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INSTITUTIONAL CHANGES FOR PRIVATE SECTOR DEVELOPMENT IN VIETNAM: EXPERIENCE AND LESSONS

VO TRI THANH AND NGUYEN TU ANH

CENTRAL INSTITUTE FOR ECONOMIC MANAGEMENT
VIETNAM

VoTriThanh@ciem.org.vn

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ABSTRACT:

The centrally-planned economies (CPE) have faced more serious problems in transition. They have to deal with three key sets of reforms - liberalization and stabilization, institutional changes that support market exchange and shape ownership, and the establishment of social programs to ease the pain of transition (World Bank 1996). This general guideline does not, however, reflect all complexity of the transition process, as showed by the experience of a number of transition economies. As Jeffries (1993, p. i) mentions, 'The rejection of central planning by so many countries in 1989 represents one of the truly extraordinary events in the history of economics. But the transition to the market also presents economists with formidable challenges because the path has never been trod before. The issues raised will remain at the top of the economic agenda for many years to come'. Since Doi Moi (Renovation) launched in 1986 and especially since the 1989 reforms, the face of Vietnam's economy and society has changed significantly. Yet, it is now generally recognized that Vietnam is among the best developing countries in terms of achieving relatively high economic growth and reducing poverty incidence. And one of the main factors contributing to Vietnam's success is prudent adjustments in the microeconomic foundations for supporting the private sector.² At the same time, some have argued that in international comparisons Vietnam's performance is not so spectacular and moreover, there remain many problems for sustaining economic growth and ensuring quality of development. In fact, the process of economic reforms and Doi Moi in Vietnam has also been complicated and unsmooth. The complication of reform process seems to be continuing as Vietnam aims at 'establishment of synchronous institutions of a market economy by socialism orientation', which is considered a key dimension for successful implementation of the Socio-economic Development Strategy 2001-10.⁴ An examination of Vietnam's experience is, therefore, to help enrich our understanding of the underlying political and economic determinants of transitional and developmental process. It is also helpful for Vietnam to adjust her institutional reform process for getting better policies for development. With that purpose, this paper is about the economic reform process in Vietnam, in which the changes in institutions for supporting private sector development are taken as the focus of consideration.