilizing all potentials and resources, creating a breakthrough in building infrastructure and strong economic and services structural transformation, increasing competitiveness in order to boost the economic growth rate,*

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<sup>58</sup> Currently there are no criteria for assessing low development, but the Socio-Economic Committee of the UN (UNECOSOC) has used 3 criteria to identify the list of least developed countries (LDCs), namely: Low income means national income per capita of under 900USD. Low development in terms of human resources is measured by nutrition, health status, educational level, adult literacy. Economic vulnerability is assessed on the basis of instability in agriculture, goods and export services, the role of non-traditional economies, the concentration of goods export, and other adverse economic factors, etc. At present, 59 countries are ranked among LDCs.

improving development quality, *quickly getting our country out of the low income group*<sup>59</sup>.

*Second*, move more strongly into the market economy, execute market principles, systematically formulate all types of markets and socialist-oriented market economic institutions which are suitable to our country's conditions.

*Third*, actively accelerate international economic integration, dramatically expand and improve the efficiency of foreign trade together with the establishment of an autonomous and self-reliant economy.

*Fourth*, strongly develop science and technology, education and training, improve the quality of the human resources for the sake of the national industrialization and modernization, and enhance the development of knowledge economy.

*Fifth*, create a strong move in building cultural foundation, knowledge, morality and lifestyles, significantly improving people's health and physical fitness, protect and improve ecological environment.

*Sixth*, realize social progress, equity and gender equality, create jobs, encourage people to get rich in legitimate ways, alleviate hunger and reduce poverty, develop social security system and prevent social problems.

*Seventh*, enhance democracy, use the national solidarity as the driving force and the decisive factor in improving the efficiency of a socialist State ruled by law, creating a comprehensive and significant change in administrative reform, pushing back bureaucracy, corruption, waste.

*Eighth*, strengthen national defense and security, firmly maintain peaceful environment, stabilize socio-political situation and expand foreign relationship to create advantageous conditions for national construction and protection.

### **3. Main targets**

Development targets are designed on the basis of development orientation in order to boost the industrialization and modernization process, avoid the risk of "lagging behind", bring Vietnam out of the low income group, together with the implementation of the MDGs according to international commitments. The main targets are set up so as to ensure sustainable development of 3 axes: economy – society – environment.

#### *1. Economy*

According to price comparison Gross Domestic Product (GDP) in 2010 is 2.1 times higher than that in 2000. Annual average growth rate per capita for the period of 5 years 2006-2010 will be 7.5-8%, among which agriculture, forestry, and fishery will increase by 3-3.2%, industry and construction will increase by 9.5-10.2%, services will increase by 7.7-8.2%.

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<sup>59</sup> Forecasts say the low income threshold in 2010 may rise to 900USD/person, so by 2010 if Vietnam's average GDP per capita reaches 950 – 1,000USD, it will be grouped among the medium income.

GDP scale in 2010 will be 1,673-1,760 billion VND (current price), equivalent to 94-98 billion USD and GDP per capita will be about 1,050-1,100 USD.

National budget revenue will be about 21-22% of GDP

Economic sectoral structure in GDP in 2010 will be: Agriculture, forestry, and fishery products about 15-16%, industry and construction about 43-44%, services about 40-41%.

Total export turnover will increase by 16% annually.

Total social investment will be about 2,200 thousand billion VND (2005 price), equivalent to 138.6 billion USD, accounting for 40% of GDP.

*If domestic and international conditions favor, there will be more new opportunities to boost export, develop services faster, mobilize more domestic capital, increase foreign capital attraction to reach the investment level of 38% GDP, together with reducing production costs, increasing labor productivity among sectors, minimizing loss and waste in construction, etc., **which helps attain the economic growth rate of above 8% (GDP).***

## *2. Social affairs*

Continue the implementation of the millennium development goals (MDGs) as committed<sup>60</sup> including:

- Completing the universalization of lower secondary school. By 2010 tertiary education is provided to 200 per 10,000 population. Trained labor rate reaches 40% of the total social labor.
- 100% households in need can have houses to live in, with the average of 14 – 15 m<sup>2</sup> per capita; telephone density reaches 35 sets per 100 population; Internet subscribers rate reaches 12.6 per 100 population; Internet users rate reaches 48% and expand the use of information technology.
- The population size is to stay at about 88.4 million, in which urban population is 26.4 million, rural population 62 million; the population growth rate by 2010 is about 1.14%.
- Create jobs for over 8 million laborers, i.e. an average of over 1.6 million per annum; vocational training is offered to 7.5 million people, in which 25 – 30% receive long-term training. Urban unemployment rate stays under 5%.
- By 2010 agricultural labor accounts for 50% of the labor force.
- Vietnamese average life expectancy is about 72 years of age.
- Under-1 infant mortality rate is under 16‰ and under-five mortality is about 25‰. Under-five malnutrition rate is under 20% by 2010.
- Reduce maternity mortality and birth-related mortality to under 70 per 100,000 live births. The number of doctors reaches 7 per 100,000 population, pharmacists with university degrees 1 – 1.2 per 10,000, hospital beds 26.3 per 10,000 population.

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<sup>60</sup> For more detail, see Appendix.

- Completely eliminate hungry households; reduce poor households (according to new standards) to 10 – 11% by 2010<sup>61</sup>.

### *3. The Environment*

By 2010, increase forest coverage to 42-43%.

Strive for 100% of Level-1, 2 and 3 cities, 50% of Level-4 cities and all newly built production establishments to apply clean technology or equipped with pollution minimization facilities, ensure waste treatment and 50% of production and business establishment satisfy environmental standards.

By 2010, 100% of industrial zones, export processing zones are equipped with centralized wastewater treatment systems, 90 % of solid waste collected and treated, 80% of hazardous waste and 100% medical waste treated.

Strive to reach 95% of urban population and 75% of rural population to have access to clean water.

## **III. FORECASTS OF MAJOR BALANCES OF THE ECONOMY**

### **1. Forecasts of accumulation – consumption relationship**

According to growth scenario, the total GDP created in the next five years is about 6,528 – 6,674 thousand billion VND (according to current prices)<sup>62</sup>.

The total consumption fund in the five years may reach 4,496 – 4,548 thousand billion VND, accounting for 68-69% of GDP. The ratio of consumption per GDP tends to reduce faster than the 2001 – 2005 period, from 70.2% in 2005 to 67.5 – 68.7% by 2010. This is necessary for the increase of accumulation for industrialization and modernization, and also for the reduction of excess importation against GDP. However, thanks to relatively high production growth, the growth of consumption fund during the five years can still reach 12.5 – 13.5% per annum on the average; it may reach 6 – 7% per annum if calculated regardless of consumption price factors. Actual consumption per capita is expected to increase by 5 – 6% per annum, ensuring the improvement of people's life and facilitating the development of domestic markets and services<sup>63</sup>.

The total accumulation in the five years reaches 2645-2740 thousand billion VND, equivalent to about 40.4-40.9% of GDP. The accumulation rate per GDP tends to increase from 36.7% in 2005 to nearly 41-42% by 2010. The total domestic savings per GDP increases from 29.8% in 2005 to 31.3 – 32.5% by 2010. If the possibility of mobilizing domestic savings for investment reach about 85%; the total domestic investment will reach about 26.6-27% of GDP.

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<sup>61</sup> According to people's living standards survey: in 1993, poor household rate pursuant to international standards was 58%, 37.4% in 1998, and was reduced to 28.9% in 2002 and 24.1% in 2004.

<sup>62</sup> GDP according to 2005 prices is about 5,015 – 5,160 thousand billion VND, equivalent to 317 – 327 billion USD.

<sup>63</sup> During the five-years of 2001 – 2005 the consumption fund increased by 12.3%; if excluding the price factor, it increased by 7.6% per annum (prices increased by 4.7% per annum). Due to the average population growth rate of 1.3%, actual consumption per capita only increased by about 5.5%.



## 2. Forecasts of balances of all development investment capital resources

1. In order to achieve the above objectives and ensure economic growth rate of 7.5 – 8%, the investment rate per GDP in the five-year plan of 2006 – 2010 has to increase compared to the five-year plan of 2001 – 2005 from 37.5% to 40%. The total capital investment of the whole society in the five-year plan of 2006 – 2010 according to 2005 prices is to reach about VND 2,200 thousand billion, equivalent to USD 138.6 billion (according to current prices, USD 160 billion compared with USD 77 billion of the five years 2001-2005). The increase rate of total investment capital of the whole society (including price fluctuation) is estimated at 17.2% per annum, ensuring the planned economic growth rate.

Of the total capital investment of the whole society based on 2005 prices, investment from the State budget is expected to reach 486,000 billion VND, accounting for 22% of the total social investment; investment from the State preferential credit sources is expected to reach 200,800 billion VND, accounting for 9.1%; investment from SOEs possibly reaches about 307.4 billion VND, accounting for about 13.9%; investment from individuals and private sector may reach 748,700 billion VND, accounting for 34%; investment from FDI and indirect investment is expected to reach 378,000 billion VND, equivalent to about 23.8 billion USD (2005 exchange rate), accounting for 17.1%; investment from other sources is expected to reach 83,500 billion USD, accounting for 3.8%.

Of the total investment, domestic sources are expected to reach about 65%, external sources to reach about 35%. Investment into the economy is expected to account for about 69.9% of the total investment<sup>64</sup>, in which investment into agriculture, forestry and fishery accounts for 13.5%, industry and construction 44.5%, transport and post 11.9%. Investment into social affairs accounts for 28.3% of the total social investment, in which investment into education and training accounted 4.6%, health care and social welfare 2.7%, culture and sports 2.3%.

2. *External capital investment is expected as follows:*

ODA in the five years of 2006 – 2010 is expected to increase quickly thanks to favorable international conditions, the fast development of Vietnam economy as well as the increasingly effective reception and utilization of this source. For the whole five years, it is possible to mobilize 17 billion USD of capital committed.

ODA disbursement in the budget is expected to increase from 1.7 billion USD in 2005 to 2.3 billion USD in 2010; the whole ODA disbursed in the five years of 2006 – 2010 is approximately 10.9 billion USD, in which ODA put into investment is about 85%.

*Foreign direct investment (FDI) and foreign indirect investment* are forecasted to increase significantly. In the five years of 2006 – 2010, the total newly registered FDI, added capital and indirect investment) may reach about 23 – 25 billion USD, in which the added capital of on-going projects account for about 35%.

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<sup>64</sup> During the five years of 2001 – 2005, investment into the economy accounted for 70% of the total social investment, in which investment into agriculture, forestry and fishery was 13.5%, into industry and construction was 44.3%, transport and post 12.1%. Investment into social affairs accounted for 26.9% of the total social investment, in which investment into education and training was 4.1%; health care and social welfare 2.3%, culture and sports 1.3%.

FDI disbursed in the five years of 2006 – 2010 including added capital of the on-going projects in the five years of 2006-2010 is about 17.5-19.5 billion USD, in which industry (including oil and gas) accounts for 72-75%; agriculture, forestry and fishery 5 – 6.5% and services 20 – 21.5%.

Remittance that can be used for investment is about 12 billion USD.

Apart from those above external sources, it is possible to mobilize some foreign indirect investment through bonds and shares overseas, through the stock exchange market and other loans for medium-term and long-term investment; about 9 billion USD is expected to be mobilized in the next five years.

In general, *the total capital investment from external sources* implemented in the five years 2006-2010 can reach 55.1 billion US\$, accounting for about 35% of the total social investment.

### **3. Forecast of the State budget balance**

#### *a) State budget revenue:*

With the objective of positive budget balance on the basis of the stability of income-expenditure policies, reasonable over-expenditure, gradual increase of reserves, ensuring macro-economic stability and compatibility to the international integration roadmap, the total budget revenue in the next five years of 2006 - 2010 is expected to reach 1,472,000 billion VND, an increase of 1.94 times against that of 2001-2005; about 21 – 22% of GDP, in which taxes and fees are 20-21% of GDP. The average budget revenue increase may reach 11.5% per annum. The ratio of domestic revenue (crude oil excluded) is 59-60% of the total budget revenue; revenue from export is 17%, crude oil 22-23%.

The revenue structure is forecasted to shift toward more collection from domestic sources and reduction of revenue from crude oil, export and import.

#### *(b) State budget expenditure:*

State budget expenditure is designed on the basis of the balance with income and also the satisfaction of debt payment by the State and control of debt inside and outside the country at the safety level, together with the improved effectiveness of the use of the State budget funding. State budget expenditure in the next five years is forecasted to reach 1,800,000 billion VND, i.e. 27-28% of GDP and 1.96 times against that of 2001-2005. The spending increase rate may be 11.5-12% per annum. A reasonable spending structure among development investment spending, recurrent spending and debt payment spending is ensured: development investment spending is 590,000 billion VND, equal to 28.1% of the total budget expenditure and 22% of the total social investment; debt payment spending 311,000 billion VND, equal to 17.2% of the total budget expenditure; recurrent spending 946,000 billion VND, equal to 52.8% of the total State budget expenditure.

The State budget spending structure is expected to shift towards ensuring more spending for investment in infrastructure development, ensuring on-time debt payment, implementing social policies as planned targets and for five years 2006-2010.

#### *(c) Over-expenditure and methods for its compensation*

Over-expenditure rate is forecasted to account for 5% of GDP<sup>65</sup>. Over-expenditure can be compensated for through 2 sources: domestic borrowing and foreign loans.

#### **4. Forecast of international payment balance, foreign loans and reimbursement**

On the basis of export-import forecasts, foreign trade balance in the next five years may suffer from a 3 billion USD deficit per annum on the average because Vietnamese enterprises have to import machinery, equipment, raw materials for the expansion of domestic investment and production. The deficit of service and investment income balance is expected to increase slightly over the years. Over the five years of 2006 – 2010, the deficit of service and investment income balance is about 12.1 billion USD.

The surplus of official and private money transfer balance is expected to gradually increase over the next five years of 2006 – 2010 from 3.1 billion USD in 2005 to 3.5 billion USD in 2010 owing to the fast increase of foreign remittance by overseas Vietnamese. The general surplus in the next five years may reach 16.8 billion USD.

*Current balance of payment* (including foreign trade balance, service payment balance and investment income, official and private money transfer) in 2006 – 2010 is expected to suffer from an annual deficit of 2.1 billion USD. Most notably, deficit of current balance of payment tends to increase and be stable.

*Capital balance*: it is forecasted that over the five years of 2006 – 2010, FDI is possible to have approximately 14.4 billion USD disbursed, i.e. an average of 2.9 billion USD per annum (the part to be included in international balance of payment).

Foreign loans disbursement will increase at a gradually declining rate; it is expected to reach about 14.4 billion USD in the next five years. However, the requirements of debt reimbursement in the next five years will increase more strongly than the previous five years. Generally, about 11 billion USD of debts will need to be reimbursed; therefore, medium and long-term capital in the next five years may possibly increase by 3.4 billion USD.

Generally, the capital account for the period of 2006 – 2010 will have a surplus of 18 billion USD, that is an average of 3.6 billion USD per annum.

Due to the big surplus of capital account, *the overall international balance of payment* in the next five years will have a surplus of approximately 3.8 billion USD, i.e. an average of 0.8 billion USD per annum. The year 2010 alone will have a surplus of 1.2 billion USD.

##### *Foreign loans and reimbursement:*

For the whole five years of 2006 – 2010, the total new loans may reach 14.4 billion USD, i.e. an increase of 38.6% compared to the five years of 2001 – 2005, including the Government's new loans of 8.4 billion USD, accounting for 58.3%, enterprises' new loans of 6 billion USD, accounting for 41.7%.

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<sup>65</sup> According to international standards, over-expenditure from 2006 to 2010 accounts for approximately 2.81% of GDP.

The total foreign debt reimbursement, including both the principal and interest, will reach 11 billion USD, in which reimbursement of the Government's debts is 5.4 billion USD, and of enterprises' debts is 5.6 billion USD.

Debt services for both principal and interest compared to export turnover are 5.4% in 2005 and will decrease to 4.3% in 2010.

The Government debt services compared to the total State budget revenue are 6.9% in 2005 and will drop to 6.2% in 2010. This will be equivalent to 2-4% of total State Budget revenue if excluding the amount of debt use for lending, which is outside State Budget account.

Outstanding foreign loan balance of the entire economy is expected to increase from 16.7 billion USD in 2005 to 24.4 billion USD in 2010. The total outstanding balance of foreign loans compared to GDP in the next five years can remain stable at 37.5%, a slight increase against the five years of 2001 – 2005. The ratio of outstanding foreign loan balance against the export turnover in 2005 is 54.5%, and will drop to 41.4% in 2010.

#### **IV. DEVELOPMENT ORIENTATION OF ALL SECTORS AND FIELDS IN THE FIVE YEARS OF 2006 – 2010**

##### **1. Agricultural development, innovative rural construction and improvement of people's life**

*(a) Goals:*

*Create quality change in agricultural production and strongly develop rural economy, satisfy domestic demands and increase export turnover. Build up diverse and clean commodity agriculture, with fast and sustainable development, high quality, productivity and competitiveness. Transform agricultural and rural economic structure in the orientation of improved efficiency and technology through the application of scientific and technological advances to production, preservation and processing. Intensify the linkages between industry and agriculture so as to improve production efficiency. Build new rural systems with modern infrastructure in association with urbanization. Diversify economies and crafts, particularly those with high added and export value. Improve the farmers' living standards. Completely eliminate hungry households and substantially reduce poor households by 2010. The value added of agriculture, forestry and fishery is to increase by about 3.0 – 3.2% per annum (production value 4.5%).*

*(b) In order to achieve the abovementioned goals and development orientation, the main tasks to be implemented in the next five years are as follows:*

Food: Increase production at reasonable rate to ensure national food security, food reserve, animal feeds and export of 3 – 4 million tons per annum. Emphasize quality, increase high-quality rice for export without increasing rice-cultivating areas; low-productivity rice-cultivating areas are to shift to other crop cultivation with higher efficiency. Diversify Vietnam's typical fruits and vegetables, particularly fruit specialties; intensify food and foodstuff hygiene and safety, and increase organic products. Preserve and develop native crop varieties and biodiversity in ethnic minority areas.

Industrial Crops: improve their productivity, quality; process high-value products and develop product trademarks. Develop large-scale specialization areas closely linked with processing industry, gradually industrialize and modernize agriculture and rural areas. Invest and apply scientific and technological advances, new high-yield and high quality varieties, and devise solutions for ensuring the provision of varieties at reasonable prices for remote and mountainous areas. Develop rubber, tea crops in response to the market. Quickly increase cashew cultivation areas and production. Reduce coffee plantation in areas with difficult irrigation, unsuitable soil and low productivity.

Ensure sufficient meat and milk for domestic markets by developing livestock in the orientation of centralized farm in association with processing industry and disease prevention and treatment.

Systematically develop fishery products, including all stages of exploitation, aquaculture and processing, ensuring sustainable development in line with the strategy for developing sea and island economy. Stabilize coastal exploitation linked with development of seafood farming development. Rapidly develop off-shore exploitation. Implement the strategy for domestic and export market establishment within the context of international economic integration. On that basis, design plans for the development of key products in the coming five years, ensuring control in aquaculture, exploitation, processing as well as in product sales.

Create significant change in the increased forestry products, primarily wooden products. Fundamentally reform the forestry sector with stronger linkages between protective and economic functions, restructure different kinds of forests in accordance to direct owners: the State, communities, individuals and other economic sectors, while individual ownership dominates; reduce forest areas directly managed by State agencies; increase forest coverage. Plant forests to establish raw material supply areas for paper mills and artificial planks factories, process wood into export products, which enables forestry workers to benefit from forest protection and development.

*(c) Major solutions for intensifying agricultural, rural economic development and improving people's life*

Review agricultural, forestry, aquacultural production planning to make it adaptive to domestic and international market requirements; make use of the natural and economic advantages of each ecological region, improve the competitiveness of each type of agricultural product and economy of which we are strong. Establish centralized production, intensive farming areas in association with processing industry. Terminate the situation of building processing factories where raw materials are unavailable, or establishing raw material supply areas without the parallel construction of processing factories.

Develop high-productivity, high quality plant and livestock varieties, contributing to the reduction of production costs and improvement of agricultural product competitiveness. Improve the agricultural extension network at grassroots level, guide farmers to develop their production in accordance with master plans, apply scientific and technological advances to cultivation and livestock raising.

Priority is to be given to infrastructure development to service production; increase investment in irrigation and underground water exploitation works so as to quickly solve drought problems, ensure irrigation and drainage requirements of agriculture, water supply

to industry, people's life and aquaculture. Intensify natural disaster warning and forecast systems; synchronously develop the system for disease prevention and combat among cattle, poultry rearing and aquaculture. Study to shift to livestock and plant varieties with lower water requirements in drought-stricken areas.

Develop non-agricultural economies in rural areas for employment and income generation and rural economic structural transformation in the orientation of comprehensive development of industries in rural areas.

Support the construction of both economic and social infrastructure in rural areas; invest in hunger eradication and poverty reduction, primarily in mountainous, remote areas and areas with large ethnic minority population.

Intensify investment in agricultural and rural development, including ODA, FDI, individuals' and enterprises' capital; the State budget will be focused only on critical sectors such as irrigation, transport and clean water supply, on essential infrastructure to support the adoption of improved varieties, and on important basic research.

Continue the implementation of the policy for multi-sectoral economic development, mobilize all possible resources for production development in association with the re-organization of agricultural production and rural economy. Complete the re-arrangement and renovation of production organization of the system of State-owned agricultural and forestry enterprises. Fundamentally complete the equitization of SOEs in agriculture. Emphasize the development of farming economy; intensify the development of cooperatives; continue the implementation of field defragmentation. Accelerate socialization of investment into agriculture, forestry and fishery to reduce pressure on the State investment.

Develop markets for the sales of agricultural, forestry and fishery products as the bases for more effective structural transformation of agricultural production and rural economy. Together with the development of overseas markets, attention should be paid to that of domestic markets, creating close linkages among various regions of the country. Support the development of various forms of linkages between farmers and enterprises and scientists in production and sales through contracts. Develop the mechanism for investing in the development of the agricultural economy and rural construction.

Provide proper market forecasts and information to farmers and enterprises. Organize smooth and effective market and production information dissemination, including information collection, analysis, research, particularly forecasts and guidance in implementation. Develop strategies for large, long-term and reliable markets. Organize effective marketing activities, establish wholesale and retail markets, appropriate storage clusters in different regions; encourage and promote the agricultural extension networks, community-based organizations and farmer groups, supply information through many channels, particularly in regions with large amounts of agricultural products and goods, and in remote areas.

Intensify quality management. Review, supplement and develop standards for product quality, regulations on product labels and trademarks, etc. Organize examination and inspection of product quality to protect the consumers and guarantee the prestige of Vietnamese agricultural and forestry products exported.

Develop insurance policies for agricultural production and farmers such as social insurance, natural disaster insurance, insurance against risks due to market and price fluctuation. Work out proper measures to release impacts of integration on agricultural and rural fields.

Take care of the lives and jobs for farmers whose agricultural land has been reclaimed for the sake of industrialization, renovate compensation mechanism for agricultural land reclamation, using part of the compensation to provide training and support to knowledge improvement for female farmers as well as new job training to young laborers.

Abolish agricultural land limitation policies, applying taxes as instruments for regulating all activities related to land use.

Push up the implementation of the Grassroots Democracy Regulations, dispatch more officials to rural areas; support the development of rural industries and trade villages, education and vocational training for farmers.

Review, amend, supplement policies and solutions in order to improve the effectiveness of the Project of planting 5 million hectares of forests in the orientation of multi-purpose afforestation, both for wood and for protection of the ecological environment. Complete land allocation and forest allocation mainly for people and other economic sectors. The State only controls extremely important special-use forests and protective forests. Integrate the project of planting 5 million hectares of forests into the National Program on Hunger Eradication and Poverty Reduction, the Program to support the development in specially disadvantaged communes into other national programs, agricultural and rural development programs, considerably contributing to the promotion of agricultural and rural development.

## **2. Rapid industrial development along the line of improving quality, competitiveness and modernization**

### *(a) Goals:*

Continue to maintain high growth rate together with industrial product quality improvement and production efficiency, increasing competitiveness of the industrial sector in order to sustain and expand domestic and international market shares. Due priority is to be given to the development of key industries manufacturing critical production materials to serve the country's industrialization, modernization, and development of auxiliary industries.

Ensure supply-demand balance of the economy in terms of essential industrial products such as electricity, coal, steel for construction, gasoline and oils, cement, fertilizers on the basis of strong domestic production, satisfying domestic demands of industrial consumer goods. Pay attention to improving quality and quantity of export industrial products.

Try to record an industrial production value increase of 15.2 – 15.5% per annum on the average, industrial value added growth of 9.5 – 10.2% per annum. By 2010, the mineral mining industry is to account for 8.4% of industrial production value, processing industry 87.2%, electricity-water-gas industry 4.4%.

*(b) Major tasks to be implemented in the next 5 years*

Concentrate on selective development of potential industries, hi-tech products, critical industries that manufacture production materials and industries for national defense; Pay attention to the development of labor-intensive industries, contributing to the assurance of economic independence and autonomy, facilitating economic infrastructure development for the industrialization and modernization process.

Synchronously develop industrial production network throughout the country on the basis of rational planning of economies and appropriate distribution of resources, advantages and market opportunities among regions and localities. Diversify scale and ownership, increase scientific, technological and domestic content in industrial products. Develop industry parallel to services, urban development and environmental protection.

During the period of 2006 – 2010, concentrate all resources on the development of industrial products with competitive advantages like agricultural, forestry and fishery product processing, textiles and garments, footwear, shipbuilding, equipment, mechanico-electronic device assembling, means of transport and wooden products. Develop energy industry and apply energy-saving technologies, material and material-saving technologies, machinery engineering and mechanico-electronic industries. Emphasize the development of information and biological technologies, supporting industries, industries for export, for transport development, construction and services. Design industrial development programs in service of the industrialization and modernization of agriculture and rural areas for the shift of labor structure and sectoral structure, creating sustainable development in all regions and localities; devise mechanisms and policies for the development of centralized areas for material supplies for processing industry.

There should be policies to encourage and facilitate all economic sectors to engage in industrial development. Attract all internal and external resources to industrial development; consider FDI as the driving force for capital reinforcement, technological renovation and management capacity improvement; the State support investment in developing important products in which other economic sectors are incapable or do not want to invest, select investment or issue policies to attract foreign investment into critical industrial projects such as iron ore mining and metallurgy, bauxite mining and aluminum production, oil refinery and petrochemicals, machinery, essential chemicals, chemico-pharmaceutical, fertilizers, paper pulp in connection with forest planting, as well as potential industries like electronic, telecommunication, information technology so as to gradually transform industrial structure toward high-tech, higher knowledge-based and higher value added products. Concentrate capital and work out proper policies to accelerate national focal projects and put them into operation as scheduled. Appropriate policies are also required for supporting and multi-purpose industries.

Develop industrial zones, clusters and concentrations throughout the country as planned. Establish focal industrial zones while paying attention to investment in developing other zones in a suitable structure, avoiding discrepancy among regions and localities.

Intensify industrial cooperation and production division in the region and the world, gradually making the Vietnamese industry become an integral link of the regional and international industrial chain.



Intensify trade promotion and export of industrial products, increase processed and high-tech products. Strive for exported industrial products to account for 75% of the total export turnover of the whole country, and processed industrial products to mount up to 65 – 70% of the country's total export turnover by 2010.

*Development orientation of some industries:*

*Electricity:* Ensure stable power supply to production and daily life in the next five years. Synchronous investment and construction of power sources and grids so that by 2010, the power generated nationwide reaches 96.1 billion KWh, power loss drops to 10%. Continue to establish a competitive electricity market. Be proactive in regional and international cooperation for power exchange with other countries through grid connections with China, Laos, Cambodia and Thailand; cooperate with Laos and other countries in investment into power sources. The next five-year plan should focus on synchronous investment in power sources and grids, with appropriate structure of coal thermal, gas thermal and hydropower generation. Particular attention should be paid to projects concerning power sources to ensure schedule and avoid power shortage due to slow investment. Priority should be given to Son La Hydropower project, coal and gas thermal power projects. Try to increase power generation capacity by 12,400Mw in the next five years so that the total power capacity can reach 23,000 – 24,000Mw by 2010, including 8,800Mw from hydropower, 7,000Mw from gas thermal power, 4,200Mw from coal thermal power and the rest from other sources.

By 2010, 90 – 95% of households, 100% of communes in the rural areas, in particular, are to be provided with high quality, stable electricity at regulated prices. Remote areas, islands will receive power from new sources such as micro hydropower stations, wind and solar power, etc. Try to reduce production and investment costs.

*Coal:* The principle is rational organization of coal production to ensure satisfaction of current supply-demand balance and long-term supplies for later development stages, giving priority to coal provision to huge consumers such as power generation, cement, fertilizers, construction material producers as well as cooking fuel users in rural and mountainous areas. The sector's average growth rate is to reach 9.3% per annum in the next five years; 42 million tons of clean coal are expected to be produced in 2010, mostly for domestic consumption and 8-9 million tons for export in the initial years and for later years to be gradually reduced .

*Oil and Gas:* Intensify foreign investment attraction in exploration and search to increase identified reserves by 30 – 35 million tons of oil (converted). In 2010 crude oil extraction is to reach 21.6 million tons (including oil extracted overseas), and gas to reach 13.2 billion m<sup>3</sup>. Complete investment in Dung Quat oil refinery project in 2009; implement Nghi Son petrochemical and oil refinery project, oil refinery project in the South, and invest in oil and gas extraction overseas. Ensure gas supply to power generation, fertilizer production and industries. Implement oil and gas services overseas.

*Steel:* The country's steel demands in 2010 are forecasted to be 10.2 million tons, with an average annual increase of 7.5-8%. To ensure balance with demands, domestic steel production is expected to reach 6.5 million tons and pre-engineered steel to reach 3 million tons in 2010. Steel sheets and plates will be enhanced to partially satisfy domestic demands. Facilitate the attraction of foreign investment to increase steel production

capacity. Develop the projects for ore exploitation and steel production to satisfy domestic demands.

*Ore mining and metallurgy:* Concentrate on completing Sin Quyen Copper Complex in 2006; invest in Lam Dong bauxite – aluminum complex with the capacity of 600,000 tons per annum to export aluminum, and later stage of aluminum electrolysis. Continue the aluminum production project for export in Dak Nong with the capacity of 1 – 2 million tons per annum.

*Cement:* Cement production is to satisfy domestic demands, with a small amount for export by the end of the 2006 – 2010 plan. 50 million tons are to be produced by 2010. In order to achieve this objective, investment should be accelerated for projects started in 2004 – 2005 and provided for newly planned projects. Renovate, replace blast furnace with reverter furnace in a number of cement factories so as to increase production and quality, using existing facilities. Ensure supply for domestic cement demands.

*Paper:* Continue the planning of material supply areas where potentials avail in proximity to consumers. Focus investment on paper and pulp projects so as to gradually replace pulp importation. Try to increase production to satisfy domestic demands of medium and low-grade paper. 1.2 million tons of cardboard and wrapping paper of all kinds are to be produced in 2010.

*Machinery:* Concentrate on products with market advantages and competitiveness, particularly those serving agriculture and rural areas such as small motors, water pumps, tractors, farming machines, agricultural and aquaproduct processing equipment. Develop auxiliary industries for automobile and motorbike industries. Develop mechanical industry for construction, total machinery, shipbuilding, tool machine engineering, automobile and motorbike industry. Research, design and manufacture total machinery and spare components for cement, paper, electricity, fertilizer and chemical industries.

*Electronic industry and information and telecommunications technology:* Focus on manufacturing electronic accessories, industrial electronic devices, information technology and software production for management, education and training, e-commerce development, and financial and banking management. Emphasize intensive investment, technological innovation, modernization of existing facilities, construction of new ones to satisfy domestic demands, gradually reduce import and increase export. Quickly increase domesticization of hi-tech products.

*Fertilizers and chemicals:* Gradually ensure self-supply of fertilizers for agricultural production. It is estimated that 70 – 75% of domestic demands for urea, 100% of phosphate, NPK fertilizers are satisfied in 2010, with a small amount exported to regional markets. To achieve this objective, Ninh Binh Project of constructing a plant in Ninh Binh that produces nitrogenous fertilizers from fine coal with the capacity of 560,000 tons/year should be accelerated and put into operation in 2008; nitrogenous fertilizer plant with the capacity of 800,000 tons/year from gas, DAP fertilizer plant with the capacity of 330,000 tons/year, and other plants are also to be constructed.

Study the market and efficiency of investment in soda-chlorine plants near input (salt) supply sources and convenient for other related industries like PVC and paper mills. Develop chemical industries in a selective manner.

Conduct comprehensive study of the advantages, demands and capital potentials to invest in the production of a number of medicines for domestic demands and gradual decrease of imports.

*Textiles and garments:* Try to produce 1,100 million m<sup>2</sup> of silk of all types, 1,500 million garment items and reach an export turnover of 10 billion USD in 2010. In order to achieve this objective, there needs to be a fundamental shift in product structure, gradually increase high-value products, fashionable items and increase domesticized content in exported goods. Expand domestic markets parallel to export intensification, gradually participating in global distribution networks of transnational groups. Ensure self-supply of local inputs. Invest in production expansion, especially silk production, with modern equipment and technology; special attention should be paid to improved designs and quality.

*Footwear:* Focus on modernizing parts of footwear and leather production, developing leather sources of all types and increasingly using local materials to improve the value added of export products. The next five years will see more investment in improving quality and production with the introduction of application software into design, sewing, etc., diversifying products, designs, transforming from partial to complete production lines.

*Beer, liquor and beverages:* Give investment priority to plants producing beverages from fruits and mineral water. Expand existing beer breweries to increase capacity to 2.5 billion liters in 2010, satisfying domestic demands and promoting exports.

*Plastic industry:* Satisfy demands for plastic packages and accessories for industry and daily life. Gradually link plastic production industry with petrochemical industry. Give priority to producing self-decomposed products which do not cause environmental pollution.

### *(c) Major solutions for industrial development intensification*

Mobilize all internal and external resources possible for industrial development. Adjust industrial development planning to facilitate the participation of all economic sectors in investing into supporting industries, producing essential products such as steel, iron, cement, electricity, etc. Ensure fair environment for all economic sectors in industrial development investment. Open investment opportunities for foreign investors pursuant to the roadmap committed with WTO.

Maintain and improve the prestige of products, establish, protect and promote each enterprise's own trademarks in the market. Renovate marketing, advertising and sale modes. Each sector, each enterprise needs to develop its own appropriate distribution network and participate in distribution channels of transnational groups. Develop e-commerce, using the Internet to search for market information, advertisement and business opportunities.

Apply technical, technological and management innovations to reduce production costs, improve productivity, quality and competitiveness. Intensify the application of advanced quality assurance, environmental management systems (ISO 9000, ISO 14000, etc.) Also, pay attention to product standards, packages and tastes as well as traditional customs and practices in each region for market penetration and expansion.

Issue policies to encourage the use of locally-made industrial products, facilitating enterprises' market expansion. Resolutely fight against counterfeit, imitated goods and smuggled goods. Streamline customs, export and import procedures.

Well organize market information activities, trade promotion, execution of international laws and Vietnam's commitments with other countries and regions to support enterprises in export market penetration and expansion. Implement policies to ensure laborers' interests, particularly their working and living conditions.

Review and adjust industrial development planning as well as regional and territorial planning. Clearly define lists of prioritized industries, key industries with consistent supporting policies. Carry out the program of reducing and eliminating monopoly in production and good circulation.

Review the implementation of technical-economic programs in automation and material technology in the 2001 – 2005 plan; develop, submit the master plan on automation and novel material technology of the 2006 – 2010 period to authorities for appraisal and approval.

Develop the construction sector to reach an advanced level in the region, in the fields of project construction, construction materials, architecture and construction planning, urban and housing development; Invest in advanced facilities in the construction sector, rapidly access to and own modern construction works in the construction and installation of complicated and big works as hydropower works, thermal power works, multistoried buildings, works with high aperture, bridges, tunnels, underground works, oil and gas works, etc.

Continue to implement the urban development orientations until 2020, in order to rearrange the urban system over the country for the sake of industrialization and modernization. Focus on the promotion of regional construction planning, general planning for urban construction, detailed planning for urban construction, planning for rural construction in order to manage construction as planned. Push up urban development, construction of civilized and modern infrastructure.

Strengthen the State management effectiveness on construction while expanding the decentralization, clearly defining the rights and responsibilities of subjects participating in construction in order to ensure the schedule, volume, quality and efficiency, creating a legal framework and driving forces for pushing up construction investment activities and form construction market along the socialist orientation.

### **3. Development of services**

*a. Goals:* facilitate the outstanding development of services, in favor of highly potential and competitive ones, pay attention to the development and improvement of the quality of traditional services, extend new services, especially those with high intellectual proportion and those for business support. Try to make the growth rate in the services sector higher than that of GDP.

Continue developing trade and services, fully using their potentials; enhance capacity and quality, increase the competitiveness of goods and services with the participation of many economic sectors. Perform fair competition, increase the role and efficiency of State

administration in trade and services to meet various demands of production, business and social life, contribute effectively to the economic growth, market expansion and international economic integration.

Continue focusing on the development of some potential services such as tourism, aviation, ocean shipping, finance and banking to make use of their advantages and competitiveness, while strongly developing high quality tourism services and creating many more jobs. Push up import, export and foreign trade activities.

Upgrade the quality of domestic trade activities in the orientation of modernization, civilization and availability in every region of the country, meet all demands for production and social consumption at reasonable and stable prices, support domestic production, ensure the mobilization of huge sources of export goods, and ensure compatibility with the international integration and competition process. Ensure the circulation of goods domestically and internationally. Comprehensively expand all kinds of markets in urban, rural and mountainous areas.

Complete mechanisms and policies aligned with the standards of WTO and general Trade and Services Agreement to facilitate negotiations and dispute settlement. Prepare conditions for good performance of services commitments after joining WTO and commitment of service liberalization in the ASEAN framework to 2010 and in the next periods.

Try to increase the annual growth rate of GDP in services sector in the period 2006-2010 to 7.7% - 8.2%. Continue the structural shift, increase the ratio of services in GDP to over 40-41% in 2010.

*Renew fundamental management mechanism and methods of public service provision.* Shift administrative activities into public service provision consistent with market mechanism. To make breakthrough development in public services, it is necessary to simultaneously carry out major solutions, especially:

Renovate the mechanism of public service provision in public agencies in the orientation of eliminating the supply of services at an average price without cost compensation; satisfy various demands, including high requirements of a relatively great number of population who can afford payment, put into operation the service price mechanism in line with the principle of full and necessary cost recovery.

Mobilize resources, budget for the development of material and technological bases, train human resources for the improvement of social welfare, ensure the provision of basic social services for poor people, poor regions and people with meritorious services to the country, primarily health care and educational services.

Ensure the financial autonomy and self-responsibility of public service suppliers.

Issue policies to encourage and facilitate the investment of private and foreign investors into public services.

*b) Development orientation of major services:*

*- Tourism services:*

*Goals:* Develop Vietnamese tourism to become a key industry. Try to make Vietnamese tourism ranked among the countries with highly developed tourism in the region after 2010. Boost high quality tourism services. Ensure harmonious relations between tourism development and sustainable management of natural resources, environment and culture.

Increase the average annual growth rate of tourism revenue in the period 2006-2010 to 11 - 11.5%. Specific targets by 2010 are: attract 6 million foreign tourists to Vietnam and 23 million domestic tourists.

*Main measures, policies:*

Continue attracting investment in improving tourism product quality and tourism infrastructure, especially in key regions. Take advantage of and coordinate with investment programs of other sectors to increase the quality and efficiency of tourism, exploit the potentials of ecological tourism and the advantages of coastal holiday resorts, historical and cultural tourist attractions. Invest in capacity building in order to create low-cost, competitive tourism products.

Boost information dissemination and advertisement about tourism, especially promotion of Vietnamese tourism overseas.

Strengthen international cooperation in tourism. Boost the activities of Vietnam's tourism representative offices overseas. Attract visitors from Northern America, Western Europe, Japan, South Korea, China, ASEAN, and Australia. Promulgate better policies on visa, open direct flights in favor of tourists. Apply immigration visa exemption to tourists from key markets.

Strengthen the training and development of human resources for tourism.

Build mechanism to raise capital for tourism advertisement in international markets. Encourage foreign investors to invest in some tourism areas.

*- Transportation services:*

*Goals:* Meet the goods and passenger transportation demands in the country, partially ensure the transportation of imports and exports with increasingly high quality. Improve the quality of means of transport; find solutions to minimize traffic accidents. Establish multi-means transportation network, shift the transportation structure in the orientation of increasing the volume of freight and passenger traffic by sea and by train, and reduce the rate of traffic on roads.

By 2010, the volume of freight transportation reaches an average annual increase of about 9.4%; the volume of freight rotation about 10.7%; the volume of passenger transportation about 9.8% and the volume of passenger rotation 11.5%. The market share of transportation on Vietnam's international flights is aimed at 40-45%. Airports are to be expanded to receive from 13 million passengers in 2005 to 20.8 million passengers in 2010. The port system is to reach throughput capacity of 208 million tons of cargo in 2010.

The general direction of development is paying attention to improving the competence and material facilities of the sector and the capacity of its staffs to increase the competitiveness, gradually open the transportation market, attract overseas capitals and apply modern technologies for transportation development.

*Some concrete solutions:*

*In air transportation:* Support the air transportation regulatory roadmap to reach liberalization of air transportation in ASEAN; invest to increase Vietnam-owned aircraft fleet.

*In marine transportation:* expand shipping services abroad, encourage all economic sectors to invest into marine transportation, initially focus on services with a wide range of activities and high percentage of profits such as shipping agents, logistic services and multi-means transportation. Boost the administrative reform at ports. Consider the construction of international entrepots and issue seaport management policies. Amend and supplement legal documents like Maritime Law, multi-means transportation, seaport infrastructure management, shipping safety standards, etc. Regard service exportation, including marine services, as a field which can enjoy the same preferential policies as goods exportation. Continue applying and studying preferential policies such as ODA, compensation for interest of investment, issuing stocks to modernize fleets and seaports; build suitable mechanisms to facilitate the transportation of imports and exports for Vietnamese transportation enterprises. Boost the exploitation of advantages, especially in seaports with overseas-link potentials to open international entrepots. Promulgate decrees on seaport infrastructure management for effective management and exploitation of seaports.

*- Telecommunication and postal services.*

*Goals:* Continue to improve the quality, reduce the cost, keep reasonable charges to increase the competitiveness in line with integration requirements. Diversify customer services and policies. Boost the development of telecommunication and postal network and new services such as high-speed Internet, domestic and international mobile phone, broadband services, etc; continue developing communal culture-post agents, universalizing basic telecommunication and postal services; boost services with export potentials for foreign currency revenue.

By 2010, the density of telephone, technologies, and forms of telecommunication and postal services are expected to be at the regional level.

The annual average growth rate is aimed at 17%; the number of telephones is to be 31 million with 35 telephones per 100 people.

*Some solutions for postal and telecommunication service development.*

Issue policies to open the telecommunication market in line with commitments prescribed in the Vietnam-US Bilateral Trade Agreement and those on international economic integration to boost the mobilization of domestic and external resources. Take measures to increase labor productivity, reduce production cost, improve service quality to strengthen competitiveness. Pay attention to the training of human resources and expansion of international cooperation in this field.

Renovate the charge management mechanism in which the State directly controls the charges of services still affected by monopoly, applying the principle of ‘cost-based charges’ and making them compatible to those in the region. Charges for the services for which truly competitive markets have been established are decided by the service providers

themselves, while the services with newly-born competition are controlled according to the charge framework. The management policy is to maximize efficiency by sharing the national infrastructure network, separate infrastructure network management from service management.

Issue policies and mechanisms to attract private economic sectors, including FDI in constructing infrastructure and urban structures.

*- Science and technology services.*

Boost the development of science and technology services to effectively support the reform process, improve the technological level of economic sectors; rationalize production, foster the application of quality assurance and environment management in enterprises consistent to Vietnam's conditions, protect the intellectual right of any organizations, enterprises and individuals.

*Some solutions:*

Strongly transform some non-productive scientific and technological activities into service provision mechanism in line with the market economy, including the evaluation, assessment, appraisal, information, consultancy and brokerage of technology transfer; study, design and implementation; legal counseling on intellectual property right; and services on standards, measurements and quality.

Enlarge the participation of all economic sectors and foreign enterprises in scientific and technological activities.

Complete the legal basis, mechanisms and policies to promote activities of science and technology services.

*- Financial, banking and insurance services:*

*Financial and banking services:* focus on exploiting and universalizing these services in the population so that they are widely used by many people from all social strata. The annual average growth rate of revenue is aimed at 9%.

*Stock market:* rapidly complete the legal framework and policies for operating and developing the stock market. Issue the Law on Securities and Stocks and written guidelines for its implementation in the line of further expanding participants in the stock market, especially organized investors, including such financial organizations as social insurance, post office savings, etc.

Enhance openness in stock auction, simplify administrative procedures related to stock notice post-up and exchange.

Rapidly increase the number of enterprises posting up a notice and registering for exchange on the stock market, especially large companies. The total value of market capitalization is to reach 10-15% of GDP.

Expand the right of foreign investors in capital contribution or buying stocks.

A significant proportion of bonds will be issued annually through the stock market.



Develop stock business and service organizations, grant licenses for intermediary financial organizations.

Push up activities of Stock Association, especially in the fields of information supply, training and awareness improvement of investors and society in terms of stocks and stock markets. Study and build a separate television channel or program for stock markets.

*Insurance service* is targeted to be present in all economic and social activities. The annual average growth rate of revenue from insurance premium is expected to be 20-30%.

*Some solutions:*

*In finance and banking:* in the two years of 2006-2007, build and complete the legal framework in line with the roadmap of integration and market opening commitments, ensure a fair, unified and stable mechanism and financial policy system applicable to all economic sectors. Gradually abolish all preferences enjoyed by State-owned commercial banks, while stop the interference of the State Bank into the business of commercial banks. Boost the development of banking services, including extended deposit and loan services, modernizing the electronic transaction system, investing more into the inter-bank and credit card transaction system, and introducing some new services. Increase the quantity and quality, diversify financial services, and increase their percentage in the service structure. Attract the participation of all economic sectors into the financial and banking service market. Reform the communicative manner in the financial and banking system so that they can be truly civilized, modern and polite.

*In insurance:* Increase charter capital applicable to insurance companies to improve their financial competence and payment. Diversify products, encourage companies to study new products, especially those for agricultural, forestry and fishery programs. Modernize information technology in financial operation management, especially in developing safety/security technology (for treasuries and deposits), risk assessment technology to prevent and minimize losses. Strengthen the competency of Vietnam Insurance Federation to function as an “umpire” among member enterprises. Improve the responsibilities of the State management agencies in insurance business to closely control and supervise the compliance with regulations in the Insurance Business Law of insurance companies, ensure the full rights of clients.

#### **4. Import and export activities and international economic integration.**

*a) Export:*

*Goals:* Develop the export business with high and stable growth rate as a momentum for GDP growth. Boost the production and exportation of goods with competitive advantages as well as develop potential products into new key exports to improve the export efficiency. Shift the export structure in the orientation of accelerating the exportation of high value added goods; increase processed and manufactured products and those with high proportion of intellect and technology while gradually reduce the ratio of raw ones. Try to reach the total goods export turnover valued at 67.5 billion USD in 2010 and about 257 billion USD for the period 2006-2010, with the annual average growth rate of 16% and 2.3 times higher than that of the previous five years.

In the total export turnover, the export turnover of FDI economic sectors (excluding crude oil) is expected to reach 98.5 billion USD, with an annual average increase of 19.5%.

Export structure will be shifted in the orientation of increasing the ratio of high value added goods, processed and manufactured products and those with high proportion of intellect and technology while gradually reduce that of raw ones.

The growth of exported goods is estimated as follows:

Heavy industrial items and minerals are estimated to reach 85.6 billion USD, an annual average increase of 12.9%.

Light industrial items and handicraft are estimated to reach 110.2 billion USD, an annual average increase of 18.4%.

Agricultural and forestry crops and aquatic products are estimated to reach 61.1 billion USD with the average annual growth rate of 16%.

*Development orientation of main goods and items:*

- *Raw materials and fuel* (crude oil, hard coal): the amount exploited is expected not to accelerate, thus the exportation is to be reduced for its use in domestic production.

Crude oil exportation of our country is expected to fall gradually; for the period 2006 – 2010 it may reach about 87 million tons. The hard coal export is also forecasted to decrease gradually, with estimated 5-year export volume of 52 million tons.

- *Agricultural and forestry crops and aquatic products* (including aquatic products, rice, coffee, rubber, etc.): Focus on developing high productivity products; guarantee their international standards and high value added. For the period 2006-2010, the export turnover of agricultural and forestry crops and aquatic products in the total export turnover is inclined to gradually reduce. This turnover is estimated to be 24.3% in 2010 and nearly 23.8% for the period 2006-2010.

Raise the processing proportion in exported aquatic products to increase the value added. The aquatic product export turnover is expected to increase nearly 12.8% annually on the average in the next period and reach 5.0 billion USD by 2010.

Rice is hard to accelerate, so it is necessary to improve the quality and processing proportion in exported rice; pay attention to high value rice varieties favored by foreign markets. The volume of exported rice is estimated to be the same as the previous period, about 4 million tons per year.

Coffee: Focus on increasing the quality and processing proportion in exported coffee, and at the same time actively apply modern coffee transaction and trade methods in the world to minimize price risks. By 2010, the export is forecasted to reach 0.9 million tons, which stays the same in volume but increase in turnover.

Focus on producing clean tea, improve the quality of exported tea, boost processed products from tea, actively increase the share in the world's big tea markets including the UK, Russia, the Middle East, China, etc, to raise the price of our exported tea. Tea export is estimated to increase about 8% annually on the average and reach 130,000 tons by 2010.

Decrease the ratio of preliminarily treated natural rubber latex export, focus on the domestic production and processing investment to export products made from rubber and gain higher value added. The average annual growth rate is expected to reach 4% with the amount of 0.7 million tons in 2010.

Try to maintain and develop the production and export of cashew nuts and pepper, focus on measures to improve export prices. By 2010, the export turnover of cashew nuts and pepper is estimated to reach 1 billion and 300 million USD with the average annual growth rate of 15.5% and 14.6% respectively.

- *Processed and manufactured items* (garments, footwear, arts and handicraft products, wooden products, electric wires and cables, shipbuilding mechanics, etc): besides key commodities including garments and footwear, it is necessary to expand the export of new items such as shipbuilding, mechanical and electric products, potential goods like arts and handicraft products, processed food, wooden products, cosmetics and common chemicals, plastic products, etc.

Garments: for the period 2006-2010, Vietnam is expected to be a full member of the WTO. Thus, our garment export into the world will be challenged, especially with competition from Asian countries. To strengthen the competitiveness of the garment sector, it is essential to implement uniform measures, including decreasing production costs, diversifying designs and models, carrying out internal cooperation within the sector, building trademarks, focusing on market segments in which we are strong, establishing trading centers and hubs which provide garment materials and accessories. The average annual growth rate of garments export for the period 2006-2010 is expected to be 15.8% with the turnover valued at about 10 billion USD in 2010.

Footwear: Footwear has been the key export in recent years. However, the value added we receive is not high while we have to compete vigorously with footwear producers in other countries. In the next five-year period, focus on making high-grade items serving big markets such as the USA, Japan and EU. Besides, increase autonomy and self-supply of materials, designs as well as patterns. Try to reach the average annual growth rate of footwear export turnover of 16.7% in the 2006-2010 period, equivalent to about 6.5 billion USD by 2010.

Wooden products are the items that require encouragement and development for export in the following years. However, pay attention to the development of stable material sources, establish production and trade links among enterprises within the sector to enlarge its size and capacity to meet the demands of overseas markets, improve capacity to design and create new models. Combine wood with other materials (such as metal, pottery, porcelain, rattan, bamboo, etc.) to diversify the products and raise their value added. The average annual growth rate of wooden product export for the period 2006-2010 is expected to be 14.6% with the turnover valued at 3 billion USD by 2010.

- *Items with high intellect proportion*: Focus on the export of electronic, informatics and software products. The average annual growth rate of electronic products, computers and electronic components is estimated to be 17.3% with the export turnover valued at 3.2 billion USD by 2010. The market of these items is forecasted to create more opportunities with increasing demands. The export turnover of software production and processing is expected to reach over 600 million USD in 2010.

*b) Import:*

*Goals:* Control excessive imports, try to reasonably balance import and export. Give priority to the import of materials, advanced equipment and technologies; be pro-active in importation, focus on importing modern equipment from countries with source technologies; rapidly reduce and limit the import of backward or intermediary technologies as well as goods, materials, equipment and consumer goods available domestically.

The average annual import growth rate for the period 1006-2010 is estimated to reach 14.8%. The total import turnover for this period is 286.5 billion USD.

*The orientation of imports:*

Machine, equipment and component items include automobiles, automobile and motorbike components, and those serving production. Give priority to imports from developed countries with advanced machinery industry. Pay attention to technological lines which meet the quality, cost requirements and conditions of Vietnam. In five years, the import turnover value of these items is estimated to reach about 93.4 billion USD with an annual increase of 15.3%.

Raw material, fuel and material items include petroleum, Urea fertilizer, finished steel and pre-engineered steel, materials serving production such as cotton, plastic, paper, modern drugs, chemicals, garment and footwear accessories, fabrics. These imports are expected to gradually decline as the domestic production of these items is increasing. The import turnover for five years is estimated to reach 174.2 billion USD with the proportion of over 60.8% and an average annual increase of 14.4%. Focus on the import of petroleum with an annual increase of 7.4%, pre-engineered steel 8.9%, textile, garment and leather accessories 11.6%, cotton and fibers of all kinds 12.76%, and plastic raw material 21.2%, etc.

The 5-year import turnover of consumer goods is estimated at 18.9 billion USD with an annual average increase of 16.3%.

The total excessive import of 5 years is 29.6 billion USD, equal to 11.5% of the total export turnover (in 2001-2005, the excessive import rate was 17.6%)

*c) Main measures to boost import and export activities.*

- Improve the competitiveness, efficiency and quality of goods and services; step by step increase the export efficiency. Find solutions for the matter of trademarks to enhance the competitiveness of goods.

- Develop the market based on rapidly developed trade promotion, materializing international economic integration commitments: actively expand the markets, multi-lateralize and diversify relations with partners; make use of all conditions to increase export into all available markets, and at the same time boost the export into markets with low shares but high purchasing power; and penetrate into new markets.

Push up trade promotion, guide and support enterprises to make and register trademarks. Focus on advertising and promoting markets. Pay attention to gathering information, forecasting and analyzing the market, primarily the supply and demand relationship, and the price tendency of main exports.

- Maintain good relationship between State administration agencies and federations of goods dealers and enterprises. Build a stable network of customers, especially big customers as a base for penetrating into the global distribution network.
- Focus on comprehensively improving the investment environment to attract investment, especially in the field of producing and processing exported goods.
- Complete mechanism and policies on import and export, gradually improve export efficiency through the completion of the tax and fee system in the orientation of encouraging export and exported goods production, restricting import, encouraging the use of home-made materials, raw materials and manufactured products for production in general and exported goods production in particular. Focus on building technical barriers in line with WTO regulations on the importation of restricted items. Continue implementing some new import controlling tools consistent with WTO regulations, and speed up the comprehensive international economic integration after joining WTO.

*d) Actively integrate into the international economy.*

Build and complete laws for international economic integration. Give priority to the development of legal documents and necessary institutions to protect the economy during this process, including most-favored nation treatment, national treatment, measures of self-defense, fighting against dumping sales, subsidy and antagonistic methods in international trade.

Establish close coordination between ministries and central sectors, central government and localities, the State and companies in the implementation of commitments. Complete policies and laws concerning overseas capital, define a reasonable roadmap for the liberalization of capital flow in the international economic integration process.

Facilitate cooperative activities between Vietnamese and foreign enterprises. Encourage the establishment of legal consultative organizations, trade and investment promotion services, new market search and new product creation.

Take strong measures to boost export and take initiative in import, limit excessive import. Facilitate the shift of export structure in the orientation of speeding up the ratio of goods with high value added and technological proportion; restrict the export of raw materials. Create stable markets for exports by strengthening market shares in traditional markets and exploiting potential ones.

Take consultative measures and help enterprises solve problems arising from integration but gradually phase out irrational protectionism (in terms of form and time). Efficiently solve those problems to minimize negative effects.

## **5. Education, training and human resource development.**

*a) Goals:* Continue the systematic and comprehensive reform, standardization and modernization of education and training, broaden international cooperation, improve the quality of human resource training to meet the demands of the industrialization and modernization process, and approach to the advanced education level of the region and the world.

Boost the development of nursery schools in all residential areas, especially in rural and disadvantaged areas; strengthen and improve the results of primary educational universalization, implement the universalization for children of the right ages and ensure the comprehensive quality; fulfill the lower secondary universalization program by 2010 and move on to upper secondary universalization where possible.

Enhance forms of university and technical education: enrollment into universities and colleges is targeted to increase by 10% annually with 200 students/10,000 people by 2010, enrollment into professional high schools to increase by 15%; train about 7.5 - 8 million workers, 25% of whom enjoy long-term training; ensure an annual 15-17% increase of new long-term training enrollment. Trained workers are to account for 40% of the total laborers in the society.

Renovate the curricula and teaching methods at university, professional and nursery education level. Upgrade the quality, renovate the curricula and teaching methods of nursery schools and secondary education. Pay attention to the form of preschool education. Adjust the specialization on science, liberal arts, etc., at upper secondary schools in order to provide better career guidance and orientation for students in Vietnam's specific context. Integrate gender, reproductive health issues into the curricula at all levels.

With a view to approaching the advanced education standards of the region and the world, it is necessary to build and complete the national standardized systems covering the content, skills required by each education and training level; fundamental demands on morality, manners and responsibility of learners; and conditions guaranteed for education quality (including the teaching staff, administrators and employees; textbooks, syllabi and reference books, physical infrastructure, equipment, laboratories, libraries, playgrounds and training grounds...).

Complete the training systems that allow interchanges and transfers, offering more studying opportunities to the youth. Promote the strengths of the current training programs, adopt good and relevant international programs to build a diversified, flexible, advanced and modern education system with good linkages between training levels.

Improve the efficiency of Marxist-Leninist theory and Ho Chi Minh thoughts education, bring gender issues into training curriculum and pay attention to teaching humanities (together with teaching knowledge and vocation) in order to create modern Vietnamese generations. Eradicate gender discrimination and mainstream gender issues into all educational levels.

Focus on renovating teaching and learning methods, apply information technology to the teaching, learning and school management.

Further perform social equity and gender equality, give priority to the education development in ethnic-minority inhabited and disadvantaged areas and education for disadvantaged children and illiterate women.

#### *b) Measures and policies*

Boost the socialization of education: Implement mechanism and policies to encourage investment and mobilize resources from sectors, levels, socio-economic organizations and individuals for education and training development. Strengthen the relationship between

schools and families and society; mobilize brainpower and resources of the whole sector and society into the reform of syllabi, curricula and the implementation of comprehensive education. Issue concrete mechanism and policies defining the responsibility of sectors, localities, socio-economic organizations and individuals and encouraging them to contribute to the construction of schools, give financial support to learners, use trained human resource and supervise education activities.

Renovate financial mechanism and policies in education and training institutions to make them more pro-active and responsible for finance, staff and organization.

Fundamentally renovate the tuition regimes: apart from the State support depending on the budget, the tuition has to cover necessary costs for teaching, learning and partly become investment for school construction; in the first stage, the tuition compensates adequately for regular costs. Eliminate other fees except tuition.

The State is to issue policies of subsidizing fees or granting scholarship to students of the educational universalization program, beneficiaries of social welfare, learners in disadvantaged areas, poor students and excellent ones in both public and private schools.

Give priority to investment in the development of vocational training units with 3 levels (vocational primary, vocational secondary and vocational college); renovate the methods of teaching and learning in order to improve vocational training quality. Create a level playing field among vocational training units of all economic sectors; work out preferential policies on land, infrastructure support, capital borrowing, etc., with an aim to mobilizing all economic sectors to invest in vocational training, human resource development for the sake of national industrialization, modernization and international economic integration.

Encourage the establishment of private education, training and vocational training institutions; encourage training cooperation with high-quality foreign training institutions; foster the opening of high quality, accredited and 100% foreign-invested training institutions in science, technology, techniques, and economic management. Encourage foreign scientific and educational experts and overseas Vietnamese expatriates to teach in Vietnam.

Strengthen, develop and upgrade the quality of distant education, continued education centers and community learning centers to meet the requirements for regular study of people of all levels and ages everywhere.

Continue the implementation of the Program of “concretizing schools and classrooms” in association with the standardization of facilities; increase the ratio of preschools, primary, lower and upper secondary schools which reach national standards in every province and central city. Diversify investment sources to modernize facilities and dormitories at universities, colleges, technical and vocational schools. Concentrate investment in the construction of 14 key universities; basically complete the first stage of investment in the construction of two national universities and 2 key teacher training universities by 2010. Build some universities reaching international standards.

Intensify proactiveness in international educational cooperation. Give priority of ODA funding to modernize a number of key technical and vocational schools, key laboratories at a number of universities as well as educational development for disadvantaged areas.

Comprehensively renovate State management in education with stronger decentralization, clearer responsibilities and authority of the Ministry of Education and Training, of other ministries and sectors, of People's Committees at all levels and educational institutions; regard quality assurance as the critical focus. Implement the educational quality assurance and accreditation schemes, gradually applying standards and criteria used by developed countries to the educational quality assessment of a number of specific fields; prepare to join the international educational quality accreditation system.

Strengthen disciplines in teaching and learning, eliminate negative phenomena in education. Intensify inspection, supervision and oversight of the law execution in educational and training activities.

Develop, improve the quality of the teaching staffs and educational management officials under the Directive 40-CT/TW of the Party's Secretariats. Renovate teacher training work at pedagogical schools. Implement the National Program on Teachers to solve teacher shortage, improve teaching quality and eliminate structural imbalance.

Increase investment in education and training to reach 20% of total State budget expenditure 2 – 3 years before 2010.

## **6. Science and technology**

### *a) Goals and tasks:*

Improve internal science and technology capacity and the reception, mastery and application of the advances in science and technology taking place in the world. Concentrate funding on national research programs to reach regional and international standards, promote scientific and technological capacity, especially in important and high-tech areas. Intensify the socialization of scientific and technological activities with more support to the development of science and technology markets; encourage and honour talented scientists who significantly contribute to the nation.

Renovate the management mechanism and organization of science and technology activities; regard the quality, efficiency, economic competitiveness as critical goals of scientific and technological activities; create new developments with higher effectiveness in research and application of research results to production and business so as to fully use internal resources in science and technology to directly serve the country's industrialization and modernization process.

Develop advanced technologies and modernize traditional technologies to accelerate technological innovation in all economic sectors, in order to improve the competitiveness of goods and services in domestic and international markets. Gradually develop information technology and bio-technology to become key sectors with a fast growth rate and which increasingly satisfy domestic demands and contribute to an increase in export revenue.

### *b) Major solutions and policies*

Intensify technological innovation in enterprises, create the demands for the transfer and application of scientific and technological advances to production and life. Establish institutions for technological research, innovation, invention in enterprises. Closely link research with training with a view to create more high-valued technological products and



young and scientifically and technologically qualified human resources. Concentrate and intensify pure research tasks at universities.

Fundamentally renovate the management mechanism in science and technology, especially the financial mechanism to increase autonomy, self-responsibility in line with their creativeness as well as risks in scientific and technological activities. Rationally combine selection mechanism through bidding for the implementation of scientific and technological tasks with the mechanism of direct task assignment on the basis of competitiveness, effectiveness and quality assurance principles. Implement the mechanism of autonomy and self-responsibility in all public science and technology institutions. Transform institutions of applied research and technological development into an appropriate form of enterprises. Strongly develop science and technology enterprises. Establish and put into effective operation the system of foundations for science and technology development at all levels. Establish a 'Risk investment fund' for high-tech research and development.

Accelerate the development of science and technology markets through initial support schemes by organizing technology and equipment fairs, different forms of consultancy, brokerage, and technology transfer services. Establish and develop science and technology transaction centers in all key economic areas of the country. Promulgate and effectively execute the Law on Intellectual Property Right and the Law on Technology Transfer.

Give priority to high-tech research development and application, primarily information technology, bio-technology, automation, production of materials. Develop scientific and technological services in quality standards, intellectual property, technology consultancy and transfer. Pay attention to the wide research and application of bio-technological achievements to serve agricultural and fishery production. Accelerate the research, selection and import of high-yield, high-quality plant and animal breeds, apply technological advances to intensive farming, in order to increase productivity, generate jobs and produce goods for consumption, production and export.

Concentrate on fundamental medical research, environmental impacts on health, critical infectious diseases as well as AIDS prevention.

Study and apply scientific and technological solutions to the rational, efficient extraction and utilization of natural resources and protection of the ecological environment. Apply new technologies in environmental pollution control and treatment. Foster research and application of science and technology in localities, with special attention paid to the rural, mountainous, remote and disadvantaged areas.

Develop strategies, policies for training and developing human resources in science and technology, utilizing and respecting talents in order to facilitate creativity, quickly increase the quantity and quality of inventions, technical innovations to better serve the requirements of the country's socio-economic development. Establish strong science and technology teams with leading scientists, architects, chief engineers, highly-skilled technicians who possess regional and international qualifications, and are capable of successfully fulfilling national scientific and technological tasks.

Develop strategies for international scientific and technological integration, reducing the gap in science and technology between our country and the world to better serve the industrialization, modernization and international economic integration process.

Encourage foreign organizations and individuals to invest in science and technology development in Vietnam. Install mechanism and policies to attract foreign expatriates, particularly talented experts among overseas Vietnamese into the country's science and technology development activities.

## **7. Natural resources, environment and sustainable development**

### *(a) Goals and main tasks:*

Manage, extract, rationally and effectively use natural resources (land, water, minerals, environment, etc.) to satisfy economic growth demands, eradicate hunger, reduce poverty for the country's sustainable development. Ensure harmony between population growth, urbanization, socio-economic development and environmental protection so that all people can enjoy improved life quality and live in a green, clean, beautiful and healthy environment.

Identify basic data, correctly assess natural resource potentials, the state of the environment and other resources of the country to serve planning, socio-economic development design, protect national security and defense, and protect the ecological environment and scenery.

Minimize pollution increase, solve the problem of environmental pollution or degradation. Improve capacity for natural disaster prevention and adverse impact mitigation; restrict the negative impacts of climate change on the environment; effectively carry out emergency responses to environmental pollution caused by natural disasters.

By 2010, strive for 100% of new production establishments to apply clean technology or be equipped with pollution control facilities; 50% of production and business establishments should have been awarded certificates for meeting environmental standards or ISO 14001 certificates; 40% of urban areas and 70% of industrial and export processing zones should have installed centralized wastewater treatment systems that satisfy environmental standards; 80 – 90% of solid waste should be collected; 80% of toxic waste and 100% medical waste should be treated; 75% of serious environmental polluters are completely held accountable; 95% of urban and 75% of rural population should have access to clean water satisfying hygienic standards; 43% of the natural areas should be covered with forests, 11.2% of natural areas should be protected (with attention paid to marine and wetland protection). Many sectors and cities/provinces will have Local Agenda 21 completed and promulgated. Each sector and locality is to have at least two or three models of sustainable development.

Solve the problem of environmental pollution in industrial, handicraft and trade villages, big cities and clean the rural environment in areas with high population density. Control pollution in big cities.

Rationally and efficiently utilize natural and environmental resources in a sustainable manner in river basins, ensuring ecological balance, preserving nature and biodiversity. Improve environmental awareness, pay more attention to pollution prevention and environmental improvement.

### *b) Main solutions and policies*

Continue to complete the system of laws and policies on natural resources and environment. Attach much importance to implementation organizations and regularly check and inspect the law enforcement.

Improve capacity of State agencies in natural resources management and environmental protection from Central to local levels. Integrate management and protection of the environment and natural resources into socio-economic development strategies, planning processes and plans. Strengthen the commune forest wardens and issue policies to guarantee their activities.

Implement comprehensive programs and projects that conduct baseline surveys, manage extraction and ensure rational use of natural resources, and protect the environment for sustainable development (priority should be given to river basins, sensitive economic and ecological regions, etc.)

Fundamentally renovate the financial mechanism for the management of surveys to get baseline data and environmental protection projects; establish separate funds for natural resources and environment. Intensify and diversify resources for natural resource and environmental work. Expand the model of private enterprises and community organizations for providing environmental sanitation services, waste collection and treatment services for residential quarters. Execute the “Polluter settles the pollution or pays for pollution settlement” principle. Encourage and intensify international cooperation in the area of baseline survey techniques, manage and efficiently use ODA and FDI sources for managing natural resources and protecting the environment.

## **8. Population and Family Planning**

*(a) Goals:* Continue to control the population growth rate encouraging a family size of 1 or 2 children; implement the population strategy for 2001 – 2010, try to reach replacement rate in 2007. Improve the physical, intellectual and spiritual health of the population; ensure appropriate population structure and distribution in line with socio-economic development. Ensure all children’s access to basic healthcare and quality educational services, to clean water and sanitation facilities at school, public places and at home. Maximize the number of children protected against discrimination and harassment.

*(b) Main solutions:*

Intensify leadership and guidance from all levels of authority in population, family and children activities through the integration of such activities into their specific action plans. Intensify communication, dissemination of policies, guidelines, legislation on population and family planning, with priority given to adolescents, youths and people in rural, remote, disadvantaged areas. Establish social services network in communication, education, and counseling on family and children care and protection.

Expand and improve service quality in population, family and children activities. Promote popular health check activities, including finding hereditary diseases, pre-marriage counseling, preventing HIV/AIDS and other social problems, e.g drug use prevention; expand services to care for the elderly, PLWD (people living with disability), and rehabilitation facilities for children and PLWD. Raise responsibility and intensify coordination among different levels, sectors and people, involve all economic sectors and social organizations in population, family and children activities.

Facilitate families' access to legislation, culture, healthcare, education, science, technology and social welfare. Construct a healthy social environment in communities, and build up sustainable families with good cultural norms. Complete the mechanism for integration and inter-sectoral coordination in population, family and children activities.

## **9. Labor and Employment**

*(a) Goals:* Quickly improve the quality and efficiency of labor force. Continue labor structural shift with reduction of agriculture, forestry and fishery labor to 50% in 2010, increase of industry and construction labor to at least 23 – 24% and increase service-commerce labor to at least 26 – 27 %.

During the five years of 2006 – 2010, try to provide employment for over 8 million laborers, including 6 million new jobs, that is an annual average of over 1.6 million (1.2 million of which are new), of which at least 50% are females.

Each year, about 100,000 laborers and experts are sent abroad. Reduce urban unemployment rate to under 5% of laborers of working age.

*(b) Main solutions:*

Implement policies to encourage production development, new job creation; pay attention to encouraging the development of labor-intensive light industry, processing industry, private enterprises and foreign invested businesses. Well implement the program to encourage the development of small and medium-sized enterprises, of trade villages and farms.

Focus capital of the Fund for Loans and Employment on labor-intensive projects; re-arrange, renovate and develop job training networks, increasing trained labor in the total social labor force to 40% in 2010; Employment centers are encouraged to facilitate labor market development as planned. Intensify the movement of “Youths Start Business” and provide job training for rural youths and farmers in areas where agricultural land has been transformed into land for industrial production and services. Build an appropriate migration policy to speed up labor distribution among regions, assist immigrants to have access to social services.

Develop labor export into a big, harmonious program with expanded participation of all economic sectors; improve productivity of export labor so as to penetrate into high-value labor markets, creating important resources for the country's socio-economic development and the people's improved living standards. Issue strong and specific measures and policies to expand labor export markets and create opportunities for laborers to participate in labor export markets.

Strongly renovate the training modes of exported laborers so that they acquire industrial production practices, law compliance awareness, good cultural behaviors, good understanding of the recipient countries' culture, customs and traditions as well as fluency in their languages.

## **10. Hunger eradication, poverty reduction, encouragement to get rich in legitimate manner; policies to people with meritorious contribution to the nation; and development of social security systems**

### *(1) Hunger eradication, poverty reduction and encouragement to get rich in legitimate manner*

Try to eliminate hunger, reduce poor household rates (according to new standards) to 10-11% in 2010.

Create motivation to get rich among people, encourage households which have already escaped poverty. Create opportunities for poor households to overcome poverty on their own through assistance policies on infrastructure for production, land, credit, vocational training, job creation, agricultural encouragement, product consumption, etc. Speed up training for the poor, especially women, on business and production knowledge and skills.

Improve access to basic social services of the poor through policies on medical care, education, clean water, housing, residential land, infrastructure for people's lives; improve people's participation in the decision-making process of programs and projects, mechanisms and policies on hunger elimination, poverty reduction and reduction of repeated poverty rate.

Diversify the mobilization of resources for poverty reduction; give priority of investment to communes and districts with high poverty rate in order to make significant changes.

Enhance the awareness and capacity of all authority levels, branches, organizations and people in terms of hunger elimination and poverty reduction; strengthen and improve the capacity of cadres involved in the work of hunger elimination and poverty reduction in communes and districts, particularly difficulty-stricken communes, remote and mountainous areas; mobilize organizations and unions to participate in the national target program on hunger elimination and poverty reduction.

Develop the system for information, monitoring and evaluation of the implementation of hunger eradication and poverty reduction programs according to set objectives from the Central to local levels.

Intensify international and community cooperation, continue the decentralization of management and governance of the implementation of national target programs, and better conduct the socialization of hunger eradication and poverty reduction work.

### *(2) Policies towards people with meritorious contribution to the nation*

Well implement policies towards people with meritorious contribution to the nation, and families of martyrs and disabled soldiers, including housing, health care, rehabilitation, education, loans for job creation policies, and subsidy to those engaged in the revolutionary wars.

Continue strengthening the socialization of these activities through such movements as 'Paying tribute' or 'Returning Favor', 'When you drink, remember the source', etc, in order to mobilize resources for improving the living standards of these people equal to or higher than the average living standards of local people.

Quickly resolve the wars' aftermaths, such as finding the remains of martyrs (those missing in action), building cemeteries for martyrs to bury the remains found in neighboring countries.

*(3) Develop the social security network*

Supplement policies to provide the State support to vulnerable groups, people in extreme difficulties, and the disadvantaged so that they can have opportunities to create jobs for themselves or get employed, earning sufficient income to support themselves, participate in community and social activities and benefit from the economic reform.

Complete social insurance policies with a view to expanding social insurance coverage to all people, including those working in non-official economic sectors, ensuring reasonable rate between premium contribution and benefits.

Diversify voluntary security networks. Pilot test some forms of insurance for crops and livestock or market insurance for farmers. Develop community-based insurance programs for non-official economic sectors, following the principle of group insurance (family at least). Develop Household insurance scheme to gradually replace school health insurance system.

Intensify social security network through the development and consolidation of social and mass organizations' funds. Provide regular humanitarian aids to the poor, people deprived of working ability, people without any family support; organize various activities of those funds right in communities, villages, communes with high concentration of the poor, the vulnerable. Pay attention to social assistance in kind (rice, foodstuff, clothing, etc.) to those in extreme difficulties in rural areas and a number of cities.

Develop the system of policies and solutions to support PLWD (people living with disability), the elderly (particularly the solitary elderly without any family support), people infected with toxic chemical, HIV/AIDS, etc.

Develop community-based social protection work in poor and risk-frequented areas to support those deprived of opportunity and capacity to earn their own living. Adjust budget allocation methods to implement these social policies; give more autonomy to localities, particularly communes and districts to foster community funds in villages and communes.

Develop the system of emergency social aids, providing effective support to the poor, the vulnerable in case of natural disasters, accidents and adverse social impacts. Help the poor to effectively prevent natural catastrophes such as storms, floods, droughts, pests, diseases, etc., through training, knowledge transfer and experience sharing. Provide partial funding for improving houses so that they can endure storms and floods. Construct food, foodstuff and clothing storage locally in disaster-stricken communities in order to provide timely aid to those in need.

Re-plan residential areas, social and production infrastructure to make it convenient and facilitative to disaster prevention and rescue work. Organize, prepare ready logistics and facilities to respond to natural catastrophes and mitigate their adverse impacts; train and guide the poor to provide mutual help among themselves in the event of disasters.

Renovate the operation of Funds for Emergency Aids to the poor.

Expand the participation and heighten the role of social, non-governmental organizations in the development of social security networks. The Fatherland Front at all levels takes the lead and cooperates with the authorities, associations, mass organizations in developing a variety of modes for advocacy, involving all agencies, enterprises and people in charity work to help the poor. Continue the support program on housing for the poor and ethnic groups in remote and disadvantaged areas.

Encourage humanitarian activities of all non-governmental organizations, social associations and unions to develop the social security networks and provide effective assistance to the vulnerable. Continue the medical insurance scheme for the poor. Establish pro-poor social insurance schemes in various forms (crop insurance, domestic animal insurance, loan insurance).

## **11. People' health care, health protection and improvement**

*a) Goals:* Reduce morbidity rate; improve physical health, life expectancy and quality of life. Provide all people with basic medical services and access to quality medical services. All people can live in a safe community and develop both physically and mentally.

By 2010 increase average life-expectancy to over 72; decrease maternal mortality to below 70/100,000 live births, under-1 infant mortality to 16‰ and under-5s to below 25‰; reduce the rate of under-5 malnourished children to 20%; improve average height of young people to over 1.60m; reach the number of 7 doctors and 1 - 1.2 pharmacists with university degrees per 10,000 people, and increase hospital beds to 26 per 10,000 people.

Increase the figure of 65% of communal medical stations served by doctors in 2005 to 80% by 2010, and that of mountainous communes is from 50% to 60%. Maintain 100% communal medical stations sufficiently equipped and ensure they have enough midwives. Ensure 95% of under-one infants fully immunized with essential vaccines.

### *b) Major measures*

*Improve and complete people's healthcare system:* Establish and well perform the planning for medical system development to 2010 and subsequent years. Improve the capacity to monitor, detect and control epidemics and diseases, especially HIV/AIDS and other emerging diseases. Take strong measures to control food hygiene and safety and prevent accident injuries. Timely foresee and take measures to prevent diseases in order to minimize their negative effects on people's health due to the change of lifestyle, environment and working conditions in the process of industrialization and modernization. Launch sanitation, disease prevention, sport and physical training programs. Intensify the prevention of occupational diseases. Strengthen and improve school medical care. Attach special importance to healthcare for mothers and children, and the elderly, as well as rehabilitation activities.

Invest, strengthen and improve public health care at grassroots level both in terms of infrastructure, and staff. Give priorities to grassroots health care and preventive healthcare. Build and upgrade hospitals, especially General hospitals in provinces and districts to basically meet local people' demands of medical check and treatment. Gradually build wards and hospitals for sanatorium and rehabilitation. Plan and invest more in health check and treatment centers network proportionate to residences, including more intensive investment in specialized medical centers and build more new ones.

Upgrade hospitals for traditional medicine and Oriental medical wards in General Hospitals. Propagandize, encourage and guide people to cultivate and use medicinal herbs and animals. Speed up research, inherit, preserve and develop traditional medicines and pharmacies as a scientific discipline. Promote the cooperation of military and civil medical services in taking care and protecting the health of ordinary people and servicemen, especially those in remote, hinterlands, border and island areas.

Strongly develop pharmaceutical industry, and improve domestic production capacity. Promote research and production of vaccines and biopharmaceutical products. Increase the number of pharmaceutical production institutions satisfying GMP standards from 50% in 2005 to 100% in 2010. Increase domestic pharmaceutical shares from 40% to 60%, reaching the target of used- medicine expenditure of 13US\$ per person in 2010. Plan and develop raw-material-supply areas for medicine production. Reinforce the network for transportation, distribution and supply of pharmacies in order to stabilize the pharmaceutical market.

Promote scientific studies, access to and apply modern science and technology achievements, especially biology and computer technologies; gradually heighten the country's health care to the regional progressive standards.

Renovate and improve medical financial policies so as to increase public financial sources. Ensure the implementation of universal medical insurance for all people in 2010 in the line of diversifying insurance forms. Facilitate the choice of any health check and treatment centers by all medical insurance policy holders. The government pays for medical services for the poor people, children under six, and the subsidized, targeted people of social policies, including officials and people in the armed forces through medical insurance. Implement the policy to partially assist near-poor people and farmers in getting medical insurance.

Change the methods of funding from budget allocation according to the number of sick beds to allocation on the basis of treatment results (the government buys medical services for its people through medical insurance).

Basically change the methods of hospital fee collection at public healthcare centers according to the principle of collecting exactly and enough for necessary expenses. The Government ensures that poor people and children under six and targeted groups receive basic services through medical insurance; partially support hospital fees for near-poor people in disadvantaged localities. Change the distribution of hospital network from administrative-territory-based to residence-based. The hospital financial mechanism is substantially adjusted: collecting hospital fees sufficient for necessary expenses; financing mechanism according to the number of beds is changed to allocation on the basis of treatment results; replacing charges per services with charge quota.

*Improve State management efficiency:* Continue to complete the system of medical legislation; develop, amend, supplement and issue legislative documents such as Pharmaceutical Law, Medical Insurance Law, Law on people health care and protection, etc.; Issue standards for medical specialized practices. Carry out regular monitoring and evaluation of medical programs and major targets of the health sector in order to timely adjust policies.



*The State focuses on the development of preventive medical system, grassroots health care, hi-tech health care and highly specialized healthcare centers in the Central, regional and provincial hospitals and other centers which are not likely to sell services and attract investment from private investors. Primary priorities should be given to provincial preventive medicine centers to intensify the control, supervision and prevention of epidemics like malaria, goiter, tuberculosis, leprosy and other emerging dangerous diseases; support the vaccine and biopharmaceutical industries. Improve the capacity of pharmacy and vaccine testing.*

Invest in the completion of commune, ward, and town medical stations so that they reach national standards and are capable of doing preventive medical tasks, treating and offering primary healthcare, especially those in the remote, hinterlands, disadvantaged areas and areas with a lot of ethnic minority inhabitants. Continue to complete the concrete preferential remuneration policy to encourage doctors and nurses to work in these areas.

Develop the medical staff based on the requirements of improved professional skills, responsibilities and ethics. Carry out ten medical etiquettes. Study to issue better policies for medical staffs, especially those at grassroots level.

*Speed up the socialization of medical activities:* Create a healthy competitive environment for businesses involved in the supply of diversifying medical services and insurances to meet people's demand. Promote the participation of non-public medical systems in the implementation of people's health care and protection targets. Expand the forms of home health care, and gradually develop new health care models. Encourage the private sector to invest in healthcare. Expand and implement projects of the National Target Program in health care and improvement, focusing on the cure of the 6 main infectious diseases; non-infectious diseases; projects of people health improvement and of Military and Civil medicine combination. Encourage domestic and foreign organizations and individuals to take part in preventing HIV/AIDS.

## **12. Culture and information development – the spiritual base of society**

a) *Goals:* To continue building up of a progressive Vietnamese culture with strong national identity. To preserve and develop traditional culture. To heighten cultural essence in all economic, political, social and daily life of the people. Consider cultural development as the core of human development.

To ensure the combination of economic development with continuous development of social cultural life. Strive to achieve 90% of families, 70% of villages and 70% of communes and wards reaching cultural standards, and 100% villages having public bookcases by the year 2010; rapidly improve cultural and informational provision to ethnic minority groups.

b) *Main solutions:*

Plan and develop the efficiency of cultural, radio and television broadcasting, and press services in performing their roles of providing information and entertainment. Popularize radio and television to all the people, including those in remote and hinterlands areas. Strive for 99.5% of households receiving the Voice of Vietnam radio broadcasts and VTV (Vietnam Television) broadcasts. Develop information technology (telecommunications, informatics, electronic newspapers). Strive for the popularizing of publications to all

districts and most communes by 2010. Ensure the target of 5 book copies per person per year; 10 newspapers per person per year.

Promote the socialization of informational and cultural activities to successfully encourage and mobilize resources from individuals and socio-economic organizations in cultural development. Double the number of non-public art groups, whereas public ones should work as public services providers by 2010. Strengthen effectiveness and efficiency of State administration in culture, in particular press and publication.

Develop public culture centers like commune and village's sports and culture centers, central culture houses, libraries, theaters, cinemas, art monuments, parks, and entertainment centers, etc. The State only invests in key cultural fields which are important in providing information in terms of politics, idealism, morality, aesthetics and social values.

Promote the preservation, inheritance, and improvement of the national cultural values, constantly enrich them, and at the same time maintain, strengthen and improve the unity in cultural diversification, prevent the national united solidarity from any challenges or threats, particularly those by abusing culture.

Create systematic development in culture, ensuring the linkages between the central task of economic development, the key duty of construction and consolidation of the Party and the increasing improvement of culture and social spiritual foundations. Apart from intensified preservation, continuation and development of the beautiful values of traditional culture and selective adoption of the quintessence of the world's cultures, attention must be paid to the development of new values for the contemporary Vietnamese culture. Foster cultural and artistic talents, promulgate proper mechanisms and policies to facilitate the country's steady cultural development in the right orientation as the era requires.

Preserve and develop the nation cultural heritage values, and good traditional customs and practices, traditional artistic forms and folk arts. Give priority to the preservation and development of traditional arts (tuong, cheo, cai luong, quan ho, water puppetry, etc). Attach importance to the preservation of revolutionary, historical, and special cultural monuments and relics. Basically complete surveying, collecting, archiving, preserving and translating documents in Sino – Nom scripts. Continue to study and collect typical intangible cultural values of different ethnicities. Pilot the preservation of typical villages and ancient villages, and cultural values of all ethnic groups. Cultivate cultural geniuses, encourage the creation of typical cultural and artistic works, which are valuable in terms of thoughts and arts, in line with the national revolution and renovation achievements.

Promote the application of science and technology achievements to cinematographic production, improve the quality, content and quantity of movies to catch up with other regional countries; heighten Vietnamese arts to regional level. Develop the library system at schools and library network nationwide.

Build up cultural life at grassroots, continue the movement of “The entire people unite to build up cultural life”, build up cultural families, villages, communes, organizations, and offices. Fight discrimination and maltreatment against women.

Equitize enterprises working in the field of culture. Authorize private film studios to be established, and allow private cinemas and theaters to carry out diverse activities.

Encourage private collectors, museums to contribute to the preservation of monuments, tangible and intangible cultural heritages.

Apply the same financial mechanisms to all public service providers (theaters, cinemas, museums, libraries, fine arts galleries, etc) as those for utility providers or enterprises.

Mobilize all resources, intellect and creativity to preserve cultural institutions, to participate in performing and developing cultural activities. Assign and decentralize exact tasks and authority to proper agencies and individuals in order to manage and protect monuments, tangible and intangible cultural heritages. Closely coordinate with commune post offices to turn them into communal culture and sport centers. 100% of communes, wards and towns nationwide are to have cultural works and institutions by 2010.

Develop master plans and regulations providing proper management and conditions to cultural activities that are so sensitive that can be abused for unsound purposes.

Gradually move to digital radio and television technology in order to improve program quality and expand services. Attach importance to district radio broadcast system, especially that of mountainous, island and ethnic minority areas. Popularize radio and television receivers to all people. Development should go along with proper and effective management in press and other mass media.

### **13. Sports and physical training development.**

a) *Goal:* Encourage, mobilize and facilitate the involvement of all people in sports activities and sports development. Pay more attention to popular sports, non-professional sports centered upon children and adolescents. Well complete physical training at schools. Continue to implement and expand the professionalization of high-record sports adaptive to specific conditions. Continue to renovate and intensify the training of young athletes who are capable enough to replace vacancies when necessary and to take part in SEA GAMES; and in international Olympic Games.

Strive for healthy sport and physical training movement nationwide; expand international culture and sport exchanges. Develop sport activities both in terms of quality and scale in order to contribute to human development, improve health, intellect, and national spirit of Vietnamese people.

Involve 22% of people, 15% of families in daily sport and physical practices, 100% of provinces and cities have enough basic sport facilities of provincial level (stadiums, swimming pools, gymnasiums, etc), and 100% of communes, wards and towns have sports and physical training institutions, of which 90% of non-public sports and physical training facilities continuously expanded. Actively prevent negative phenomena in core sports, especially football.

b) *Main solutions:*

Develop planning for sports and physical training facility systems, implement incentive policies to encourage and create favorable conditions for all people to participate in the activities and development of sports and physical training.

Combine the movement of “All the people do exercises as the example of Uncle Ho” with the “All the people contribute to the building of cultural life” and other sports and physical

training movements proposed by any social branches, unions and organizations to well complete the targets of physical exercising among the people.

Continue the completion of training and fostering a pool of high-record athletes. Choose, and group advantageous sports in order to make good plans for investments and efficiently use resources in athlete training. Give priority to research and application of scientific and technological advances so as to make breakthroughs in improving the country's sport achievements.

Renovate the organizational and operational practices by applying professional mechanisms to soccer and any other potential sports. Well prepare athletes for participating and recording high scores in 2008 Olympic, ASIAD 2010 and subsequent SEA GAMES.

Promote scientific research and implement comprehensive measures to gradually ameliorate the health and height of Vietnamese people. From 2006 onward, the project of improving Vietnamese people habitus and physical essence will be implemented, focusing firstly on children from 6 to 18. Promote the development of popular sports, especially those which can be practiced voluntarily (like swimming, field sports, soccer, volley ball, tennis, badminton, body-building, anti-aging exercises for the elderly, etc); invest in sports for women; encourage non-professional sports to be developed, especially among children and teenagers. Well complete physical training at schools of all levels.

Change most sports and physical training units to those which can generate their own revenue or become equitized businesses. Encourage the establishment of businesses for investment and trading in sports facilities and competitions. Clarify responsibilities of State administrative agencies and sports leagues and associations. Strongly transform sports management mechanism according to international integration requirements. Hand over the organization of sports and physical training activities and competitions to social and non-public institutions. The State only finances those activities assigned to certain organizations or agencies, or partly or wholly cover the expenses of major international sport events.

Classify and design proper roadmaps so that by 2010, 100% of public sports and physical training facilities which can potentially provide services (including hotels, stadiums, swimming pools, clubs) can apply the same financial mechanism as public services providers. Provide block grants to social organizations specialized in sports and exercises in accordance to their tasks assigned by the State.

Expand international cooperation in order to make use of resources, learn experience and acquire advanced technology to urge the development of the country's sports and physical training. Make the best efforts in preparation for hosting the 2009 Asian Indoor Games.

#### **14. Improvement of the living standards of ethnic minority groups**

Continue the implementation of the Program on Socio-economic Development of extremely disadvantaged communes (Program 135) in the 2006-2010 period, basically ensure that all communes have essential public works. Improve infrastructures, communal cluster's centers, plan and re-locate residential areas, promote the development of agriculture and forestry. Gradually narrow the disparities in terms of material and spiritual life among ethnic minority groups.

Well perform the allocation of land and forest to individuals, households and organizations in ethnic and mountainous areas, especially to households of ethnic minorities. Effectively carry out the assistance policy on cultivation land, residential land, housing, and clean water for poor ethnic minority people.

Well complete the project of sedentary cultivation and settlement, reduce spontaneous migration, stabilize production, improve the living standards of ethnic minority people in conformity to their traditional practices on the basis of population planning which establishes concentrated residential clusters, communal clusters, townships, together with the provision of infrastructure to those establishments such as roads, water and electricity supply, information, markets.

Establish farms for agriculture and forestry cultivation of appropriate scale to the management capacity and production potentials of each area. Combining the development of processing industries with the development of demand for output in mountainous areas. Effectively utilize land and labor resources, promote the development of forestry, industrial crops, fruit trees, and local traditional handicrafts in these areas.

Train people how to work scientifically, actively conduct agricultural and forestry extension activities, transfer technology and provide people with information to develop commodity economy. Work out policies to assist economic development of ethnic minority people and help them really benefit from economic growth.

Prioritize the training and employment of ethnic minority people right in their localities. Well treat and make use of village leaders, the elderly and women of ethnic minorities. Well implement the policy of Great Unity among peoples in ethnic and mountainous areas.

Attach importance to the consolidation and expansion of educational, medical, cultural and informative activities for ethnic groups. Improve educational attainment of ethnic minority people, and at the same time preserve and improve their traditional cultural values. Preserve and improve spoken and written languages of different minority groups. Enable access to nurseries and pre-school education for most children and help them complete primary education using Vietnamese as the medium of instruction. Teach the languages of ethnic minorities if their written scripts are available. Work out the policy on tuition exemption and reduction for ethnic minority children.

Strengthen the dissemination of information about programs on hunger eradication and poverty reduction through appropriate methods, forms, organizations and venues that are accessible to minority people. Encourage the self-help and pro-activeness of ethnic minority people to get rid of poverty.

## **15. Implementation of the policy of respecting and ensuring people's freedom of religion and belief.**

*Goals:* Develop to the highest degree the social roles of religious organizations in the implementation of the country's renovation process for "a wealthy people, a strong country, and a fair, democratic and civilized society". Put religion in the relationship with politics, economy, government, law, nation, culture and belief, etc., to develop guidelines and policies, and to find specific solutions to ensure that religious activities comply with the legislation.

*Main solutions:* Raise awareness of religious policies among the political system. Proactively implement policies relating to farmers, rural development and religion in areas that ethnic minorities are populated, especially in 3 important regions, North West, Central Highland and South West. Guidance to religious activities needs to be paid more attention so that they will not violate regulations and laws.

Continue the completion of legal documents on religion in preparation for the development and promulgation of the Law on Religions and Beliefs. Perform foreign policies on religions which are responsive to new conditions.

Strengthen and consolidate the State management system in religions; implement specific policies on training and retraining officials in charge of religious work to meet the requirements of the new contexts. Well perform activities of the Fatherland Front, support the development of religious followers as the core to guide progressive religious practices and maintain their traditional patriotism and attachment to the Party and the socialist regime. Maintain our revolutionary achievements and prevent the national solidarity from abusing regions for reactionary or unsound purposes.

Install incentive policies to support religious organizations in terms of education and training of dignitaries, organizing their periodical congresses and performing foreign affairs in accordance with the policy that associates religion with the country's interests, i.e. religious groups, organizations and followers accompany and share work with the State and people.

## **16. Implementation of gender equality, empowerment of women and children's rights protection**

*Goals:* improve the quality of spiritual and material lives of women. Create favorable conditions for efficiently ensuring basic rights and bringing into play the role of women in political, economic, cultural and social fields. Organize the good implementation of the National Strategy for the Advancement of Vietnamese Women to 2010.

*Main solutions:*

With the target of gender equality in education and training, employment, health care and participation in leadership and managerial work, by 2010 Vietnam strives for illiteracy eradication among women under 40, increased number of women in the total newly employed, and increased number of trained women in the workforce. Implement gender equality in health care; ensure that women can access to healthcare services.

Effectively mainstream gender issues into policies, national action programs, and programs on socio-economic development of all levels and sectors. Intensify the roles and responsibilities of Ministries, sectors and local authorities in raising people's awareness of gender equality. Coordinate Ministries, sectors and local authorities in the introduction and implementation of good models of gender equality. Implement the planning and training of women staff in order to generate sources of potential staffs for replacement and promotion in response to new requirements.

Ensure the conditions for women to enjoy equality in employment and labor through the provision of sufficient cultivating lands and fundamental resources; define clear targets of women recruitment in new jobs. Complete regulations and intensify the supervision of the

implementation of policies on women laborers to ensure efficiency and fairness in policies on vocational training, social insurance and retirement. Build up databases of the labor market and vocational training with information and data disaggregated on the basis of sex. Develop vocational training and job centers for women. Implement preferential policies for agencies and enterprises with 70% women employees. Intensify women's access to credit sources and funds from hunger eradication and poverty reduction programs, facilitate women to be trained how to directly use such funds.

Promote propagandizing on mass media and by other means of communication to improve people's awareness of gender equality, targeted especially to women and children in rural, remote and hinterlands, and ethnic minority areas to help them protect their own rights. Well implement international conventions, eliminate all forms of discrimination against women, fight against discrimination, trafficking and maltreatment to women and children.

Improve efficiency, invest labors and fund in activities for the advancement of women nationwide; intensify the inspection and supervision of the implementation of action plans for the advancement of women. Strictly establish reporting system on the implementation of those plans; intensify international cooperation for the advancement of women.

Take measures to ensure women's equal access to education, science, technology and training for professional improvement. Deliver training to improve scientific and technological knowledge to be applied to production. Issue incentive policies to encourage girls in remote, hinterlands and ethnic minority areas to enroll in boarding schools, high schools, colleges and universities. Implement policies to support poor women and girls to go to school. Take measures to adjust gender discrepancies and segregation in terms of fields of study, and mainstream gender issues in vocational training programs. Check and improve quality of textbooks, eliminate misconception and improper stereotypes concerning gender. Increase the number of women in managerial positions at all educational levels and grades. Establish study encouragement funds for females and identify the number of women in training and retraining courses at all levels and sectors.

Improve women's health through improved awareness and behavioral changes in providing medical and family planning services. Strengthen the medical systems at the grassroots, including the provision of counseling about reproductive health and family planning, take positive measures to encourage men to use various contraceptive methods. Facilitate poor women's access to healthcare services. Improve the quality of prepartum, partum and postpartum services. Take measures to reduce the transmission of HIV/AIDS and other reproductive tract infection diseases. Establish the record system and database of occupational diseases. Improve professional skills and knowledge of the medical staff and service quality at women and children's health care facilities.

Gradually reduce household chore burdens on women through investing in small-scaled technology for domestic purposes, in clean water and power supply projects in rural areas. Develop and reorganize pre-school and nursery systems. Launch propaganda campaigns on responsibility sharing among all family members.

Highlight women's roles, positions in, and contributions to, decision-making processes, leadership and management at all levels and fields by reducing discrimination and maltreatment towards women and girls in families. Encourage the exercise of family relations on the basis of equality, respect and cooperation. Facilitate women's participation in meetings and planning, implementing and supervising programs and

projects in villages, communes and at all levels. Check all policies on female staff to ensure that they are equal to men in terms of remuneration and incentives. Integrate gender issues into programs on political and administrative training at all levels.

Ensure women's equal participation and benefits in the socio-economic development process by completing laws and legal documents for the implementation and protection of women's rights and interests. Improve women's awareness and access to the use of legal instruments. Improve the capacity of the administrative system and social organizations in order to successfully implement policies and strategies for the advancement of women and effectively protect their rights and interests. Improve women's rights in land use rights certificates and increase their roles in local decision-making.

Implement support policy to ensure gender equality among ethnic minority people and single women.

Take strong measures to reduce discrimination against women, maltreatment to women in the family and protect women and children. Respect and ensure rights and responsibilities of children for the family and society. Propagandize, improve awareness, create favorable conditions for families in children rearing and education, improve the role, capacity and coordination mechanism among authorities concerned in the protection of children's rights. Take strong measures to ensure poor children, ethnic minority children, children in difficult areas, remote areas, street children, and handicapped children to have access to basic services, learning, care, participation in social activities in order to grow up both spiritually and physically. Protect children from abuse, harassment, exploitation and hard work.

Provide special assistance to ensure gender equality to ethnic minority people, people living with disabilities and single women.

## **17. Vietnamese Youth Development**

a) *Goals:* Develop and well implement the National Strategy for Youth Development, in which young people are placed in an important position in national construction and protection, and are the driving force for the development of the country. Improve young people both physically and mentally in order for them to continue national traditions, and to become the owners of the country in the future.

b) *Solutions:*

Issue specific policies to well perform the National Strategy for Youth Development.

Promulgate facilitative policies for youth to perform their vanguard roles and voluntarily complete important tasks in the socio-economic development in disadvantaged areas, remote and hinterlands areas and important areas of the county so that they can be the pioneer forces in all fronts from socio-economic development to security maintenance and readiness to defend the country.

Promulgate policies to mobilize and encourage young people to participate in voluntary movements against social problems and solving social controversial issues. Take practical measures to prevent, constrain and reduce the number of young people involved in illegal activities and to educate them to become good people.



Expand vocational training for young people, support them in job finding through numerous methods. Develop Young Entrepreneurs' associations, and Young Businesses' clubs to attract the participation of all youths.

Help young people in rural, disadvantaged, remote and hinterlands areas in their access to basic social services like education, health care, exchanges and development.

Implement solutions to promote science and technology development among young people. Work out policies on assisting and encouraging youths to actively involve in hunger eradication and poverty reduction in rural, remote and hinterlands areas.

## **18. The fight and prevention against social problems**

a) *Goals:* Push up the number of crime-free and strong communes and wards without social problems; make our country become a civilized and polite country with healthy and unblemished social and cultural life.

b) *Main solutions:*

Continue to speed up the work of building crime-free and strong communes and wards without social problems; in association with the movement of "All the people strive together for building up cultural life in their neighborhood".

Take strong measures to strictly control and then reduce drug related crimes, sex work, women and children trafficking. Regard drug-related problems, sex work, women and children trafficking as crimes and social problems in order to devise practical solutions which can at first prevent, then eliminate them, and at the same time take measures to reduce the adverse impacts of social disease transmission. Study, and learn from the lessons/experience of localities domestically and internationally and then widely apply them to our situations.

Intensify the roles of grassroots authorities, public security and judicial branches, Youth League, Women Union and other social organizations in the prevention of drug-related crimes, sex work, and women and children trafficking right at the communes or wards.

Improve material facilities of drug-addict detoxication centers. Send most of the drug addicts in big cities and key provinces to compulsory and voluntary detoxication centers. Strictly control them after detoxication, attach responsibilities of families and local authorities to the control and creation of jobs for these people.

## **19. Strengthening national defense capacity in combination with socio-economic development.**

*Goals:* Intensify the national defense potentials, maintain political stability, social order and safety; firmly defend national independence, sovereignty, unity, territorial integrity, and national security, which creates favorable conditions for socio-economic development.

*Specific tasks and solutions:*

Reinforce national defense potentials, maintain national security and expand foreign relations, protect peace, facilitate the national construction and protection.

Strengthen and promote the strength of the whole people's great unity and solidarity bloc. Build up a firm national defense of all people and combine it with people's security front.

Well implement the mechanism of the Party's direct leadership with absolute loyalty to the cause of national and security protection; strongly promote the managing role of the government and the master's role of the people. People's police are the core force in keeping order and safety. Complete the law system, improve the efficiency of State management over order and security in all fields; prevent our revolutionary achievements from taking advantage of democracy and human rights for unsound purposes. Strictly combine the tasks of economic development, national defense, security and foreign affairs. Reinforce national security, maintain national security and territorial integrity, continue to gradually build up regular, skillful and modern People's Army and People's Police. Strengthen and complete the whole people's national defense and people's security fronts.

Improve the army's readiness for action and the people's police's activeness in dealing with any unexpected situations. Ensure better logistics for the People's Army and People's Police in their daily life, arms, ammunition as well as technical facilities. Pay attention to successful implementation of the arms strategy (Resolution 29 of the Politburo), intensify technical assurance work, give priority to the building of army camps, etc. Improve fighting instruments, arms and facilities for police forces in key regions, mountainous, border areas to help them deal with complicated situations of political security and social orders.

Intensify investment in the establishment and development of national defense industries (including industrial bases for security needs), in important laboratories to serve the purpose of scientific research, military technology in order to reach the targets defined in the Resolution 27 of the Politburo.

Consolidate and strengthen material and technical facilities for training units of national security and defense at the Central and localities in order to improve the readiness for fighting against and coping with unexpected situations which can influence national security and social order.

Attach importance to the combination of socio-economic development with national security and defense at critical areas in terms of national security and defense; push up the construction of border patrolling lines, roads and the system of border guard offices and stations. Basically complete national defense economic zones according to approved planning. Complete the work of Vietnam - China border delineation and demarcation. Install policies for the promotion of population re-location and settlement along the borders, ensure fundamental conditions for the life and production of ethnic minorities in mountainous, border areas and military bases.

Implement the strategy of maritime economy to 2020. Continue to invest in the defense and protection of national sovereignty and interests on the sea, islands and coastal areas in combination with their socio-economic development.

Organize the planning of the search and rescue services for the period of 2006-2010, attach importance to the establishment of some core units for the prevention and relief of natural disasters and catastrophes, as well as the formation of search and rescue teams in the armed forces, aviation, navy, and petroleum and gas sector. The armed forces are regarded as the core forces in preventing and fighting against natural disasters, calamities, etc.

Ensure social security and order, prevention against drug-related crimes, criminals and other social problems. Maintain the strong reduction of road accidents and this should become the task of everyone and the whole society; attach importance to the provision of material facilities to those who directly implement the tasks.

Improve material and technical facilities for all forces to implement the national strategies for drug and social problems prevention, national defense, road safety, fire fighting and prevention; gradually invest in facilities for jails and retention camps and complete projects approved by the Prime Minister, and implement Resolution 08 of the Politburo.

## **V. REGIONAL DEVELOPMENT ORIENTATION IN THE FIVE YEARS 2006-2010.**

*Goals:* The overall goals for regional socio-economic development in the five-year plan 2006-2010 are to improve regional particular advantages and competitiveness in the common relationship to push up all regions' socio-economic development, to create pervasive strengths for pushing up socio-economic development of all regions, create strengths of each region with open economic structure associated with the expansion of domestic and international markets. Concentrate on the development of large and critical economic centers, improve the effectiveness of the existing industrial and export processing zones, and at the same time develop new industrial, export processing zones and industrial clusters to motivate the strong and sustainable development of all economic regions. Strengthen the coordination among regions, and in each region itself to overcome the drawback of administrative territorial division, and of closed and wasteful development. Expand cooperation with countries in the region to manage natural resources along the river basins.

*For three key economic zones:* gradually execute socio-economic development tasks according to Resolutions 53, 54 of the Politburo and Decisions No 145/2004/QD-TTg, No 148/2004/QD-TTg, and No 146/2004/QD-TTg on the main orientation of socio-economic development of key economic regions- North, Central and South- to motivate the development of powerful economic corporations, which then creates good environment for active large-scale international cooperation at high levels. Concentrate on the development of industrial and export processing zones, and high-tech industrial zones on the basis of combining as much as possible the existing capacities and build more new facilities to create a driving force for development processes. Build up comprehensive infrastructure systems, especially the system of highways and interregional roads to encourage interregional development and international cooperation. Speed up the development of some important economic corridors along with national highway routes. Develop modern urban systems; establish medium and small urban centers (townlets and townships) in rural areas with potential for economic development. Develop scientific and technological potentials, especially advanced technology, and produce new materials; develop high-quality services such as postal and communications, banking. Develop high quality human resources. Invest in developing vocational training networks as planned; build up 25 vocational training secondary schools and colleges satisfying standards, among which at least 5 schools meeting international standards in order to train high-skilled laborers for the whole region.

Establish and efficiently develop economic corridors in the expanded Mekong river sub-region.

*For disadvantaged areas:* execute Resolutions 10, 21, 37 and 39 of the Politburo on socio-economic development, national defense and security, and action plans of the Government on implementing socio-economic development in these areas. Pay attention to the construction of infrastructure, primarily transport and irrigational systems, clean water and electricity supplies, education and training development, improvement of people's education levels and the quality of human resources. Establish central towns of provincial level. Mobilize investments for provinces that face difficulties with high rate of poor households to make breakthroughs so that they can rapidly catch up with the common development level of the whole country. Develop the social safety nets for low-income and poor people. Strengthen vocational training and job creation, reduce the work burden and increase incomes for women. Speed up hunger eradication and poverty reduction in disadvantaged areas.

*Quickly develop maritime economy,* make our country soon become a nation of powerful maritime economic development; attach maritime development to the assurance of national security and defense, and international cooperation. Build a coastal transport system and economic units in combination with building strategic posts to protect the coast and strengthen the protection of Vietnamese territorial waters. Strongly develop science, technology and human resources to serve the purposes of maritime development. Invest in marine-culture and seafood exploitation, marine transport and tourism, oil extraction and processing as the core of maritime economy. Develop industries and services supporting maritime economy. Build some general service centers at some seaports and islands. Strengthen conditions and forces for ensuring marine security, firmly protecting sea and island sovereignty. Concentrate on the development of marine research and forecast centers.

### ***Specific regions' development orientation***

#### **1. The Northern Midland and mountainous areas**

##### *a) General goals:*

Speed up socio-economic development of the Northern and Midland mountainous areas for hunger eradication and poverty reduction, narrow the disparities in terms of living conditions, and social progress among different regions nationwide; take advantage of each region's strengths in terms of soils, climate, mineral resources, hydroelectricity, and proximity to border gates for economic development. Significantly improve socio-economic infrastructure to meet the demands of development in the region; complete the task of encouraging people to move back to border areas; preserve and develop the cultural identities of ethnic minority people; improve people's material and spiritual life; combine socio-economic development with environment protection and national security and defense assurance.

##### *b) Some main targets to 2010:*

Speed up regional economic development. Strive for an annual average GDP per capita of US\$460-530 by 2010. The economic sectoral structure in GDP by 2010 is expected to be as follows: agriculture-forestry-fishery contributes about 30%, industries – constructions 29.8% and services 40.2%. Increase the number of trained laborers by 25-30%. Reduce the number of poor households of Northwestern region from 44% in 2005 to 24%,

Northeastern region from 33% in 2005 to 18% by 2010 (according to new poverty standards).

*c) Tasks and solutions for development of some fields and sectors:*

*Agriculture:* Continue economic structural shift in order to best develop economic efficiency and potentials of the region. Develop areas of industrial crops, medicinal plants, aromatic plants, fruit trees, flowers, vegetables for domestic market and export; develop livestock raising and agricultural products, animal husbandry in areas where natural conditions and climate allow, especially raising buffalos, cows according to advanced technical methods. Properly protect natural forests and protection forests. Expand planted forests, especially forests supplying raw materials for paper industry as planned. Complete the allocation of land and forest to people associated with sedentation; solve the problem of long-term residential and cultivation lands.

*Industry:* speed up the construction of Son La Hydropower Plant and other hydropower plants in the watershed of Da and Lo rivers, develop small- and medium-scale hydropower plants, and coal-fired thermal power plants. Effectively mine and process minerals of mineral mines in the region. Build factories that produce construction materials and chemicals on the basis of the local natural resources. Expand planted forests to ensure raw material supply to Bai Bang Paper industrial zones, build paper and pulp plants adaptable to the development of the raw material supply areas.

Develop tea, milk and other agri-food industries, etc., continue to expand and improve the quality and efficiency of the local industrial zones and clusters. Attach importance to the development of small-scaled industry and traditional trade villages.

*Develop commerce, services and tourism:* give priority to investment in and exploitation of tourist points: Dien Bien Phu, historical monuments in Pac Bo, Tan Trao, Dinh Hoa, Hung Temple, Sa pa, Ba Be Lake, Nui Coc Lake, Da Reservoir, etc., with various tourist models, especially ecological tourism, health and spa tourism, cultural and historical tourism with an aim to developing tourism linked with preserving natural resources and cultural values and contributing to hunger elimination and poverty reduction, especially in ethnic minority regions.

Develop border-gate economic zones, expand cross-border cultural exchanges, concentrate on the construction of infrastructures for border-gate economic zones; establish and develop services of finance and banking, import and export, post and telecommunications, transportation as well as information technology, etc.

Develop the system of rural markets and agricultural product markets. Encourage various economic sectors to underwrite contracts with farmers for the sale of agricultural and forestry products, and for export.

*Develop economic infrastructure structures:* complete the upgrading of national highways 2, 3, 6, 32, especially roads to border crossings, border belt roads, and border patrolling roads; invest in building highway stretches Hanoi-Thai Nguyen, Ho Chi Minh road, main road stretch of Ha Noi - Lao Cai - Kunming, Ha Noi - Lang Son – Nanning corridors and other highway lines; upgrade railway routes Ha Noi – Lao Cai, Ha Noi – Thai Nguyen, Kep – Luu Xa, Dien Bien Phu, Na San airports and main riverway routes; repair and upgrade irrigation works in provinces of the area.

Invest to ensure clean water supply for people's life and production. Build new irrigation works in Ha Giang, Tuyen Quang, Cao Bang, Lang Son, Lao Cai, Son La, etc. Ensure the quality of the power transmission grids; develop modern and effective post and telecommunication network to meet the requirements of socio-economic development.

*Develop urban systems* and master plans of living areas towards modernizing rural areas. Develop towns in association with the development of the region's industrial and economic centers, especially in cities like Viet Tri, Thai Nguyen, Yen Bai, Lang Son, Dien Bien Phu; build up Lao Cai city and urbanize towns and townships in the region. Prioritize the construction of new Tam Duong town. Develop town clusters together with the relocation of people when building Son La and Tuyen Quang Hydropower plants. Complete the living stabilization in communes along Vietnam-China and Vietnam-Laos borders, ensuring production and life stability for people therein.

Attach importance to the development of industrial zones along the borders with People's Republic of China and the People's Democratic Republic of Laos. Build up the Hanoi economic axes to economic centers of the area. Combine development of border-gate economic zones with the development of residences at Thanh Thuy (Ha Giang), Ta Lung (Cao Bang), Ma Lu Thang (Lai Chau), Tay Trang (Dien Bien), and Pa Hang (Son La). Establish domestic and international import-export centers directly linked with big economic centers in Hanoi and the whole country, in which Lang Son and Lao Cai should be prioritized to be developed so that they can become the focal points for economic exchanges with the Southwest and South of China.

*Comprehensive development of social and cultural life:*

Continue to invest in building commune postal-cultural centers, village community cultural centers, building radio broadcasting stations, and television repeaters for communes outside the coverage of Vietnam central radio and television stations, increase broadcasting time in ethnic minority languages.

Improve the quality of primary healthcare for people, especially ethnic minorities. Strive for the availability of doctors in 60-70% of communes by 2010. Modernize clinical facilities for provincial and district hospitals and establish regional healthcare centers in Thai Nguyen for the Northeast and in Son La for the Northwest. Assist the investment in building social centers of detoxification, caring and training drug addicts and sex workers back to normal life.

Properly implement policies of allocating residential land, production land and providing clean water to poor ethnic minority people with an aim to stabilizing their life.

Invest and upgrade the following universities: Tay Bac University, Thai Nguyen University, Hung Vuong University (in Phu Tho); strengthen and open more vocational training schools, especially for providing vocational training for ethnic minority youths and rural laborers to create local jobs; develop higher schools, and vocational secondary schools to meet the needs of education and training in the region.

*Ecological environment:* intensify tree planting on bare lands and hills, ensure reasonable coverage, maintain protection forests, and watershed protection forests to protect water sources for the downstream regions. Pay attention to environmental protection in mineral mining areas.

## 2. The Red River Delta

### *a) General goals:*

Build up the Red River Delta as a strongly developed region in terms of cultural, economic and social development, asserting itself as a focal point for regional and international exchanges and cooperation, helping other regions, particularly Northern mountainous and midland regions to develop.

### *b) Some main targets:*

Ensure economic growth with high rate and quality in the period of 2006-2010. Average annual GDP growth per capita reaches US\$1,110-1,360 by 2010. Strongly transform the economic structure along the line of rapidly increasing industry and services, especially transforming some land areas into services to create jobs and increase income for laborers. The economic sectoral structure in GDP by 2010 is expected to be as follows: agriculture-forestry-fishery sector accounts for about 11.8%; industry and construction sector accounts for 44.9%; services sector accounts for 43.3%. Export will increase by 15% per annum on the average (the Northern key economic region alone is to increase by 25%), strive for export turnover of the region to reach 20-25% of the country's total export value. Poor household rate is to reduce from 14.4% in 2005 to 6-7% by 2010 (according to new poverty standards).

### *c) Tasks and solutions for development of some fields and sectors:*

*Industry:* focus on the strong development of hi-tech industries like softwares and computer accessories, automatic industries so that they can truly become key industries. Produce new materials, cement; interior furniture and roofing materials; strongly shift to the production of high quality steel, steel sheets, steel plates, engineered steel and electronic products. Establish machinery manufacturing and engineering, shipbuilding, construction machines, electricity, coal, garments and textiles. Produce high quality consumer goods. Establish high-tech industries.

Plan and develop industrial zones in the outskirts of big cities, associated with economic corridors along National Highways No18, 5, 1, 10. Establish Van Don economic complex (Quang Ninh). Build up Nam Dinh city into an industrial, service and training center, which serves as the development core of the sub-region in the South of the Red River delta.

*Implement the industrialization and modernization of agriculture and rural areas.* Transform economic structures in agriculture and rural areas adaptive to the development of organic farming along with high technology and biotechnology. Establish high quality commodity centers, areas for rice, vegetables, pigs, dairy cows, cattle, poultry, flowers and bonsais cultivation in appropriate volumes to serve export and organic food supply for local people, and strongly develop marine economy. Speed up vocational training in close link with creating jobs, developing small- and medium-scaled handicraft industry and rural industry.

*Tourism and services:* Establish modern trading centers of regional and international standards. Strongly develop tourism in the region, making tourism become a key economic activities. Take advantage of the capital to develop tourism in Hanoi and vicinities; invest

in the construction of the national holiday resort in Ha Long – Cat Ba, Hoa Lu – Trang An – Ninh Binh. The development of provincial tourist attractions should be combined with other tourist spots inside and outside the regions to establish clear intra-regional and inter-regional tourist routes. Give priority to the development of high quality services like financial and banking, information and communication, training, science and technology.

*Modernize infrastructure systems:* Build and upgrade roads; expand and upgrade some airports, seaports and railways. Comprehensively develop and gradually modernize urban infrastructures of Hanoi. Link Hanoi with the development of other cities and towns in the region like Hai Duong, Hai Phong, Ha Dong, Bac Ninh, Vinh Yen, Ninh Binh, Nam Dinh, etc. Build Gie Bridge – Ninh Binh – Thanh Hoa highway route at the soonest time. Improve the transport system on the Red River to make it become waterway transport and tourism route of the region.

Develop postal and telecommunications, information technology to become critical and effective technological economy. Continue to improve and upgrade electricity and water supply networks in cities, towns and townships; strive for the reduction of loss, leakages and waste in distribution and consumption. Repair and upgrade the systems of river and sea dykes, and improve agricultural extension services.

*Develop science and technology and high quality human resources:* Establish a number of focal universities, especially those specialized in technology. Build up the modern scientific and technological research network of some important fields, especially centers for breed research and technological innovation. Speed up the construction of Hoa Lac hi-tech zone, which links with Lang – Hoa Lac – Xuan Mai urban network.

*Develop healthcare services,* improve people's physical and mental health; invest in comprehensive hospital system in provinces and cities, upgrade district hospitals to meet people's demands of health check and treatment, reduce overloads for hospitals in Hanoi and in other big cities in the region. Complete the investment in Hanoi specialized medical center.

*Environment:* Ensure the environment in big cities, industrial zones, trade villages, and eco-environment in rural areas. Improve the environment of polluted rivers as Day, Nhue, Cau, Tich, and Chau rivers.

### **3. The Northern Central and Central costal areas**

#### *a) General goals:*

Speed up the socio-economic development of the Northern Central area, Central costal area and key economic regions to soon catch up with development of other regions in the country and become one of the whole country's focal points for international exchanges and cooperation; fundamentally improve local people's material, cultural and spiritual life; minimize the effects of natural disasters; maintain political stability and social order and safety, ensure national security, and protect the eco-environment.

#### *b) Some main targets:*

Speed up the economic growth rate. Strive for annual average GDP growth rate per capita to reach US \$670-780 by 2010. The economic sectoral structure in GDP is estimated as follows: agriculture – forestry – fishery sector accounts for about 22%, industry and



construction sector accounts for about 37.2% and services sector accounts for 40.8%. Create jobs for 2.5-3.0 million laborers. Reduce the poor household rate of the Northern Central area from 35.9% in 2005 to 20.9%, the Southern Central coastal area from 24.1% to 11-12% in 2010 (according to new poverty standards)

*Tasks and solutions to development of some fields and sectors:*

*Industry:* Build Dung Quat oil refining and petrochemical plant as scheduled, attract capital resources for investment in Nghi Son oil refinery, prepare for the implementation of Thach Khe iron mine development project together with the construction of a metallurgy complex in Vung Ang (Ha Tinh). Establish shipbuilding and ship repair factories. Build cement plants in planned areas with available raw materials.

Develop agriculture, forestry and fishery product processing, textile, leather and garment industries. Build new Thanh Hoa, Nghe An and Binh Dinh paper pulp plants adaptive to raw material supply capacities of the region. Push up the salt production, especially industrial salt production.

Speed up the construction of hydropower plants combined with irrigation. Fundamentally complete the expansion of the national power grid to all communes in the region.

*Agriculture and aquaculture development:* Develop agriculture by improving commodity production, improving land use efficiency, adaptive to severe weathers. Plan intensive production of raw materials for production associated with processing industry, with emphasis on short-term crops (sugar canes, peanuts, tobacco, and cotton trees) and perennial industrial crops (cashew, coffee, pineapple, tea, rubber, pepper trees), fruit trees, and effectively develop Western part of the region. Develop livestock raising at reasonable scales. Focus on nurturing and preserve protective forests and watersheds to reduce flood, retain water and ensure safety for irrigation and hydropower works in the region. Push up afforestation in coastal areas to prevent the intrusion of sand and salinity; increase forest coverage to 44 - 45%.

Develop aquaculture, invest in infrastructure for aquaculture, ensure sustainable development, protect the ecological environment. Develop offshore fishing combined with maritime security protection, build seaports infrastructure, and services sectors as logistics for fishery; build areas for storm sheltering in river mouths and islands with heavy water traffic.

*Develop strengths on ecological, health and spa resorts, cultural and historical tourism:* Pay special attention to the attraction of investment in coastal and island tourism development; develop attractive tourist places and areas as Phong Nha-Ke Bang, Ancient Capital of Hue, Canh Duong-Lang Co-Non Nuoc complex, Hoi An, My Son, Van Phong, Dai Lanh, Cam Ranh, Mui Ne. Combine the development of cities, industrial groups with tourist development, especially sea and island tourism. Bring into play the tourist role in economic cooperation of East-West corridor; pay attention to expanding trade, tourist and service relations with neighboring countries as Laos, Cambodia, Thailand; participate in tourism of the Me Kong sub-region, and expand trans-Asian routes.

*Develop transportation services:* air transportation, sea transportation, international telecommunications, banking, finance, insurance, and information technology application services in industrial, economic zones, in border economic zones and cities in the region.

Build trade centers in Vinh, Hue, Da Nang, Quy Nhon, Nha Trang, Phan Thiet and trade zones in some inland border gates. Develop services for fishing industry and tourism in some island districts in the region. Speed up the development of rural markets.

*Comprehensively develop infrastructures:* Build Van Phong international transit seaport (Khanh Hoa), Tien Sa seaport (Da Nang) of the second stage as gateway ports for the development of the Central key economic region; upgrade seaports, airports in the region for the purpose of socio-economic development.

Invest in road building to ensure smooth traffic between Eastern and Western parts during rainy and flooding seasons; build road links among seaports, airports and coastal towns to Western districts of the region, links the Central Highland to the neighboring countries of Laos, Cambodia and Northeast Thailand.

Upgrade big irrigation works upstream to prevent floods, generate electricity and water in dry seasons as well as to protect the environment. Complete projects of restoring flood-prevention irrigation systems in Nghe An, Thanh Hoa; develop irrigation in Central areas; combine irrigation works with flood prevention.

*Gradually invest in establishing some costal economic zones* attached to some transport routes, urban centers and border economic zones in the West of the region. Invest in educational quality improvement in the universities of Vinh, Hue, Da Nang, make them become interdisciplinary training centers and scientific research centers of the region. Build Vinh city to make it the economic and cultural center of the Northern Central area.

Speed up the construction of hi-tech intensive medical centers in Hue and Da Nang, invest in the new construction and upgrades of provincial hospitals in the region, construct regional medical centers in Vinh and Nha Trang. Improve social, economic and cultural life of ethnic minority people; speed up hunger elimination and poverty reduction.

*Environment:* ensure the maintenance of the eco-environment, protect and develop coastal protective forests and upstream forests to contribute to the reduction of natural disasters' consequences.

#### **4. The Central Highlands**

##### *a) Overall goals:*

To make full use of its land, geological position and natural conditions, its strategic position, helping the Central Highlands to develop comprehensively and in sustainable manner in terms of economy, politics, culture, society, national defense and security; and gradually become the driving force region. Regard the development of forest and industrial crops in combination with effective and comprehensive processing industry as an important breakthrough in developing the region and strengthening the construction of national defense economic zones. Attach much importance to economic structural shift and job creation. Gradually improve and protect the environment through efficiently managing natural resources, improving living standards of local people, especially people of ethnic minorities in remote, extremely difficult areas, areas of ethnic minority people in order to stimulate rapid growth rates help hunger eradication and poverty reduction.

##### *b) Key targets*

Strive for pushing up the economic growth rate. The average GDP per capita in 2010 will reach US\$ 510-580 in 2010. The economic structure in GDP by 2010 is estimated as follows: agriculture-forestry-fishery is to account for 41.3%, industry-construction about 21.7% and services about 37%. The export turnover in 2010 is to increase by 4.5 times compared to that in 2000. Annually, new jobs are provided to 120,000-130,000 people of working ages. The percentage of poor households is to drop from 40% in 2005 to 20% in 2010 (according to the new poverty standards).

*c) Tasks and solutions to develop key sectors.*

*Agriculture:* commercial agriculture will continue to be steadily developed by diversifying agricultural production and making full use of the region's strengths of forestry and industrial crops. Intensive cultivation of industrial crops which are adaptable to the region's natural conditions with good yield and export market such as coffee, tea, rubber, cashew, peppers, cotton, medical herbs, fruit trees, etc., will be promoted in order to rapidly increase the efficiency of agricultural production and export. Renovate crops and animal breeds, pay attention to developing cattle husbandry. Develop the forestry effectively and comprehensively, including afforestation, exploitation, processing and forestry services in order to make it become the key region of forestry development of the whole country. Actively prepare land fund and transfer land fund of some agricultural farms and afforestation yards to settle the problem of housing and production land, in combination with rearranging production to create jobs and ensure the lives of ethnic minority people.

*Industry:* based on planning the industrial development, pay attention to suitable and advantaged industrial fields; develop the mining and processing industry of bauxite in Lam Dong, Daknong; processing industry of agricultural and forest products as coffee, rubber, tea, fine tapioca, cassava, fruits, vegetables, medical herbs; milk, livestock meat processing industry, etc.; mechanical industries, construction material industry, etc. ...Develop hydroelectric industry on different scales by diversifying the forms of electricity trade and investment; combine hydro power projects with small and medium irrigation works to serve local agricultural production as well as daily life electricity needs and contribute to the national power grid. Speed up the implementation of key projects in the region.

Attract investors in existing industrial zones, building more industrial clusters in the region. Develop small-scaled industries and handicrafts.

*Services and tourism:* Develop a diverse trade services network suitable to the local terrain. New market hubs and commercial centers will be gradually built in cities and towns to promote trading activities. Speed up the development of models of trade and service supply cooperatives; production based on consumption contracts, good organization of input and output supply services for production, timely transportation of subsidized commodities for ethnic minority people. Develop the network of rural markets and trade villages in areas of local minority people. Develop and effectively operate border-gate economies in border-gate economic zones Bo Y, Duc Co, borderline markets linked with Southern Laos and Cambodia. Study to further establish Dak Per and BuPang border-gate economic zones in Daknong. Strongly develop tourist trade in the Central Highland; develop potential tourist centers and ecological tourism in the region.

*Infrastructure development:* Take Ho Chi Minh Highway as the artery to develop sideroads, feeder roads, border roads, border patrol routes, upgrade roadlinks to Laos and

Cambodia, upgrade critical national roads; focus investment in rural transport systems, particularly in remote, mountainous areas. Develop irrigation systems in combination with service provision to agriculture and people's life; invest in and make use of existing airports in the region; complete water supply systems in cities and towns in the region.

*Socio-cultural development:* Investment will continue to be made for new construction and improvement of schools, clinics, hospitals, cultural centers, especially in remote areas and ethnic communities. Complete the construction of Tay Nguyen University. Develop medical centers in the Central Highlands based on developing Dak Lak General Hospital. Concretize all commune medical stations with enough professional health care staffs. Consolidate and develop the system of schools and improve teaching quality of ethnic boarding schools. Increase on-air time for broadcasts in ethnic languages, promote community activities to preserve their original cultural identities. Preserve and develop cultures of ethnic minorities in Central Highland. Rapidly complete procedures in order to execute the Decision No 25/2004/QĐ-TTg dated on February 27<sup>th</sup>, 2004 by the Prime Minister on "Development of cultural-information activities of the Central Highland until 2010". Build the sport and physical training center in Buon Ma Thuot; build sport and physical training units for villages. Ensure the ecological environment.

## **5. The Southeastern region**

### *a) Overall goals:*

To mobilize all possible resources to make full use of its potentials and advantages, the Southeastern region will be a focal point of rapid and sustainable development and a leading region in industrialization, modernization in industry, trade, services and tourism sectors with high growth rates. There will be social and cultural development with environmental protection, political stability, and ensured defense security. It will be a key economic region in the cause of national socio-economic development as well as the effective linkage in trading, economic cooperation with other countries in the region with widespread influences on other regions like Mekong Delta and Central provinces.

### *b) Key targets:*

Strive for reaching high and sustainable GDP growth rate. The average GDP per capita in 2010 will reach US\$ 3,030-3,720. In the economic structure in 2010 GDP, agriculture-forestry-fishery is to account for 3.6%, industry-construction 64% and services 32.46%. The export turnover in 2010 is to increase by over 18% annually. New jobs are provided to 450,000-500,000 people of working ages annually. The percentage of poor households is to drop from 9.2% in 2005 to 4-5% in 2010 (according to the new poverty standards).

### *c) Tasks and solutions to develop key sectors.*

*Industry:* Focus on the development of key industries such as oil and gas exploitation, electronics, software production; manufacturing, engineering, electricity generation, fertilizer, construction materials and other labor-intensive industries in provinces with low development level; key processing industries such as cashew-nut, rice, seafood, export rice and food processing industries for export, food industry, consumer goods production industries including textile, garment, footwear, and plastic. Concentrate on developing hi-tech industries and clean industries, and electronic industry in Ho Chi Minh City.

Continue to explore and put into operation new oil and gas mines; develop power sources and power transmission lines.

Encourage investment in licensed industrial zones and processing zones. Design specific plans for the construction of new residences linked with industrial zones. Promote investment in hi-tech zone in Ho Chi Minh City.

*Agriculture:* Commercial agriculture will continue to be steadily developed by diversifying agricultural commodities with high economic efficiency to aim at high quality and clean agriculture which will be able to sufficiently supply for processing industries, for household consumption in cities and industrial parks and for export. Increase coast protection forests. Maintain the areas of mangrove forests in Can Gio district (Ho Chi Minh City) and of the coastal forests in Ba Ria-Vung Tau. Develop intensive shrimp farming and freshwater fish raising in irrigation works. Construct centers providing aquatic varieties, trade centers and hi-tech fishery processing plants.

*Services and tourism sector:* Establish a network of commercial centers with equal scale and quality to those in other countries in the region. Big trade centers will be developed. While Ho Chi Minh will be built as a great center of tourism and trade, more effort will be made to develop services in Vung Tau Bien Hoa and Con Dao, and ecotourism in Cat Tien forests. Border trading and border gates economy in border provinces will be strengthened. Develop shipping, telecommunication, finance and banking, and oil services, etc.

Focus on investment to upgrade tourism infrastructure, improve hotel system to conform to international standards, develop a network of leisure centers; maintain and restore historical and cultural sites as well as organize traditional festivals for tourism. In addition to big tourism and service centers in Ho Chi Minh city, coastal services and tourism will be developed in Vungtau, Con Dao, Binh Chau, Ba Den, Section 4 [military] Base, Soc Bom Bo, ecotourism in Cat Tien forests (Dong Nai).

*The development of cities and infrastructure:* Develop Ho Chi Minh City as a multi-center city, linked with other provinces in the region through modernized routes. Establish new towns and highways and complete a network of national highways; improve waterways; modernize international airports; effectively utilize existing seaports and gradually build up a cluster of seaports and peripheral road systems<sup>73</sup>. Gradually invest in the construction of cargo ports; modernize fish ports in Con Dao, Loc An, Cat Lo in Ba Ria – Vung Tau and Chinh Hung, Can Gio in Ho Chi Minh City.

*Social development:* Focus on capacity building and expansion of education programs at universities in Ho Chi Minh City and peripheral cities; build up a network of universities, colleges and vocational institutions according to the construction plan approved by the Prime Minister. Establish technical worker training center in Ho Chi Minh City to provide

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<sup>73</sup> Build up new towns in Phu My, Long Son, Long hai (Ba Ria- Vung Tau), Di An-Tan Uyen (Binh Duong), Tam Phuoc, Nhon Trach (Dong Nai). Build new highways from Ho Chi Minh City to Can Tho, complete Highway No 50, No 20, No 22B, No 1 and N2 to connect the Eastern South with Mekong Delta, highway No 13 (in Binh Phuoc Province), highway route through Ho Chi Minh City, Long Thanh, Dau Day and Bien Hoa-Vung Tau; complete Ho Chi Minh City-Ca Mau waterways and Ho Chi Minh City-Dong Thap Muoi-Kien Luong route, Ho Chi Minh City-Moc Hoa route; modernize the international terminal at Tan Son Nhat airport, establish underground routes within Ho Chi Minh City; develop public transport in cities and towns; effectively utilize Sai Gon port with annual throughput capacity of 10 million tons and other existing ports, gradually build new port clusters such as Thi Vai-Cai Mep and Cat Lai and Hiep Phuoc, etc.

skilled workers for the region, especially high-tech skilled workers for prioritized sectors. The percentage of skilled workers is to amount to 55-60% in 2010, out of which 20-22% is to have college diploma or higher. Ensure social welfares and access to basic social services for migrants to urban areas and their families equal to local residents.

Improve the quality of health services to meet the demands of local people, foreigners working in the region and tourists. Investment will be made to upgrade leading hospitals and provincial general hospitals. Accelerate investment in specialized health centers in Ho Chi Minh City.

Strictly control environmental conditions in cities, towns, industrial parks and highly populated areas. Control the environmental condition and water quality in Sai Gon, Dong Nai Rivers and canals in the City. Completely settle the problem of flooding in big cities, particularly Ho Chi Minh City.

## **6. The Mekong Delta**

### *a) Overall goals:*

To mobilize the most possible resources to make full use of its strategic location and advantages, promote industrialization and modernization in agriculture and rural areas to establish a large-scale and specialized commodity-producing region; develop Mekong Delta as a national focal economic zone with high, effective and sustainable growth rates; improve the socio-cultural conditions to be in line with the national average standards, improve the spiritual and material life of local people, especially Khmer people and people in flood-prone areas; socio-economic development is to be closely related to environmental protection, political stabilization, ensured social security and defense.

### *b) Key targets:*

Accelerate GDP growth rate. Average GDP per capita in 2010 will increase to US\$ 850-990. In the sectoral structure in 2010 GDP, agriculture-forestry-fishery is to account for nearly 37.5%, industry-construction 23.3% and services over 39.2%. Total annual export output is to increase by 20%. Within 5 years 2006-2010, new jobs are provided to 2.5-3 million people. The percentage of poor households is to drop from 17.6% in 2005 to 10-11% in 2010 (according to new poverty standards).

### *c) Tasks and solutions to develop key sectors.*

*Agriculture:* Develop an ecological tropical agriculture by diversifying crops based on the strategic advantages of sub-regions, establish intensively cultivated areas with crops of high value, good quality, especially rice, fruit trees and industrial crops. Maintain rice-growing areas of 1.8 million hectares, out of which 1 million hectares is for rice of high value for export. Develop fruit trees and industrial crops to provide raw materials for industry and animal feeds plants. Develop aquaculture, fishery and seafood processing industry as the focal export sectors in Mekong Delta. Preserve and develop coastal mangrove forests, Phu Quoc primitive forest; expand cajuput forests in the wetland and alum-contaminated areas in Dong Thap Muoi, Long Xuyen Tetragon, western side of Hau River and Ca Mau peninsula.

Strongly develop vocational training, particularly to rural laborers, in association with crop and livestock substitution in order to create local jobs and contribute to structural changes

in agricultural and rural labor force; invest in the development of vocational training institutions; establish 9 standardized vocational secondary schools and colleges; upgrade Vinh Long Technical Teachers Training College into University of Technical Pedagogy; assign the province's two vocational colleges with the task of training technical teachers.

Complete masterplanning work, particularly urban planning. Promulgate subsidy policies for agriculture, especially rice. Complete irrigation works as decentralized from central to local levels, ensuring sufficient water for agriculture in the whole region.

*Industry:* Exploit gas reserves in Southwestern Sea to develop gas-electricity-fertilizer industry. Effectively develop industrial parks, accelerate the construction of gas-electricity-fertilizer producing complex in Ca Mau. Strongly develop agricultural and fishery product processing industry. Continue to improve productivity and quality of plants for cement, concrete, bricks and tiles, building components. Develop agro- and fishery-machinery engineering industries. Improve the quality and quantity of artistic ceramics production for export.

*Services and tourism:* Establish trade and tourism centers in Can Tho as a focal point for trading in the region and with other regions. Take advantage of its geographical location and biodiversity to rapidly develop various types of tourism: garden tour, ecotour, river tour, marine and island tour in close links with Ho Chi Minh City, southern focal economic zone and inter-regional tourism routes to Central Highlands, Southeastern area and countries in the region like Cambodia and Thailand.

Make stepwise investment in Phu Quoc economic zone, building it into a large, modern center for tourism, recreation and international trade like others in the region and in the world.

*Investment in infrastructure:* Develop traffic system to conform to flood control measures. Complete multi-purpose irrigation systems to serve cultivation, husbandry, aquaculture, processing industry, services and people's life. Focus on traffic system in rural, remote and border areas, provide favorable conditions for former wartime bases, islands and difficult areas. Establish traffic route connecting the Mekong Delta with the Southeastern and other parts of the country (National Road 1A, National Road 60 along the coast, Roads N1, N2 along the border, the motorway from Ho Chi Minh City to Can Tho. Upgrade all provincial and national highways. Review projects to expand and upgrade all national roads, provincial roads and waterways bypassing cities and towns along the National Road No1, riverports and seaports system in the Mekong Delta; initiate preparations to restore the railway route Ho Chi Minh City-My Tho; upgrade and expand airports<sup>76</sup>. Develop systems for water supply, electricity supply and telecommunication services.

Complete flood control and irrigation works, better satisfying the requirements of production and minimize damages by flood to the seadyke system, flood discharge canals in the west, flood control canals in Dong Thap Muoi, Long Xuyen Tetragon and try to desalinate Ca Mau peninsula.

*Develop towns, cities and establish residential areas:* Develop Can Tho city as an industrial, commercial, service, tourism, educational cultural, economic, technical and

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<sup>76</sup> Cai Cui port (Can Tho), Long An and other ports along Tien River and Hau River. Upgrade Dinh An port. Upgrade and expand Tra Noc airport (Can Tho) to meet international standards; upgrade and repair domestic airports (Phu Quoc, Ca Mau and Con Dao airports).

scientific center; Can Tho also serves as a medical center and a critical transport hub of the whole region which links Can Tho with the Southeastern, with other regions in the country as well as Cambodia and other countries. It is also a strategic point of national defense and security in the Mekong Delta complete residential areas to ensure safety for people in flood-prone areas.

*Develop education and training:* increase the intellectual standard of local people, strengthen vocational training and higher education. Upgrade schools and establish new universities and colleges.

Strongly develop vocational training, particularly to rural laborers, in association with crop and livestock substitution in order to create local jobs and contribute to agricultural and rural labor structural transformation; invest in the development of vocational training institutions; establish 9 standardized vocational secondary schools and colleges; upgrade Vinh Long Technical Teachers Training College into University of Technical Pedagogy; assign the province's two vocational colleges with the task of training technical teachers.

*Resolve urgent cultural and social problems:* Create favorable conditions for Khmer people to eliminate poverty and improve their life; give priority to investment in existing hospital modernization, especially provincial-level general clinics; accelerate the construction of such specialized health centers as those for tumors, heart diseases and specialized antenatal and obstetric clinics in Can Tho City. Strictly control waste from people living on rivers.

*Combine economy and defense:* Focus on anti-flood investment for border posts, district-level military headquarters, defense system, patrol routes and the border. Develop military forces and quick reaction forces to deal with emergency situations (flood, forest fire, conflicts, etc). Build up some coastal bases, ports, airports, a fleet of ships and sea rescue facilities.

## **7. Marine economy development**

### *a) Overall goals:*

Intensify developmental planning for coastal, marine areas and islands; ensure sustainable development for them; provide optimal conditions for the development of marine tourism. Consolidate existing marine enterprises and develop new marine economic sectors with focus on the quality of marine enterprises. Develop sectors which have been considered as focal marine economic sectors such as seaports and shipping enterprises, oil extraction and refinery, fishery and aquaculture, and sea-based tourism. Develop and improve coastal and island towns, industrial zones, and coastal processing factories. Establish consistent off-shore and coastal infrastructure to gradually establish marine developed centers, and to prepare for breakthrough in marine economy after 2010.

### *b) Key targets:*

The average GDP growth rates of coastal and off-shore areas in the period 2006-2010 are to account for 11.5-12%. Average GDP per capita in 2010 will be 1.2-1.3 higher than the national average level. Increase the proportion of export value of coastal and off-shore areas in comparison to the national total export values. Establish basic components to develop focal development sectors under marine economy.



*c) Tasks and solutions to develop key sectors:*

*Shipping capacity-building:* By 2010, the fleet of ships will increase by 192 ships of all kinds with total shipping capacity of 1.94 million DWT, including 18 container ships with shipping capacity of 301,736 DWT; 21 tankers with shipping capacity of 587,447 DWT, etc.

Promote international cooperation in sailor training. Develop marine and support services with focus on facilities, modernization investment in marine safety management and marine services. Improve rescue services. Develop and expand oversea markets for marine labors.

*Marine, coastal and island trade:* Focus on the development of big trade centers in some maritime areas. Continue high, stable and sustainable growth rate in seafood export; transform marine export structure with increasing proportion of manufactured and processed products.

*Tourism:* Emphasize the development of island and coastal tourism and strive for receiving 4-5 million of international tourists to Vietnam, and 20-30 million domestic tourists by 2010. Develop clusters of tourist centers; develop some training centers in the form of “hotel + school” in big coastal cities and regional tourist centers.

*Coastal industries:* Develop coastal industries with priority for oil and gas industry; improve capacity for production and maintenance of oil-rig devices. Develop shipbuilding to deal with bigger and more sophisticated ships by 2010.

Promote research, exploration and extraction of minerals in coastal areas with short-term focus on coal and iron ore extraction. Prepare facilities for off-shore extraction after 2010.

*Continue to develop fishery and aquaculture;* by 2010 total seafood turnover is to amount to 4 million tons, including 2 million tons from fishery and 2 million tons from aquaculture. Create 2 million new jobs. Develop fishery with focus on off-shore fishing; improve the quality of processed products to ensure the competitiveness and popularity of seafood products.

Promote salt production with focus on intensive methods and technological improvement; increase the productivity of existing salt fields and expand areas for salt production to 30,000 –35,000 hectares by 2010.

*Marine infrastructure development:* Continue to invest in upgrading seaports to ensure the quality of the export products via these ports in the period of 2006-2010. Increase the capacity of Northern ports<sup>78</sup> to 60-70 million tons throughput annually. Maintain the annual goods throughput capacity of 40-50 million tons at seaports in Central Region, of 90-100 million tons at seaports in the South.

Upgrade some coastal airports and prepare for the construction of new airports. Upgrade coastal roads and roads around islands. Improve the provincial-level road system on islands for both economic and defense purposes. More efforts will be made to supply fresh water and electricity for coastal and off-shore areas. Improve the quality of communication facilities and fishing-related facilities, logistics and baseline surveys of marine resources.

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<sup>78</sup> Ports in Hai Phong, Cai Lan, Nghi Son, Vung Ang and Quang Ninh coastal areas.

Continue focal investment in coastal industrial parks as initial conditions to build development centers toward open sea.<sup>79</sup>

*Effectively implement developmental planning for marine and coastal areas.* Develop detailed action plans to elaborate the Marine Economic Development Strategy; allow sectors and provinces to hire international consultants to design such planning for marine economic development centers. Improve marine scientific and technological research institutions and train human resources for marine economy. Intensify and develop marine medical systems in order to control diseases, protect, care for and improve the health of local people, of the armed forces and seaborne laborers.

## **VI. PLANS FOR MOBILIZING RESOURCES, ORIENTING NATIONAL INVESTMENT AND BUILDING ECONOMIC AND SOCIAL INFRASTRUCTURE.**

### **1. Mobilizing resources:**

To achieve the above-mentioned goals and maintain the economic growth rate of 7.5-8% per annum, the proportion of investment out of GDP in the 2006-2010 period is to increase to 40% in comparison with 37.5% in the 2001-2005 plan. The total national investment capital in the 2006-2010 plan according to the 2005's prices will reach VND2,200 thousand billion, equivalent to 138.6 billion US dollars. If calculated upon current prices, it is 2,677 thousand billion, equivalent to 160 billion US\$, i.e. a rise of 17.2% annually (it was only 16.6% in the 2001-2005 period), ensuring the targeted economic growth rates.

The total investment capitals are likely mobilized from different sectors as in the following table.

Of the total investment capital, on the average, during the five years, domestic capital is to make up 65%, foreign capital 35%. Investments in economic sectors are to account for 69,9% of the total investment capital<sup>80</sup>, including 13.4% for agriculture-forestry-fishery; 44.6% for industry-construction; 11.9% for transportation, telecommunication and postal services. Investments in social affairs are to account for 27.2%, including 4.2% for education and training; 2.4% for medical-social services and 2.3% for sports and culture.

Total funds of registered official development assistance (ODA) will be estimated at about 17 billion USD for the period 2006-2010. The amount of ODA disbursed will increase from 1.7 billion dollars in 2005 to 2.3 billion dollars in 2010; the total ODA funds disbursed in 5 years 2006-2010 will be 10.9 billion dollars.

*Foreign direct investment (FDI):* Estimated total registered capital of foreign direct investment (FDI) projects newly licensed will amount to more than 23-25 billion USD, of which newly added capital will make up 35%.

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<sup>79</sup> Van Don (Quang Ninh) and Van Phong Economic complex, international trade center and Phu Quoc center for off-shore and island eco-tourism.

<sup>80</sup> For 5 years 2006-2010, investments in economic sectors accounted for 70.8% total investment capital, including 13.1% for agriculture-forestry-fishery; 43.8% for industry-construction; 13.9% for transportation, telecommunication and postal services. Investments in social affairs are to account for 25.72%, including 3.8% for education and training; 2.1% for medical-social services and 1.8% for sports and culture.

Unit: thousand billion VND (current prices)

	2001-2005 estimates		2006-2010 Plan	
	Total	Structure (%)	Total	Structure (%)
TOTAL	1,202.2	100	267.7	100
1. State budget	293.8	24.4	590.6	22.1
2. State credit	149.6	12.4	243	9.1
3. SOE investment	180	15.0	371	13.9
4. Private investment	346.3	28.8	909.8	34
5. Foreign Direct Investment	199.5	16.6	462.1	17.3
6. Others	33.0	2.7	100.5	3.8

The amount of capital disbursed will be about 17.5-19.5 billion USD, of which 72-75% will be allocated for industry (including oil and gas industry); 5-6.5% for agriculture-forestry-fishery and 20-21.5% for services.

Besides, there is a possibility of attracting indirect foreign investment capital by issuing bonds and shares overseas, widening the stock market and searching for other loan sources to make medium and long-term investments; it is expected to mobilize 4.5 billion USD in the next five years.

In short, the total foreign development investment likely to be mobilized for 5 years of 2006 - 2010 will be about 36.5-37.5 billion USD, making up 28% of the country's total investments.

## 2. Social investment goals

Continue to make investments in strong transformation of production structure in economic sectors in the direction of reinforced advantages and improved effectiveness of each sector, each region and each product; more investments in modern technical facilities, modernize manufacture industry with emphasis on sectors or products with competitive advantages.

Give priority to investments to improve the infrastructure of socio-economic sectors with emphasis on transportation, telecommunication, the development of energy resources, of central irrigation system, and of rural infrastructure, the expansion of agriculture production consistent with processing industry. Make investments in tourism facilities in connection with preservation of historical and cultural sites; invest in ecological environment protection, natural disaster relief and urban infrastructure development.

Make investments in the development of human resources; build and maintain education facilities and improve secondary education system; gradually modernize tertiary education. Make intensive and extensive investments in the modernization of research centers for science and technology.

More investments will be made to effectively implement the target program on hunger eradication and poverty reduction. Priority investment will be provided to difficult and disaster-stricken regions.

Encourage all economic sectors to invest in socio-economic infrastructure in order to make significant changes in infrastructure improvement as initial conditions for the country's economic development.

### **3. Investment orientation and the development of infrastructure for industries and sectors.**

#### *3.1. Industry:*

The targets of industrial investments are to quickly transform the industrial production structure in the direction of increased share of processing industries and diversifying products. Provide favorable conditions to mobilize the most possible resources from domestic and international economic sectors for industrial development.

Make intensive investments in power industry, construction material industry, high-tech and energy-efficient industries, electronics, information technology, supporting industry, manufacture industry for export, and industrial sectors serving agriculture and rural development. Focus investment in technological innovation and increase knowledge content in IT products.

*Power industry:* More investments will be made to increase capacity of power plants. Develop a comprehensive electricity transmission and distribution network; focus on the improvement of quality and expansion of electricity system in rural, remote and mountainous areas, and areas of ethnic minorities.

Invest in the modernization of mining industry, expand and improve the capacity of existing coal mines.

Invest in the development of machinery for agriculture production and rural development, construction machinery, total machinery, ship building industry, automobile and motorbike industry, cement industry, paper industry, power industry, fertilizer and chemical industry.

Invest in factories producing basic chemicals such as  $H_3PO_4$ , HCL,  $HNO_3$  and pharmaceutical factories.

Rapidly invest in cement factories under approved plans. Repair or replace blast furnace technology by reverter furnace ones in some existing cement factories to improve their productivity and quality, making use of the facilities available.

Make intensive and comprehensive investment in industrial infrastructure, relocate textile and dyeing factories as planned, invest in the expansion of material-supplying areas. Accelerate investments to improve the production and quality of footwear industry, develop material supplies for this industry. Expand existing beer breweries; give priority in fruit-based beverage and mineral-water plants. Make intensive investments in agriculture-based processing plants.

#### *3.2. Agriculture and rural development*

Invest in the establishment of specialized zones of agricultural production, intensive cultivation for higher productivity in connection with processing industry development; build up processing plants in material-supplying areas.

Make in-depth investments in science and research centers for animal and crop breeding of high productivity and good quality. Give priority to investments in facilities development for the transformation of production structure; more investments will be made to improve irrigation system to ensure water circulation for agriculture and aquaculture.

Strengthen warning systems for natural disasters. Invest in comprehensive veterinary services to deal with poultry, cattle and aquaculture-related diseases. Invest in changes to animals and crops with less water requirements.

### *3.3. Development of transportation infrastructure*

Basically complete the transportation network to meet the demands of goods and passenger circulation within the country and with other countries, contributing to ensured defense and security.

Basically complete and put into operation the network of essential national highways, railway routes and waterway routes . Continue comprehensive construction of transportation system in focal economic zones. Expand and modernize international terminals - airports and sea ports. Strongly develop traffic system in Hanoi and Ho Chi Minh Cities to gradually resolve traffic jams. Focus on the development of local traffic systems; ensure traffic flow on roads to the commune centers with 90% of the roads usable in all seasons.

*Roads system:* Complete communication axes on the North-South lines, on major communication lines in important economic areas, focus on the development of roads in mountainous regions, the Central Highland and the Mekong Delta. Develop the highway system, with emphasis on developed economic zones with heavy traffic to avoid traffic jams. Invest more in infrastructure at international border gates, especially inland borders , facilitating faster throughput and increasing goods circulation. Basically complete border roads, especially the patrol roads and roads to border patrol stations in combination with people's welfare improvement. Build up some routes for combined economic and defense purposes. Upgrade district-level roads to ensure normal traffic flow in all seasons.

Complete the construction of roads to communes or communal centers. Initially develop rings and bypasses in big cities and towns. Make comprehensive investments in developing new residential buildings; traffic system inside big cities; it is expected that public transport will be responsible for 30% of passenger circulation within towns and cities, and help substantially reduce accidents and traffic jams in cities. Build up establishments for sedentary traffic. Gradually build up railway network. The density of urban roads is to achieve 3.5-4 km/km<sup>2</sup>, land reserved for transportation is to reach 10% of the total urban land. Build bridges over rivers for population relocation and reduction of the density of traffic in cities. Upgrade or build roads in developing districts.

*Railways:* Upgrade existing railways. Build up new routes for economic purposes to connect seaports and industrial parks. Initially develop railway system inside Hanoi, Ho Chi Minh City; build up elevated railway route Yen Vien-Giap Bat.

*Shipping:* Gradually complete and modernize a comprehensive system of sea ports, re-structure the fleet of ships and rejuvenate the fleet to increase their international competitiveness. Plan to construct deep-water ports and transit ports; renovate loading and unloading devices to increase goods throughput at the ports. Increase the goods throughput at sea ports by 65 million tons annually.

*Airways:* Gradually expand and upgrade international airports, modernize airplane facilities. Build up a system of airports with capacity of 20 million passengers annually. Improve ground services, air safety and modernize air traffic control systems. Invest in local airports if possible.

*Domestic waterways:* Develop master plan for domestic waterways, river ports to be implemented in the period 2006-2010. Continue investments to upgrade important waterway routes in the Mekong Delta and the Red River Delta.

Focus on maintenance and development of sea and river shipping, waterways to islands. Gradually prepare for international waterways via the Mekong River and the Red River.

#### *3.4. Development of urban and residential infrastructure:*

Develop and modernize infrastructure systems in urban areas, improve the water supply systems and provide sufficient clean water for cities and industrial parks. Continue to upgrade and build the clean water supply systems in rural areas, especially in the Mekong Delta and mountainous areas. Basically improve the drainage system, sewage treatment and solid waste treatment in special urban areas, level-1 and level-2 cities, industrial zones and a number of urban centers, trade villages and residential areas which are being heavily polluted. Improve traffic systems in Hanoi, Ho Chi Minh and central cities.

Develop new residential quarters, particularly in suburban areas to increase accommodation, combining urban development and maintenance of existing residential areas. Eliminate urban slums and repair or remove all unsafe houses in urban areas. Develop transport in urban areas in the direction of modernization, appropriateness and basically reduce traffic congestions in cities.

Implement Stage I of the Government's plan for office and institution modernization. By 2010 complete the first step of office modernization and by 2020 ensure that all central and local offices and institutions will meet the standards. Achieve investment targets for the Ministry of Justice according to Resolution No 08 of the Political Bureau, ensuring office areas for the Ministry. In the next five years, develop more 2.8 million square meters of office areas.

Continue housing construction to meet the accommodation demands of people in urban and rural areas.

Develop new cities in the direction of modernization. Increase by 2 square meters of accommodation for each city resident. Implement policies to build houses for rent to provide accommodation to beneficiaries of social welfare, primarily for workers in industrial parks. Revise policies to remove indirect privileges via enterprises and provide new regulations on direct accommodation support for beneficiaries of social welfare.

Promote movements to develop "Fund of Gratitude" [to revolutionaries, invalid soldiers, etc.], encourage the construction of houses of "gratitude" and houses of "love/charity" to

provide accommodation to poor households. Continue accommodation support for ethnic minorities with housing difficulties. Develop new policies to improve social and technical infrastructure in connection with job creation appropriate to natural conditions and local practices, securing a safe life for residents in the areas.

### *3.5. Development of social infrastructure:*

#### (1) Science and Technology

Make intensive investments to provide favorable conditions for researchers and scientists. Invest in devices and equipment for collecting, analyzing, exploiting and disseminating information. Make focal investment to create breakthrough development in each stage and period for policy-making and socio-economic development planning.

Pool resources primarily for leading research institutions, 2 science centers, focal laboratories, high-tech areas, and software industry; Increase investments in centers for technology application and transfer towards the development of advantaged high-tech. Make some in-depth investment to renovate research facilities at existing research centers. Select 5-10 institutes, focal universities for in-depth investment to achieve regional standards, making significant changes in our research and technology.

Provide adequate funding to research centers for major production sectors and services, increase the effectiveness and competitiveness of the economy; develop high-tech industry and apply research results in information technology, biological technology, material technology and automation.

Increase investments in research centers to conduct baseline surveys of natural resources and natural conditions; invest in the improvement of the quality of hydrometeorology and natural disaster warning systems and develop plans for natural disaster control and relief.

Invest in high-tech zones in Hoa Lac and Ho Chi Minh City; open some Internet Gateways/Portals in big cities; build and put into operation 16 focal national laboratories.

#### (2) Education and training

Focus on investments in the construction of national universities, focal universities and regional universities. Attract domestic investment capital, including investments from foreign-owned corporations and companies, and external investments to improve the system of vocational institutions.

Focus on in-depth investments to upgrade and provide facilities for universities, colleges and vocational secondary institutions. Invest in the modernization of laboratory facilities in important universities and technical training institutions. Invest in the provision of new learning and educational facilities to improve quality. Build new dormitories for students. Support investments in non-public schools.

Build new universities in Northern mountainous area, the Central Highland and the Mekong Delta such as the Northwest University, the West Cultural University, accelerate the construction of Can Tho Medical and Pharmaceutical University.

Continue to issue education bonds to invest in building decent secondary schools; expand classroom areas in primary schools so that pupils can have full-day schooling.

### (3) Health and community health services

In the next five years, make intensive investments in upgrading and completing the network of local clinics; make full investments of national standards for communal, ward and town clinics. Pool resources to improve, expand, upgrade and supplement medical facilities to provincial and district general clinics to tackle with local demands for check-up and treatment. Gradually develop the network of functional rehabilitation wards and clinics. Invest in the development of the network of health services for particular residential areas. Upgrade traditional hospitals and oriental treatment wards in general hospitals.

Support investments in tuberculosis hospitals, malaria research and prevention institutes, mental disease hospitals; vaccine-producing centers. Complete investments in specialized health centers in Hanoi, Ho Chi Minh City and Central Region (Hue-Da Nang) and Can Tho.

Modernize and synchronize central hospitals to apply technology achievements in examination and treatment. Implement capacity building for medicine and vaccine testing.

### (4) Sports, culture and information

Strengthen social mobilization in cultural investment and development. Build cultural centers for communities. Invest in the preservation and development of cultural heritages, with focus on historical, revolutionary sites and special national cultural sites. Complete baseline research, collection, storage, preservation and translation of Sino-Nom documents. Pilot heritage preservation programs in typical ancient villages or hamlets of ethnic minorities.

Mobilize resources for cultural projects. Manage and preserve tangible and intangible historical and cultural relics; accelerate the construction of commune sports and culture centers.

Invest in the application of digital technology to radio and television broadcasting, improve the quality of programs and offer more services. Pool resources for important projects under cultural programs, projects for Vietnam cultural and tourism villages representing various ethnic groups in the country, preservation and maintenance of cultural and historical sites; make in-depth investments in museums, library system; improve capacity for radio and television stations.

Focus on the construction of Sports Training Center No I, II, III. Support local authorities and sectors to build sports facilities for people of all ages.

### (5) Water supply, environment sanitation and accommodation

Focus on the construction of provincial-level projects for drainage systems and environment sanitation. In big cities and industrial parks, gradually apply modern technology to sewage and solid waste treatment (including hazardous medical and industrial waste), and support rural people to construct hygienic latrines and sanitation works.

Invest in the development of drainage systems in cities, stop frequent inundation during rainy seasons; increase treatment of waste and sewage in cities, industrial parks, tourist



centers and hospitals. Increase solid waste treatment in which recycle and reuse prevail, reduce landfills, construct inter-provincial treatment facilities for hazardous waste, invest more in the provision of facilities for waste collection, transportation and treatment of solid waste.

Invest in the judicial system such as courts, prosecution institution to gradually modernize Government, National Assembly and Party offices.

Invest in housing development funds in different forms and from different investment resources, especially in the Mekong Delta, the Northern mountainous areas, the Central Highland, disadvantaged ethnic areas, remote areas, big cities and industrial regions. Develop accommodation for beneficiaries of social welfare and residents of resettlement programs. Build more accommodation for students and low-income people. Develop more accommodation for lease or for hire-purchase (paying through installments).

#### **4. Solutions to fully mobilize and effectively utilize resources**

##### *a) Exploit all domestic resources for investments:*

Continue improving supportive environment to provide favorable conditions for enterprises of different types to develop; focus on the development and implementation of “one-stop shop” procedures, review and reduce licensing procedures, time and cost for all domestic and foreign investors to participate in Vietnam market; remove limitations of investment and labor scales; remove discrimination in terms of access to opportunities, resources and market information. Provide appropriate mechanisms to attract local resources, making full use of their advantages.

Resolve current problems for businesses in terms of input and output.

Launch programs and movements for all the public to encourage, train and praise business spirit and ideas; compliment brilliant individuals for excellent business ideas; encourage, support and provide training to self-employed households so that they can become private companies regulated by the Law on Enterprises .

*Transform administrative institutions into public services providers.* Increase public participation in service activities such as education, medical care, vocational training, social insurance, scientific research, etc. In the future, it is likely that the Government will provide budget only to institutions responsible for politics and basic research for technology development.

*Effectively utilize land and other natural resources:* Provide favorable conditions for business investors by making land use planning and land resource information publicly accessible and transparent; build or support to build industrial parks with internal and external facilities: ensure basic rights of investors to land use. Reclaim land and water surface of no or limited use from institutions, organizations or State-owned enterprises and provide it to other investors. Ensure economical use and integrated management of water resources.

##### *b) Strongly mobilize external resources:*

*Fully mobilize foreign direct investments (FDI):* Ensure the MFN (most favored nations) principles, national treatment principles and fully implement measures to ensure investment safety by issuing united Law on Enterprises and common Law on Investment.

Complete administrative procedures for granting and settling foreign loans to ensure national financial security. Effectively utilize foreign investments via the Government or State-owned enterprises. Develop and implement appropriate measures to attract investments from other countries, primarily the United States, China, Japan, the EU and Russia. Develop suitable policies and methods to attract investments from leading international corporations, making significant changes in quality, quantity and efficiency of foreign investments.

Improve investment environment to create more comparative advantages than other nations in the region and in the world to attract direct and indirect foreign investments. Remove regulations imposed on export proportion, localization rate, value of transferred technology, and consensus principle in Board of Directors in foreign-invested enterprises. Loosen and ultimately remove the investment limit into a Vietnam's enterprise by a foreign investor. Simplify licensing procedures for foreign-invested enterprises as those for domestic enterprises. Reduce the number of projects requiring licensing procedures.

Gradually open the services sector to foreign investors as stipulated in Vietnam-US Bilateral Trade Agreement and during Vietnam economic integration into ASEAN, APEC and WTO.

*Make use of ODA:* Develop strategies to attract and utilize investments from ODA, with focus on the construction of technical infrastructure in economic centers and economically disadvantaged areas to provide favorable conditions for investors to implement and expand their investment opportunities.

*Encourage Vietnamese overseas* to make financial or intellectual investments in Vietnam.

c) In addition to external and domestic resources, it is necessary to implement measures to increase investment efficiency by completing legal documents and guidelines for the implementation of Construction Law and Law on Investment passed by the National Assembly. The Law on Investment will be applicable to all investment activities, including resources and economic sectors. Meanwhile, the government will issue legal documents and guidelines to implement regulations on the management of investment resources in the direction of providing favorable conditions to mobilize the most possible investment resources in the society. Also, tackle with shortcomings and problems in the existing investment management to effectively utilize the investments for essential purposes as planned to avoid loss and waste.

The investment management regulations submitted to the Government for approval will continue to decentralize investment management responsibilities to conform to requirements of administrative reforms, to increase the efficiency of State management, and to simplify investment procedures. Besides the decentralization of investment management, it is necessary to identify responsibilities of institutions and individuals to increase their liability involved in investment activities.

Provide standards for consultant companies, entrepreneurs to ensure independence and objectiveness of consultancy services, remove the existing “closed” procedures in investment and construction.

The Government is to have comprehensive control by providing legal frameworks, setting standards and criteria for investment as well as guidelines for the implementation, evaluation and monitoring of the whole investment process, from the planning to the implementation according to national legislation in order to timely prevent, detect and settle violations, losses, waste and negative phenomena in investment, improve the efficiency of resource utilization.

## **VII. DEVELOP VARIOUS FORMS OF ENTERPRISES**

### **1. Goals:**

Create legal and socio-economic environments for the development of enterprises; improve the quality and efficiency of production and business activities of enterprises. Bring about a profound and comprehensive progress in the administrative reforms. Create favorable conditions for enterprises to rapidly increase exports and attract capital and technologies, especially high technologies in order to lower production costs and improve the competitiveness of enterprises. Complete the basic reorganization, innovation and equitization of State enterprises; at the same time vigorously develop the number and size of non-state enterprises.

Raise the number of efficiently operated enterprises to 500,000 by the year 2010, including about 320,000 new establishments. About 1000 SOEs are to be equitized, over 50% of which are existing corporations. Transform the remaining SOEs to entities operating under the Law on Enterprises. Develop over 10 economic groups on the basis of the current eighteen “Type 91” corporations.

### **2. General orientations for enterprise development:**

Develop large State or private corporations into large economic groups diversely owned by both the State and the private sector; develop private enterprises on a large scale in the form of holding companies with diversified ownership. Develop enterprises with high specialization, efficiency, stability and sustainability.

Gradually renovate technologies and facilities, applying new scientific and technological advances to the production process to improve business and production efficiency. Closely link production with environment protection and improved working conditions for employees. Carry out market research and improve the design, model and quality of goods with a view to meeting the needs of domestic and foreign markets.

Promote joint ventures between enterprises of various economic sectors to strengthen mutual development. Encourage all economic sectors to invest in production on various scales and levels, assisting women in business development. Pay special attention to small and medium - sized businesses in connection with national development goals and directions, taking advantages of each region and locality. Encourage the development of diversely owned enterprises through social mobilization, and those owned by the State and the private sectors.

Continue renovating the management of State enterprises under the spirits of the 9<sup>th</sup> Central Committee's Resolution of the IX term. Press forward the equitization and issue project bonds in order to attract investment capital for enterprise development. Establish strong economic groups in such fields as petroleum, aviation, telecommunications, electricity, etc., with financial and technological potentials to participate in regional and world markets.

### **3. Specific orientations for enterprise development:**

#### *3.1 Continue strengthening the reorganization and renovation and improve the efficiency and competitiveness of State enterprises.*

Steadily speed up the reorganization and renovation of State enterprises by diversifying the ownership to improve efficiency and competitiveness; State enterprise shall play the core role in key industries and promote socio-economic development. Gradually narrow and eliminate the function of representatives of ministries, provincial and city peoples' committees in the governance and management board of State enterprises.

Expand the scope of equitization of State enterprises. Carry out the auction in equitizing SOEs, accelerate equitization pursuant to market principles, and SOEs equitization must parallel the public offering and listing in the stock market. Focus on equitizing large-scale businesses, entire corporations and attract more capital through their valuation in the stock exchange. The State holds controlling shares in all corporations and joint-stock companies in the important fields or sectors which play key roles in the economy; the State only holds 100% shares of inequitizable businesses in the fields of national defense, security, vital production and public service provision.

For large-scale corporations which cannot be equitized as a whole, equitize their member businesses and transform the remaining ones into single-member (i.e. the State) or limited companies of several State members; at the same time, transform those corporations into the form of group companies held by a holding company. The management board is reorganized to represent the ownership in the corporation.

Establish some powerful economic groups and corporations with diversified ownership in which the State holds a controlling stake. These groups and corporations operate in various fields and sectors, one of which is the core field/sector. Such establishments will be piloted in the field of post and telecommunication, petroleum, aviation, power, etc.

Transform enterprises with 100% State capital into joint stock, multi-member or single-member limited companies whose owner is the State. Completely dispose of loss-making State enterprises in suitable ways.

Eliminate business monopoly; install an oversight mechanism and regulation policy with regards to State enterprises holding a business monopoly position.

Clearly define property rights, self-control and self-responsibility in business, competition. Build the mechanism that links the responsibility, power and interest of the enterprise manager with operational results of the enterprise. Implement the mechanism of recruitment and working contract with managers of State enterprises, firstly those with management boards.

Make the financial and labor situation of State enterprises healthy. Carry out the mechanism of the State's capital investment in enterprises through the State financial investment company; State enterprises should try to mobilize market capital for their business development.

Set up new State enterprises only when they have all favorable conditions and only if they operate in the fields of production, supply of products and services vitally necessary for socio-economic development, and they should be mainly in the form of joint-stock companies.

Clearly define the function, power and responsibility of State administrative management agencies and the owner representative in State enterprises.

### *3.2 Continue renovating the cooperative and strongly develop the multi-ownership economy*

Implement the 5-year Plan for Collective Economy Development 2006 – 2010 approved by the Prime Minister in the Decision 272/2005/QĐ-TTg dated 31 October, 2005.

Increase the growth rate of cooperatives, enabling it to contribute more to the whole economy and to the cause of hunger alleviation and poverty reduction.

Create favorable conditions for developing various forms of cooperative economy in line with the development level of industries and trades in regions.

Continue researching and building new cooperative models on the basis of reviewing success stories and best practices with a view to creating development motivation, increasing the attractiveness of the collective sector. Diversify the ownership forms in the collective economy (ownership of legal person, legal entity and cooperative included). Develop different types of enterprises in the forms of cooperatives and cooperative union.

Renovate and improve the efficiency of cooperatives' operation; increase their role in the provision of services and inputs to farmers; apply advanced technology, improve efficiency and competitiveness of cooperatives, unions as well as their members.

Encourage and mobilize shares and capital of cooperative members to continuously increase investment capital for cooperative development; increase assets and undivided funds. Dissolve or transform cooperatives non-eligible to the Law on Cooperatives into a suitable form of production and business institution in accordance with legal regulations.

Strongly develop the joint-stock economic form by equitizing State enterprises and developing new joint-stock enterprises, which are regarded as an important component of the economy.

### *3.3 Continue developing the private economic sector*

Clearly identify the role as a driving force of the private sector. Create favorable conditions for the development and investment of the private sector without limiting their scales, trades, fields and regions. Strictly eliminate all forms of discrimination and praise good producers and entrepreneurs. Encourage the development of large private enterprises, private economic groups and women-owned enterprises. Support and encourage the development of SMEs in order to mobilize all possible resources and make use of the

comparative advantages of each region and each locality, together with the development of rural industries, trade villages and farms, focusing more on SME development in remote, mountainous or difficult areas.

Encourage and facilitate private investments in infrastructure, health care, education, etc.

Attract individuals to buy shares of State enterprises and invest in important fields of production and business of the economy. Encourage large private enterprises to become joint-stock companies and sell their shares to employees.

Protect people's assets; eliminate unsuitable and unnecessary legal regulations relating to the search of living and working places, confiscation or temporary seizure of citizens' property. Competent authorities must satisfactorily compensate in cash and kind to those people who have suffered from wrongful rules against the law.

### *3.4 Strongly develop the foreign-invested economic sector*

Implement the Law on Investment and the Law on Enterprises, gradually reduce and ultimately abolish all special regulations on foreign-invested enterprises. Abolish limitations on capital contributions and mobilizations of foreign-invested enterprises. Amend or supplement measures to deal with trade barriers and limitations on market access primarily to projects in production, manufacturing or those with high export values or high localization rate in substitution for import, and those to develop domestic material supplies.

Institutionalize the mechanism that allows foreign investors to use as collateral their property, including land and values of their land use rights in accessing loans from credit institutions who are permitted to operation in Vietnam. The land tenure can be automatically renewed if the investors wish, and the rent is defined to be negotiable.

Apply a unified pricing system for goods and services, land rent, compensations for site clearance to both domestic and foreign investors.

## **VIII. FINANCIAL-MONETARY POLICIES, STABILIZATION AND IMPROVEMENT OF MACRO ECONOMY AND BUSINESS ENVIRONMENT**

### **1. Financial and budgetary policies:**

#### *(1) Objectives:*

The objectives of the financial policy over the next five years are to build strong national finance; to ensure that the financial potentials, scope and security be enhanced; and the status and prestige of Vietnam national finance on the international arena be heightened.

#### *(2) Major targets of the State budget:*

Based on the above-mentioned overall objectives, the targeted State budget balance shall be actively pursued in the direction of income-expenditure policy stability; keep over-expenditures at a justifiable level, gradually increase reserves with an aim to ensuring macro-economic stability and in conformity with the country's international integration roadmap.

The gross income of the budget in the five-years 2006-2010 is to be equal to 21-22% of GDP; the annual average growth rate of budget income reaches 11-12%. The income mechanism is estimated to change along the orientation of increasing the proportion of domestic income sources and decreasing the income proportion from crude oil and import-export activities.

Budget expenditure is balanced with income sources for the implementation of the objectives of socio-economic development, ensuring national defense and security, repaying debts for the Government and controlling the domestic and external debt level within safety limits; improving the efficiency of budget utilization. It is estimated that the State budget's total expenditure in the five years 2006-2010 is equal to 27-28% of GDP; the annual expenditure growth rate reaches 11.5-12%.

*(3) Major policies and solutions in the financial field:*

*Continue strengthening the national financial potentials, mobilizing all financial sources for development investment:* comprehensively carry out different measures to mobilize and effectively utilize domestic and external financial sources for development investment based on sustainable capital mechanisms and the absolute liberalization of all resources in the economy; strongly attract domestic and foreign investment sources, both direct and indirect, through the domestic financial market and the issuance of Government bonds on the international financial market. Promote capital mobilization by developing the real estate market. Encourage and widely attract capital sources in the society by speeding up the social mobilization.

Develop and implement equitable and unified corporate financial mechanism in enterprises of all economic sectors; completely eliminate unreasonable protection, subsidy and monopoly in production and business operation of SOEs; separate State management functions from owners' management and from business administration functions. Implement the enterprise-support program, particularly to newly-established SMEs (in human resource training and development, provision of market information, credit guarantee funds for SMEs, etc.) Continue to address obstacles in financial policies so that the private sector can strongly and effectively develop, pay more attention to support to SMEs, enabling them to expand and improve their business efficiency.

Promulgate the Law on Securities and Stocks, continue to perfect policies and State management mechanism over the financial market in order that the financial market as well as the stock market can develop in a rapid and safe manner to achieve the objective of 10 – 15% of stock market in GDP by 2010.

Reform tax policies in the direction of lowering the tax rates, expanding types of taxable items and taxpayers, rationally regulating incomes and separating the social policy from the tax policy. Implement the tax administrative reform with a focus on managing income sources and taxpayers, paying attention to fostering and developing income sources. Adopt uniform tax policies for all economic sectors; minimize the scope and rate of tax privileges; and implement time bound for tax privileges. Implement the tariff relief program in conformation with the process of integration into the world economy. Renovate the tax collection technology and enhance the collection performance. Study and issue

some new tax laws in accordance with the requirements of the market economic development and integration.

Reform the mechanism of the State budget management to ensure consistency in the State budget, the predominance of Central Budget, promote decentralization of authorities and responsibilities in budget management at all levels and units using the State budget. Strengthen the publicity and transparency in the use and management of the State budget; renovate the policies for distribution and allocation of finances and budget; eliminate unreasonable subsidy; clearly define the scope and content of the budget to be executed. Strengthen social mobilization and mobilization of all possible resources of the whole society for the development of infrastructure and socio-cultural life in all possible areas/localities; renovate financial management mechanism of non-productive units; delegate power and responsibility to them in all 3 aspects: implementation of task assignments, organizational structure and financial budget.

*Use national financial sources:* rationally allocate national financial sources, focusing on key fields; keep the national and government debts at a justifiable level under the State's tight control; use financial sources economically; bring into play the role of the National Assembly and Peoples' Councils at various levels during the allocation and supervision of the State budget expenditure.

*Renovate the content, mode and process of doing the estimations of the State budget* in the direction of building the medium-term budgetary-financial plan in close links with the implementation of the budgetary financial strategy. Step by step establish the structure of distribution, management and evaluation of the State budget based on output results; widely apply the mechanism of financial self-control for non-productive institutions. Carry out the management of budget deficits corresponding to international practices and gradually reduce the budget deficits rate.

Continue adjusting the structure of the State budget income sources along the line of increasing the percentage of income sources from domestic production and business, reducing that of those from import-export taxes, which are subject to impacts of foreign market factors.

Continue amending and modifying the Law on Enterprise Income Tax along the direction of reducing the forms of tax-based subsidization such as preferential tax and tax reduction/exemption. Continue modifying the Law on Value Added Tax along the direction of applying one uniform tax rate for all domestic consumer goods and services.

Issue the Law on individual income tax to substitute the Ordinance on income tax for high income individuals in the direction of gradually unifying tax rates for Vietnamese and foreigners. Reduce tax rates in parallel with the expansion of tax collection scope (types of taxpayers). Enhance the income control methods and improve the tax collection efficiency. Issue the Law on Property Tax imposed on purchases and ownership of real estates in order to guide people in using savings for production and business investment. Amend and supplement taxes on natural resources to encourage the efficient use of natural resources and rationally regulate revenues from natural resources.

Continue adjusting the structure of the State budget expenditure to promote the mobilization of funds for development investment in building infrastructure for the industrialization and modernization process. Develop human resources, science and



technology, culture and the society, and eradicate the poverty, etc. Speed up the policy of block grants in budget allocation for administrative expenditures and staffing; extensively apply the policy to all administrative institutions. Gradually reduce and ultimately abolish all expenditures of subsidy nature in the State budget for State enterprises such as tax exemption, debt suspension, debt clearance, or preferential loans.

Improve the openness and transparency of State budget in all processes from policy-making, estimation, appraisal to approval, implementation and clearance at all levels.

*Expand international financial activities and actively integrate into the world finance:* complete policy and legal framework for foreign capital sources; define a suitable roadmap to liberalize capital flows in the context of integration into the world economy. Diversify capital sources; expand the partnership relations on a multilateral scale in order to attract more foreign-invested capital sources and gradually extend investments abroad. Effectively manage external borrowing and repayment to ensure the national financial security. Effectively utilize foreign loans by the Government and State enterprises.

Continue completing legislations and regulations on the administrative reform in the field of finance; modernize financial and budget management. Build up strong human resources of financial and budget with high qualifications, professional ethics and political correctness.

## **2. Monetary policies:**

### *(1) Objectives:*

The objectives of monetary policies over the next five years are to control inflation and to ensure the safety of the banking system and the credit organizations with a view to stabilizing the macroeconomy and contributing to the economic growth. To closely coordinate monetary policies with fiscal policies for stabilizing the macro-economy in order to guide and encourage the population and enterprises to invest and save in a commercial manner. To steadily improve and fully realize the convertibility of the Vietnamese currency.

### *(2) Main targets:*

Mobilize resources in the population and economic sectors to avail sufficient capital for credits; help consolidate investment and economic development. Total money supply increases by 18-20% per annum, total credit increases by 18-20% per annum.

Restrain inflation within permitted limits, lower than the economic growth rate.

Rapidly reduce the proportion of overdue debts of the banking systems to an average level of the countries in the region by 2010. Other safety ratios of banking systems like bank's assets against total liabilities, bank's total assets against total credits, etc., are to be equivalent to those of other countries in the region.

On the basis of the economy's development and competitiveness, improve the convertibility of Vietnamese currency within the country and prepare conditions for its gradually improved convertibility in the world market.

### *(3) Main policies and measures in the monetary field:*

*Make and realize monetary policies in accordance with market principles* and fully realize international norms and practices in banking activities. Continue the implementation of negotiable interest rate policies according to market principles.

Reduce the direct intervention of State banks in the operation of commercial banks. Manage monetary policies based on the regulation of supplied money amount, while creating necessary conditions to move to the implementation of governing monetary policies on the basis of regulating interest rates; prime interest rates, capital replenishment interest rates and re-amortization interest rates of the State Bank are used to direct and regulate market interest rates.

*Continue carrying out flexible exchange rate policies with an enlarged range* in conformity with the openness of the financial market and controllability by the State Bank. Narrow the scope of using foreign currencies as payment modes in Vietnam with a view to gradually lessening the ‘dollarisation’.

Improve responsibilities and powers of the State Bank in planning and realizing monetary policies. Reform the inspection and supervision system of the State Bank toward activities of credit organizations and the whole money market. Create a transparent and fair environment for the operation and business of all banks.

*Develop credit organizations:* Reform and develop Vietnam commercial bank system with diverse forms of ownership and organization; introduce the international practices and standards on banking administration. Bring into play the core role of State commercial banks while ensuring self-control, self-responsibility and healthy competition in the whole system under the Law. Develop and improve the quality of people’s credit funds in order for them to become credit organizations working on principles of voluntariness, self-control, and self-responsibility for their operational results. Encourage the development of non-banking financial institutions such as securities firms, finance companies, insurance companies, financial leasing companies, etc., to better serve the economy.

Facilitate people and enterprises in their access to banking services; then rapidly spread out forms of non-cash payment and payment through banks.

Ensure the rights to business of foreign banks and financial institutions pursuant to international commitments. Open the market of banking services and international banking integration in accordance with the roadmap committed in bilateral and multilateral agreements.

*Strengthen the financial capacity of commercial banks:* Strive for the fundamental accomplishment of the plan of restructuring commercial banks approved by the Government. Improve the profitability; completely settle non-performing loans and improve the balance sheets of commercial banks. Issue equity shares and long-term bonds to enhance the capital adequacy of the commercial banks in conformity to international norms. By the year 2010, establish a comprehensive legal framework; fully apply international standards and norms on safety to financial and banking businesses. Completely revise the Law on State Bank and the Law on Credit Organizations.

## **IX. IMPROVE AND ESTABLISH THE INSTITUTIONAL FRAMEWORK OF THE SOCIALIST-ORIENTED MARKET ECONOMY IN A COMPREHENSIVE MANNER**

### **1. Perfect the legal system and develop different types of markets**

*(1) Perfect the legal economic system:* Continue building and perfecting the laws on ownership with a view to institutionalizing the market economy development policies with different kinds of ownership forms and economic sectors. Clarify the concepts of public ownership and State ownership and the mechanism guaranteeing ownership. Clearly define the legal form of enterprises as distinct from their economic sectors and types of ownership.

Accomplish the mechanism for protecting free conduct of business; create a healthy and fair competition environment in accordance with published international commitments and roadmaps. Properly organize the implementation of the Law on Enterprises and the Law on Investment.

Complete the law on planning in the socialist-oriented market economy. Harmonize the law on contracts with that of other countries, with special attention to domestic and international customs and practices, particularly in the commercial field.

Perfect the law on trade and services corresponding to international practices and treaties in which Vietnam is a signatory or participant, creating a legal foundation for meeting the needs for trade liberalization, investment, services and protection of intellectual property rights Vietnam has committed to.

Complete the Public Finance Law. Continue reforming the Tax Law along the line of stabilization and simplification, with consideration of international and regional economic regimes and regulations as well as other related international treaties. In the coming times, it is essential to provide guidance and instructions, and organize the full implementation of the Law on Bidding.

Build a harmonious legal system on economic-technical sectors (construction, electricity, posts and telecommunications, food security, veterinary, fishery, etc), which represents the rules, conditions and economic-technical standards related to sectoral development and management.

Continue accomplishing the law on natural resources and environment based on principles of sustainable development, ensuring that the use and protection of natural resources, environmental protection and economic development are harmoniously linked. Fully define liabilities and civil, economic, administrative and criminal sanctions for activities negatively influencing the environment, or the protection and development of natural resources during the utilization and exploitation process. Widely apply the PPP (Polluter Pays Principle).

Grant priority to building necessary legal documents and institutions for protecting the economy in the process of integration into the world economy, such as most-favored nation treatment, national treatment, measures of self-protection, anti-dumping, anti-subsidization and antagonistic measures in the world trade.

(2) *Develop various types of market:* complete a legal and institutional framework for the formation and effective operation of diverse types of market; concentrate on markets of goods and services, real estate, labor, finance, science and technology.

*For the goods and services market:* effectively organize the implementation of the Competition Law and monopoly control in close links with the market. Improve State control over prices in accordance with the market economy. Implement trade and investment liberalization in conformity with bilateral and multilateral commitments and international practices. Focus on vigorous development of the services market, particularly those that are of high quality and have a high value added.

*For the real estate market:* Carry out policies to easily transform the land use rights into a kind of goods, making land really become development capital. Facilitate domestic and foreign investments into the construction of houses, hotels, offices for lease, roads, bridges, ports, storages, etc. Ensure the price mechanism of real estates is responsive to the market. The State regulates land prices by rational macro-economic policies on the basis of supply-demand relations. Develop intermediary service activities on land (brokers, valuation, information, mortgage, guarantee, etc). Build a real estate registration and information system; issue the Law on real estates business and Law on real estates registration.

*For the labor market:* Develop a comprehensive labor market; create a thorough environment to improve the labor supply-demand balance; diversify labor transaction forms; ensure laborers' rights to freedom of choice of working places and residence. Promote the use of labor contracts; ensure interests of both employees and employers are met; establish unemployment insurance; complete the policy of recruiting and using employees in the State economic sector and public administrative authority; develop business administrative manpower markets. Consolidate the system of information and statistics on labor markets.

Promote labor exports in the direction of gradually increasing the percentage of technically-skilled exported laborers and experts. Strengthen the State's management towards labor export activities.

*For the financial market:* Develop the financial market along the line of complete structure, wide and safe operating scale and scope, close management and supervision, protection of legitimate interests of all investors, and active integration into the international financial market. Vigorously develop the securities market, progressively making it really a main capital mobilization channel for development investment. Enterprises of all economic sectors should gradually post up a notice of shares and mobilize capital through the securities market.

Intensify the accomplishment of monetary markets; make healthy short-term capital transactions and dealings of valuable documents in the market; promote linkages between monetary and financial markets in policy planning, operation mechanism, management control, governance and operation supervision.

*For the science and technology market:* carry out preferential policies, recognize and grant patents to scientific inventions and creative activities; develop and apply new technologies. Establish scientific and technological enterprises, organizations specialized in applied research and development that operate according to enterprise principles. Promote the commercialization of scientific-technological products. Create a convenient trading

environment for technological products, link research activities with technological application, develop contractual relations between production enterprises and scientific-technological research establishments. Ensure venture capital investment in research, application and development of new technologies. Intensify assistance services for intellectual property ownership, consultancy, technology trading, appraisal, evaluation and transfer of technology. Establish intermediary organizations for technology trading, technology markets and technological nurseries.

Change organizations for technological research and application into financially self-standing ones, like enterprises or companies. Abolish monopoly in scientific and technological activities; substantially improve the bidding and ordering contract mechanism to select projects, research themes and research institutions; commercialize R & D activities.

## **2. Develop the participants in the market economy:**

### *(1) Continue innovating the organization of State management apparatus:*

Clearly define the scope and content of the State's economic management; adjust the functions of the Government so that the Government, ministries and central branches can concentrate on policy-making and exercising their monitoring and supervision of the implementation of State plans, policies and legislation. Restructure the Government by reducing the number of focal points; ministries perform their State management tasks by issuing policies, regulating professional standards and norms applied for the whole country; at the same time, check and inspect law implementation in the entire society related to the fields they are responsible for. Eliminate the function of owner representative of ministries, city and provincial peoples' committees in State enterprises as soon as possible. Clearly separate State administrative management from the management of public services.

Readjust regulations on central-local decentralization and decentralization among different levels of local authorities in order to improve their powers and responsibilities. Link the decentralization of work with that of finance, organization and personnel. Clearly define the tasks for which local authorities can have full decision-making power, those for which they need to seek approval by the central authorities prior to their own decision, and those that are wholly decided by the Central authorities. Also intensify inspection of the performance of managers and heads of administrative agencies at all levels.

Readjust the local government structure in accordance with the changes in the central government in the direction of reducing focal points and strengthening the role of guiding, checking and supervision of professional agencies under People's Committees. Study and reduce the scope, function and tasks of People's Councils at district and ward levels in urban areas, and those at district level in rural areas.

Readjust the structure of agencies in the State administrative machinery at all levels in the direction of rapidly reducing the number of deputies, abolishing intermediate levels, changing services personnel from permanent registered staff into contractual ones, and decentralizing authority to the lowest levels possible together with closer inspection and checking by superiors.

Intensify the sense of initiative, self-control and self-responsibility for operation, organization, personnel and finance in non-productive units. State bodies and civil servants fully carry out the principles of openness and democracy in serving people. Build the administrative system to be professional and modern. Bring into play the diverse forms and modes of operation of the mass organizations and non-governmental organizations engaged in State and social management; prevent the trend of being too administrative in public organizations.

*(2) Improve the quality of State officials and civil servants*

Investigate and evaluate the quality of state officials and civil servants; on that basis, make a plan for training and managing state officials and civil servants. Perfect the title standard system in accordance with Vietnam's reality, which serves as the criteria for evaluating state officials and civil servants in terms of competence. Complete the procedures for recruiting state officials and civil servants; carry out new regulations on evaluating, praising, rewarding to state officials and civil servants with an aim to improving the quality of public services. Renovate appointment procedures to make them simpler and ensure that no talents are left unused. Continue the revision of salary schemes as the current ones fail to accommodate the public administrative reform.

Adjust the decentralization of management of state officials and civil servants. Expand powers and responsibilities of local authorities in personnel management. Decentralization of personnel management must parallel that of duties and finance.

Absolutely implement the principle of open civil service activities, particularly in terms of affairs directly related to the people, finance and budget; ensure good observance of the law by the whole apparatus.

*(3) Accomplish the mechanism to support the participation, operation, development and competition of enterprises*

Execute the Law on Investment, and the Law on Enterprises and provide guidance on their enforcement. Continue reviewing current business licenses and business conditions to facilitate all possible trades.

Accomplish and concretize an institutional and legal framework for competition and monopoly control. Transfer some functions of State bodies to associations and organizations which promote enterprise development.

Amend mechanisms and policies on charges to minimize input costs for enterprises, especially the costs which enterprises are unable to adjust on their own (electricity, water, telecommunications, aviation transport, marine shipping, etc.) Eliminate illegitimate charges in the fields of transport, customs, etc., while encouraging the diversification of supporting services. Issue the complete common accounting standard system for all types of enterprises. Use a single code for the three purposes of business registration, taxation and customs for all types of enterprises. Widely develop the application of e-business registration through the web.

Encourage enterprises to compete with knowledge-based and highly unique products. Abolish discrimination in the provision of credits by State commercial banks, ensuring self-control and self-responsibility of State commercial banks in their decision to provide

loans or guarantees. Simplify procedures and minimize charges for enterprises in the settlement of economic and contractual disputes.

Create favorable conditions for small and medium-size enterprises, cooperatives, farms and models of enterprises of the private economic sector to fully and effectively develop through the issuance of new policies, enabling enterprises to have easier access to the State's incentive policies and assistance programs, especially the mobilization of investment capital and credits, renting land for business and production, accessing market information, using technical consultation and human resource development training, and access to business development services. The State has established more funds for investment assistance and medium- and long-term loans for medium- and small-sized enterprises; established credit guarantee funds, expanded credit forms of financial lease, use of personal trust as a kind of collateral in granting loans, offered preferential taxes, tax reduction and exemption, funded scientific research programs and technological innovation in labor-intensive enterprises. Special attention should be paid to supporting programs to strengthen the capacity and competitiveness of enterprises.

Intensify the openness of land use planning, urban development planning, infrastructure development planning for people's life (housing, water supply, bus/train stations, roads, etc.) at localities so that all enterprises, regardless of the sector to which they belong, can decide their own development/investment options.

### **3. Perfect performance mechanisms**

*a) Renovate the mode of State's economic regulation on the basis of fundamentally improve the planning work:* vigorously innovate; improve the quality of planning and plans in order to better satisfy the requirements of socio-economic guidance and management. Implement the planning process from strategies to master plans to specific plans ensuring close links with markets and international integration. Pay special attention to the identification of indicators and criteria for evaluating socio-economic development in master plans and plans.

*For master planning:* planning should have scientific bases, long-term vision, be widely commented and consulted, and its implementation should be supervised by the whole public. Except for some planning related to national defense and security, all other planning should be publicized.

Build masterplans for each sector, region and area with quantitative development scenarios.

Improve the quality of market forecasts and research in planning projects, ensuring active and sustainable development. Pay attention to spatial planning, technical infrastructure, construction, urban and rural residential planning. Prevent overlapping development efforts and conflicts between sectors and territories. Plan the development of production and business; planning on core products is merely predictive and supportive to enterprises in building their own business strategies.

Quickly establish a legal and institutional framework for clear assignment and decentralization, creating standardization in planning processes and planning time frames for all types of plans as well as unity and coordination among plans. The Government unifies the State management in planning and clearly stipulates the responsibilities of

ministries, branches and peoples' committees at provincial and district levels. Push up training, fostering and develop a contingent of responsible and well-qualified professionals to do planning tasks at all levels and sectors.

*For specific planning:* Continue innovating the plan contents (paying attention to sustainable development), plan-making methods, plan adoption and approval methods to make them effective management and guidance instruments, drawing the attention of investors and people. Five-year and annual plans should improve their specificity in concretizing development strategies and master plans. Intensify the effectiveness of plans at both central and local levels. In development plans, there is a need to clearly define mandatory or statutory regulations and distinguish them from directional proposals. Intensify measures of checking, supervising and organizing the plan performance, particularly the participation of people, communities and civil society in planning, implementation and monitoring from central to local levels. Promptly issue the Planning Law to serve as a legal foundation for making and carrying out plans.

*b) Push up decentralization of the State's economic management:* eliminate tasks that the central State does not necessarily have to implement or manage directly. The management decentralization must closely link with coordination among levels to ensure effective performance of decentralization. Strengthen the management capacity of local authorities (district, commune levels). Pay special attention to current conditions and capacities of each level; on that basis, decentralize step by step, corresponding to the reform of the organizational structure and personnel at each level. Thoroughly study to carry out various decentralization mechanisms for different areas.

*Continue renovating administrative procedures* in order to ensure legality, efficiency, transparency and fairness in solving administrative affairs. Continue abolishing troublesome and overlapping procedures which can easily be used for corrupt practices. Ensure the openness of regulations, facilitate the better performance of the 'one-stop shop' modality at public administrative agencies.

*c) Intensify economical practices, prevent wasteful spending, and strengthen the fight against bureaucracy and corruption in the State apparatus.* Organize the implementation of the Law on Economical Practices and Prevention of Wasteful Spending and the Law on Corruption Prevention newly promulgated by the National Assembly.

Generate significant changes in the combat against corruption, trouble-making, negligence and irresponsibility of State officials and public servants. Strictly comply with the regulations on State officials and public servants, improve their responsibility in legal compliance and service to the public. Clearly stipulate the accountability and liability of agencies' managers to superiors and to the law in case of violations or crimes committed by their employees/subordinates. Intensify educational and training work, inspection and strictly punish corrupt officials. Strengthen law enforcement and law protection agencies so that they can be strong and core fighters against corruption and crimes.

*Encourage social organizations, mass organizations and civil societies to engage in managing and monitoring some public fields:* attract and encourage the engagement of social organizations, mass organizations and non-governmental organizations in economic development and management. At the same time, diversify the modes of participation in economic management of various economic subjects such as enterprises, cooperatives, associations of producers, consumers' societies, etc.



## APPENDIX

### POVERTY REDUCTION AND SOCIAL DEVELOPMENT TARGETS OF VIETNAM BY 2010

(To implement commitments by the President at UN's Millennium Summit)

#### 1. To reduce the proportion of poor households<sup>81</sup>

(1) Reduce by 1/2 of poor households according to new poverty standards against the year 2000, i.e. decrease to 10-11% by 2010 from 22% in 2005;

(2) Reduce by 3/4 of poverty rate in terms of food shortage against the year 2000's, i.e. reduce to 2-3% by 2010 from 12% in 2000;

#### 2. To universalize and improve educational quality<sup>82</sup>

(1) Increase the rate of primary school enrollment at the right age up to 90% by 2010;

(2) Complete the improvement of primary education quality and increase the number of all-day learning hours at primary level by 2010;

(3) Increase the rate of lower secondary enrollment at the right age up to 90% by 2010;

(4) Increase the proportion of students attending upper secondary school at the right age to 50% by 2010;

(5) Strive for the eradication of illiteracy for 100% of women under 40 years of age by 2010.

#### 3. To implement gender equality, improve the position of women and ensure the rights of female children<sup>83</sup>.

(1) Gradually reduce gender imbalance at primary and secondary education level in areas with large ethnic minority groups by 2010;

(2) Increase the number of female delegates in elective agencies at all levels;

(3) Increase by 3-5% of women staff in agencies and sectors (including ministries, central offices, enterprises) at all levels over the next 10 years;

(4) Execute the regulation on entering names of both husband and wife in the land-use right certificate;

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<sup>81</sup> International target: reduce 50% of people with living standards under 1US\$/day in the 1990-2015 period; reduce 50% of people with food shortage in the 1990-2015 period

<sup>82</sup> International target: ensure all children, both girls and boys, fully complete the primary education program by 2015

<sup>83</sup> International target: strive to eliminate the differences between male and female children at primary and secondary education levels in 2005 and at all levels by 2015

(5) Reduce women's vulnerability to domestic violence.

#### **4. Reduce the birth rate, death rate and children malnutrition rate<sup>84</sup>.**

(1) Reduce the birth rate to reach an average replacement level in 2007 at the latest in the whole country and by 2010 at the latest in remote, mountainous and poor areas;

(2) Reduce the under-1 infant mortality rate to 16/1000 by 2010;

(3) Reduce the under-5 mortality rate to 25/1000 rate by 2010;

(4) Reduce the under-5 malnutrition rate to under 20% by 2010;

(5) Reduce the underweight neonatal rate (under 2.5 kilograms) to 5% by 2010.

#### **5. Mothers' reproductive health<sup>85</sup>**

(1) Reduce maternal mortality to 7/10,000 by 2010, paying special attention to difficult areas;

(2) Improve mother's postpartum health.

#### **6. Prevent HIV/AIDS, malaria and other diseases<sup>86</sup>**

(1) Restrain the growth of HIV/AIDS infection rate in 2005 and reduce 50% infection rate by 2010;

(2) Maintain polio abolition results; minimize the rate of morbidity and mortality of cholera, typhoid, dengue fever, malaria and bubonic plague;

(3) Prevent accidents, injuries and harms of tobacco.

#### **7. Ensure environmental sustainability<sup>87</sup>**

(1) Plant trees and vegetation on bare land, hills and mountains, increasing forest coverage up to over 43% in 2010, and increasing green spaces in urban areas;

(2) Gradually apply clean technologies to social and economic sectors; by 2010 strive to reach 100% of new business and production establishments to apply clean technologies or be equipped with pollution minimization facilities, ensuring waste treatment to reach environmental standards; 50% of production establishments satisfy environmental standards;

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<sup>84</sup> International target: reduce under-five children mortality in the 1990-2015 period by two-thirds

<sup>85</sup> International target: reduce maternal mortality by  $\frac{3}{4}$  in the 1990-2015 period

<sup>86</sup> International target: stop and start to push back the spreading of HIV/AIDS epidemic by 2015; stop and start to significantly reduce the rate of malaria and other main diseases by 2015

<sup>87</sup> International target: integrate sustainable development principles into national policies, programs, push back the depletion of environmental and natural resources; reduce 50% of people unable to have sustainable access to clean water by 2015; significantly improve the lives of at least 100 million people in the slums by 2020.

(3) Basically complete the improvement and upgradation of waste water and rain-water drainage systems in urban areas, industrial zones and export processing zones; 100% of industrial zones and export processing zones have centralized waste water treatment systems reaching environmental standards, 90% of solid wastes collected; over 80% of hazardous wastes and 100% of medical wastes treated;

Basically treat environmental calamities on rivers;

(4) 95% of urban and 75% of rural population have access to clean water.

#### **8. Ensure vital infrastructure works for poor people, poor communities and communes**

(1) Improve, upgrade, expand and build vital infrastructure works (small irrigational works, schools, communal health stations, roads, electric lighting, water for domestic use, markets, communal cultural post offices, meeting houses, etc), ensuring 100% of poor communes to have access to vital infrastructure works by 2010;

(2) By 2010, 75% of households have hygienic latrines.

#### **9. Generate jobs**

(1) Generate jobs for about 1.6 million employees per annum, reaching a total of 8 million jobs in the five years 2006-2010. Raise female employee rate in the total new jobs to 50% by 2010;

(2) Increase the proportion of trained employees to 40% by 2010;

(3) Reduce the proportion of the unemployed in urban areas to below 5% of the total number of people of working age by 2010.

#### **10. Develop information, culture, improve people's spiritual life; preserve the cultures of ethnic minorities.**

(1) Increase the amount and transmission hours of radio, television programs, especially broadcasts in ethnic minority languages;

(2) Improve people's intellectual life, preserve and bring into play traditional cultural values of ethnic minorities. Preserve and develop the number of people capable of reading and writing in ethnic languages in areas with a large number of ethnic minorities;

(3) Assist more people of ethnic minorities to work in State agencies;

(4) Ensure granting land use rights to communities, individuals in ethnic minority areas and mountainous areas. Consolidate and expand health care services, cultural activities, and information provision to grass-roots units to serve ethnic minorities.

#### **11. Reduce vulnerability and develop social welfare networks to support the disadvantaged and the poor.**

(1) Improve the income situation of the poor, especially poor households headed by women;

- (2) By 2010, ensure families in urban areas to be granted the land use right certificates and ownership of houses built on legitimate land plots;
- (3) Renovate the policy and mechanism of social insurance; encourage the community's participation in voluntary insurance schemes;
- (4) Increase the quantity and quality of jobs and ensure job safety for the poor and people with extreme difficulties;
- (5) Intensify the protection of adolescents; completely eliminate child labor;
- (6) Build a strategy for prevention and mitigation of natural disasters. Reduce by 1/2 of the number of people re-impooverished by natural disasters or other risks.

## **12. Push up administrative reforms, provide the poor with legal knowledge**

- (1) Improve people's access to a transparent, responsible and participatory government;
- (2) Continue accomplishing policies and institutions affecting the poor, set more feasible targets and allocate better resources for programs which benefit the poor.
- (3) Perfect reform strategies related to public sector, jurisdiction, and financial management to better support the poor.
- (4) Minimize bureaucracy, corruption, and implement democratic State management with participation of the people.