

# **Australia- Vietnam Economic Reform (Aus4reform) Program**

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## **Activity Terms of Reference**

### **National consultants conduct the study on "Autonomy and self-responsibility of State-owned enterprises under the market mechanism"**

#### **1. Background to Aus4Reform**

The Australia-Viet Nam Economic Reform (Aus4Reform) Program works with the Vietnamese Government to boost productivity and competitiveness in Vietnam. The program supports the development of quality policies, laws, and institutions through advocacy, consultation, and by strengthening the evidence base for economic policies - drawing on international experience and expertise, especially from Australia.

Specific outcomes that the Program will contribute to by the end of 2020 include:

- a. An improved and more equitable business enabling environment resulting in the formal registration of at least one million private enterprises by 2020.
- b. More competitive and transparent product and factor markets
- c. Stronger competition law institutions, including an amended competition law, and restructured competition agency and enforcement mechanisms.
- d. Improved evidence base on impact of efforts to accelerate rural restructuring
- e. Increased evidence base and awareness of the links between Women's Economic Empowerment (WEE).

The Program will help the GoV achieve these objectives via four targeted components

- Building more Competitive and Transparent Markets and Business Enabling Environment
- Ensuring Markets Operate Competitively in Consumer and National Economic Interests
- Facilitating the Restructuring of the Rural Economy
- Greater Business and Women's Voice in Investment Climate and Economic Restructuring Issues.

and a Flexible Fund to Respond to Emerging Bottlenecks to Productivity Growth and Innovation.

#### **2. Activity Objectives and Approach**

##### **2.1. Context**

After more than 30 years of renovation, Vietnamese institutions and laws have been amended and supplemented so that SOEs are increasingly operating under the market mechanism through many provisions on autonomy and self-responsibility of SOEs, eliminating subsidies for SOEs, reducing state administrative interference in enterprises such as the Enterprise Law, the Law on management and utilization of state capital

invested in the enterprise's manufacturing and business activities, the Law on State budget and financial guidance documents of SOEs. The State's documents (such as National Assembly's Resolution No.24 and Government's Resolution No.27, etc.) determine to definitively handle of loss-making SOEs and inefficient investment projects of SOEs under market principles and mechanisms; examine and implement SOEs bankruptcy under the Law on Bankruptcy.

However, until 2020, SOEs do not still have sufficient autonomy and self-responsibility to operate equally under the market mechanism. State management agencies also make decisions on many business issues of SOEs. That fact has a negative impact on the process of forming a favorable and fair business environment in Vietnam.

In order to have more space for the private sector development, one of the issues is the SOEs must be autonomous, self-responsible and compete fairly under the complete, modern and integrated market mechanism.

In 2020, the Central Institute for Economic Management (CIEM) is assigned by the Ministry of Planning and Investment to perform the task of elaborating the scheme on "Applying modern management to state-owned enterprises; transparency in business investment activities of the state owner" and submit to the Prime Minister in December 2020, including content on ensuring the autonomy and self-responsibility of SOEs according to international practices of corporate governance for SOEs.

Within the framework of the Aus4Reform Program, the Department for Enterprise Reform and Development (DERD) - CIEM would like to propose the study on "*Autonomy, self-responsibility of SOEs under market mechanism*".

## **2.2. Objectives**

The overall objective of the study is to create a favorable and fair business environment, contribute to perfecting the competitive institutions, controlling monopoly and developing private economy through: imposing complete market mechanisms for SOEs, improving self-responsibility and abolishing state administrative interventions on SOEs.

The specific objectives of the study include:

- Reviewing, evaluating and proposing amendment and supplement to the institutional and legal system to ensure SOE's autonomy and self-responsibility.
- Thereby, improving the efficient use of resources and the business environment, promoting the private sector development.

The output of the study is to assist CIEM to carry out the assigned task of implementing Scheme on "Applying modern management to state-owned enterprises; transparency in business investment activities of the state owner" and submit to the Government in fourth quarter of 2020.

## **2.3. Scope and approach**

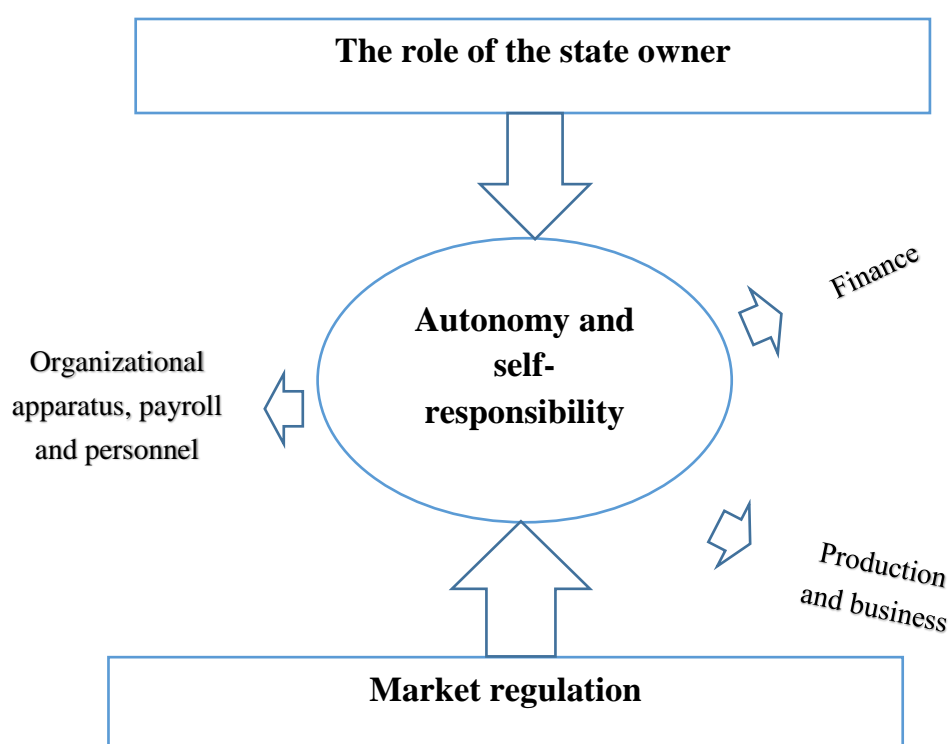
- Spatial scope: All sectors of Vietnam's economy

- Time range: Assessing the situation from 2016 to 2020; proposing perspectives, orientations and solutions for the period of 2021-2025, vision to 2030

- Contents: Institutions, regulations, enforcement on the fields of economic activity of SOE. SOEs include all enterprises defined as SOEs under the law of Vietnam.

SOE's autonomy is the same rights and responsibilities as private sector enterprises (if the same legal form) with the aim of minimizing the intervention of state agencies in businesses decisions of SOEs and ending of State's non-commercial assistance. SOEs must be bankrupt under the Law on Bankruptcy when they are insolvent. SOE shall exercise the autonomy and take self-responsibility in the following contents: (i) Finance; (ii) Organizational apparatus, payroll and human resource management; (iii) Production and business;

***Research approach framework:***



**2.4. Deliverables**

- 01 thematic report on “International experience on SOEs' autonomy and self-responsibility under the complete, modern and integrated market mechanism”;
- 01 thematic report on “Overview of Vietnam’s policies and laws related to the autonomy and self-responsibility mechanism of SOEs”;
- 01 thematic report on “Vietnam’s current situation of SOE’s autonomy and self-responsibility mechanism implementation”;
- 01 comprehensive report of senior consultant on “Autonomy, self-responsibility of SOEs under market mechanism” with the following outline:

Part 1. Objectives of SOEs autonomy and self-responsibility

Part 2. International practices on SOEs autonomy and self-responsibility

- Finance, investment, loan, access to credit, asset management
- Freedom of agreement on wages, recruitment of labor and managers and other issues of human resource management
- Autonomy and self-responsibility in production and business activities, market access, business strategy and plan, technology

### Part 3. Current situation of SOEs autonomy and self-responsibility in Vietnam

- Review and list the policies and regulations related to the following SOE's activities:
  - + Finance, investment, loan, access to credit, asset management
  - + Freedom of agreement on wages, recruitment of labor and managers and other issues of human resource management
  - + Autonomy and self-responsibility in production and business activities, market access, business strategy and plan, technology
- Assessment of SOEs autonomy, self-responsibility under market mechanism in Vietnam
  - + Achievements and causes (in objective and subjective)
  - + Limitations, existence and causes (in objective and subjective)

### Part 4. Policy recommendations on SOEs' autonomy and self-responsibility under the market mechanism.

- Effective solutions to implement the SOEs' autonomy, self-responsibility under market mechanism (on mechanisms and policies; on enforcement apparatuses, sanctions enforcement, etc.)
- Recommendations on amendments to the laws, decrees, circulars and decisions of the Prime Minister on the following activities:
  - + Finance, investment, loan, access to credit, asset management
  - + Freedom of agreement on wages, recruitment of labor and managers and other issues of human resource management
  - + Autonomy and self-responsibility in production and business activities, market access, business strategy and plan, technology
- Recommendations for gender equality in recruiting workers and leaders at SOE, supplement of regulations on the responsibilities of the SOE's Board of Director in implementing gender equality and adding gender content in SOE's annual reports.
- Conditions for implementing the solutions
- 01 policy brief on "Autonomy, self-responsibility of SOEs under market mechanism"

All reports must be submitted to Aus4Reform Program Office in both hard copy and soft-copy in PDF or WORD format.

## **2.5. Specific requirements from consultants**

### **(i) Junior consultant (Consultant No.1):**

*Consultant No. 1 implements the following tasks:*

- Synthesis of international experience on SOEs' autonomy and self-responsibility under the complete, modern and integrated market mechanism.
- Pointing out the barriers to imposing the autonomy and self-responsibility mechanism of SOEs under the the complete, modern and integrated market mechanism.
- Drawing lessons for Vietnam in developing the autonomy and self-responsibility mechanism of SOEs under the complete, modern and integrated market mechanism.
- Provide research materials and other documents and data for senior consultant.

*Requirement for consultant No.1:*

- Graduated from university with a major in law, economics, development economics or other related fields (with a Master's or Doctorate degree is an advantage).
- Have at least 10 years of research and analysis experience in the areas related to economic restructuring, SOE reform and development, international integration
- Have knowledge of economic policy analysis and research.
- Understand Vietnamese law.
- Ability to use at least one common language to look up, refer to foreign documents.

### **(ii) Junior consultant (Consultant No.2):**

*Consultant No. 2 implements the following tasks:*

- Conducting a review of Vietnam's policies and laws related to the autonomy and self-responsibility mechanism of SOEs
- Synthesis of previous studies related to Vietnam's policies and laws on autonomy and self-responsibility mechanism of SOEs
- Overall assessment of institutions and policies on SOEs' autonomy and self-responsibility and proposing solutions.
- Provide research materials and other documents and data for senior consultant.

*Requirement for consultant No.2:*

- Graduated from university with a major in law, economics, development economics or other related fields (with a Master's or Doctorate degree is an advantage).
- Have at least 5 years of research and analysis experience in the areas related to economic restructuring, SOE reform and development, international integration

- Have knowledge of economic policy analysis and research.
- Understand Vietnamese law.
- Ability to use at least one common language to look up, refer to foreign documents.

**(iii) Junior consultant (Consultant No.3):**

*Consultant No.3 implements the following tasks:*

- Conducting a review of Vietnam's current situation of SOE's autonomy and self-responsibility mechanism implementation
- Synthesis of previous studies related to Vietnam's current situation of SOE's autonomy and self-responsibility mechanism implementation
- Overall assessment of institutions and policies on SOE's autonomy and self-responsibility mechanism implementation
- Provide research materials and other documents and data for senior consultant.

*Requirement for consultant No.3:*

- Graduated from university with a major in law, economics, development economics or other related fields (with a Master's or Doctorate degree is an advantage).
- Have at least 5 years of research and analysis experience in the areas related to economic restructuring, SOE reform and development, international integration
- Have knowledge of economic policy analysis and research.
- Understand Vietnamese law.
- Ability to use at least one common language to look up, refer to foreign documents.

**(iv) Senior consultant (Consultant No.4):**

*Consultant No.4 implements the following tasks:*

- Using research results of the first, second and third consultants to conduct in-depth assessments of SOE's autonomy and self-responsibility regulations
- Proposing solutions to impose autonomy and self-responsibility mechanism of SOEs, reduce state agencies' intervention in SOEs for the period after 2020.
- Conduct a draft research report on SOE's autonomy and self-responsibility under the market mechanism (about 100 pages) which cover the main contents in section 2.4.
- Recommendations for gender equality in recruiting workers and leaders at SOE, supplement of regulations on the responsibilities of the SOE's board of director in implementing gender equality and adding gender content in SOE's annual reports.
- Consult with CIEM on some related issues.
- Refer to CIEM, relevant agencies and experts (if necessary).
- Request consultants No.1, 2 to provide necessary documents, data and reports to develop research reports.

*Requirement for consultant No.4:*

- Graduated from a university with a major in economics, development economics or other relevant fields (with a Master's or Doctorate degree is an advantage).
- Have at least 15 years of research and analysis experience in the areas related to economic restructuring, SOE reform and development, international integration
- Have knowledge of economic policy analysis and research.
- Understand Vietnamese law.
- Ability to use at least one common language to look up, refer to foreign documents

### **3. Timing**

- ***For 02 junior consultants:***

- Submitting 02 overview Reports: by September 30<sup>th</sup>, 2020

- ***For senior consultant:***

- Submit the draft report before November 15<sup>th</sup>, 2020

- Submit the final report before November 30<sup>th</sup>, 2020

- Launching workshop: The consultant will present the results of the study at the workshop organized by the Component Project Management Board (time will be informed later)

### **5. Direction**

- Consultants will take responsible before Aus4Reform Program Director. The Project Management Board will assist the consultant.

- Place of implementation: Hanoi

- In case the consultants are required to participate in activities within the Program outside Hanoi, travel and accommodation costs will be paid separately.

- The utilization of research materials and results for other purposes beyond the scope of activities should be approved in writing by the Project.

### **6. Resources needed**

- Curriculum Vitae of consultants;

- Contact details of consultants