



Institutional reform for better public governance and economic performance prospect and challenge in Vietnam

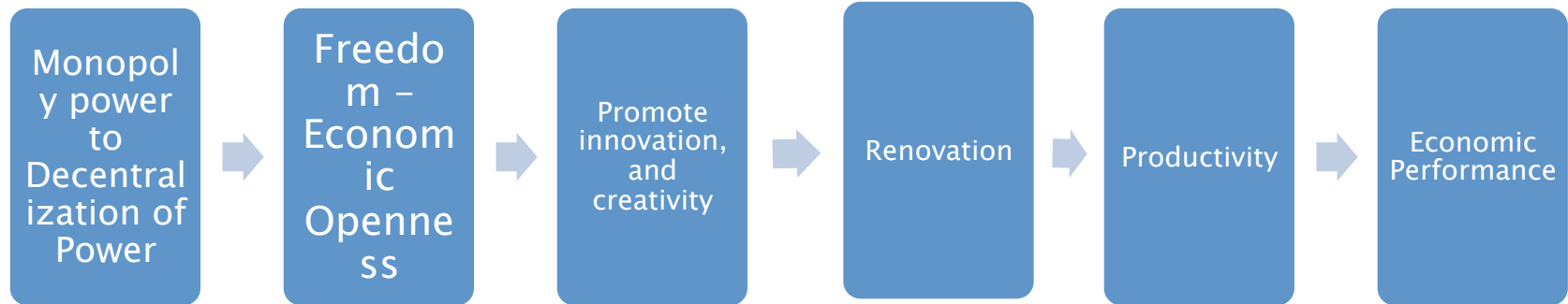
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Institutional change to economic performance



Acemonglu et al. Why Nation Fail (2012)



Example of England

- Elizabeth I: all People must wear Mullen (16 century)
- William Lee /world of textiles
- William Lee (1589) : machines – opposition both in England and France

Centralized institution became a obstacles for economic performance

- 1620: Jame I: special royal interests
- 1629:Charles I: monopoly power and borrowing
- 1642: Oliver Cromwell leading parliament opposing royal power
- 1688: William of Orange: the victory of reformists

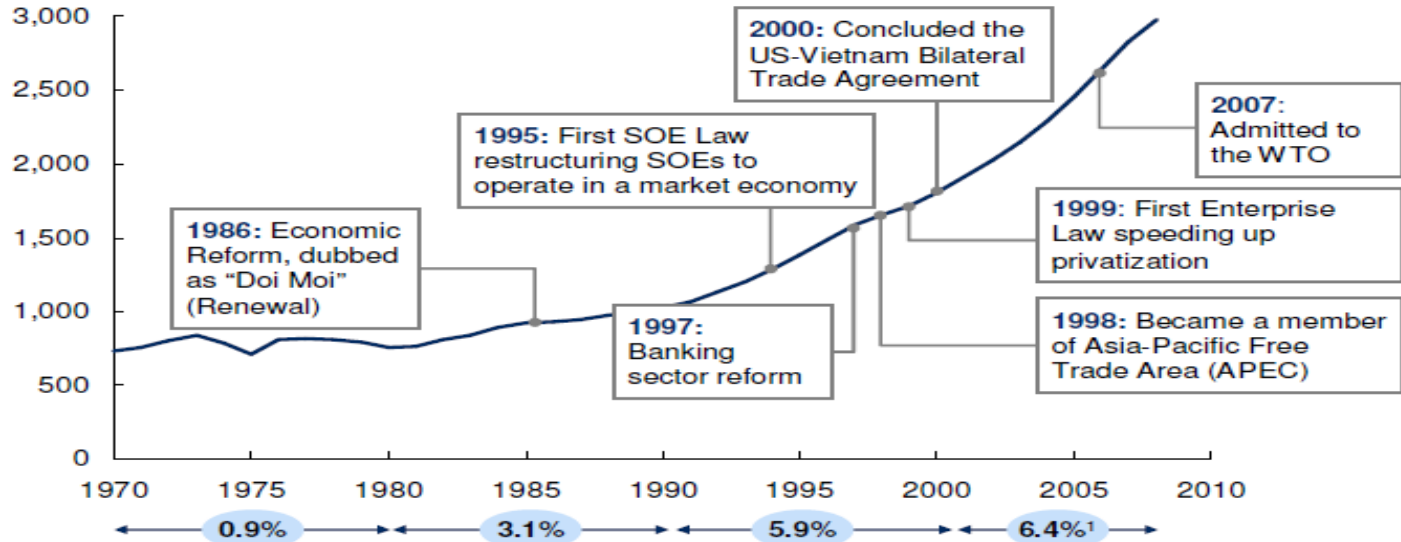
Change of economic institutions lead to change of political institution



Institutional change for economic renovation in Vietnam

The process of economic reform has led to a marked acceleration in GDP growth of Vietnam

GDP per Capita
1990 GK\$

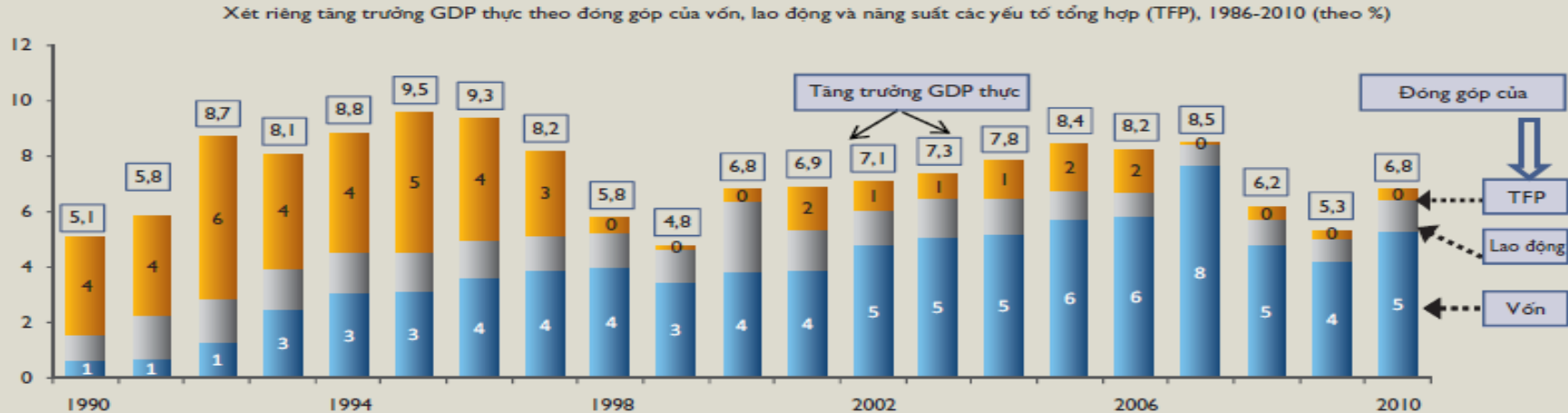


¹ CAGR taken from 2000-08



The contribution GDP growth

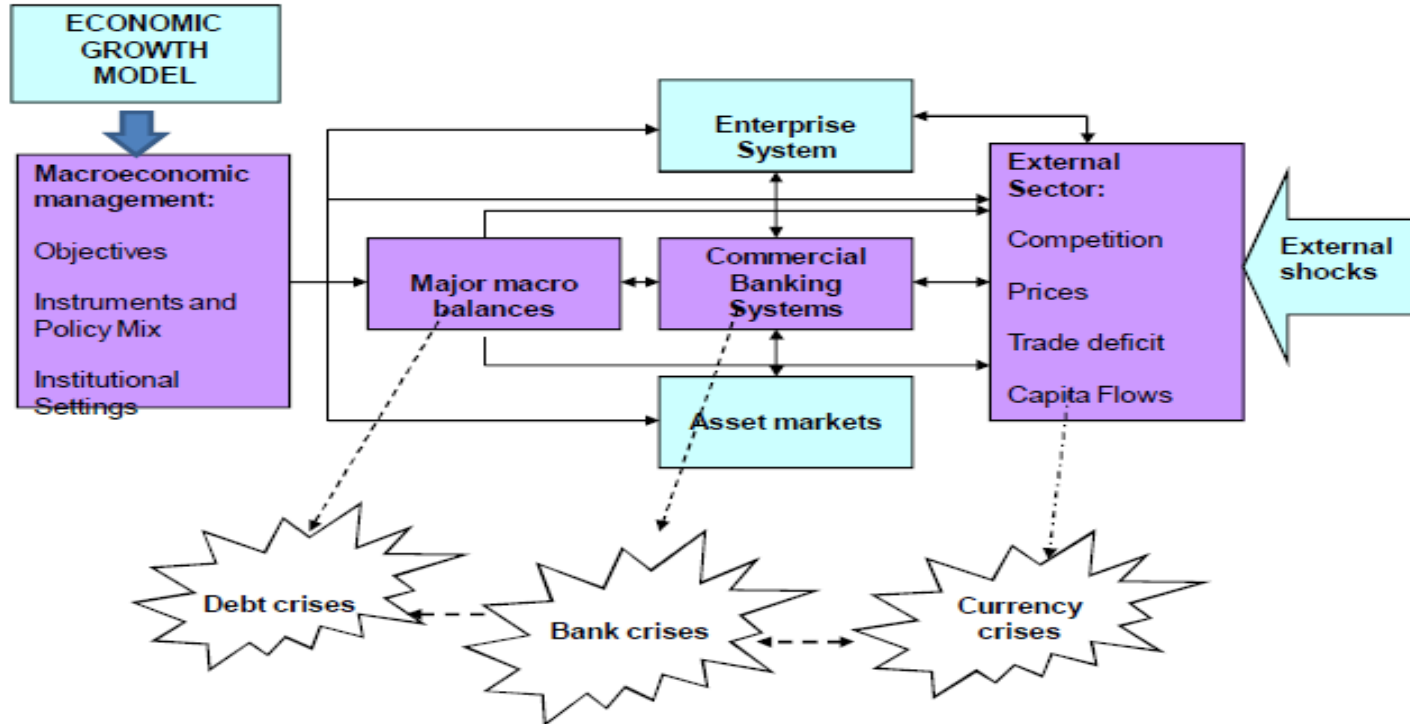
Hình 1.2 Tăng trưởng ngày càng dựa vào yếu tố đầu vào sản xuất nhiều hơn



Nguồn: CIEM (2010), Ước tính cho năm 2009 và 2010 do Ngân hàng Thế giới thực hiện



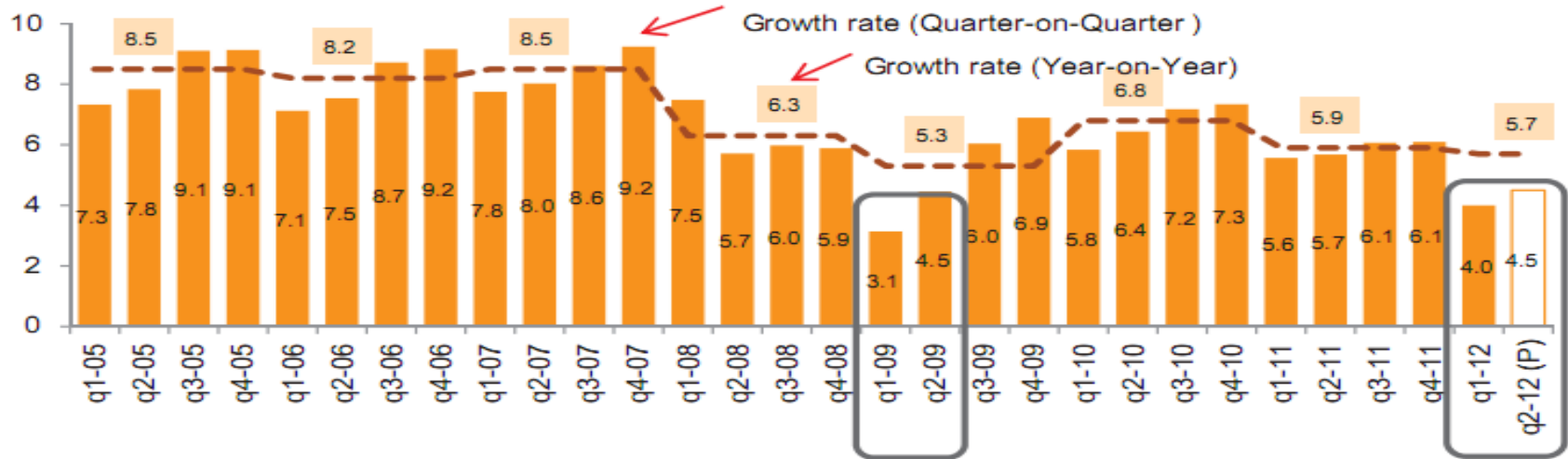
Economic growth model and economic crises



Sources: Nguyen Duc Thanh (2012)



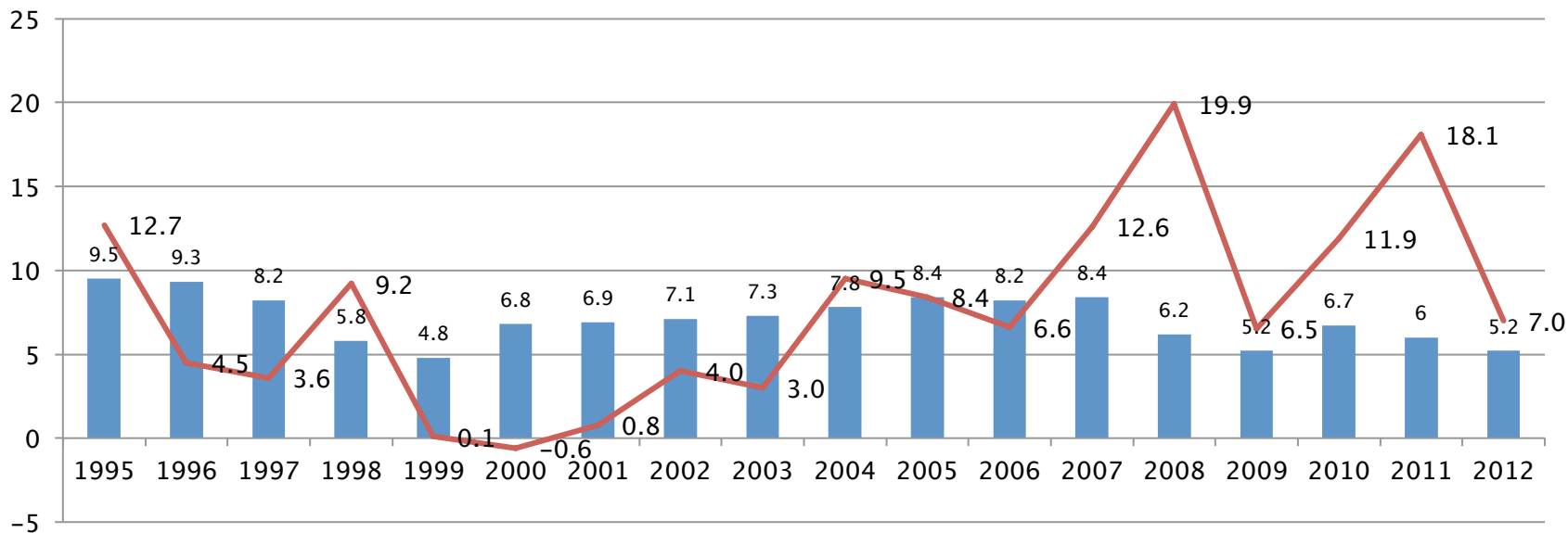
The slowdown of growth



Source: GSO, World Bank staff estimates



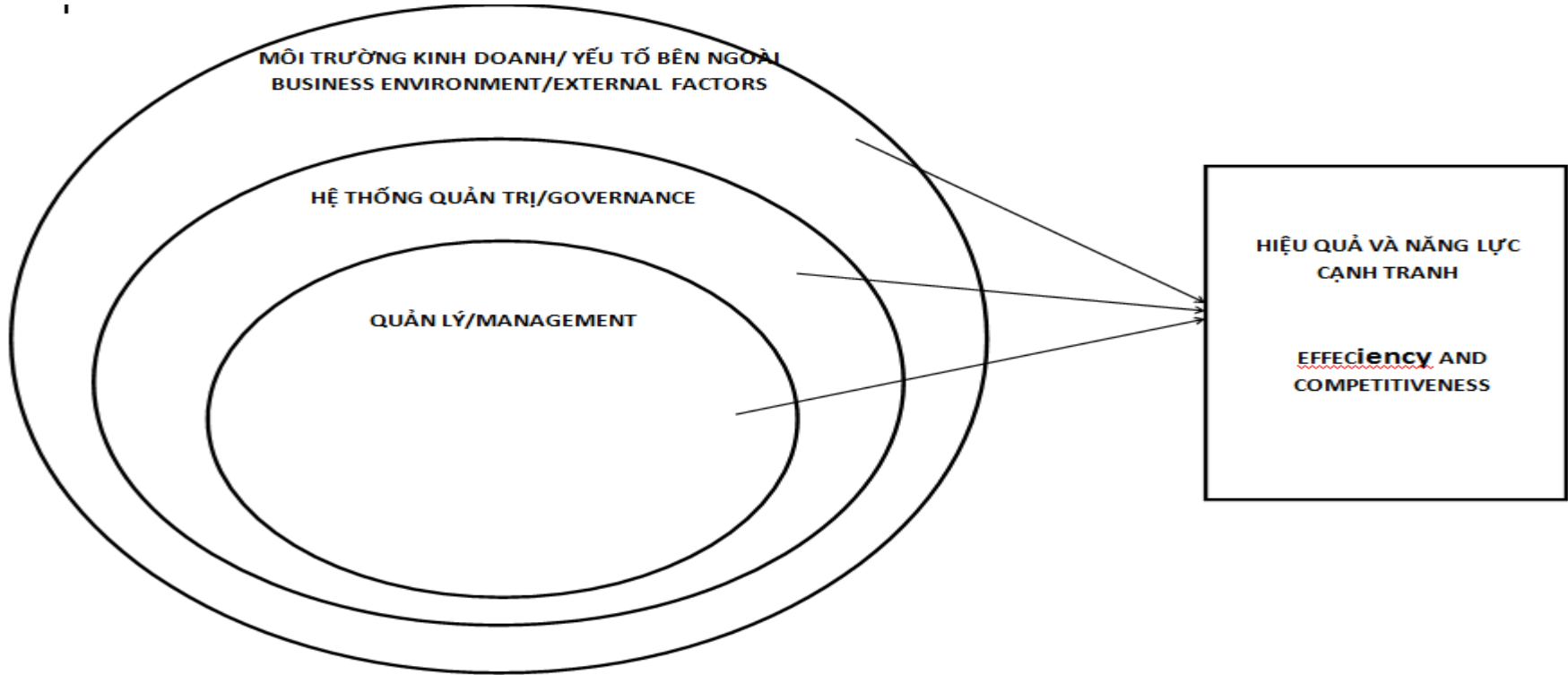
Growth and Inflation: 1995–2012



Sources: GSO Vietnam (1995 – 2012)

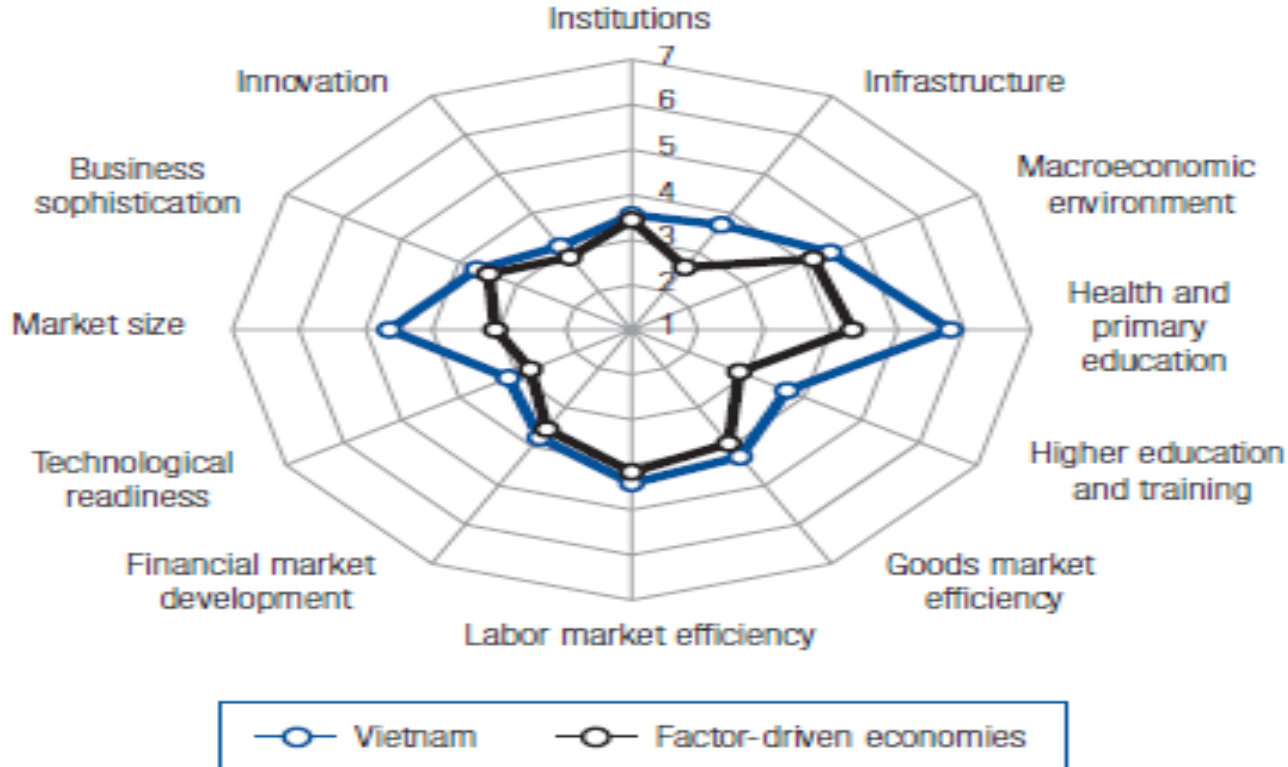


What factors need to be change?



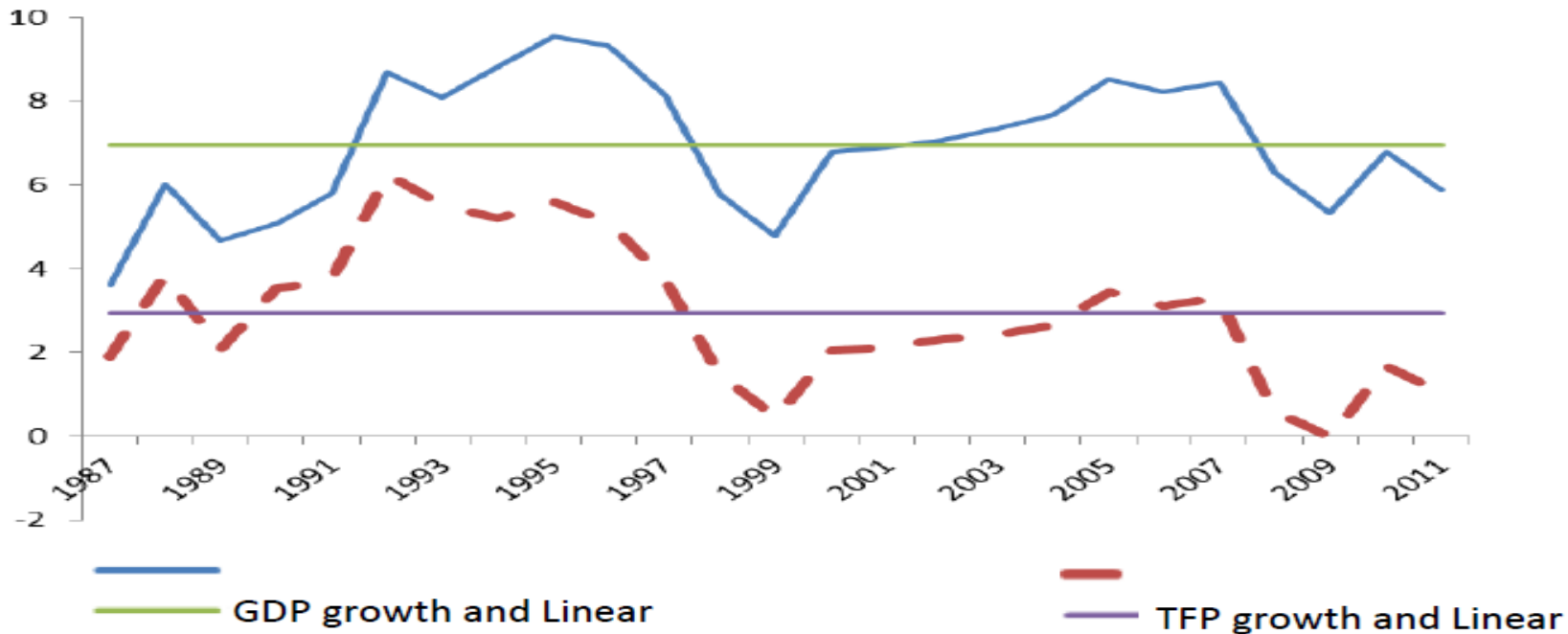


Vietnam in World competitiveness report 2013





GDP and TFP growth rate from 1987 - 2011 (%)

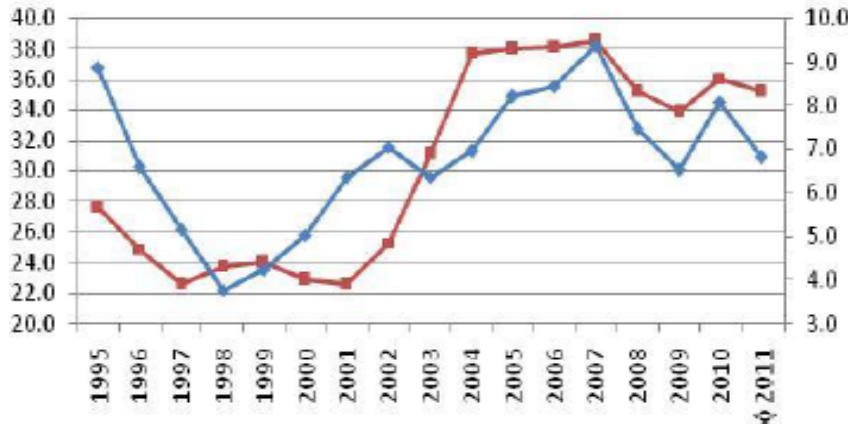




Correlation between investment and growth between state and none state sector

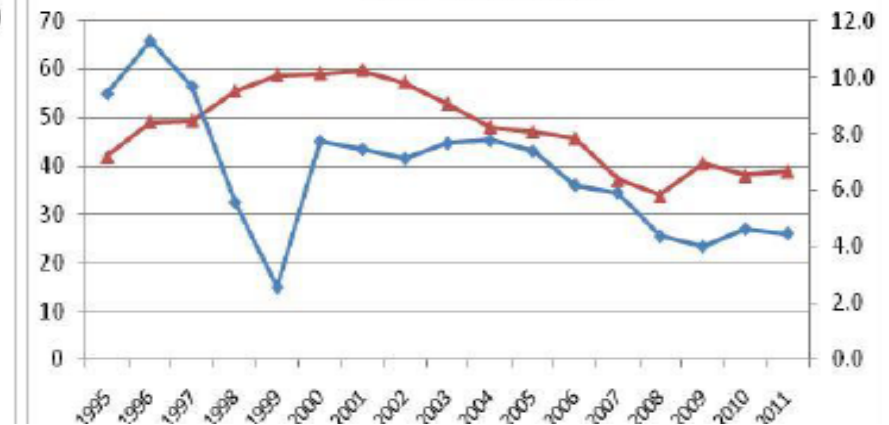
None State Sector

coefficient : 0.71



State Sector

coefficient is only: 0.2



The proportion of the total investment (left axis) Economic growth (right axis)



Improve the quality of governance

- ü Regulatory burden reduction (113/142)
- ü Reduce the cost of compliance,
- ü Fee and Tax reduction
- ü Reduce under law permits and administrative intervention
- ü Reducing monopoly, dominant market rather than continue to maintain SOEs monopoly
- ü Increase transparency and oversight, balancing by other market forces



Challenges

- The institutional change process is going to be a reverse process of resource allocation. The ability of high growth rate in the short and medium term will not achieve the 5 year plan the government → The question is whether the government and society are willing to sacrifice short-term growth in order to achieve the objectives of change.
- Changes in beneficiary . Those who lost benefits are those that are associated with exiting institutional allocation of resources. → Often they will hinder the process of restructuring, such reactions can not support, resist, or will delay the institutional change.
- Change of encouraging industry today, that will not be encouraged anymore. A part of the temporary workers will lose their jobs or have to change the working skills → social security issues