
Strengthening the Party's leadership to realize Vietnam's aspiration 2045

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I. Introduction

As the leading force of the country and society (Article 4, Constitution 2013), the Communist Party of Vietnam (CPV) set strategic direction and strategies for the country's important issues including socio-economic development, foreign affairs and national defence... and oversees the implementation process. The Vietnam's aspiration to become a developing country with modern industry, upper middle-income level by 2030² and a developed country with high income level by 2045² is highly ambitious. It was stated in the country's socio-economic development strategy for period 2021-2030, which has been adopted by the Party's Congress XIII. Realization of this aspiration would require strong Party's leadership, State's good management capacity and active contribution from businesses and people. The Party's strong leadership is a prerequisite for success in the Vietnamese context. It is therefore important to strengthen the Party's leadership to realize this high aspiration.

II. Literature review

Minh Doan³ reviews the development models that Vietnam could consider in its efforts at becoming a prosperous and harmonious country by 2045. The authors have selected a number of successful examples that are similar to Vietnam. Based on the analysis of the commonalities and characteristics of three countries' development models and strategies, the paper also presents four possible scenarios for Vietnam's economic growth between 2030 and 2045. The rationale for choosing a path for Vietnam is based on a comparison of similarities and differences in the socioeconomic backgrounds of Vietnam and those countries at critical periods in their developmental paths.

Bruce Delteil, Matthieu Francois, and Nga Nguyen⁴ identified Vietnam as one of 11 recent global outperformers, thanks to its GDP-per-capita growth of more than 5 percent annually for 20 years, in addition to its successful effort to lift a significant percentage of its people out of poverty. Vietnam has the elements in place to continue as an outperformer - for instance,

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²The year 2030 marks 100 years of the foundation of the Communist Party of Vietnam

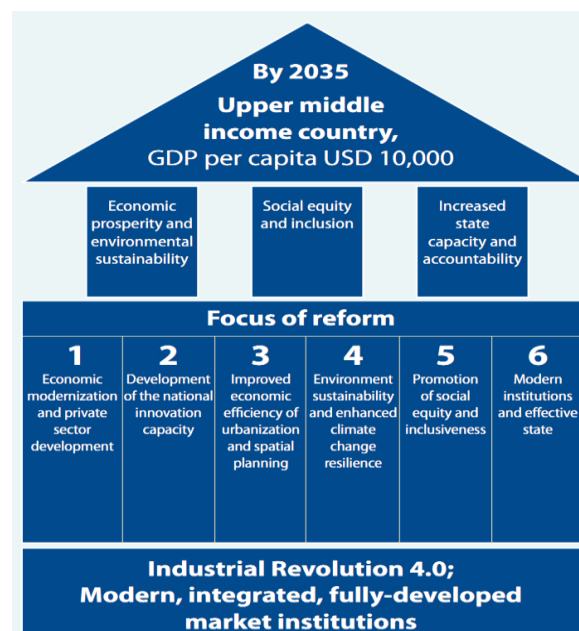
²The year 2045 marks 100 years of the founding of the Democratic Republic of Vietnam, the former name of Socialist Republic of Vietnam

³“*Vietnam after 2020: toward a prosperous economy, social inclusion and environmental sustainability*”, August 2020, International Journal of Economic Policy Studies 14(2):1-14, DOI:10.1007/s42495-020-00046-x

⁴“*What will it take to achieve Vietnam's long-term growth aspirations?*” (2020). McKinsey & Company Article

growing disposable income, continued investment in infrastructure programs, and an attractive business environment. Adjustments in four broad areas could help the country get onto the required growth trajectory. These are: (i) a position as a preeminent international destination; (ii) investments in education and infrastructure to boost productivity; (iii) a continued focus on small and medium-sized enterprises and the informal sector; and (iv) exploring renewable energy for less carbon-intensive growth.

The government⁵ (see Figure below), set the country's goal to become upper middle-income country with GDP per capita of US\$ 10 000 by 2035. Three strategic pillars include: (i) Economic prosperity and environmental sustainability; (ii) Social equity and inclusion; and (iii) Increased state capacity and accountability. The focus of reform therefore include: 1. Economic modernization and private sector development. 2. Innovation capacity development. 3. Increased urbanization and spatial planning efficiency. 4. Environmental sustainability and enhanced climate change resilience. 6. Promotion of social equity and inclusiveness. 7. Modern institutions and effective state.



Source: Ministry of Planning and Investment, December 2018

Christine Redmond⁶ recommended that tapping into Vietnam's currently wasted human potential in its millions of marginalised ethnic minority members could prove critical in accelerating the country's final push to the high-income status.

Cameron A, Pham T H, Atherton J, Nguyen D H, Nguyen T P, Tran S T, Nguyen T N, Trinh H Y & Hajkowicz S⁷ analysed that the next wave of digital technologies – AI, blockchain, the Internet of Things, and platforms and cloud-based services – has the potential to transform Vietnam into Asia's next high-performing economy, and to bring up the living standards of all of Vietnam's citizens over the coming decades. But to sustain high growth, Vietnam will need to overcome substantial challenges. The population is ageing, climate change and rapid development is straining the environment and food production, and the nation is rapidly

⁵Ministry of Planning and Investment (2018). *The Vietnam's Economic Policy Framework*

⁶ "The untapped economic potential of Vietnam's ethnic minority groups" (2020). Aide et Action analysis

⁷ "Vietnam's future digital economy – Towards 2030 and 2045" (2019). CSIRO, Brisbane

urbanising. The workforce needs to upskill especially as jobs are automated across the agriculture and manufacturing sectors. All of these factors will test Vietnam heading into the future but the primary challenge for policy makers will be to allocate resources efficiently to ensure low debt, as well as inclusive and sustained growth.

World Bank⁸ indicated that success would require annual growth of 7.0 to 7.5 percent from 2021 to 2030 - a big step up from the 6.3 percent Vietnam averaged over the ten years before 2018. The country therefore should make a strategic shift towards a more productivity and innovation-based economy while making the most of the ongoing demographic dividend to sustain high quality growth over the next decade.

World Bank and Vietnam's Ministry of Planning and Investment⁹ show that the country's reform agenda to unleash strong and sustainable economic growth will have four essential elements: (i) creation of an enabling environment for domestic enterprises; (ii) spurring learning and innovation; (iii) reshaping urban policies and investments; (iv) sustaining the environment.

Sebastian Eckardt and Vu Viet Ngoan¹⁰ argued that Vietnam's transition to becoming a prosperous and modern economy has only just begun. Vietnam's per capita income is currently only about 40 percent of the global average. In order to become a high-income country by 2045, Vietnam will need to sustain average growth rates of at least 7 percent over the next 25 years—this would bring GDP per capita to about \$25,000. While Vietnam has the potential to meet this aspiration, without reforms, the country is likely to experience a slowdown in growth and fall short of its own aspiration. The four priorities were recommended: (i) acceleration of productive investment; (ii) promotion of a productive workforce with 21st-century skills; (iii) fostering innovation; and (iv) institution reform.

Kenneth Atkinson¹¹ pointed out that the Vietnam's aspiration is highly ambitious but not infeasible. One of the necessities for Vietnam will be greater integration into the regional and global supply chain. Another factor will be sustainable development in infrastructure and energy and particularly investment in renewables.

Anja Baum¹² sheds light on some elements of Vietnam's success story, highlighting crucial policies in education and electricity sectors. It undertakes a forward-looking costing exercise that focusses on five sectors – education, health, roads, water, and electricity infrastructure. Achieving the remaining SDGs in Vietnam will be a challenge, with total annual additional spending needs in the 5 subsectors estimated at 7 percent of GDP by 2030.

III. Challenges and barriers

Key challenges and barriers that might hinder the realization of Vietnam's aspiration 2045 include:

⁸“Vietnam needs to embrace “Doi Moi 4.0” to sustain high quality growth” (2019). World Bank joint report with the Vietnam Academy of Social Sciences

⁹ “Vietnam 2035 Toward Prosperity, Creativity, Equity, and Democracy” (2016). World Bank & Ministry of Planning and Investment

¹⁰“How can Vietnam avoid the middle-income trap?” (2019) World Bank Future Development

¹¹“Vietnam's High-Income Ambitions by 2045” (2020), Grant Thornton Insights

¹² “Vietnam's Development Success Story and the Unfinished SDG Agenda” (2019). IMF Working Paper, Asia Pacific Department

First, fast aging population. Vietnam's elderly population is projected to be double from 7% to 14% of the total population – the threshold for a country's population to be considered aged – in about 17 years, compared to 22 and 20 years for Singapore and Thailand respectively. As a result, Vietnam is projected to become an aged society around 2035. These will have significant economic, social and fiscal implications such as declining labour force and productivity, changing urban and rural demographic structure as well as rising eldercare and health care burden. Vietnam needs to address major structural bottlenecks including limited access to essential medical and social care services as well as weak collaboration across relevant sectors (health, social, and finance, among others).

Second, low value-added growth path. The country's economic growth over the past three decades was mainly low value-added, labour and resource-intensive, and use low-level or even polluted technologies. The main export commodities include garment, footwear, rice, coffee, pepper, which are low added value. It is therefore important for the country to shift toward more knowledge-based and higher value-added products like office machines, chips for cell phones and computers, AI and robotic engineering...

Third, low competitiveness, productivity and efficiency. Vietnam ranked 67/141 countries in the World Economic Forum's Global Competitiveness Index (GCI) in 2019. The country also ranked 79 in the Burden of Government Regulation index and 76 in the Efficiency of Legal Framework in Settling Disputes index. While there are significant improvements over the past few years, the country remains low in competitiveness, productivity, and efficiency. It is essential for Vietnam to nurture and promote technological innovation and product diversification, develop human resource and train its labour skills.

Fourth, corruption and complex administrative procedures. Despite of recent strong anti-corruption efforts waged by the Party, corruption remains serious and more complex in the country. Corruption affects and harms the country's economic growth, businesses, and investment and resource allocation and management. In addition, Vietnam's administrative remains complex and slow. Current laws, policies and institutions are considered to be incompatible with the Industrial Revolution 4.0. These discourage the good investors and innovative start-up to come and invest in Vietnam.

Fifth, weak domestic firms and limited capacity to adopt and absorb technological transfer by FDI firms. The past 30 years of FDI massive development does not benefit the domestic firms very much due to: (i) lack of requirements and enforcement mechanisms for technological transfer by FDI firms; (ii) weak link between the FDI firms and domestic ones; (iii) limited capacity (technical, financial and human resource) to absorb and adopt technological transfer by FDI firms. It is found that linkage between FDI firms and domestic customers/suppliers is less likely associated with the technological transfer. In addition, domestic firms facing economic constraints for technology transfer (Quang-Thanh Ngo, Ngoc-Phuc Doan, Thanh-Hai Thi Tran and Tien-Dung Nguyen)¹³.

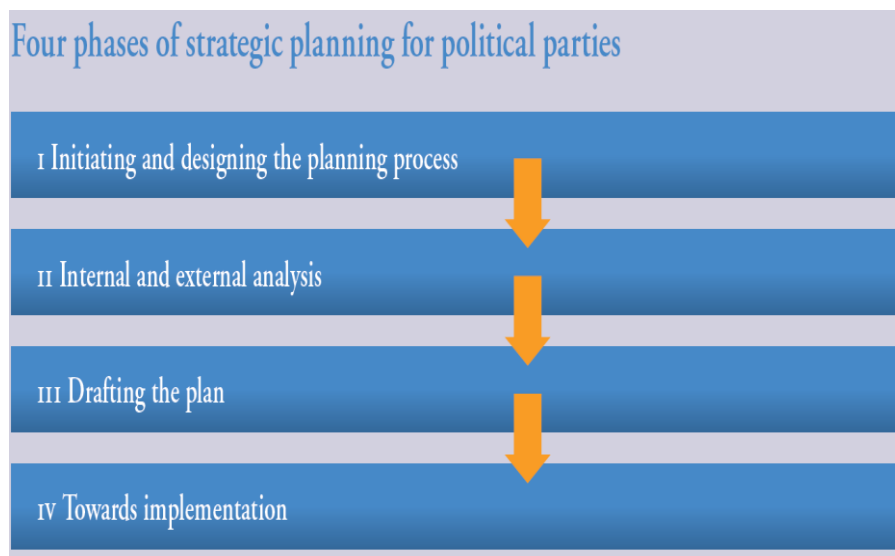
Sixth, increasing impacts of climate change. Vietnam is among the top vulnerable countries to climate change and sea level rise. Long coastal areas and low-lying deltas are at risk of flood, extreme weather events such as storms, land subsidence, draughts, salinity intrusion... In

¹³Technology Adoption Strategies in the Supply Chain: The case of Vietnamese Young Small and Medium-sized Enterprises (2020). J. Open Innov. Technol. Mark. Complex. 6, 37; doi:10.3390/joitmc6020037

addition, Vietnam needs to shift toward green, low-carbon production and consumption. This would require substantial financial, technical and human resource for climate-resilient infrastructure development, environment-friendly production and green lifestyle promotion.

IV. Strengthening the Party's leadership to realize the aspiration 2045

It is important to conduct a comprehensive assessment of the Party's leadership in this regard, identify gaps, map out related stakeholders, train core team at the highest level and related Party central agencies and committees as well as select relevant models to learn from other countries. This paper adopted the four-phase strategic planning that Caspar F. van den Berg, Kati Piri, Sam van der Staak, Levan Tsutskiridze¹⁴ developed below into the Vietnamese context.



As the first step, the CPV's Central Committee needs to issue a resolution on realizing the country's aspiration 2045. This resolution aims to provide a clear picture on achieving this aspiration, call for attention of the political system, mobilizing resources, tasks relevant agencies and people to implement it, outline the monitoring, checking, evaluation mechanisms...

The baseline of the Party's leadership in this regard should be carefully assessed and gaps identified. A comprehensive programme for training, education and strengthening capacity of the core team as well as key cadres at various levels will be developed and approved by the Politburo. Lecturers, trainers, speakers and consultants will be contracted. Ho Chi Minh National Academy of Politics and the nationwide political schools will be assigned specific task for conducting training and education for Party's cadres in accordance with the programme.

The Party's committees at all levels of the political system will develop their own plan for implementation of this resolution based on their mandates and functions. The central government will be in the key driving seat for implementation of this resolution and report to the Central Committee, Politburo and Secretariat on regular basis. The local Party's committees (provincial, district and commune) will develop their provincial resolutions and

¹⁴*Strategic Planning for Political Parties: A Practical Tool*(2013), Netherland Institute for Multiparty Democracy

plans for implementation of this aspiration at their own levels and report to their direct upper Party's committees on the implementation progress. The heads of Party's committees will be held accountable for implementation and reporting to the higher Party's committees.

The Central Committee will review the progress at their biannual Plenum, while the Politburo and Secretariat will monitor the process on regular basis.

Key activities in phase I (planning process) include: (i) participation and inclusiveness of related agencies, committees and staff; (ii) selection of core team members; (iii) defining composition of the working groups; (iv) readiness assessment; (v) baseline analysis.

Key activities in phase II (internal and external analysis) include: (i) developing a party's goals, outcome and outputs; (ii) stakeholder analysis; (iii) defining measuring indicators; (iv) SWOT analysis.

Key activities in the phase III (drafting the plan) include: (i) identifying and assessing strategic issues; (ii) formulating strategies; (iii) reviewing the strategic plan and adoption.

Key activities of the phase IV (implementation and evaluation) include: (i) preparations for implementation; (ii) development of an action plan; (iii) assigning relevant agencies/people to respective tasks; (iv) monitoring, reporting and evaluating the implementation process; (v) drawing lessons learnt and recommendations for scale up and or further adjustment.

The strategy makes clear which Party agencies or individuals are responsible for, and who should otherwise be involved in, implementing each element of the strategy. A specific and detailed list will have to be made for each plan, stating the explicit goals, actions and expected outcomes, the resources required (funds, people, technology, etc.) and the communication needs. It is useful to use methodologies and guidelines for management, monitoring and evaluation. It is also recommended to use software programmes for executing, managing and monitoring the realization of each element of the strategy.

V. Recommendations

To realize the aspiration to become a developing country with modern industry, upper middle-income level by 2030 and a developed country with high income level by 2045, Vietnam should undertake the following strategic breakthroughs as outlined in the Socio-Economic Development Strategy for 2021-2030 that has been adopted by the Party's Congress XIII:

First, development of climate-resilient infrastructure. This aims to facilitate sufficient adaptation to climate change and natural disasters, enable effective transportation and logistics services, enhance people's access to better education, health care, public services and improve their livelihoods. The focus should be vulnerable regions, areas and communities.

Second, human development. This aims to strengthen the economy's competitiveness, workforce's productivity, institutional efficiency and quality of service, ability to meet the requirements of the industry 4.0 and unlock the country's potentials in digital economy. The focus should be the technical capacity and high skills vocational training.

Third, development of market economy mechanisms. This aims to provide a fair and competitive playing field for businesses. The focus should be development of the private sector with stronger technical capacity for technological transfer, adoption and innovation, state-owned-enterprises reform to make them more effective and competitive with less state's share and support, mobilization

of advanced and high-tech foreign investment with close linkage with and well-planned roadmap for technological transfer to domestic firms.

V. Conclusion

Vietnam's aspiration to become a developing country with modern industry, upper middle-income level by 2030 and a developed country with high income level by 2045 is highly ambitious but not infeasible. This can be achieved only if the country manages to overcome all challenges and risks associated with fast aging population, declining labour productivity, low competitiveness, corruption and complex administrative procedures and climate change. In addition, the country should undertake radical transformation of its economy toward a high-tech, high value-added products and services, low-carbon and climate-resilient production and lifestyle. Strong Party's leadership is a prerequisite for success. The Party's strong leadership helps work out strategies, action plans, assign tasks to agencies and individuals for implementation and monitoring, checking and evaluating the progress, drawing lessons learnt and taking recommendations for scale up and or adjustment.

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