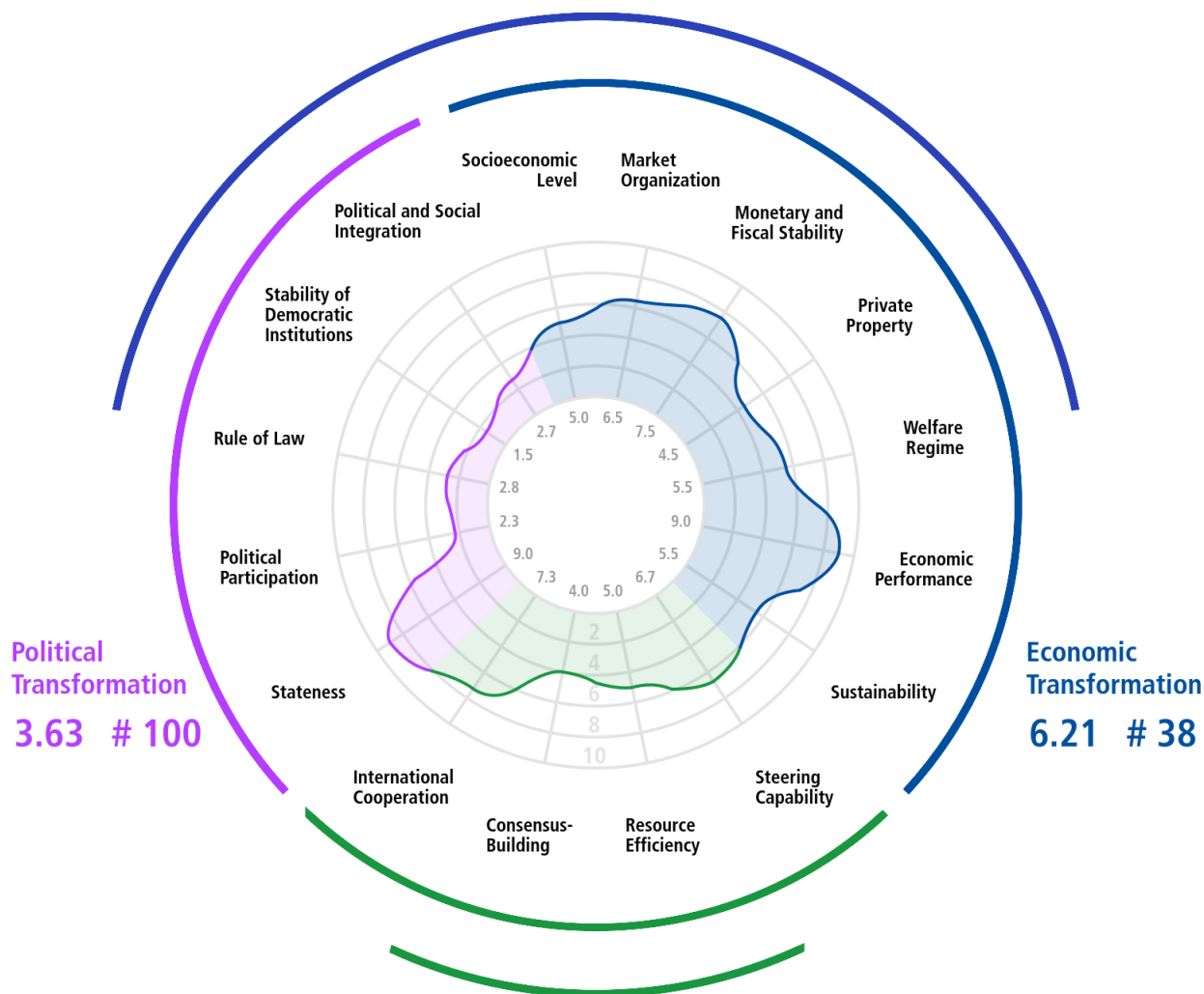


Vietnam

Status Index

4.92 # 77

on 1-10 scale out of 137



Political Transformation
3.63 # 100

Economic Transformation
6.21 # 38

Governance Index

5.16 # 48

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Vietnam. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	98.2	HDI	0.703	GDP p.c., PPP \$	13457
Pop. growth ¹	% p.a.	0.7	HDI rank of 189	115	Gini Index	36.8
Life expectancy	years	73.6	UN Education Index	0.639	Poverty ³	% 3.8
Urban population	%	38.8	Gender inequality ²	0.296	Aid per capita \$	5.3

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Vietnam is an authoritarian regime. The ruling Communist Party of Vietnam (CPV) is committed to retaining its political monopoly in perpetuity and has, in recent years, worked to curtail and even eliminate open expressions of political dissent.

In January 2021, the CPV held its 13th congress and elected a new 200-member Central Committee and an 18-member politburo. Later in 2021, the country held a national election to elect the new National Assembly. Over the past two years, the country has endured political quakes relating to corruption and an anti-corruption campaign overseen by the party's sitting general secretary, Nguyen Phu Trong. Several members of the Central Committee and the politburo have been arrested or forced to resign from their positions in association with two grand corruption cases. Notably, those dismissed included two deputy prime ministers and the state president, Nguyen Xuan Phuc, who accepted "political responsibility" for his junior officials' involvement in grand corruption cases. His replacement was Vo Van Thuong, who, born in 1972, is young relative to the typical age of Vietnam's senior leaders.

Since 2013, particularly from 2016 to the present, the anti-corruption campaign led by Trong, which has also, at times, contained elements of a political purge, has achieved remarkable results. Additionally, under his leadership, the CPV has intensified party discipline through a resolution aimed at rectifying the ethics and lifestyle of its party members. The resolution's goal is to silence and, in some cases, provide a basis for expelling party members who make statements that are deemed "contradictory with the party's lines and the state policies." Given the practical difficulty of avoiding corrupt behavior, it is not entirely surprising that the anti-corruption drive has had a chilling effect on public investment and other projects, as state officials are cautious and increasingly risk-averse.

Beyond the Communist Party of Vietnam's (CPV) ability to maintain political stability through its dominance, the CPV's performance on rights and other governance measures remains poor. Two cases of particular note concern the party's discipline and expulsion of Chu Hao, a former vice minister of science and technology, and the steps the party has taken to restrict dissent online. Human rights activists viewed the expulsion of Chu Hao, a widely respected intellectual, as an attack on the freedom of speech. Furthermore, the adoption of a law on cybersecurity in 2020 is also seen as a further setback for freedom of speech and freedom of information. Civil society activists are often, and perhaps increasingly, harassed and strictly monitored by the public security force. Throughout 2022, a dozen activists in different fields, including those working on legislative and environmental affairs, were arrested.

Apart from corruption and human rights violations, other social issues of importance include inequality and environmental pollution. Gender inequality is on the rise, as evidenced by a very high rate of abortions – including a high number of sex-selective abortions – and an increasing gap between men's and women's pay. Despite Vietnam's demonstrated commitment to the development of gender equity, the protection of women's rights is limited. Social discrimination against people with disabilities was also a concern in the context of COVID-19. The income and wealth gap between the majority ethnic group (Kinh) and most ethnic minorities remains large.

Despite a challenging global environment and continuing tensions between the United States and China, Vietnam's economy has shown resilience. It has been supported by robust domestic demand, large-scale foreign investment, much of which is associated with the declining international attractiveness of China, increased export-oriented manufacturing and unprecedented growth of the private sector. Despite facing the impact of COVID-19, Vietnam's growth rate was 2.91% in 2020, 2.58% in 2021 and 8.3% in 2022, making it one of the few countries that posted a positive economic growth rate during the COVID-19 pandemic.

Vietnam's prominence in the international arena has increased, in part due to the efforts of the Communist Party of Vietnam (CPV). Within the region, Vietnam's role and influence in the Association of Southeast Asian Nations (ASEAN) have continuously grown. Vietnam-China relations have improved since CPV Secretary-General Nguyen Phu Trong's visit following the conclusion of the Communist Party of China's (CPC) 20th party congress. Disagreements persist between the two countries regarding sovereignty in the South China Sea, particularly as Beijing continues to militarize its presence in the waters Vietnam claims. In 2020, Vietnam assumed the rotational chairmanship of ASEAN and began its second two-year term as a non-permanent member of the United Nations Security Council. Additionally, Vietnam signed and joined bilateral and regional free trade agreements, including the Regional Comprehensive Economic Partnership. The country was also praised as a model in the fight against COVID-19. In 2022, Vietnamese leaders conducted official visits to various countries, and the prime minister attended the U.S.-ASEAN Summit at the White House.

History and Characteristics of Transformation

After two generations of war, the CPV's successful efforts at defeating French and American forces, which culminated in 1975, were followed by the country's political unification under communist rule. The extension of state-socialist economic institutions on a nationwide basis, in combination with the country's international isolation and its wars with Cambodia and China, led to a comprehensive socioeconomic crisis that threatened the rule and legitimacy of the CPV. In 1986, the CPV formally adopted an economic reform program (known as *Đổi Mới*). These reforms paved the way for a somewhat market-oriented economy to develop and the nation's deeper integration into the region and the world. Initial reform measures, such as the significant reduction of internal trade barriers and steps toward liberalizing foreign trade, remained largely ineffective due to galloping, triple-digit inflation rates. Desired results came only after the role of agricultural cooperatives was reduced, planned economy structures were abolished, prices for goods and services were allowed to float, and additional trade liberalization measures were implemented in 1988 and 1989. The number of state-owned enterprises (SOEs) was sharply reduced from around 12,000 in 1990 to 1,963 in 2020. By the end of 2020, Vietnam had emerged as a new manufacturing and assembly powerhouse in the world. International trade and inflows of foreign direct investment – mainly into export-oriented manufacturing – have been the main drivers of economic growth. The government-engineered industrialization process included the establishment of Export Processing Zones (EPZ), which, due to cheap labor, attracted foreign investment to manufacturing. Despite signs of macroeconomic instability since, especially in 2011, Vietnam has had a rather steady economic growth rate of an average of 6% in recent decades. Its economy has proven its resilience during challenges to the global economy. In 2022, Vietnam had one of the highest economic growth rates in the world at 8.3%.

The private economic sector has increasingly been recognized as a key driver of the national economy, even though its role remains comparatively weak and lacks the vibrancy seen in private sectors in neighboring countries, including China. State-owned enterprises (SOEs), although fewer in number, still dominate and continue to receive benefits from the government through special bank loans and other policies. Privatization, which was only half-heartedly pursued during the assessment period under the banner of “equitization,” exposes firms to some competition while transferring assets to well-connected, regime-friendly segments of the population. In theory, having to compete with other firms for customers and market share could create pressure to stimulate efficiency and improve performance.

In comparison to economic reforms, political reforms have been minor. Efforts to “democratize” have mainly focused on improving the intraparty political process, decentralizing authority to the local (especially provincial) level and allowing for the appearance of popular participation in existing political institutions. However, since the mid-2000s, Vietnam has witnessed the emergence of a nascent civil society that, in one way or another, demands substantial political reforms and societal democratization. Nonetheless, civil society organizations have experienced a

narrowing space for operations, as the government has adopted legal restrictions on their functioning. The CPV has made some progress in its campaign against large-scale corruption, but the absence of institutional reforms appears to limit those efforts. The recent expansion of the scope of duties of the Central Steering Committee for Anti-Corruption to cover negative practices, along with its nationwide founding at the provincial level, has contributed to further progress in the anti-corruption campaign. Additionally, recent developments in intraparty democratization and progress have enhanced the authoritative role of the National Assembly in the lawmaking process.

In the meantime, Vietnam has expanded and deepened bilateral relations with countries around the world, while normalizing and building stronger relations with its former foes, including China and the United States. In 1995, Vietnam achieved triple diplomatic success by joining the Association of Southeast Asian Nations (ASEAN), normalizing diplomatic relations with the United States and signing a framework cooperation agreement with the European Union (EU), which includes a human rights clause and covers economic and trade relations. As part of its accession to ASEAN, Vietnam also became a member of the ASEAN Free Trade Area (AFTA). In 2007, it joined the largest global trade organization, the World Trade Organization (WTO). In 2018, the National Assembly ratified a multilateral trade agreement in the region known as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). In August 2020, the free trade agreement (FTA) between Vietnam and the European Union went into effect. Later in the year, Vietnam joined 14 other Asian and Pacific countries to sign the Regional Comprehensive Economic Partnership (RCEP), the largest regional economic pact. To date, Vietnam has established strategic partnerships with 15 countries and comprehensive partnerships with 17 countries. Vietnam has also signed free trade agreements with more than a dozen countries.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Since Vietnam formally became a united country in 1976 under the rule of the Communist Party of Vietnam (CPV), the CPV has successfully established the state's monopoly on the use of force and faced no challenges from any active (armed) non-state actor. There have occasionally been protests by ethnic, religious or civil groups relating to land ownership in different regions of the country, but they were quickly and easily suppressed by the CPV and its forces. Last year, the CPV even consolidated its monopoly on power during the COVID-19 period when it punished anyone who breached the lockdown and restriction rules.

In the first decade of the CPV's rule over a unified Vietnam, from 1976 to 1986, domestic challenges to the CPV's legitimacy were principally due to the socioeconomic crisis caused by the poor performance of the country's Soviet-style centrally planned economy and institutions. During this period, a small proportion of the population, especially those who were involved in the American-backed southern regime and some religious groups such as the Vietnam Unified Church of Buddhism, did not support the party-state. The state also faced some resistance to the government's collectivization of agriculture and nationalization of industry, as well as the suppression of free commerce and political expression. The state's limited legitimacy along with the prevailing hardship and suppression were push factors that caused large-scale migration, eventuating in the "boat people" phenomenon. The launch of reforms and impressive economic performance since the late 1980s enhanced the CPV's subjective legitimacy. More recently, the CPV's initial success in managing the COVID-19 pandemic further buttressed the party's legitimacy but was subsequently weakened by major scandals that led to the resignation of the state president, foreign minister and deputy prime minister. The country's quick post-COVID-19 economic recovery has also supported the party's legitimacy. Though it is hard to gauge state identity, given the diversity of backgrounds of the ethnic minorities, there is a single and shared national identity.

Question
Score

Monopoly on the
use of force

10



State identity

9



Vietnam is a secular state ruled by the Communist Party of Vietnam (CPV). The party-state thus far has recognized 43 religious organizations affiliated with 16 religious traditions with more than 26.5 million followers, accounting for 27% of the total population. Of these 16 religious traditions, Buddhism is the major religion and attracts the most followers. In its pursuit of a modern and secular state model, the government has adopted a legal framework that formally recognizes the religious freedoms of its citizens. It does not ban party members or government officials from visiting religious establishments to practice. Religious groups that are unregistered with and not recognized by the government are prohibited from operating. In 2022, the United States placed Vietnam on its Special Watch List, due to alleged anti-religious freedoms. Vietnam rejected this allegation as unjustified and inaccurate.

The country's basic administration is divided into four levels consistently implemented across the country, namely: central, provincial, district, and commune. The state administration is able to provide basic public services throughout most parts of the country, though the quality of the bureaucracy varies between provinces and cities.

According to the Vietnam Household Living Standards Surveys, there are eight basic social services groups, including (1) housing and production land; (2) clean water and sanitation; (3) electricity; (4) schools; (5) health care establishments; (6) communal cultural houses; (7) transportation roads; and (8) legal advice and consultation. A report published by the World Bank in 2022 showed that, though improvements in public services have occurred, poverty rates are still much higher among rural and ethnic minority households primarily engaged in agriculture across the country than among urban, non-minority households. The former groups face the persistent challenges of low human capital, low-quality local public services, significant distance to economic opportunities and little access to financing and training. Basic water sources (96.9%), basic sanitation (89.2%) and electricity (100%) are widely accessible to most Vietnamese. However, poverty and location also affect access to basic water and sanitation. The access rate to water is 84%, 96% and 94% for the poorest, people in rural and people in regional areas, respectively, compared to 97% nationally and 99% in urban areas. Under 50% of the poorest segment of the population enjoys basic sanitation, and 19% of them have no access to sanitary latrines.

The World Bank Global Electrification Database projected that by 2020, 100% of the Vietnamese population would have access to electricity. This is thanks to the success of the country's rural electrification programs over the years.

No interference of religious dogmas

10



1

Basic administration

7



1

2 | Political Participation

Vietnam holds one-party elections every five years for both the National Assembly and local people's councils across the nation. Formally, everyone is equal before the law and can run in elections after reaching the age of 18. However, a party-controlled national elections council scrutinizes and approves the final list of candidates. While voting is mandatory, turnout is cosmetic. Very often, a single family member casts votes for his or her entire family.

The party adopts the principle of democratic centralism, meaning decisions are made by the politburo or the Central Committee. All heads of government ministries, ministerial agencies and provincial party committees must be members of the Central Committee. The power arrangement as such aims to ensure effective and consistent leadership of the party throughout the system from the central down to the grassroots level. According to the party's constitution, the Central Committee is the decision-making body of the party, but in reality, the politburo is the most powerful institution, the membership of which varies from one term to the next. The politburo elected in 2021 had 18 members, but two of them, including the state president and one deputy prime minister, have been recently dismissed due to "political irresponsibility" in connection with some grand corruption cases. According to a new party rule, the list of candidates to be elected to the Central Committee will be approved by the politburo. The national party congress elects the members of the Central Committee, which then elects the general secretary, members of the politburo and the secretariat.

There was no improvement in respecting the rights of freedom of association and assembly in the past year. The Vietnamese constitution adopted in 2013 affords citizens the right to freedom of association and assembly. However, the government continues to severely restrict the implementation of this right through sub-laws and regulations. In 2010, the government issued Decree No. 45 providing the establishment, activities and management of associations. The latest data from the government shows that, as of December 2022, Vietnam had 93,438 associations, an increase from 68,125 associations in 2017. Of these, 584 associations operate nationwide or inter-provincially and 92,854 associations operate locally. There are 124,889 grassroots trade unions nationwide, with a total number of 11,071,635 union members. The average percentage of union members out of total workers at agencies, organizations and businesses with trade unions is 93.1%.

These associations include five mass organizations under the direct management of the ruling party: the Vietnam General Confederation of Labor, the Vietnam Farmers' Union, the Ho Chi Minh Communist Youth Union, the Vietnam Women's Union and the Vietnam Veterans' Association. A non-governmental organization can be established, but, in one way or another, it must be affiliated with a state-sponsored umbrella organization or association.

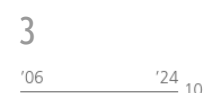
Free and fair elections



Effective power to govern



Association / assembly rights



The party-controlled National Assembly continued to delay deliberations on a bill on associations the government had drafted. This is because the party fears the bill, once adopted into law, will allow for the emergence of independent non-governmental organizations and possibly opposition political parties. There is no confirmation yet as to when the bill will be submitted to the National Assembly for deliberation and enactment into law. Opposition political organizations of any form remain banned.

Because of the already strict regulation of civil liberties, additional constraints – other than the restrictions on freedom of travel and movement that come with lockdowns during the COVID-19 period – have not been necessary.

Public gatherings, especially those concerning “sensitive” topics such as human rights, democracy and civil society, permitted by the authorities are closely monitored by public security (police). In the past, several public gatherings and demonstrations were held to protest China’s aggressive actions in the East Sea (South China Sea). In the past year, a group involved in the clean-up of plastics was suppressed. Similar to the situation with the bill on associations, the enactment of a law on demonstrations is continuously delayed. Without a law on demonstrations, the government has applied arbitrarily criminal rules to suppress the assembly rights of the citizens. Some of the multinational or bilateral free trade agreements that Vietnam has joined and signed with other countries empower workers to strike or encourage the establishment of independent trade unions. Public gatherings and demonstrations without permission are still banned and dissolved.

Freedom of expression is protected by the 2013 constitution. However, the Press Law, the Publication Law and the Criminal Code criminalize any activities that are considered “propagandizing against the state,” “conducting propaganda to slander the people’s government; conducting psychological warfare and spreading rumors; creating, storing and disseminating cultural products with anti-socialist government contents,” “taking advantage of democratic freedoms and rights to violate the interests of the state and social organizations,” “slandering and questioning the legitimacy of the people’s government,” and so on. The government often uses these vaguely defined crimes to restrict this freedom.

Up until 2018, the internet appeared to provide a public space for citizens to express dissident political and social views in the context of a party-state where no independent media is allowed. Freedom of expression has been increasingly restricted since June 2018 when the National Assembly adopted the law on cybersecurity. The law went into effect on January 1, 2019. Facebook, which is easily the biggest platform, is subject to continuous, comprehensive monitoring by a team of internet monitors believed to number in the thousands. Internet users in Vietnam are now more cautious in posting their expressions online than they were just a few years ago. Internet users can be, and are, charged with various violations.

Freedom of
expression

2

'06 _____ '24 10



3 | Rule of Law

The separation of three branches of power is constitutionally established but merely formal and symbolic. Hence, the state's rhetoric that "the party leads, the state manages and the people are the masters of the country."

The National Congress of the CPV is held every five years. There, directions for development and plans, including foreign policy, for the next five years are adopted. Congress selects a Central Committee, which is the most powerful decision-making body of the party. The CPV's 13th congress, which was held in early 2021, elected a Central Committee of 180 official members and 20 alternate members, who then appointed a politburo of 18 members and a secretariat of seven members. Actual power rests with the 18-member politburo, which includes the four most powerful positions, popularly known as the "four pillars," namely the CPV secretary-general, the state president, the prime minister and the chairman of the National Assembly. The CPV secretary-general is the most powerful man (the CPV has never selected a woman) in the country. The idea that the general secretary lacks formal executive power is an illusion. In practice, the general secretary wields considerable power, even though that power can vary from one quinquennium to the next. The other three top positions are the state president, the prime minister and the chairperson of the National Assembly. In the past year, the state president, two deputy prime ministers and several high-ranking officials were pressured to resign from the Central Committee due to violations of their political responsibilities and the wrongdoings of their underlings and their family members in relation to several grand corruption cases. The party subsequently filled these vacancies by appointing replacements.

At all levels of state and in all administration organizations, there exists a party committee whose function is to oversee routine operations and control all important affairs, including, for example, the personnel and structure of the organization. The head of the executive branch is also the chairman of the party committee. For instance, a minister is also the chief secretary of the ministry's party committee.

The justice system is under full control of the CPV. Chief justices and judges are party members and bound by the decisions made by party committees. The chief justice of the People's Supreme Court (PSC) and the minister of public security are currently members of the politburo, while the chief of the People's Supreme Procuracy is a member of the Central Committee. The chief justice and chief prosecutor are appointed by the state president, and the appointments are approved by the National Assembly. The selection and nomination of judges and procurators at all levels are screened and verified by the party committees where they are employed.

Separation of powers

2

'06 '24 10



Independent judiciary

2

'06 '24 10



One of the judiciary's mandates is to conduct trials of corruption cases, which are normally related to former and incumbent high-ranking government officials and party members, including members of the politburo and Central Committee. However, the CVP has always directed courts to limit the scope of the trials in these cases, effectively protecting the regime, as some grand corruption cases are likely to implicate high-ranking and even top government leaders.

While corruption and other abuses of power remain prevalent, the heightened scrutiny accorded to corruption, particularly since 2021, has caused people in the state apparatus to adopt a cautious approach and sophisticated methods to avoid and evade detection. After being elected for an extraordinary third term in office as CPV secretary-general and chairman of the Central Anti-Corruption Steering Committee in 2021, Nguyen Phu Trong intensified the fight against corruption. In 2022, under Trong's leadership, the committee expanded its mandates to cover so-called "negative practices." Subsequently, the committee was renamed the "Central Anti-Corruption and Negative Practices Steering Committee (CNSC)." The CPV Central Committee adopted a resolution to allow the CNSC to operate at the provincial level. All provinces and cities under the central authority have put in place their own CNSC. The scope of "negative practices" includes abuse of office power for any purpose linked with corruption.

In 2022, two major corruption cases drew international attention: the Viet A COVID-19 test kits and repatriation flights for Vietnamese stranded overseas. These cases were typically linked to office abuse. As a consequence, dozens of government officials, including the minister of health, the chairperson of the Hanoi Municipal People's Committee, a provincial party secretary, deputy ministers, directors of departments and others were arrested and expelled from the party. More notably, the state president and two deputy prime ministers were forced to resign from their posts because of their "political responsibility" to the "party and the people" since these events took place under their watch. The resignation of the state president and the dismissal of two deputy prime ministers seem to reveal the CPV's and, more specifically, Nguyen Phu Trong's determination to prevent and prosecute abuse of office.

According to the 2013 constitution, "human rights and citizens' rights are recognized, respected and protected" by law, but citizens are bound by their duties to the state and society. In reality, violations of civil rights are common. These include harassment, torture, cruel treatment, arbitrary arrest and detention, denial of fair public trials, infringement on privacy and the correspondence of activists and members of civil society organizations. The recent adoption of the law on cybersecurity enhances the authorities' ability to monitor free expression via social media.

Prosecution of office abuse

4

'06 '24 10



1

Civil rights

3

'06 '24 10



1

Furthermore, citizens' enjoyment of their rights is subject to evaluation according to principles of "national defense, national security, social order and security, social morality and community well-being." The party-state and its security machinery often use these concepts as a pretext to silence voices or suppress activities deemed to challenge the power and legitimacy of the ruling party and the survival of the regime. Security forces are often deployed to suppress activities that the government defines as posing a threat to social order and security.

Freedom to practice one's religion continues to be subject to constraint. Especially members of the Evangelical Church of Christ, and in the Northwest Highlands, H'mong Christians, the Evangelical Church of Vietnam North, the United Buddhist Church, some Cao Dai, Hoa Hao Buddhist groups and many Catholic priests have been harassed and arrested because of their religious practices, or on charges of undermining the unity policy of the party-state. Overall, the party-state effectively controls religious activities and does not accept the influence of religious dogmas on law order and political institutions. In 2022, the U.S. Department of State named Vietnam a country requiring special attention to religious freedom. Despite certain progress, women, children and other vulnerable groups face a situation in which formal rights and protections are easily ignored or insufficiently enforced. In such an environment, protection from domestic abuse remains limited.

4 | Stability of Democratic Institutions

According to the 2013 constitution and CPV statutes, the CPV leads all aspects of society. Existing representative institutions are controlled and "placed under the leadership of the party." The National Assembly is the party-state's lawmaking body. It has nearly 500 members, but more than 90% of them are party members who are bound to party rules and orders.

In recent years, the party has reformed the National Assembly's operations to make it a more deliberative forum. This is seen, for example, in periodic question and answer (Q&A) sessions broadcast on live television and in the holding of confidence votes, during which the assembly assesses the performance of elected and appointed positions, including the president, the prime minister, the chairperson of the National Assembly and government ministers. The Q&A sessions are organized in terms of sectoral issues and predetermined topics. However, direct debates between the deputies and the ministers have been allowed.

The CPV has established measures to promote "grassroots democracy" at the local level following province-wide riots by farmers in Thai Binh province in 1997. In 2022, the National Assembly adopted the Law on Grassroots Democracy, replacing the 2008 Ordinance on Grassroots Democracy. However, the law will not go into effect until July 2023. The law enhances the mandatory implementation of nominally

Performance of
democratic
institutions

1

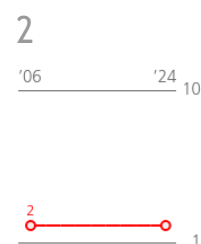
'06 '24 10

1 — 1

democratic accountability mechanisms such as people’s inspection boards, which serve as a community’s investment monitoring boards at the lowest administrative level, including at the village level. It buttresses local residents’ participation in public projects, transparency, as well as the accountability of local officials for their performance. The law’s effectiveness remains to be seen, but the execution of its predecessor was generally evaluated as “cosmetic,” “formalist” and “not real.”

The Communist Party of Vietnam does not allow any opposition parties to exist. As of December 2022, there were 51,827 party committees with more than 5.3 million members across the country, accounting for approximately two percent (2%) of the country’s population. Party committees are in all public offices and state-owned enterprises. Private business owners can be admitted to the CPV.

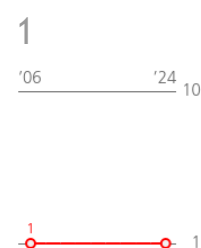
Commitment to democratic institutions



5 | Political and Social Integration

The Communist Party of Vietnam does not allow any opposition parties. As of December 2022, there were 51,827 party committees with more than 5.3 million members across the country, accounting for approximately two percent (2%) of the country’s population. Party committees are available in all public offices and state-owned enterprises. Private business owners can be admitted to the CPV.

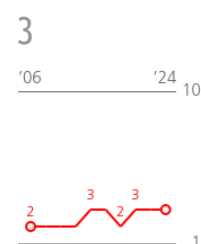
Party system



With continuously high economic growth since the launch of Đổi Mới, helping the CPV survive the socioeconomic crisis of the late 1980s and early 1990s, as well as the ongoing anti-corruption achievements of the past decade, the CPV has buttressed its “performance legitimacy,” even as its image as a revolutionary force for justice has faded. The party-state’s success in containing the COVID-19 pandemic and early reopening the borders to aid economic recovery also earned more support for the party and its rule. However, corruption cases relating to the fight against COVID-19 and the resignation of the state president and two deputy prime ministers have also negatively impacted the party’s rule and reputation.

With respect to formal interest groups, there are five mass organizations, namely the Vietnam Fatherland Front (VFF), Vietnam Women’s Union (VWU), Vietnam General Confederation of Labor (VGCL), Vietnam Farmers’ Union (VFU), Ho Chi Minh Communist Youth Union (HCYU) and the Vietnam Veterans’ Association (VVA). These organizations implement the party’s social and political agenda. Leaders of these mass organizations, except VVA, are more often than not members of the CPV Central Committee, holding a rank equal to a government minister. The president of VFF is currently a CPV secretariat member. All these organizations are organized according to the principles of democratic centralism.

Interest groups



Other formal interest groups include professional organizations such as the Vietnam Lawyers' Association and Vietnam Bar Federation, Vietnam Union of Science and Technology Associations (VUSTA) and Vietnam Union of Literature and Arts Associations, which are also influenced by the CPV. The Vietnam Chamber of Commerce and Industry (VCCI) ostensibly represents the interests of the business community but, in reality, is a government agency managed by a party committee. The heads of these professional associations and organizations are party members and former high-ranking government officials.

In addition, there are thousands of smaller groups and associations established with the permission of the government. They are often affiliates of one of the "big name" organizations above. Most of these are financially autonomous; hence, their operations are for the sake of their members.

Informal interest groups constitute associations of people from the same hometown, those who share kinship, former classmates, alumni, and so on. These groups are not formally established. Their existence enhances and maintains the cohesion of social relationships that, to some extent, contributes to the resilience of rather than posing a threat to the regime.

For more than 10 years now, surveys have been conducted to measure governance at the local level across the country. These include the PAPI and PAR indices. They are carried out with the involvement of international consultants. Hence, to some extent, they are independent and objective. Local authorities very often look at these surveys to encourage reforms in local governance. Some government, party and parliamentary institutions, such as the Central Commission for Education and Propaganda (CCEP), Institute of Sociology and National Assembly Committee for Social and Cultural Affairs, also occasionally conduct public surveys, but with limited scope. The CCEP established the Institute for the Study of Public Opinions, which regularly conducts surveys to collect public opinions on specific topics but not on the regime or the party. The results of these surveys are not normally published. However, researchers can manage to access the results, which are most likely biased, one way or another.

The official state position and those of independent activists reflect contradictory views of democracy. While state media boasts about the regime as a people's democracy, activists reject that as rhetoric. Unfortunately, the activists' views can only be seen on social media, not in the state-controlled media. Views about democracy within the state vary but cannot be ascertained, as research on this matter is impossible.

Approval of
democracy

n/a

'06 _____ '24 10

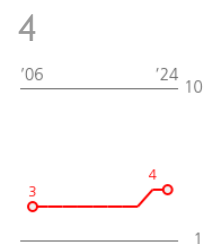
n/a _____ 1

While there is scarce data on social capital in Vietnam, available quantitative indicators include interpersonal and institutional trust, public participation, associational networks, acceptance of social inclusion and diversity. Prevailing practices, such as the arbitrary use of public power and corruption, indicate that social capital plays a prominent and sometimes negative role in the political system.

In Vietnam, indicators except for public participation, especially in the field of politics, are well-established. Trust and cooperation in everyday social life reflect broad societal norms of what is considered to be appropriate. For instance, self-help and mutual support are cultural traditions in Vietnamese society. A folk slogan, “the full leaf supports the torn one” (lá lành đùm lá rách), is the heart of mutual support. Furthermore, the culture of village life is also a source of social capital that strengthens social cohesion and maintains social stability.

Vietnam’s successes in the fight against COVID-19 in the past two years are partly attributable to public trust in the government’s swift and authoritative measures. There is a consensus among scholars that voluntary compliance with crucial health measures (social distancing and masks) and self-help and solidarity among citizens (especially for those in need) were crucial aspects of societal resilience during the COVID-19 crisis in Vietnam. Citizens’ cooperation with the government is a remarkable source of social capital and a key to the success of efforts to combat the spread of COVID-19. Therefore, the pandemic (and citizens’ responses to it) reveals some new insights into the state of solidarity, trust and social capital in Vietnam, suggesting a less critical situation than previously thought.

Social capital



II. Economic Transformation

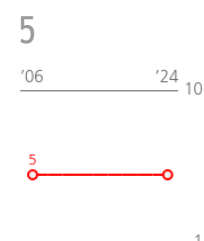
6 | Level of Socioeconomic Development

Vietnam is well on its way to recovering from COVID-19. However, there are many social issues that need to be addressed as a result of the pandemic. Since the third quarter of 2021 and throughout 2022, Vietnam’s economy has experienced a strong rebound and witnessed robust growth. This can be attributed to the successful containment of COVID-19, the early reopening of borders, the country’s enduring competitive advantages and the favorable effects of international capital flight from China. In 2022, Vietnam recorded an economic growth rate of 8.02%, making it one of the fastest-developing economies in the post-COVID-19 period. The rebound was largely supported by the dynamism of the private sector.

Vietnam’s growth in the past decade has been generally inclusive. A significant portion of the population has successfully lifted themselves out of extreme poverty. According to the World Bank’s lower middle-income country (LMIC) poverty line (\$3.20/day 2011 PPP), Vietnam’s poverty ratio decreased from 16.8% in 2010 to 5%

Question Score

Socioeconomic barriers



(\$3.65 a day at 2017 PPP) in 2020. This translates to 10 million people escaping poverty, resulting in a decrease in the number of the poor to five million in 2020. As of 2021, the country has an HDI score of 0.703.

Despite these impressive poverty reduction outcomes, large shares of the population remain vulnerable and inequality has likely increased. Official government and World Bank data on inequality needs to be qualified, given its inability to account for hidden poverty, hidden high incomes and hidden wealth. Data shows that consumption among affluent households grew at faster rates than among poor ones in the last decade, resulting in increasing inequality.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	334365.3	346615.8	366137.6	408802.4
GDP growth	%	7.4	2.9	2.6	8.0
Inflation (CPI)	%	2.8	3.2	1.8	3.2
Unemployment	%	1.7	2.1	2.4	1.9
Foreign direct investment	% of GDP	4.8	4.6	4.3	4.4
Export growth	%	6.2	4.1	13.9	-
Import growth	%	4.9	3.3	15.8	-
Current account balance	\$ M	13101.2	15060.0	-4628.0	-1074.0
Public debt	% of GDP	40.8	41.1	39.1	35.3
External debt	\$ M	117338.1	125065.0	136213.2	-
Total debt service	\$ M	16424.6	16358.1	19955.0	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.6	9.5	9.6	-
Public education spending	% of GDP	3.1	3.2	2.9	2.9
Public health spending	% of GDP	2.0	2.1	-	-
R&D expenditure	% of GDP	0.4	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Vietnam's economy is socialist-oriented but increasingly market-based. With high levels of inward FDI, rising exports and open formal policies, Vietnam's economy is considered one of the most globalized in the world. It is now a member of free trade pacts like the CPTPP and RCEP, which include major economies.

However, given the influence of socialist ideology and, more importantly, favoritism toward state-linked firms, the country's economy still faces competitiveness constraints. The government frequently claims that all enterprises are equal regardless of ownership, whereas, in reality, the state-owned sector is heavily favored and given more access to national and natural resources than private firms. The state's monopoly extends to all strategic commodities, including oil and gas, electricity, and telecommunications. Although partial privatization of these services is permitted, it is only allowed for business people and networks tied to the party-state.

In 2021, the government issued Decree No. 31, prescribing 84 trades and sectors, including journalism, fishing, security services and others, that are not freely open to foreign investors. In addition, foreign employees in Vietnam still face employment constraints due to cumbersome work permit administrative procedures.

All foreign exchange payment transactions and remittances occur without encumbrances. However, transactions on the Vietnamese market may not be denominated in foreign currencies, except for certain cases as per State Bank of Vietnam (SBV) regulations. Credit institutions, foreign bank branches and other organizations are allowed to provide foreign exchange services on the international and domestic markets with the approval of the SBV.

Private enterprises continue to face challenges resulting from the government's policies and laws, despite their growing significance in the economy. Administrative procedures are burdensome, fostering conditions conducive to corruption and bribery. Furthermore, disparities exist among the laws governing investment, land, procurement and other areas, impeding the investment opportunities of private enterprises and effectively creating an unequal playing field between private and state-owned enterprises.

The government has made a more sustained effort to "privatize" many state-owned enterprises since 2010. However, SOEs continue to receive far more favorable access to land and credits from the government than Vietnam's private enterprises, especially those whose directors lack political connections. The latter face onerous regulations, unfavorable government policies and much more powerful competitors in state-owned enterprises with foreign stakeholders.

Market
organization

5

'06 '24 10



1

The Competition Law, which went into effect on July 1, 2019, is the legal document governing all commercial and market competition in the country. In March 2020, the government issued an executive decree (No. 35/2020/ND-CP) providing guidelines for its implementation. Technically, all economic sectors have equal access to natural resources and state support. However, the socialist-oriented economy principle allows state-owned enterprises to have overriding authority in areas that preserve the regime.

According to the Competition Law, agreements that restrain competition, market dominance, economic concentration and unfair practices will be addressed. The law has also expanded its scope to include both Vietnamese and foreign companies and individuals if their actions have restricted or could potentially restrict the domestic market. For the first time, the law states that the Vietnamese government will have authority over offshore activities if they impact the domestic market.

The law applies to foreign entities involved in competition-restricting agreements, economic concentration or other unfair activities, even if they do not have a subsidiary in Vietnam. Additionally, public service units such as hospitals and schools are now subject to the law, which was not the case in the previous version.

The National Competition Committee (NCC), which operates under the Ministry of Industry and Trade (MIT), is responsible for overseeing three areas of state management: competition management, consumer protection and multi-layer trade. The chairperson of the NCC is appointed by the prime minister, based on recommendations from MIT. According to the Competition Law, certain types of anti-competitive agreements are prohibited if the firms involved operate in the same market or if the agreements have the potential to impact market competitiveness. To encourage cooperation, the Competition Law includes a leniency program. As a result, companies that are part of an anti-competitive agreement may qualify for leniency if they proactively contact government authorities before a formal investigation is launched. However, this program is limited to the first three applicants. The initial applicant is eligible for a full exemption from penalties, while the second and third applicants are eligible for exemptions of 60% and 40%, respectively.

Vietnam has signed 15 multilateral and bilateral free trade agreements, including the Regional Comprehensive Economic Partnership (RCEP) and the Vietnam-UK Free Trade Agreement. In August 2020, the Vietnam-European Union Free Trade Agreement went into effect, benefiting Vietnamese exports to the European Union market. Vietnam is also a founding member of the Comprehensive Progressive Trans-Pacific Partnership (CPTPP), from which the United States withdrew during the Trump administration.

Competition policy

6

'06 _____ '24 10



1

Liberalization of foreign trade

9

'06 _____ '24 10



1

In 2022, Vietnam's foreign trade exceeded \$730 billion. In 2021, Vietnam was the 23rd largest exporter and 20th largest importer in the world. Within ASEAN, Vietnam was the second-largest exporter and importer, just behind Singapore.

At the 13th congress in 2021, the CPV adopted two centenary goals. The first one is to transform Vietnam into a high-middle-income country by 2030 on the occasion of the 100th anniversary of the founding of the CPV. The second is to make Vietnam a developed industrial nation by 2045, on the 100th anniversary of the founding of the Democratic Republic of Vietnam. To achieve these goals, foreign trade has a key role to play as a strategy to integrate Vietnam into the world economy and the international community.

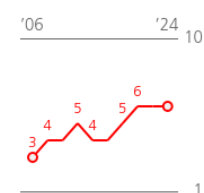
The state plays the dominant role in the banking system. The State Bank of Vietnam (SBV) is not independent. This leaves the banking system open to political manipulation by politicians and corruption. The banking system consists of four state-owned commercial banks, 31 joint-stock commercial banks, nine foreign-owned banks, two joint-venture banks, 16 finance companies, 10 leasing companies and four microfinance organizations.

During the 2000s, Vietnam experienced a significant increase in the number of private banks and the establishment of connections between tycoons in the banking sector and politicians. Mismanagement, corruption and vested interests threatened to cause a collapse of the banking system and resulted in substantial financial losses for the state. To address these issues, the state had to intervene by acquiring several private banks that owed debts to the state, often at no cost.

According to regulations, banks must maintain a minimum charter capital of approximately \$140 million. Nearly 60% of the joint-stock commercial banks have low charter capital (less than \$150 million). The state-owned enterprises (SOEs) are not part of the banking system, but they represent a soft budget constraint that poses a tremendous risk to that system. During the credit and housing boom in the mid-2000s, SOEs took out large loans from state-owned banks, not for productive purposes but for real estate speculation. This resulted in a significant amount of nonperforming loans when the boom went bust in the late 2000s – SOEs are estimated to account for nearly 60% of those loans. By the end of 2019, a large number of SOEs faced business losses and owned non-refundable loans worth millions of dollars. Vietnam's nonperforming loan ratio was 2.1% in September 2020, compared to the lowest record to date of 1.6% in December 2019. Although the official estimate of those loans is about 5% of GDP, Moody's offers a much higher estimate of 15%. In 2020, the State Bank of Vietnam had to reduce interest rates three times, with the lowest rate at 1.5% to 2%, in response to the impact of COVID-19 on enterprises.

Banking system

6



In 2022, the Vietnamese banking sector continued to recover from the impact of COVID-19. Although risks and uncertainty remain, impressive achievements in the banking sector in the past year include a strong recovery of credit growth, the return of idle capital to the banking system, a decline in nonperforming loan ratios, fee and commission income emerging as a stable source of income for commercial banks with a significant contribution of income from the insurance business and digital transformations as the backbone of most local banks' long-term strategies.

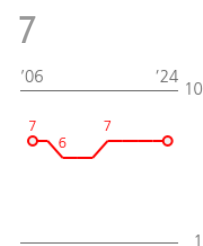
8 | Monetary and fiscal stability

The State Bank of Vietnam (SBV) is responsible for curbing and maintaining inflation at a sustained low rate, as well as stabilizing the financial market and foreign exchange market. However, the SBV functions more as a ministerial agency under the government than an independent central bank. In 2020, the inflation rate was 3.2%, followed by 1.83% in 2021 and 3.15% in 2022. Projections suggest that Vietnam's inflation rate will reach approximately 4% in 2023.

Vietnam's currency, the dong, is not convertible. Until recently, the State Bank of Vietnam (SBV) pegged the dong against the U.S. dollar, allowing it to adjust within a narrow band. Since 2012, the SBV has adopted a more flexible foreign exchange rate policy. Since early 2016, the SBV has applied a centralized exchange-rate administration policy. This approach has allowed the SBV to publish and adjust the exchange rate on a daily basis, setting the exchange rate baseline for credit funds and organizations to transact between the dong and the U.S. dollar within the margin of +/- 3%.

In 2022, the SBV had to make several adjustments to monetary policy to ensure that funds and loans were available for businesses to access and restore their operations after combating the impacts of COVID-19 over the previous two years. This enabled banks to provide funds to businesses, individuals and the overall economy. The high credit growth rate set by the SBV in the first half of 2022 caused smaller banks, in particular, to exceed the credit growth quotas the SBV had granted, leading to their inability to continue lending so as to meet the capital needs of firms and individuals. At times, several banks had to halt the acceptance of new loan applications because they had already utilized their entire granted credit growth quota. Vietnamese enterprises have long faced difficulties in accessing capital, but the situation has become even more dire in the past 12 months. Raising the credit growth cap before the Lunar New Year, when businesses were in desperate need of capital to fulfill their production and business plans, was a timely, positive decision that aided businesses and the economy overall in achieving their 2022 development target.

Monetary stability



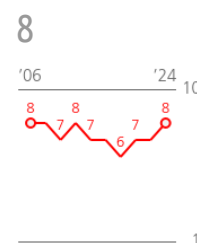
In 2021, Vietnam's gross foreign exchange reserve amounted to nearly \$100 billion, equivalent to about four to four and a half months of imports. However, by October 2022, the amount was \$84.1 billion, which was equivalent to 3.0 months of imports. The reserve's money supply increased \$543.1 billion year-on-year in September 2022, and domestic credit reached \$500.4 billion, representing an increase of 13.2% year-on-year. Vietnam's nonperforming loan ratio was 1.8% in September 2022, an increase of 0.3% compared with the same period in 2021. However, risk assessments by the SBV and international financial institutions show that the country's debt is still in the "safety" zone. It is expected that the SBV will continue to tighten monetary policy in 2023 to cope with the continued global recession due to the repercussions of COVID-19 and the ongoing Russia-Ukraine war.

In 2020, despite being impacted by COVID-19, the budget deficit was lower than expected, at 4.99% – equivalent to nearly \$2 billion. However, in 2022, thanks to a speedy recovery of the economy, gross state revenue increased by approximately 15% compared to 2021, reaching \$77.6 billion. According to the Ministry of Finance, the government's debt repayment amounted to approximately \$14.6 billion, with the government's direct debt payment totaling a maximum of \$13 billion and the repayment of on-lending projects at \$1.56 billion.

Over the past decade, the government has implemented several measures to control spending, such as streamlining the bureaucracy and reducing wasteful investment projects, but these efforts were stymied by the effects of the COVID-19 pandemic. In 2022, the government had to allocate a significant sum of money for social welfare assistance to businesses and workers affected by COVID-19. According to a government report, from 2020 to 2022, more than 100 trillion Vietnamese dong (equivalent to \$4 billion) were expended on social welfare.

The government's flexible and responsive fiscal policy to support local business communities has been praised. There is sound coordination between fiscal and monetary policies. The Ministry of Finance implemented a state budget restructuring plan, which improved the entire economy's resilience to the impacts of the pandemic. Additionally, the government commanded all government agencies to cut at least 70% of expenditures for conferences and travel bursaries. It executed a delay in increasing the basic salary for public employees and the armed forces as a way to share the budget burden with the government. The general assessment is that, while Vietnam continued to face substantial impacts from COVID-19 and a global economic recession in 2021/2022, Vietnam's fiscal policy made a pivotal contribution to positive economic growth and macroeconomic stability. However, one challenge is the low ratio of spending for public investment at the local level. The government delegated authority to localities to take responsibility for public investment spending, but many local governments could not fulfill their targets. Last year, Ho Chi Minh City only achieved nearly 70% of its public investment spending target, slowing the growth momentum of the city, which has always been defined as the driving force of the country's development.

Fiscal stability



9 | Private Property

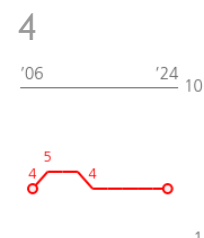
Vietnam has not yet recognized private ownership of land property. According to Article 53 of the 2013 constitution, land and other resources are publicly owned and state-managed. This has been criticized by activists and is considered one of the causes of state-society conflicts. Article 54 of the constitution and Article 16 of the 2013 Land Law allow local governments to requisition land for a variety of purposes related to national security and socioeconomic development. The law gives considerable decision-making authority over land pricing, allocation and reclamation to local people's committees and people's councils, which, many assert, contribute to unfair business practices and corruption.

Widespread complaints persist of inadequate or delayed compensation, officials' corruption, and a general lack of transparency and due process in the government's process of confiscating land and displacing citizens to make way for infrastructure projects. In 2022, according to a report by the government's general inspectorate, complaints relating to land disputes accounted for 64.6% of the total number of complaints received and handled by this body. Indeed, numerous reports exist of clashes between local residents and authorities at land expropriation sites. Some coercive land seizures have resulted in violence and injuries to both state officials and villagers, as occurred in Dong Tam Commune (a suburb of Hanoi), Thua Thien Hue Province (a central province) and other locations across the country. In January 2020, a deadly clash transpired between Dong Tam villagers and Hanoi riot police, resulting in the fatalities of three police officers and an 80-year-old villager.

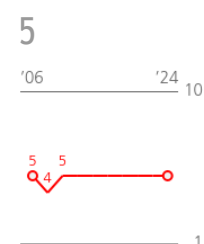
In the post-Đổi Mới era, particularly since the 7th congress in 1991, the Communist Party of Vietnam (CPV) has formally recognized that the state economy, the collective economy and the private economy are the foundations of the national economy. Since then, numerous laws have been adopted to create a legal framework for the operation of the private sector. In 1999, the Law on Enterprises was promulgated, which provided for the authority of the state, the rights of investors and businesses, and particularly the right to freedom to conduct business. The law became a catalyst for a surge in newly registered enterprises. In 2014, the National Assembly passed a revised version of the 2005 Law on Enterprises, as a reminder of the importance of private enterprises in the national economy.

The private and informal sectors play an increasingly important role in the economy. According to World Bank data, there were an estimated 22.5 million smallholder farmers (43%) and 11 million non-agricultural laborers (21%) among the 52.6 million people in the labor force in 2014. Additionally, there were 7.4 million wage workers without work contracts (14%). These figures compare to 11.3 million wage workers with contracts (22%), including 1.4 million employed in state-owned enterprises (2.6%), two million in foreign-owned enterprises (3.8%), and 3.9 million in the

Property rights



Private enterprise



domestic private sector (7.5%). According to the General Statistical Office, the number of people working in the private economic sector was 45.2 million in 2018. Since 2015, the private sector has also been the leading investor, accounting for 38.7% of total investments, while the investment capacity of the public sector dropped from 47.1% in 2005 to 38% in 2015. In 2018, private investment increased to 43%, in contrast with the continued decrease of public sector investments, down to 33.3%. However, political connections are also a barrier to the growth and development of private enterprises, particularly in terms of access to public financing and funds during a crisis like the COVID-19 pandemic. In the first quarter of 2020, approximately 34,000 enterprises stopped their operations, most of them small private enterprises, according to a report released by the Ministry of Planning and Investment (MPI). In 2022, more than 130,000 new enterprises were licensed to operate with a total registered capital of 1,483.7 billion Vietnamese dong (or about \$4.3 billion). However, during the same period, more than 70,000 existing private enterprises terminated operations and were removed from the market due to the impact of COVID-19 and the global economic recession.

10 | Welfare Regime

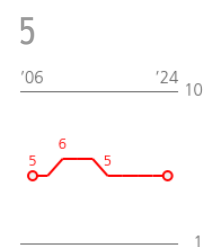
According to the government's work report in 2022, nearly 56 million citizens – more than half of the population – and over 730 thousand employers affected by COVID-19 received financial support from the government's social security fund, with a total value of 87 trillion Vietnamese dong (or about \$4 billion). Vietnam's social security system has been notably responsive to public demand, thanks to the country's sustained high economic growth.

In health care, public spending increased from 1.5% to 2.7% of GDP from 2000 to 2018 and is now higher than most of Vietnam's neighbors. Ascertaining whether increased public spending has contributed to improved health outcomes requires analysis beyond the scope of this report.

Health insurance enrollment increased from 15% to 70% of the population over the same period. Currently, 91.01% of the population is covered by health insurance. The watchdog function of health insurance is important, as it represents one of the few checks on adverse incentives that affect the health sector. Corruption has been partly contained, but petty corruption persists in the health care system. Furthermore, the anti-corruption campaign has resulted in a slowdown in the procurement of medicines, equipment and materials, which has had negative consequences.

The health care system responded effectively to the COVID-19 pandemic, contributing to saving millions of lives. However, the system was also rocked by a corruption case involving the health minister and over 100 individuals that shocked the public. The health minister was arrested and expelled from the ruling party. Vietnamese social insurance has begun to play an increasingly important and effective role in the monitoring of health insurance payments as a means to promote health system accountability and cost control.

Social safety nets



Vietnam has a pension system that pays pensions to workers in the formal sector and to elderly individuals for their past contributions to the revolution. Beginning in 2021, the retirement age in Vietnam was gradually increased. Therefore, by 2028, the retirement age for male employees will be 62. By 2035, female employees will retire at the age of 60. Public spending on pensions is below the global average, yet social contributions to pensions by employees and employers are high as a percentage of total spending, ranking only below China and Malaysia in East Asia. Social pensions cover 1.3% of individuals aged 60 to 79 and 79% of those aged 80 or above. The benefit level is modest at under 10% of per capita income. Social assistance programs have been implemented since 2000, but public spending on these programs has remained low at about 0.69% of GDP from 2008 to 2013. Moreover, mismanagement and corruption over the past 10 years have further weakened the social security regime.

Women face discrimination and are paid less than men, even for equal work. They also have less access to political office than men do. The COVID-19 pandemic exacerbated the existing gender gap in the Vietnamese workplace, with women experiencing discrimination in terms of employment opportunities and working hours. A report by the International Labor Organization shows that, in 2020, women worked 0.8% more hours than in the same period in 2019, while men worked 0.6% more. According to the Vietnam Country Gender Equality Report released by U.N. Women in 2021, the gender wage gap for employees in the formal sector favors men by 13.7%. Vietnam's General Statistics Office (GSO) estimates the gender earnings gap at 21.5% to 29.5% in urban areas and 35.2% in rural areas. There is structural discrimination, reflected in the fact that women work similar hours to men but are overrepresented in low-paid segments of the labor market and in part-time work.

While women have been able to advance through increased access to waged work, the economy has “a gendered structure” and women face formal, social and cultural barriers to participating on a par with men. In 2018, women accounted for 26.5% of small and medium enterprise (SME) ownership, and women-owned SMEs employed a higher percentage of female workers in Vietnam than those owned by men (43.4% versus 36%). Currently, only 17% of the nation's large companies are led by women. The proportion of female managers in foreign-owned firms was 34.1% in 2019. No data is available on women's representation in senior management roles within state-owned enterprises.

Ethnic minorities, migrants and rural residents are much poorer and have more limited access to services than Kinh and urban residents. They are also de facto discriminated against in terms of access to high-quality education and, within the limits of the party-state, public office. Christians, who account for about 10% of the population, and children of former government officials of the Republic of Vietnam (South Vietnam) may face career and political barriers if employed in state institutions.

Equal opportunity

6



Vietnam passed the Law on People with Disabilities (PWD) in 2010 and joined the U.N. Convention on the Rights of Persons with Disabilities in 2015. Even so, PWDs face challenges in accessing basic social services, including health care and education. Over half of children with disabilities have never attended school. In 2020, COVID-19 significantly affected the country's economic production and business activities and likewise affected PWDs' employment. However, due to the government's successful containment of the pandemic, the impact on PWDs was less severe compared to that in other countries in the region.

11 | Economic Performance

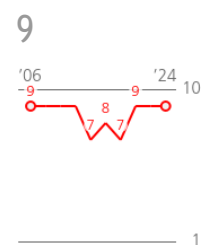
Output has grown nearly 7% per year over the past decade. In 2020, amid the highly deleterious impact of the COVID-19 pandemic, Vietnam was one of a few countries registering positive growth. Indeed, it had the highest growth rate in the world at 2.91%. The economy proved resilient through 2021 and bounced back magnificently in 2022, with GDP growth at 2.6% in 2021 and 8.2% in 2022. Between 2002 and 2021, GDP per capita increased 3.6 times, reaching almost \$3,700 in 2021. Poverty rates (\$3.65 per day, 2017 PPP) declined from 14% in 2010 to 3.8% in 2020.

The agriculture sector has supported economic growth and ensured food security, with a growth rate of 2.5% to 3.5% per year over the past three decades. The sector contributed 14% of GDP and 38% of employment in 2020 while earning more than \$48 billion in export revenues in 2021 during the peak of the COVID-19 pandemic.

FDI has been a major driver of economic growth in the past two decades. In 2018, Vietnam attracted \$35 billion in FDI, making it the most attractive destination in the region for foreign investors. However, in 2020, the figure was lower, at \$28.5 billion. In 2022, Vietnam attracted even less FDI than in 2020. According to data released by the General Statistics Office (GSO) in December 2022, Vietnam attracted an estimated foreign investment of approximately \$27.72 billion in 2022, down 11% compared to the previous year. The report further reveals that, in 2022, Vietnam licensed 2,036 new FDI projects with a total registered capital of nearly \$12.45 billion. The decrease in FDI values and FDI projects could be attributed to the impact of COVID-19 and the ongoing Russia-Ukraine war.

Over the years, the proportion of economic sectors has changed. Vietnam was traditionally an agrarian nation, but the agricultural sector is gradually being replaced by the services and manufacturing sectors. In 2020, services accounted for 41.63% of the economy, followed by the manufacturing and construction sector at 33.72%. Agriculture accounted for only 14.85%. In 2022, even though affected by COVID-19, Vietnam's total import-export value exceeded \$732 billion, up 10% from 2021. The export turnover reached \$371.5 billion, up 10.5% from 2021. This is the first time Vietnam's import-export turnover surpassed the milestone of \$700 billion.

Output strength



1

12 | Sustainability

Vietnam has a comprehensive policy and legal framework in place to address environmental challenges. Policy documents include the Vietnam Climate Change Strategy (CCS) and the Vietnam Green Growth Strategy (GGS), both of which were signed by the prime minister. The Communist Party also issued a resolution on climate change, and there is an Environmental Protection Law. In fact, the recently revised penal code even includes a separate section on “environmental crimes.”

During COP26 in 2021 in Glasgow, Vietnam made a strong commitment to achieving net zero greenhouse gas emissions by 2050. Prior to that, in November 2020, the National Assembly amended the 2014 environmental protection law. These amendments impose responsibilities on corporations through a “polluters pay” rule, as well as requirements to utilize the best available pollution control technology. Additionally, the amendments give local communities expanded roles in conservation and supervision.

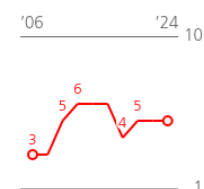
Furthermore, the law reclassifies certain types of waste as resources, which is an important step toward improving the recycling process.

While public awareness of environmental concerns and the will to regulate environmental pollution are pronounced, the enforcement of regulations and the lack of adequate monitoring mechanisms remain significant problems. As a result, government agencies and local authorities often ignore regulations in the pursuit of economic development, rendering the framework toothless. In 2022, Vietnam faced criticism from international human rights communities for arresting and jailing well-known environmental activists. Reports from international organizations indicated that some non-governmental organizations (NGOs) involved in environmental activities were even forced to close down. A prevailing sentiment among environmentalist communities in Vietnam is that it is the government’s responsibility to implement environmental policies and non-state NGOs should refrain from criticizing the government.

The inefficient execution of environmental policies without proper oversight from the non-state sector has resulted in significant repercussions. For example, almost 80% of the nation’s primary forests have been lost, although the rate of deforestation has decreased in recent years. The construction of hydroelectric dams in the northwestern and central regions has been a major cause of deforestation and environmental degradation. These dams are now recognized as significant contributors to the heightened occurrence of floods in central Vietnam during the monsoon season. In 2020, these floods claimed the lives of hundreds of individuals and inflicted extensive property damage.

Environmental
policy

5



Vietnam's education and training system includes formal and non-formal education at four main levels: early childhood education (including nurseries and kindergarten), general education (including primary education, lower secondary education and upper-secondary education), vocational education and training (VET), and higher education. The Ministry of Education and Training (MOET) has overall responsibility for the national education system – except for VET, for which responsibility was transferred to the Ministry of Labor, Invalids and Social Affairs (MOLISA) on January 1, 2017. MOET's main responsibilities include education policy, curricula for early childhood and general education, identifying learning outcomes for higher education, setting standards for textbooks and teaching materials, budget planning, and quality assurance.

According to a recent report by the World Bank, Vietnam has performed well in providing quality general education to its population. Over the past 25 years, Vietnam has expanded education access, achieved universal primary education and increased enrollments in lower secondary, upper secondary and tertiary education. Vietnam's success has been attributed to the government's relatively high expenditure on education, a focus on equity, attracting and supporting qualified teachers, investment in preschool education, strategic use of assessments and implementing reforms based on evidence-based decision-making. Adjusted for learning, Vietnam's population has an average of 10.2 years of schooling, second only to Singapore among the Association of Southeast Asian Nations (ASEAN) countries. In June 2018, the government issued Decree 86, replacing Decree 73 (2012), on foreign cooperation and investment activities in education and training in Vietnam at all levels, except for vocational education and training. Vietnam has also implemented a couple of major education reform programs supported by international donors, including the Renovation of General Education Project (2016 – 2021); the Secondary Education Sector Development Program, phase II (2017 – 2023); and the Enhancing Teacher Education Program (2016 – 2021).

As of 2019, approximately 1.7% of Vietnam's population was enrolled in universities, totaling 1.67 million students. By contrast, about 1.3 million students, accounting for four percent of Malaysia's population, and approximately two million students, representing 3.8% of South Korea's population, were enrolled in universities that same year.

In the long run, Vietnam needs to enable the enrollment of approximately 3.8 million students in order to reach the level of upper-middle-income country enrollment. Similarly, Vietnam's gross enrollment rate (GER) in tertiary education was significantly lower than that of South Korea, China and Malaysia, as well as the average GER for upper-middle-income countries. Lastly, Vietnam's research output was below the average of East Asian countries. In 2019, Vietnam's research output was comparable to that of the Philippines and Indonesia but fell well below the desired benchmarks set by Malaysia and China.

Education policy /
R&D

6

'06 _____ '24 10



1

Governance

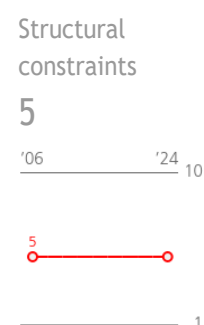
I. Level of Difficulty

In the decade following the end of the Vietnam War in 1975, the CPV faced numerous structural constraints to governance. The success of the Đổi Mới program launched in 1986 and high economic performance over the past three decades have enabled the CPV to significantly diminish these structural constraints. Compared to many other countries in Southeast and South Asia, in particular, structural constraints to governance in Vietnam are moderate.

Vietnam is favorably located in the most economically dynamic region in the world and is endowed with abundant natural resources and a young population. Continued economic development has also boosted infrastructure development. Transport, logistics, and networks have been improved to meet the requirements of internal connections between regions for economic development and the country's deep integration and engagement with the outside world. Nonetheless, there are certain structural constraints that remain, including growing urban vs. rural disparities and an underdeveloped infrastructure, especially transport infrastructure. The health system at the central level is resilient against pandemics such as COVID-19, but at the local level, it is still vulnerable and ill-equipped to handle diseases. In addition, Vietnam is one of the countries in the world most severely affected by climate change and extreme weather events. While education levels are relatively high compared to many other countries at a similar (or lower) income level, the quality of education and the capacities of the educational system are deficient and perhaps insufficient for future economic development.

The traditions of civil society are very weak in Vietnam. The society has local traditions of village-based associations that make the country's associational life vibrant with lots of festive activities around the year. However, the concept of civil society is not accepted or discussed in any formal documents, and the CPV severely controls associational life in the political sphere.

Forms of civic engagement, including autonomous noncommercial, nonpolitical and nonfamilial associations have increased, but public and even civic engagement remain tightly controlled and repressed. There is a very large NGO sector – both domestic and transnational – and non-governmental organizations play an important role in social and economic life. At the same time, such forms of CSOs can only operate in “nonpolitical” areas, with approval from the party-state and many are



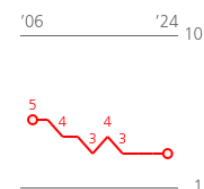
government-controlled or organized. In recent years, the space for civic engagement, especially in the domain of environmental protection, has narrowed. Various civil society activists have been arrested.

Historically, the major cleavage has been political as a direct consequence of foreign occupation and the defeat of the Republic of Vietnam in the south. Though the country united in 1976, the war still engenders some bitterness, hatred and division among many Vietnamese. While it remains hard to know how deep this cleavage runs, there is a lingering sense of distrust and even resigned disdain for the CPV rule among some segments of the population.

There is always the potential for conflict between certain religious communities and the local authorities over land ownership and religious practices. Rising social inequality and popular resentment against government land management policies, infrastructure development and environmental protection may lead to social conflict in the future.

Conflict intensity

3



II. Governance Performance

14 | Steering Capability

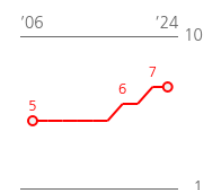
The CPV exercises full control over the executive, legislative and judicial branches of government. The party adopts the country's development strategies at its national congresses, the last of which was held in 2021. These set out priorities to be achieved between the two congresses or for a certain period of time. Strategic planning units are established at each administrative level and in government agencies, contributing to the prioritization of strategic goals. Since 1991, the party has adopted three 10-year socioeconomic development strategies, including for the periods from 1991 to 2000, from 2001 to 2010 and from 2011 to 2020. According to the new strategy adopted at the 13th congress in 2021, Vietnam aspires to become a modern middle-income country at a high level by 2030 and a "developed country" by 2045.

In 2020, the government managed to achieve a positive growth rate through a "dual tasks" strategy – combating COVID-19 and economic development concurrently. Vietnam's economic growth rate as of December 31, 2020 was 2.91%, making it one of a few economies posting a positive growth rate, with the highest growth rate among those. COVID-19 affected the country in all aspects in 2020, but not much in terms of its long-term strategic goals.

Question
Score

Prioritization

7



The Vietnamese government has continuously undertaken administrative reforms by removing the barriers that stem from multiple layers of regulatory procedures. Even though government agencies have eliminated thousands of administrative procedures and business conditions, loosening formal restrictions on business operations, the government's implementation of its policies may be hampered by institutional capacity and weaknesses in human resources. In the party-state structure, the government is accountable for the implementation of socioeconomic development strategies adopted at national party congresses. The prime minister heads a committee in charge of drafting these strategies.

The government consistently seeks to implement priorities in response to circumstances at home and abroad. However, various goals are not achievable, not only given COVID-19 but also because the goals are too ambitious and due to inefficient, ineffective implementation resulting from cumbersome bureaucracy. In 2022, the government combatted COVID-19 and other diseases, while speeding up the recovery of the economy. According to a work report delivered by Prime Minister Pham Minh Chinh at the year-end conference on January 3, 2023, the government achieved 14 out of the 15 targets set for the year. The one target not achieved was an increase in productivity.

Since *Đổi Mới*, almost all Vietnamese prime ministers have established their own advisory body, whose principal duty is to provide policy advice on economic affairs to the prime minister. However, the current prime minister, Pham Minh Chinh, has discontinued the body. Without the advisory body, the prime minister has called numerous meetings with economic sectors and government agencies, in which policy recommendations and executive instructions were made. Additionally, he established working groups led by one of his deputies or the head of the economic sector to deal with barriers to policy execution and to garner information for policy development.

The ruling CPV also has a policy advisory body named the Central Council of Theoretical Studies, whose main duty is to give advice to the CPV Central Committee, politburo and secretariat on the political theories that form the foundation for the party to develop policies to rule the country. The council holds dialogues with foreign counterparts, mainly with Chinese, Laos, Cuban and other communist parties, to learn not just how to protect socialism but more broadly how the communist party can stay in power and attract membership, given that young people are more interested in pursuing the cult of capitalism. The council also implements research projects and undertakes study tours to Western countries to learn about governance, anti-corruption, policymaking and so on.

Both the government and the party are keen to learn about policies and consult industry experts. However, critics are rarely tolerated and advice is frequently ignored, especially recommendations deemed to threaten the power and the rule of the party or touch on unspecified politically sensitive matters. Furthermore, vested groups or interest groups that are close to the government and party leaders, in various cases, influence policymaking for their own sake.

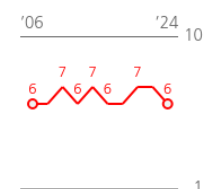
Implementation

7



Policy learning

6



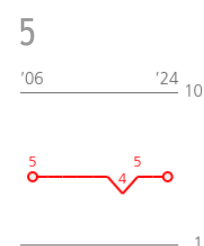
The Vietnamese government has other working channels to garner advisory input from foreign experts on economic issues. Experts from Harvard Kennedy School have had policy dialogues with the Vietnamese government over the past three decades and provided advisory notes and recommendations to the government for improving the business and macroeconomic environments.

15 | Resource Efficiency

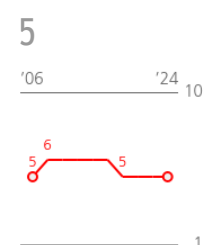
Despite piecemeal reforms, Vietnam retains an unwieldy administrative system constructed on the basis of a parallel state/party structure. In 2022, all government departments continued to streamline their administrative structures and reduce the number of regular personnel in line with an order of the CPV politburo in 2017. In 2018, seven directorates, 202 departments, and more than 14,800 divisions or equivalents were dissolved or merged, thus reducing the number of executives, including 11 at the directorate, 180 at the department, and 900 at the division level. At the local level, 65 departments or equivalents and 5,120 divisions or equivalents were reduced or merged, effectively reducing a massive number of local executives, including more than 170 at the department and approximately 8,350 at the division level. Within one year, more than 59,700 local bureaucrats were made redundant. In 2019, some provinces merged the Office of the Delegation of National Assembly Deputies with the Office of the People's Council. In 2022, nearly 80,000 personnel were laid off from the central and local governments. Despite the government's call for waste prevention, the use of public assets continued to be ineffective. Competitive recruiting procedures have been encouraged and piloted but are rarely used. Independent auditing mechanisms still fell short, and budgeting transparency has not been achieved. At times, restrictions on staffing levels have been excessively rigid or have harmed such sectors as education, where staffing shortages in some areas remain a serious problem.

Vietnam's continued success in containing the spread of COVID-19 in 2022 and minimizing the death toll related to the pandemic constitutes a high point of policy coordination among government agencies. At the early stage of the outbreak of the pandemic, a National Steering Committee for the Prevention of Coronavirus, whose members were from different government ministries, including the Ministries of National Defense, Public Security, Foreign Affairs, Health Finance, Planning, and Investment and Education, as well as from the Office of the Government, Office of the Central Committee, was established to act as the focal point for combating the pandemic. At the outset, the committee was headed by a deputy prime minister and coordinated by the Ministry of Health. The deputy prime minister was then replaced by the prime minister, who took over the job to "ensure a consistent and united direction of the government" in the fight against COVID-19. All committee decisions have been made in a transparent manner and effectively coordinated.

Efficient use of assets



Policy coordination



However, things did not always run smoothly in combating COVID-19, despite visible improvements and efforts to enhance policy coordination among agencies. Frequent agreements were signed between the government and the Vietnam Fatherland Front, a party-controlled mass organization, or among government agencies to enhance policy coordination and cooperation. Policies are developed by relevant ministries, which often suggest regulations that favor their sectoral management and administration, leading to a high level of policy incoherence. Coordination among government departments in policy development is inconsistent and lax. Policies relating to national security and defense are rarely verified. The Ministries of Public Security and Defense have exceptional power in the state. It is quite common that the implementation of public policies remains ineffective due to fragmentation among authorities and system decentralization. The head of a line department in a provincial government is accountable to not only the provincial chief but also the provincial party committee and the line ministry in his area of activity. Provincial government leaders are subordinate to the prime minister in the state hierarchy but also have to follow orders from provincial party leaders, who have quasi-equal status with the prime minister as members of the Central Committee.

By the end of 2022, the increasingly intensive anti-corruption drive began to have its deleterious impacts, as many state agencies at all levels became extremely and sometimes overly cautious about undertaking large-scale projects or procurement, to a point where this adversely affected the state's ability to meet extremely urgent demands, such as investments in critical infrastructure (e.g., the north-south power grid) and various other projects.

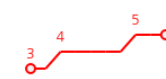
The CPV's anti-corruption campaign continued to achieve positive results and entered a new phase in 2022. Established in 2013, the Central Steering Anti-Corruption Committee (CSCAC), chaired by the CPV Secretary-General Nguyen Phu Trong, was renamed the Central Steering Committee for Corruption and Negative Practices Prevention (CSCCNP). The CSCCNP model was established at the provincial level throughout the nation to create a united front from the central to local level in fighting corruption.

The national anti-corruption campaign was further intensified in 2016 after Nguyen Phu Trong was elected to a second term as the CPV secretary-general. In addition to the Anti-Corruption Law and relevant regulations that the government passed to strengthen its anti-corruption efforts in the public sector, there are also legal documents to prevent graft in private enterprises, particularly those operating in the financial, banking and credit domains. Yet, there are still no independent auditing mechanisms. There is little transparency in budgeting and public procurement. Moreover, as in other "party-states" in Asia (and elsewhere), the fusion of party and state interests and the instrumentalization of anti-corruption measures in political interests and factional power struggles weaken the effectiveness of notable anti-corruption efforts.

Anti-corruption
policy

5

'06 '24 10



1

In 2022, two of the highest-profile cases relating to corruption and bribery drew attention not only among the country’s population but also abroad. These were the COVID-19 test kits, the manufacturing of which Viet A Company manipulated, and repatriation flights to bring home Vietnamese stranded overseas. More than 100 individuals, including the minister of health and the chairman of the Hanoi Municipal People’s Committee, were arrested and disciplined in the Viet A case, and more than 40 individuals, mostly from the Ministry of Foreign Affairs, were arrested and disciplined. Significantly, the state president and two deputy prime ministers were relieved of their positions to take “political responsibility” for these two grand corruption cases.

Nonetheless, the anti-corruption policy remains extremely limited because restrictions on the press and checks on the free flow of information deprive Vietnam of important tools for battling corruption.

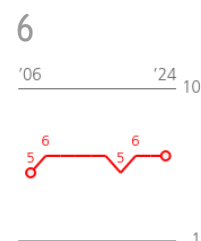
16 | Consensus-Building

Vietnam remains a single-party state under the absolute rule of the CPV. While, in principle, it promotes inner-party democracy, the party rejects liberal democracy and effectively rejects party pluralism. In practice, the claim that there is substantive democracy within the party is false. Instead, the central party organs maintain a monopoly on political power under the banner of “socialist democracy,” which, according to the CPV, is inclusive participation under the communist party’s exclusive leadership. CPV leaders have vowed never to give up pursuing the path to socialism or the principle of party dictatorship. Space for a functioning, independent civil society does not exist.

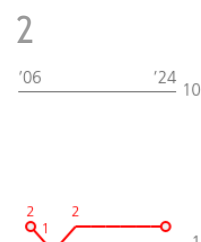
After more than three decades of *Đổi Mới*, CPV leaders have become confident in their goal of pursuing a market economy by actively joining different multinational organizations and signing free trade agreements with more than a dozen partners around the world. Within the party-state hierarchy, actors may not necessarily agree on how to undertake economic reforms, but there is consensus that only high economic performance can increase the party’s legitimacy, keep it in power and consolidate its authority.

There are three anti-democratic actor groups. The first one includes those who advocate for CPV’s continued monopoly of power. They are party members. The second group comprises members of civil society organizations and intellectual groups. These actors, on the one hand, call for implementing the principles of a multiparty system, but, on the other, ally themselves with the CPV in support of gradual regime transformation. Finally, the third group includes members of the business community, many of whom have close connections to the party. They support the party because they benefit from the political stability established by the current regime. Members of this group are often reluctant to advocate for change.

Consensus on goals



Anti-democratic actors



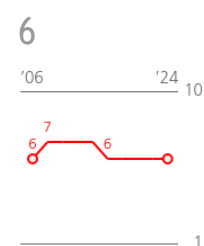
Individuals and groups advocating for democratization regardless of their background are generally defined as “anti-party and anti (socialist) regime.” They are subjected to criminal charges under the Penal Code. Party members and ex-government officials who vow to promote democracy are labeled as having become “decadent in [socialist] ideology, self-evolved and self-transformed.” They are marginalized from party activities, silenced, and expelled, as was the case of Chu Hao, a former vice minister of science and technology.

Since Vietnam embarked on the *Đổi Mới* policy, new conflicts have emerged in various social areas and forms, including in the economic, political and ideological, cultural, lifestyle, and ethnic areas. At the grassroots level, there are often social conflicts between citizens or between citizens and local authorities over mismanagement of land or corruption. High-profile authorities-citizen conflicts relating to land disputes in recent years occurred in Dong Tam, Duong Noi, Hung Yen, Hai Phong and Dong Nai. Often, conflicts arise due to a lack of transparency and inconsistent public policies. However, the central government has always attributed these conflicts to local authorities’ mismanagement and incorrect implementation of policies and laws adopted by the party and central government. It has created some mechanisms, including those established under the legal framework of grassroots democracy, that aim to manage conflicts to keep them from scaling up to the national level. Still, many former high-ranking government officials have pointed out that the conflicts indicate a failure in the party’s conflict management ability. The party has never admitted fault and occasionally ascribed problems to what it calls “hostile forces” outside the country, including political parties established by overseas Vietnamese that call for political reforms and democratization in Vietnam. Frequently, conflicts are “resolved” through extreme acts of repression, including violence or threats of violence, carried out either by state agencies or state-hired thugs.

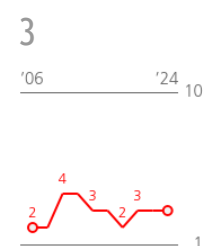
The CPV has not yet formally used the term “civil society” in policy documents. This poses difficulties for organizations that identify themselves as civil society organizations. Still, over the past three decades, over 10,000 non-government organizations (NGOs) have been established as occupational associations, federations, institutes or community-based groups that work on a wide range of social issues. Compared to the political environment before *Đổi Mới*, the space for these NGOs to be active has widened on the grounds of an incomplete but involved legal framework. Many NGOs work in policy advocacy, formulation, implementation, monitoring and evaluation. Sporadic demonstrations about China’s aggression in the South China Sea (or East Sea) and peasant protests are other examples of non-state forms of social organization that exert varying degrees of influence over the government’s policies and policy agenda.

Public participation in politics and decision-making processes remains negligible given that the government wants to control all aspects of society. The party-state maintains control over those organizations designed to represent civil society interests. For instance, CSOs that receive foreign support and are involved in

Cleavage /
conflict
management



Public
consultation

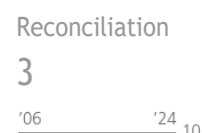


activities relating to “politically sensitive” topics, such as legislation and legal issues, human rights, democracy and political reform, are legally required to seek approval from the prime minister.

In the last year, the space for even quasi-independent civil society activities has narrowed. The CPV’s political leadership has rejected civil society consultations and effectively excluded non-party-state representatives from the political process.

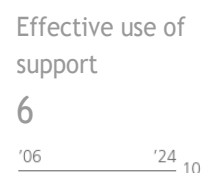
During the 1950s and 1960s, Northern Vietnam, under the rule of the CPV, conducted class struggle campaigns and internal political purges that killed and imprisoned hundreds of thousands of innocent victims. However, a public apology to the victims has never been made.

The North-South civil war (1954 – 1975) left a deep wound in the nation. In 2004, the CPV adopted, for the first time, a public document known as Resolution 36 NQ/TW that extended the party-state’s policy to overseas Vietnamese, including those who were on the other side. The document generally calls for the unity of all Vietnamese and implicit reconciliation between the “victors” and the “losers” in the war. As a gesture of reconciliation, in 2006, the government agreed for the military cemetery of the former southern regime to be re-opened, allowing relatives of the fallen soldiers to visit and tend to the graves of their loved ones. Former high-ranking government officials from the southern regime, living abroad, have been welcome to return to the country. Nevertheless, a former chairperson of the government’s Committee for Overseas Vietnamese Affairs recently acknowledged that after more than 40 years since the end of the war and 15 years since the CPV Resolution, the wounds remain raw. The government also has not adequately recognized the noble sacrifice of naval soldiers of the former southern government against the Chinese in 1974, defending the country’s sovereignty in the Paracel Islands in the South China Sea. Many overseas Vietnamese who used to have connections with the former southern government do not intend to return to the country because of fear of arrest by the government.



17 | International Cooperation

Since 1993, Vietnam has attracted more than \$80 billion in Official Development Aid (ODA) and concessional loans, making it one of the largest ODA beneficiaries in the world. The Vietnamese government has repeatedly affirmed the importance of ODA funds to socioeconomic development, considering them an integral part of any mid-term public investment plan.



In December 2021, with the aim of streamlining the management process and improving the efficiency of ODA and concessional loans, the government issued Decree 114/2021/ND-CP on the management and use of ODA and concessional loans from foreign donors, which took effect on December 16, 2021 and replaced Decree 56/2020/ND-CP.



In addition to state agencies and other organizations assigned with public investment duties via programs/projects funded by ODA or concessional loans, Decree 114 allows the committee managing state capital-invested enterprises to assist state-owned enterprises (SOEs) in accessing ODA and concessional loans.

In the past, the administrative apparatus allowed pervasive rent-seeking and corruption, including in foreign-funded projects. In the context of anti-corruption efforts, major ODA bottlenecks developed, and many in the ODA community expressed concerns about the difficulties they face in disbursing funds. Failure to address this problem threatens to undermine the viability of socioeconomic development plans in multiple sectors.

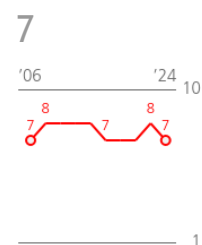
Vietnam has gained credibility in the international community. The government in general honors its commitments as a member party to myriad bilateral and multilateral agreements as well as international treaties in numerous fields, including but not limited to climate change, nonproliferation of nuclear weapons, arms control, trade, and human rights. In 2019, Vietnam was elected again to the U.N. Security Council for the 2020/2021 term. This is the second time the country has been elected to this body. In 2020, Vietnam was the chair of ASEAN and began its first-year non-membership of the UNSC. Vietnam was hailed for successfully leading ASEAN through the COVID-19 pandemic, as well as making effective contributions to the work of the UNSC.

Since 2014, Vietnam has also sent troops to join the United Nations' peacekeeping forces in South Sudan and other parts of Africa. Vietnam also contributed \$500,000 in humanitarian aid to Ukraine and sent rescue forces to Türkiye to support the country after the deadly earthquake in early 2023. These activities were hailed by the state media as demonstrating that Vietnam is a responsible world actor.

In 2019, the government drew a global spotlight on Vietnam when it hosted the second summit between U.S. President Donald Trump and North Korean leader Kim Jong Un in Hanoi. A point of note is that the political leadership has managed to convince the United States to recognize and respect the legitimacy of its current political regime, implicitly enhancing the legitimacy of the CPV. However, the party-state has a terrible record of human rights violations. Its commitments to the human rights provisions of international treaties remain superficial. The government continues to arrest and imprison bloggers and facebookers who advocate for peaceful political reforms, with the result that the state is called the “enemy of the internet.”

In the fight against COVID-19, Vietnam gained much credibility for its success in containing the pandemic. The WHO heralded Vietnam as a good model in this respect. More importantly, Vietnam turned COVID-19 into an auspicious opportunity to enhance diplomatic relations with countries around the world. Its COVID-19 diplomacy has consolidated the country's position in the region and the world.

Credibility

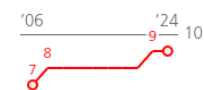


Vietnam's foreign policy since the formal adoption of Đổi Mới reforms in the late 1980s has prioritized maintaining friendly relations with neighboring countries and befriending all countries around the world. To date, Vietnam has established strategic partnerships with 15 countries and 17 comprehensive partnerships with 17 countries, and it maintains special relationships with Laos, Cambodia and Cuba. Hanoi has particularly enhanced bilateral relations with the member countries of ASEAN. Vietnam has concluded strategic partnerships with all ASEAN members except Brunei and Myanmar. Since joining the ASEAN in 1995, Vietnam's role in this regional group has increased.

Vietnam's successful chairmanship of ASEAN in 2020 during the pandemic gave it a leading role in the organization. Its contributions to building, rule-setting and consolidating the group's unity, as well as expanding the group's relations with non-regional countries, have been appreciated. Hanoi has actively and proactively participated in other regional political and economic mechanisms such as the Asia-Pacific Economic Forum (APEC), the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and, more recently, the Regional Comprehensive Economic Partnership (RCEP). Vietnam's leadership not only sees the expansion of regional cooperation as an economic benefit but also as a way to enhance its regime's legitimacy. As always, the CPV is in the difficult position of coping with pressures from an increasingly expansionist Beijing, while also maintaining its steadfast commitment to a rules-based regional order. Notably, Vietnam still has disputes in the South China Sea (or East Sea by its Vietnamese name) with China and three other Southeast Asian nations – Malaysia, the Philippines and Brunei. Recently, however, it signed agreements with Indonesia and the Philippines to jointly exploit resources in overlapping sovereign waters, strengthening cooperation between Vietnam and these countries.

Regional cooperation

9



1

Strategic Outlook

At the 13th Party Congress in 2021, the CPV outlined ambitious development goals for the next five years, 10 years and 25 years. By 2025, Vietnam aims to become a developing country with a modernized industry and an income that surpasses the low-middle level. By 2030, on the 100th anniversary of the founding of the CPV, Vietnam hopes to achieve the status of a developing country with a modern industry and a high-middle income. By 2045, commemorating the 100th anniversary of the founding of the People's Democratic Republic of Vietnam (now the Socialist Republic of Vietnam), Vietnam aspires to transform itself into a developed country with a high income level. However, institutional reforms are progressing slowly. Several critical issues remain unaddressed, including: (1) the lack of clear hierarchy and assignment of roles and responsibilities for policy formulation and implementation in both central government agencies and between the central and local governments, resulting in overlapping mandates with conflicting rules and decisions; (2) the absence of merit-based management of public servants, which negatively affects the quality of public administration; (3) a discrepancy between rhetoric and practice regarding citizens' ability to observe, participate and influence political decision-making processes; (4) elections and electoral mechanisms that do not allow for genuine citizen representation; and (5) the absence of an effective system of checks and balances between the three branches of government.

As indicated, corruption, especially petty corruption, remains a common phenomenon in society. This is despite the Communist Party of Vietnam (CPV) accelerating its anti-corruption campaign with remarkable outcomes over the past 10 years since the founding of the Central Steering Committee for the Prevention of Corruption and Negative Practices in 2013. Violations of fundamental freedoms and human rights, such as freedoms of speech, press and assembly, are common and even worsening. Social ethics have arguably been degraded owing to the commercialization and commodification of all aspects of life. Inequality between and among social groups is not yet adequately addressed. COVID-19 has further deepened the gap between social groups in terms of income and employment.

For economic development to occur, it is imperative to carry out reforms aimed at emancipating forces so as to enhance productivity growth and eliminate the regulatory and administrative bottlenecks that hinder business and production activities. Large-scale infrastructure, such as ports and electricity grids, needs upgrading. In the institutional domain, political leadership recognizes the strong connection between good governance and high economic performance.

Good governance here means accountability, transparency and inclusion in the political system. An incapable public administration, fragmentation of responsibilities between government levels and agencies, and a lack of checks and balances constrain the quality of the state. Therefore, the political leadership needs to have a strong political will to allow institutional and political reforms. The first thing to do is to build a meritocratic bureaucracy, strengthen state accountability and enhance citizen participation in decision-making processes. Some government agencies have

piloted a merit-based promotion system, though it needs to be institutionalized and become part of the culture of employment. Efforts to curtail corruption in the policy sphere need to be accompanied by steps to permit the press and population to engage in whistle-blowing. Environmental protection needs to be prioritized as a national policy. Finally, expanding enrollment in upper-secondary education and achieving breakthroughs in the quality and relevance of higher education, technical and vocational education need to be urgently pursued.