



# **OVERVIEW ON QUALITY OF VIETNAM'S ECONOMIC GROWTH**

Hanoi, 24 February 2011

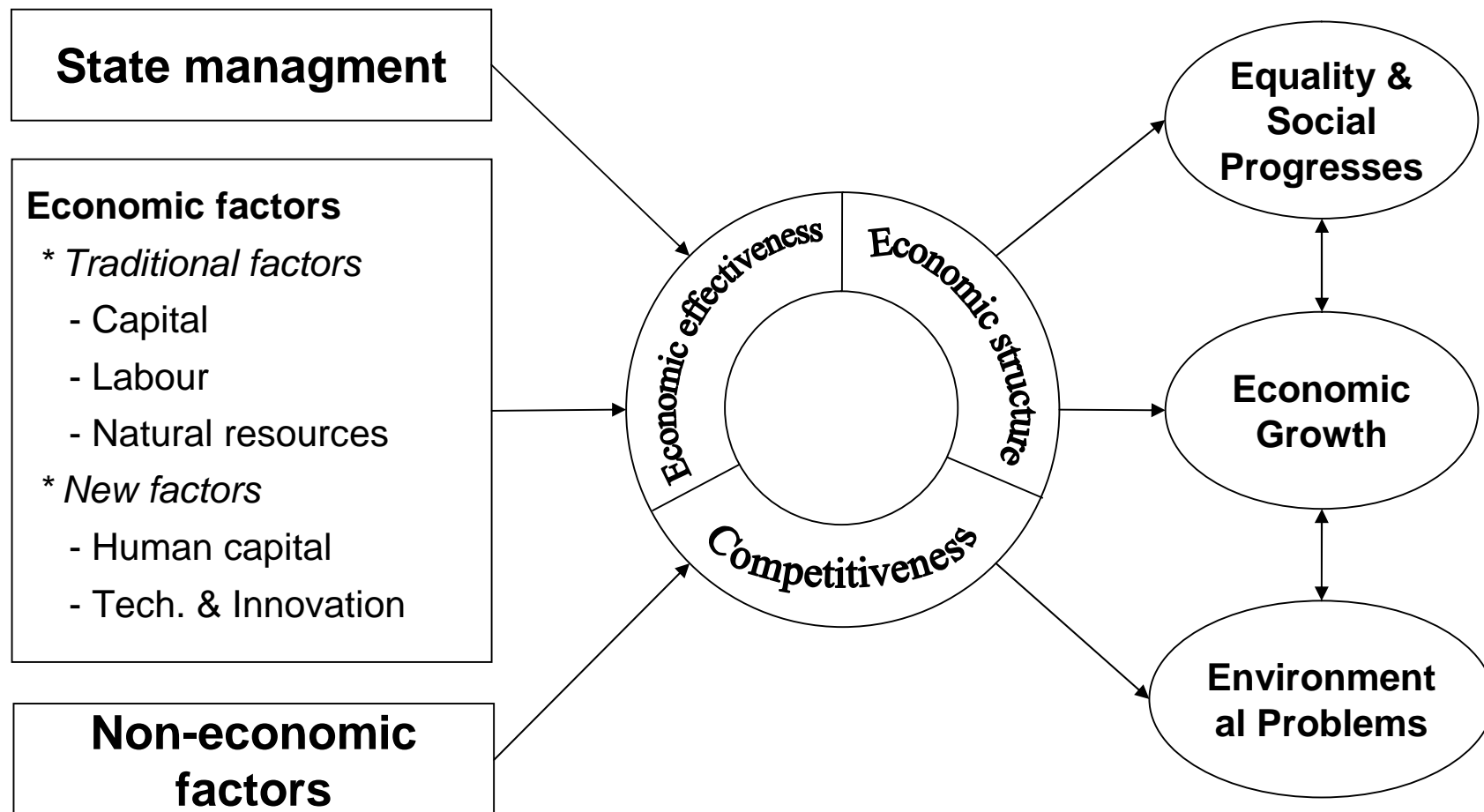
# Theoretical Framework of Economic Growth



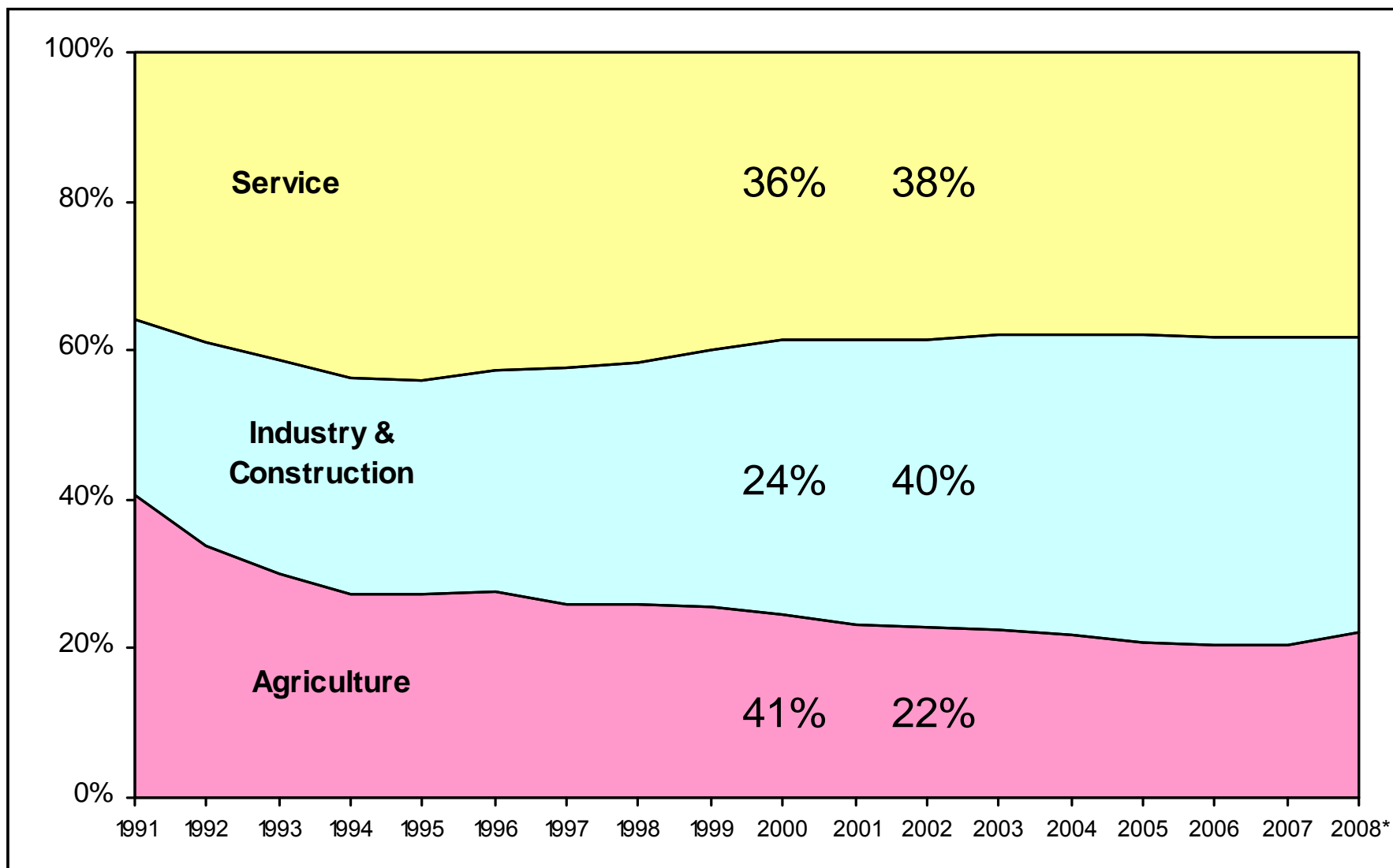
## Features of high quality growth

- i. High growth rate, maintained in long time.
- ii. Effective growth, represented in high productivity, appropriate ICOR, large contribution of TFP, and high competitiveness.
- iii. Economic growth harmonizes with social-economic development
- iv. Economic growth associates with environmental protection.
- v. Effective state management.

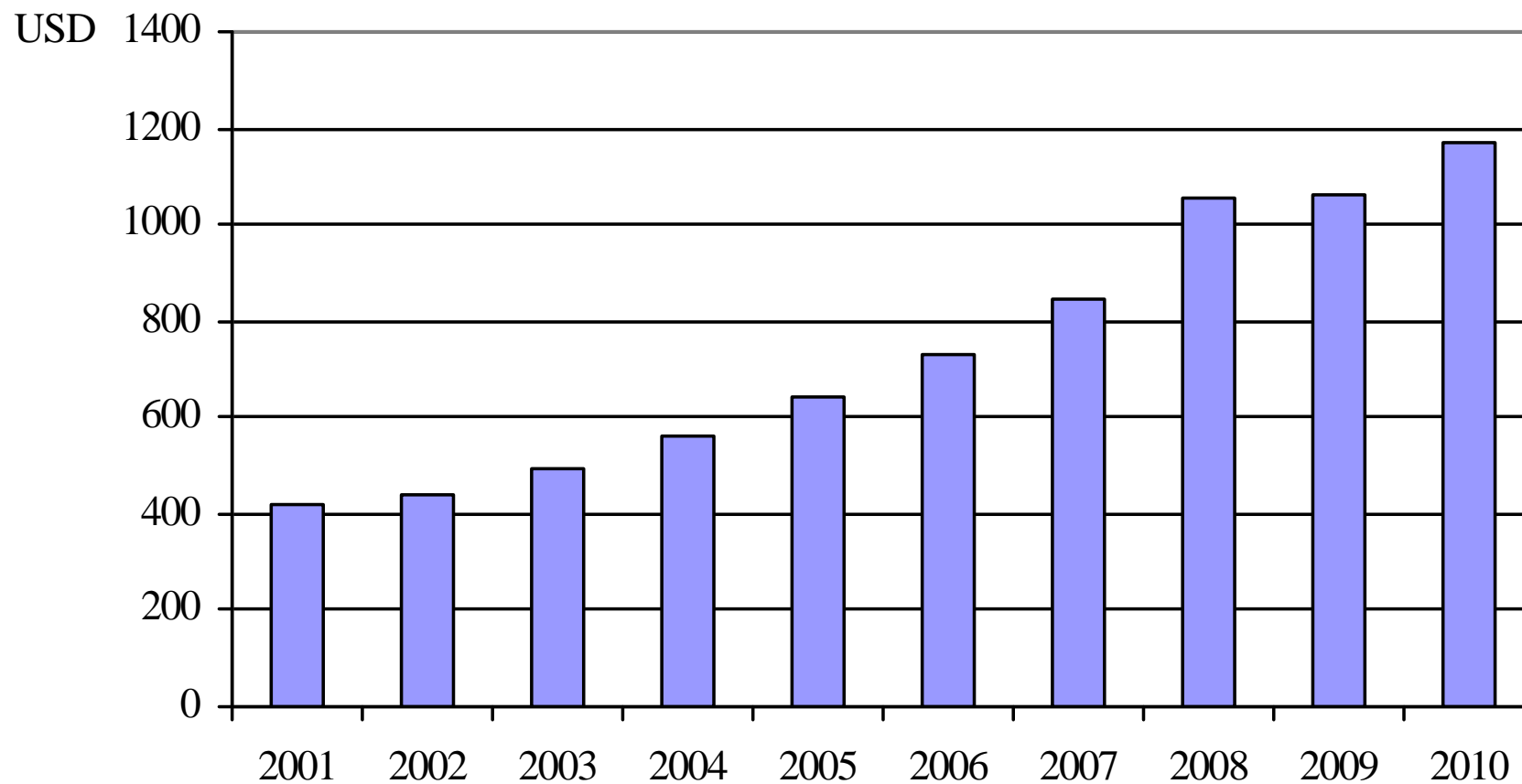
# Quality of Economic Growth



# Economic Restructuring



# GDP Per Capita



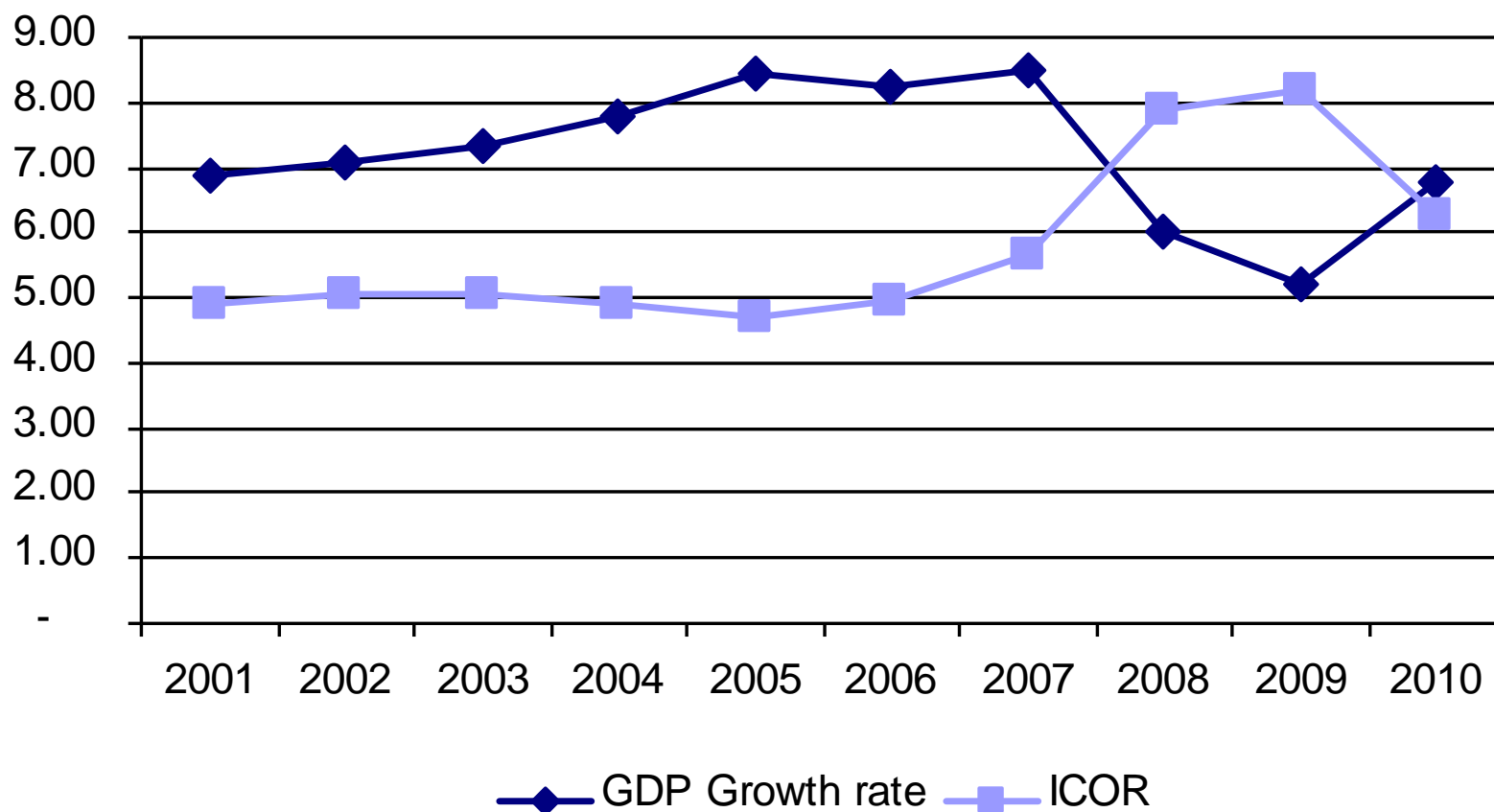
Source: GSO

# Contribution of TFP



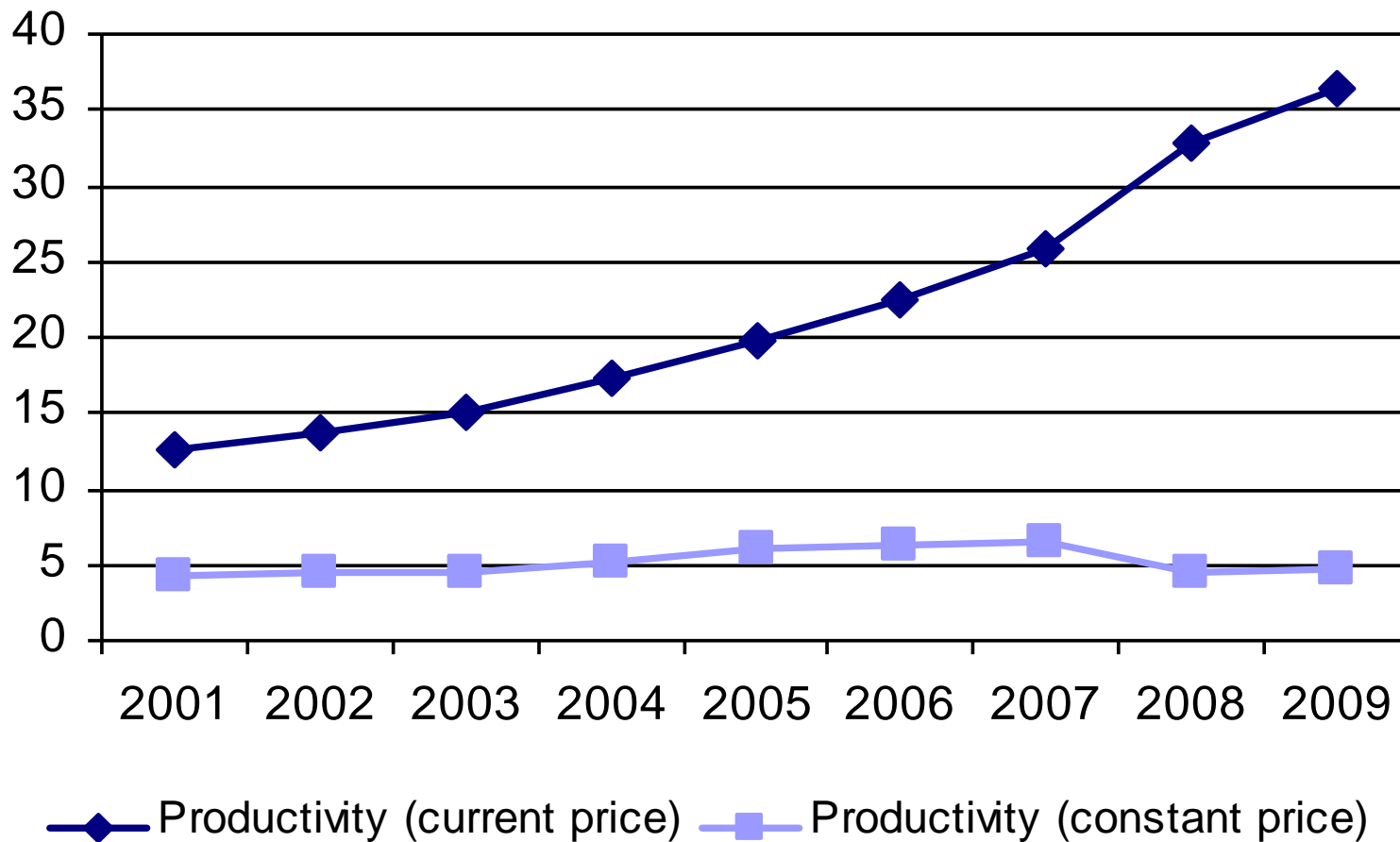
Source: GSO

# Economic Effectiveness - ICOR



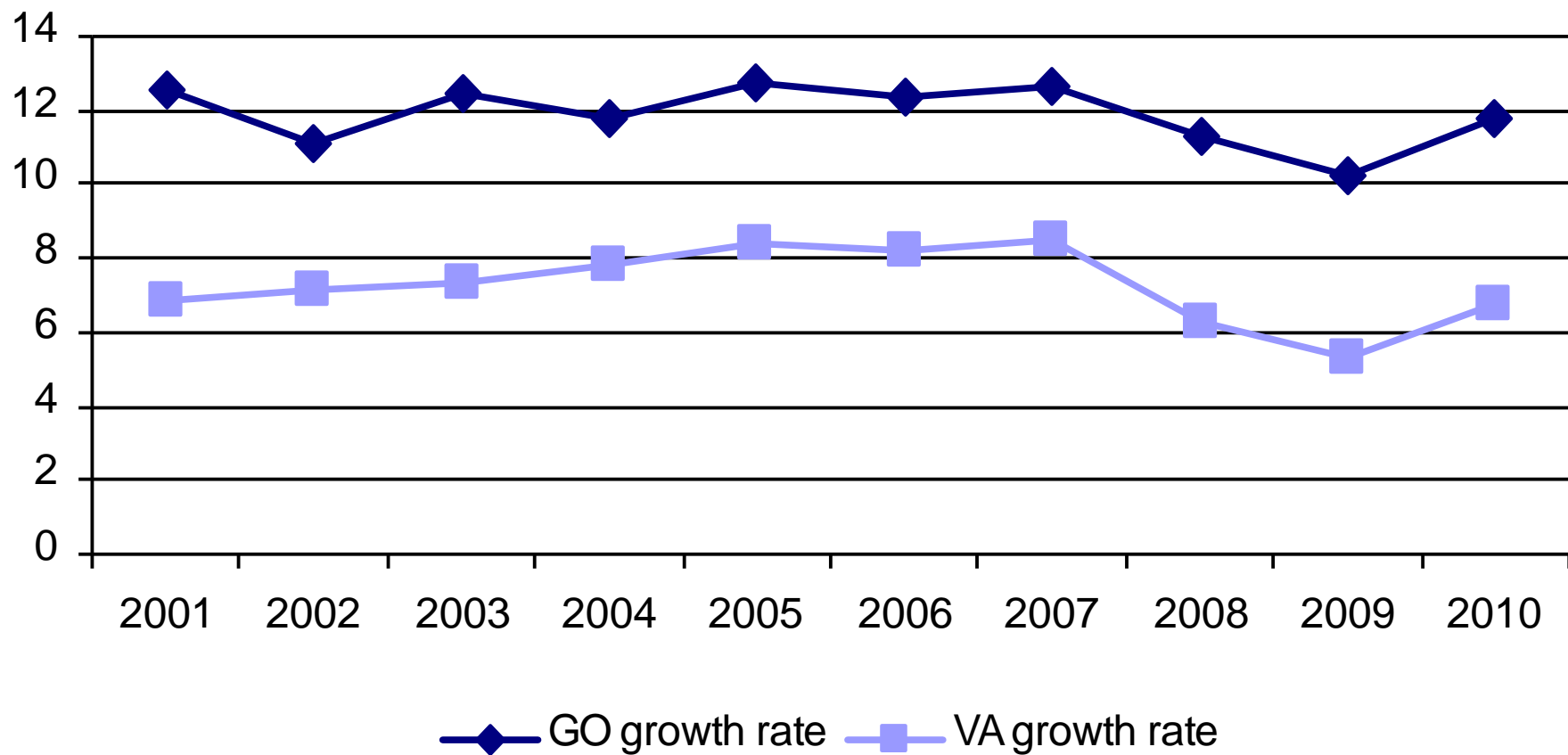
Source: GSO

# Economic Effectiveness - Productivity



Source: GSO

# Economic Effectiveness - VA/GO



Source: GSO

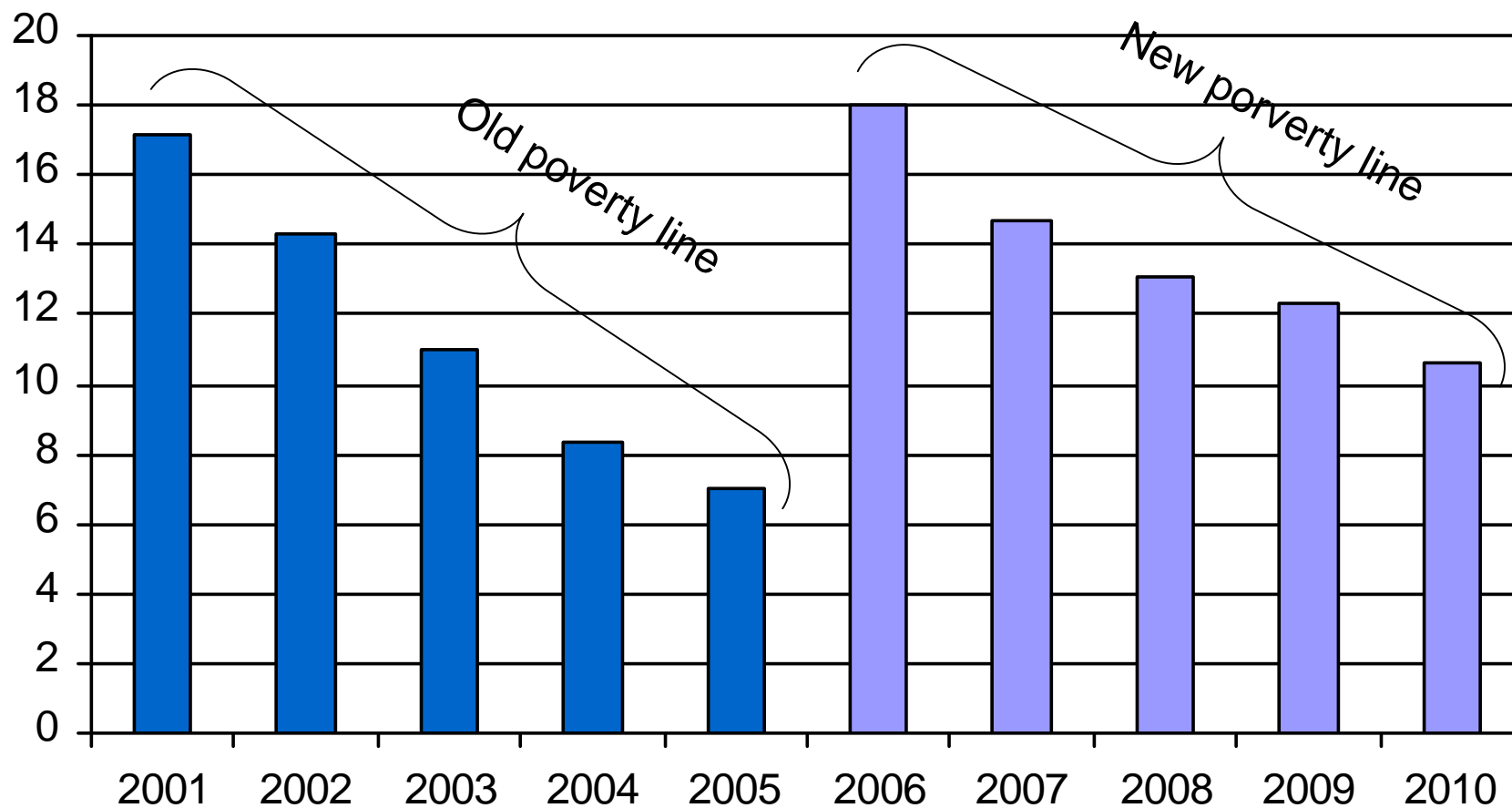
# Competitiveness



	2007	2008	2009
Singapore	7/131	5/134	3/133
Malaysia	21	21	24
China	34	30	29
Thailand	28	34	36
Indonesia	54	55	54
Vietnam	68	70	75
Phillipine	71	71	87
Cambodia	110	109	110

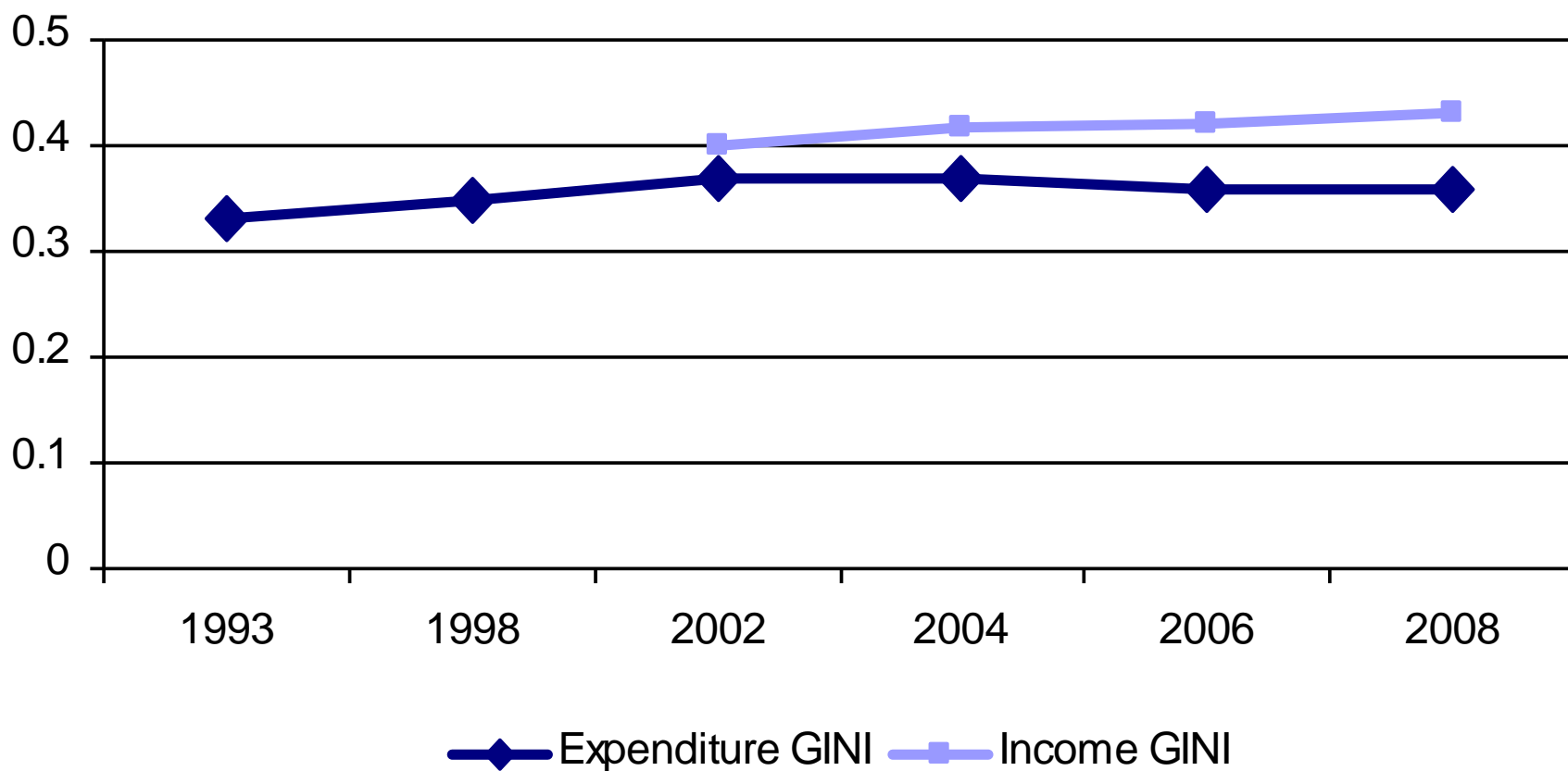
Source: World Economic Forum (2009)

# Poverty Reduction



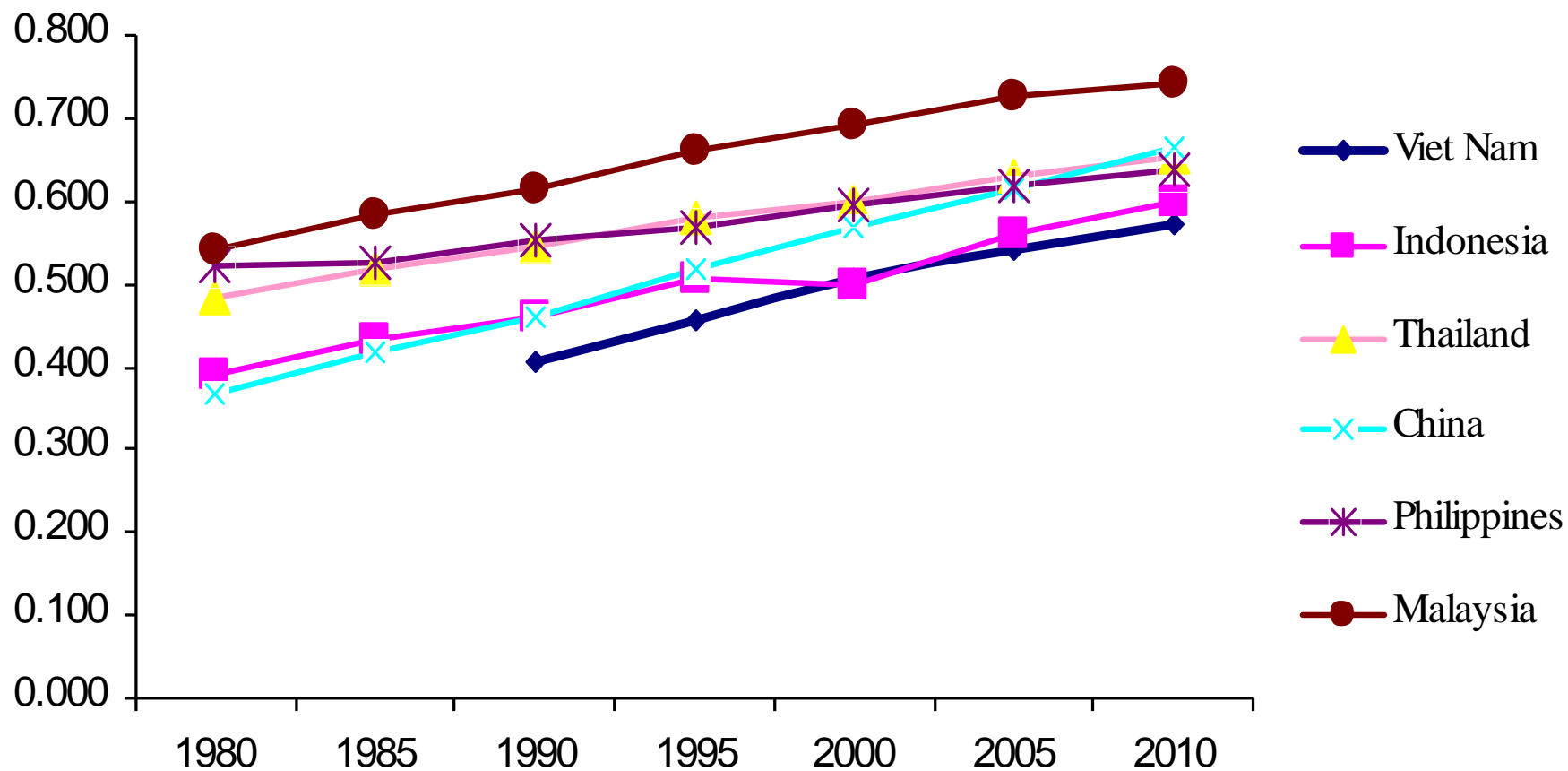
Source: MPI

# Social Equality



Source: VLHSS (every year)

# Human Development Index



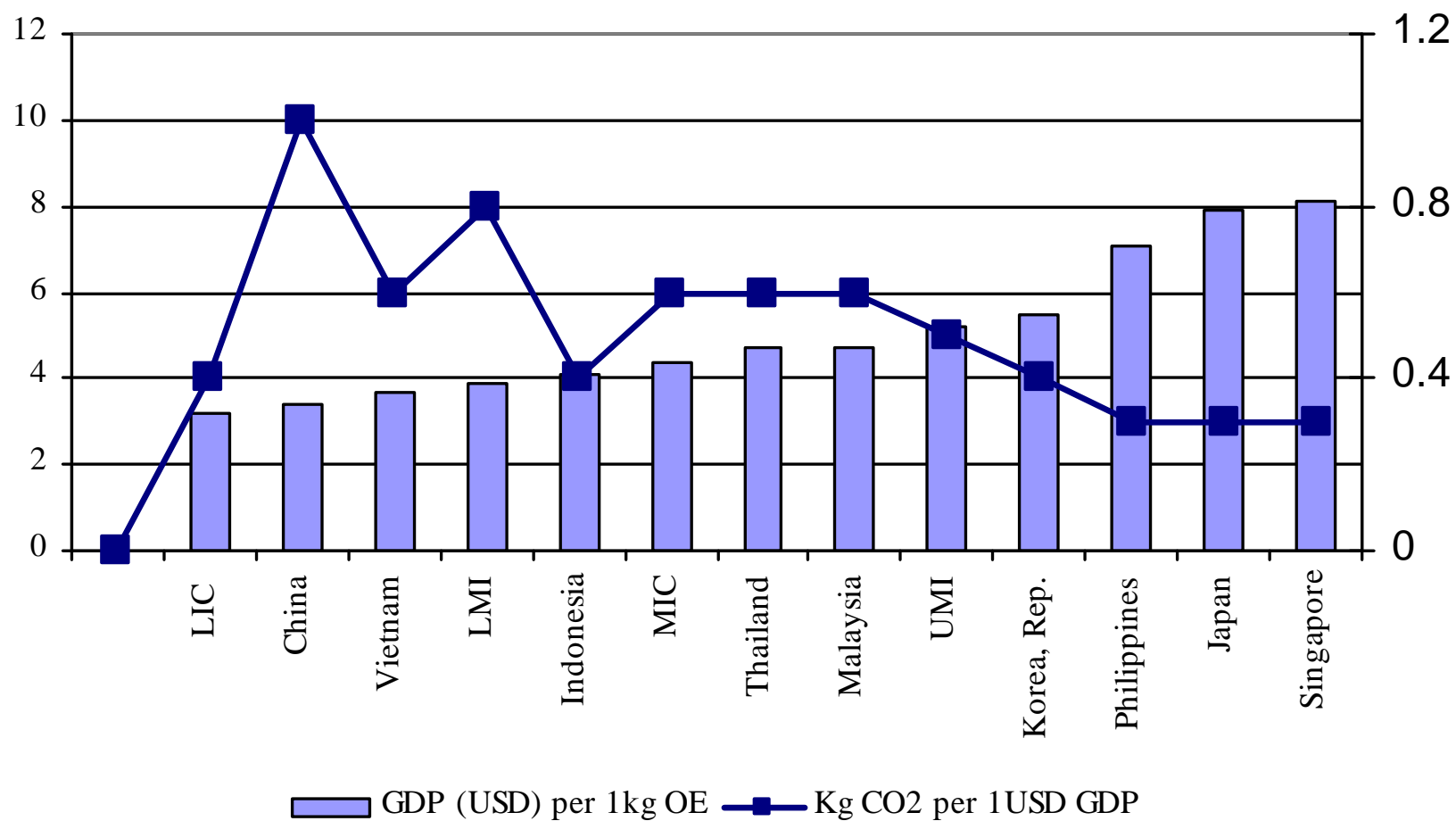
Source: HDR (2010)

# Environmental Problems



- Vietnam's economic development is associated with environmental risks.
- Urbanization and industrialization brings about pollution of surface water, air, and solid wastes.
- Uncontrollable exploitation and wasteful uses of natural resources.
- ➔ Economic growth puts high pressure on environment, causing imbalanced ecosystem and more frequent natural disasters.
- ➔ ***Vietnam should patiently pursue sustainable development.***  
***If environmental issues are not resolved, achievements so far might be ruined.***

# Effectiveness in Energy Use



Source: WDI (2010)

# Environmental Pollution Hotspots

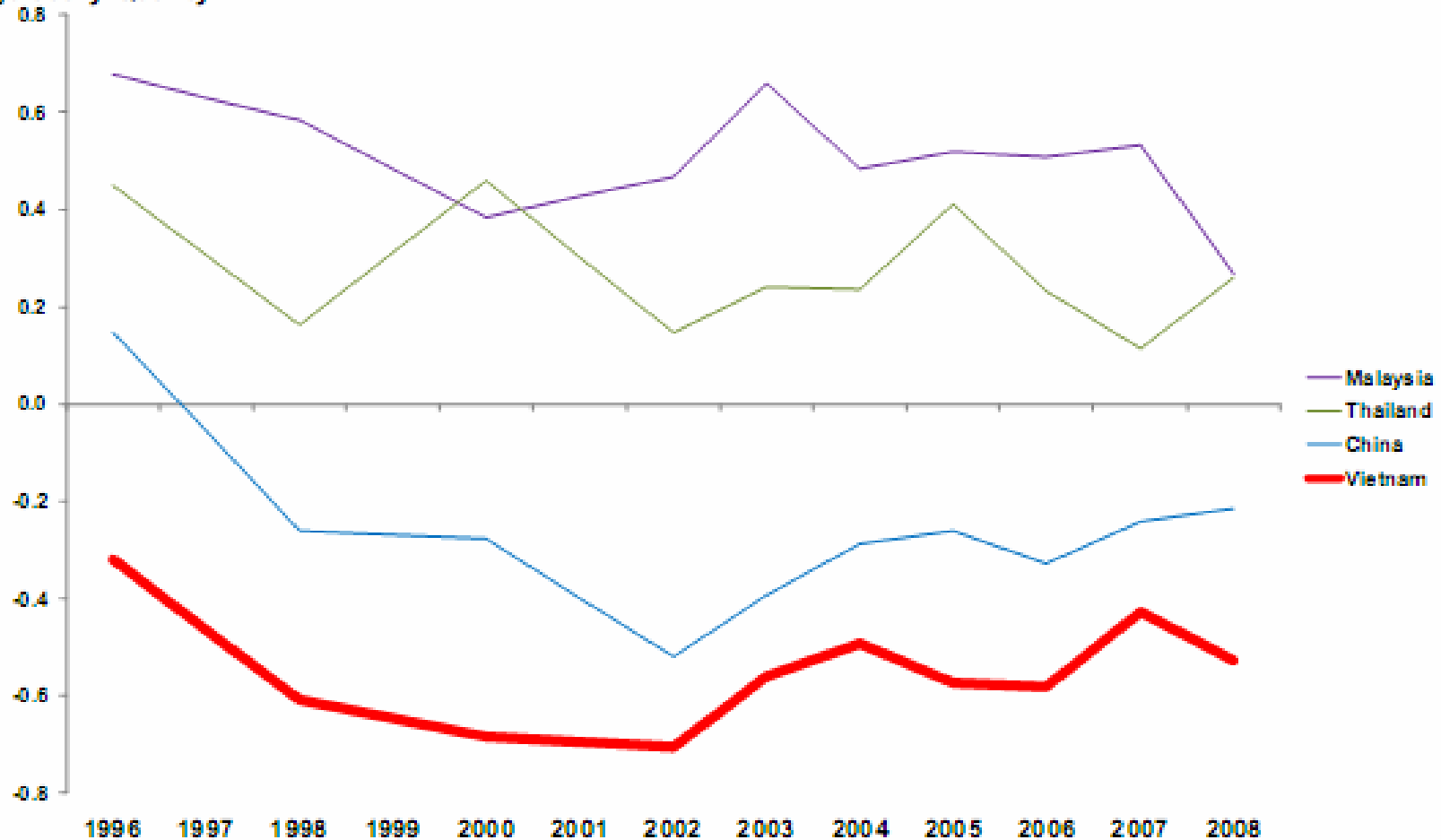


Source: VEM (2006)

# Regulatory Quality

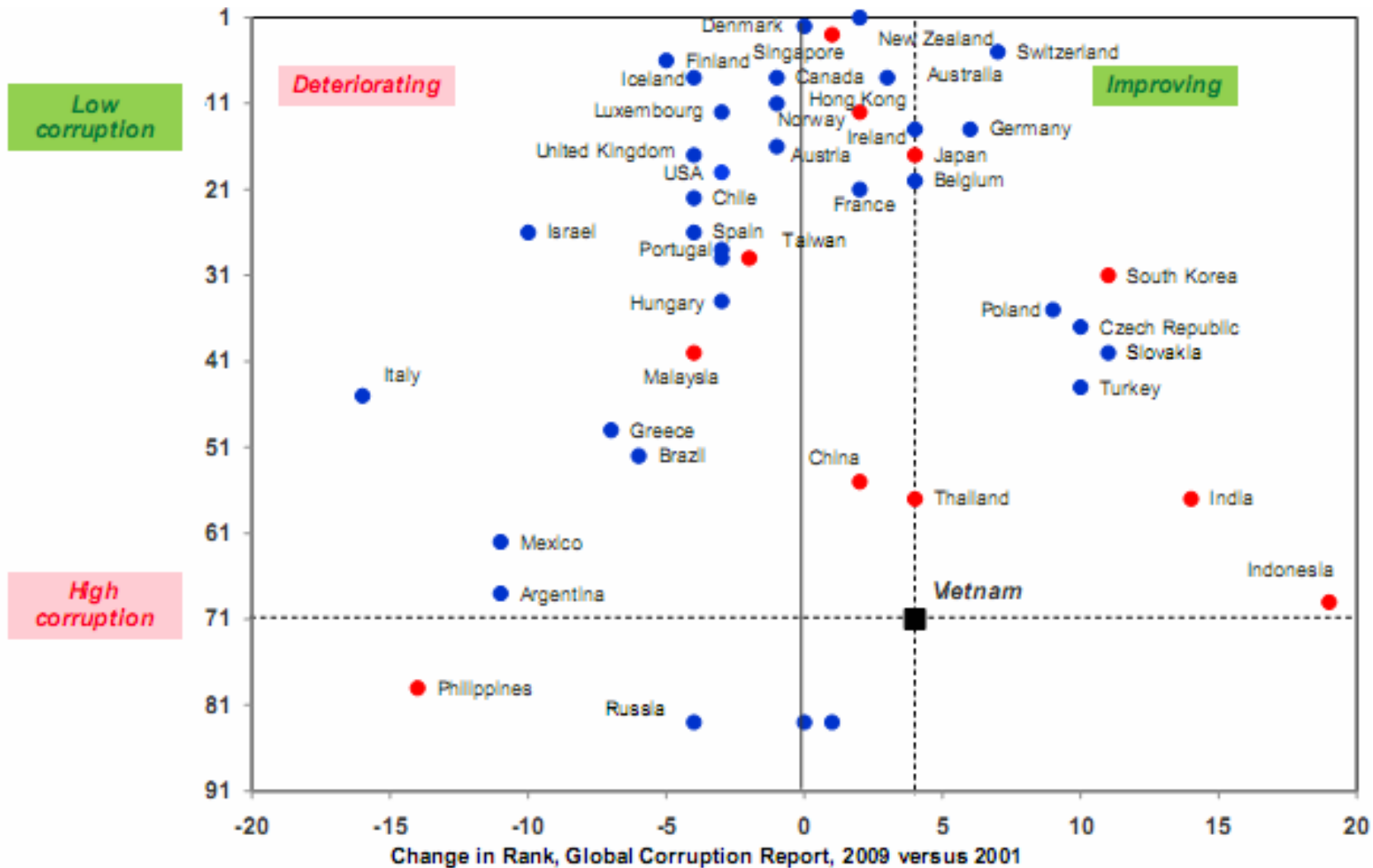


Composite Measure  
of Regulatory Quality



Source: VCR (2010)

# Corruption Perception Index, 2009



Source: VCR (2010)

# Some Comments



## **Low quality of economic growth**

- Slow economic restructuring
- Low economic effectiveness
- Weak competitiveness

## **Unsustainable economic growth**

- Pressing social issues (labour – employment, poverty reduction, quality of human resource, and social equality)
- Alarming environmental issues

## **Low-effective state management**

# Some Comments



Vietnam's economic growth in last ten years has not been stable and sustainable

- Low contribution of TFP to growth
- Low effectiveness and quality of investment, ICOR is increasing, imbalanced investment structure
- Basic foundations of growth are inadequate: low internal added values, weak competitiveness
- Low effectiveness of state management, mainly caused by weak capability in policy making and organization (unscientific, unprofessional, unpractical)

# Recommendations



- Shift from factor-driven growth to productivity-driven growth
- Improve institutional quality, capacity in policy making and implementation
- Improve effectiveness of social and environmental policies

# Recommendations



- Create a roadmap of improving effectiveness in capital use: gradually reducing budget deficit, diminishing government's direct intervention, and promoting equitization
- Improve quality of human capital
- Macro economic policy should directly target to economic variables, such as inflation (maintaining at low and stable rate), and balanced budget; growth rate should be a forecasted variable.
- Create monitoring system of quality of national growth.