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**STATE ECONOMY AND SOE
RESTRUCTURING: REVIEW THE RESULTS
OF THE 2011-2020 PERIOD AND PROPOSE
SOLUTIONS FOR THE PERIOD OF 2021-2030**

Hanoi, 2019

FOREWORDS

State economy and SOEs have been two of the important subjects to be reformed in the process of economic transformation in Vietnam since 1986. During the implementation of the 10-year Socio-Economic Development Strategy for the period of 2011-2020, Vietnam has implemented the program of restructuring the SOE sector in line with the 5-year plans for the 2011-2015 period and the 2016-2020 period, contributing to complete the market economy institution, transform the growth model, improve the quality, efficiency, sustainability, added value and competitiveness of the economy and the enterprise sector.

To prepare for the formulation of the 10-year Socio-Economic Development Strategy for the period of 2021-2030 including the content of the state economy and restructuring of the SOE sector, it is necessary to review and evaluate the implementation results in the period of 2011-2020, from which to build viewpoints, directions, goals and solutions for the next 10-year period.

The Central Institute for Economic Management is the agency assigned by the Ministry of Planning and Investment to carry out research activities to participate in preparing the formulation of the Socio-Economic Development Strategy for the 2021-2030 period and the Plan for the period of 2021 - 2025. In the process of carrying out this task, the Australian Program to support Vietnam's economic reform (AUS4REFORM) assisted the Central Institute for Economic Management (CIEM) to conduct research on "*State economy and SOE restructuring: Review the results of the 2011-2020 period and propose solutions for the 2021-2030 period*".

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All views, opinions in the Report are solely of authors and may not necessarily reflecting those of the CIEM and/or the Aus4Reform Program.

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ABBREVIATION

CIEM:	The Central Institute for Economic Management
SOE:	State-owned enterprise
FDI:	Foreign direct investment
GSO:	General Statistics Office
MPI:	Ministry of Planning and Investment
WB:	World Bank
OECD:	Organisation for Economic Co-operation and Development

EXPLANATION OF SOME CONCEPTS, SUBJECTS, SCOPE AND RESULT SUMMARY

I. PURPOSE, SUBJECTS, SCOPE AND METHODOLOGY

1. Framework of objectives

This report is a source of information for the Central Institute for Economic Management to participate in summarizing and evaluating the implementation of the Socio-Economic Development Strategy in the 2011-2020 period, proposing perspective, direction of Socio-Economic Development Strategy in the 2021-2030 period, Plan for the period of 2021-2025 related to the role of state economy and SOE restructuring. Specific objectives include:

- Providing analysis and assessment of the implementation of the role of the state economy and SOE restructuring in accordance with the objectives and tasks set out in the Socio-Economic Development Strategy for the period of 2011-2020, plans for the period of 2011-2015 and 2016-2020 to clarify the achievements, shortcomings and limitations; analyze the causes of the results of implementing the objectives and tasks; draw lessons learned from the process of implementing objectives and tasks.
- Proposing viewpoints, objectives and tasks on the implementation of the role of the state economy and SOE restructuring for the period of 2021-2030, the plan for the period of 2021-2025 based on the evaluation results of the 2011-2020 period and the analysis of relevant national and international contexts.

2. Explanation of some terms, subjects and scope of research

- **State economy:**

“*State economy* ” is an economic sector defined in Article 51 of the 2013 Constitution of the Socialist Republic of Vietnam.

- **The role of the state economy in the period of 2011-2020:**

This report only studies on *the role of the state economy* instead of comprehensively researching issues related to the state economy (such as economic entities, ownership relations, management and utilization of state-owned assets).

“*The role of the state economy in the period of 2011-2020* ” is understood as the role of state-owned assets to the overall economy of Vietnam during the implementation of the Socio-Economic Development Strategy in the period of 2011-2020.

“Assets belonging to the state economy ” within the scope of this Report are interpreted as the properties specified in Article 53 of the Constitution of the Socialist Republic of Vietnam in 2013 and Article 197 of the 2015 Civil Code.⁶³

- **State-owned enterprises (SOEs):**

SOEs include limited liability companies and joint-stock companies where the State holds more than 50% of charter capital⁶⁴.

- **Restructuring of SOEs:**

Restructuring a business is organizing its operations in a new way to improve its efficiency⁶⁵.

“Restructuring SOEs sector” within the scope of this Report is understood as all reforms on economic institutions, legal regulations and implementation of the allocation, management and use of State-owned resources in the investment, production and business of SOEs in the economy as a whole to improve the efficiency of these resources.

- **SOE governance:**

“SOE governance ” within the scope of this Report is understood as the orientation and control of SOEs through the relationship between the state owner/state shareholder, other SOEs’ shareholders and stakeholders with the SOE management and administration apparatus⁶⁶.

3. Main approach and research method

Based on the research framework and objectives presented in Section 1 above, the main approach of the Report on evaluating the role of the state economy and SOE restructuring is to compare the actual results with the objectives and tasks of the role of

⁶³ Land, water resources, mineral resources, resources in the sea, airspace, other natural resources and properties invested and managed by the State are public properties owned by the entire people and unified managed by the State as owner's representative.

⁶⁴ In Vietnam, the legal definition of SOEs has been revised several times in legal documents through stages. The 1995 State-owned Enterprises Law asserts: “SOEs are economic organizations invested and established by the State”. The 2003 State-owned Enterprises Law asserts: “State-owned enterprises are economic organizations of which whole shares or dominant shares of contributed capital are owned by the State, organized in the form of state companies, joint-stock companies or limited liability companies”. The 2005 Enterprise Law stipulates: “SOEs are enterprises in which the State owns more than 50% of charter capital”. The 2014 Enterprise Law stipulates: “SOEs are enterprises in which the State owns 100% of charter capital”. In accordance with the content of the term SOEs in the Socio-Economic Development Strategy in the period of 2011-2020 (adopted in 2011 when the 2005 Enterprise Law is still in force) and based on the new orientation in Resolution No. 12-NQ /TW in 2017 of the Central Government of Vietnam, the concept of SOEs used within this Report is similar to that of the 2005 Enterprise Law.

⁶⁵ <https://dictionary.cambridge.org/dictionary/english/restructuring>

⁶⁶ Defined by the OECD 2004 "Corporate governance" concept.

state economy and SOE restructuring set out in the Socio-Economic Development Strategy in the period of 2011-2020 (approved by the 11th National Congress of Delegates in 2011) and in relevant resolutions, conclusions, and legal documents of Vietnam.

Therefore, the reference sources of the Report are mainly documents and data officially published by the Vietnamese competent authorities, including: (i) The annual reports of the Government to the National Assembly on the situation of activities of investment, management and use of state capital in enterprises nationwide from 2011 to 2018, which had posted on the website of Ministry of Finance (mof.gov.vn); (ii) Statistical Yearbook of Vietnam from 2011 to 2018, White Paper on Vietnam Enterprises 2019 and statistics which are posted on the General Department of Statistics website (gso.gov.vn); (iii) Official documents, resolutions, conclusions and reports of relevant state agencies.

II. SUMMARY OF THE REPORT CONTENTS

1. The report's structure consists of three parts: (i) Objectives and requirements for the role of the state economy and SOE restructuring in the period of 2011-2020. (ii) Assessing the results of the implementation of the role of the state economy and SOE restructuring in the period of 2011-2020. (iii) Proposing directions for implementing the role of the state economy and SOEs restructuring until 2030, and the 2021-2025 plan.

2. On the basis of analyzing statistics on state resources, the contribution of the state economy to economic growth, state budget revenues, to sectors and fields of the economy and in comparison to the requirements specified in the Socio-Economic Development Strategy in the period of 2011-2020, this report shows that the implementation of the role of the state economy has the following characteristics:

2.1. The state economy plays an important role in socio-economic development, economic growth and a number of key sectors and domains of the economy; plays a decisive role to effectively implement the State's pricing policy, price regulation or stabilization; making a decisive contribution to the development of necessary infrastructure system for business activities of all economic sectors and socio-economic development, which haven't done by other economic sectors due to huge investment, slow capital recovery, lack of short-term profitability. This would contribute to ensuring a safe, peaceful and stable business environment for the development of other economic sectors.

2.2. In addition to the achievements, this report found that outcomes of the objectives set by the Socio-Economic Development Strategy 2011-2020 for the role of the state economy is still limited. The growth rate and investment efficiency of the state economy have increased but still remained lower compared to other economic sectors.

The share of the state economy in GDP, remittances to the state budget, new job creation and market share in most industries are declining, especially in highly competitive industries such as trading, manufacturing, etc. The results of implementing the leading role in creating the driving force for the economy of the state economy are unclear.

3. Regarding the restructuring of the SOE sector, the Report has collected and analyzed in detail the situation of SOE restructuring from 2011 to June 2019 on three contents: Firstly, restructuring SOEs through improving market economy institutions, improving SOE governance capability to meet international standards. Secondly, restructuring SOEs through equitization and divestment of state capital. Thirdly, restructuring SOEs through measures to improve the efficiency and competitiveness of SOEs.

4. On the basis of analyzing the situation of SOEs restructuring, the Report assessed the results of 04 objectives and 06 SOE restructuring tasks set out in Decision No. 707/QĐ-TTg. of the Prime Minister.⁶⁷

5. Regarding the implementation of the objective "SOEs have a more reasonable structure": The report evaluates the results achieved at a low level. The industry structure of production and business enterprises invested by the state until 2019 has no major changes compared to that in 2011. The reason is that although about 700 state-owned enterprises have been converted into joint-stock companies (accounting for over 50% of wholly state-owned enterprises in 2011), the sale of state shares and divestments of the state capital remained low, which needs to maintain state capital in equitized enterprises and in most business sectors.

6. Regarding the implementation of the objective "Improving the efficiency and competitiveness of SOEs", The report evaluates that performances are still poorly met. The study showed that the proportion of loss-making SOEs has decreased, the average profit margin of SOEs in the period of 2011-2018 is higher than profit margin of an average of registered enterprises in Vietnam, but was still lower than that of the FDI sector and even the SOEs itself in the 2001-2010 period; The market shares of SOEs in most of the sectors of the economy have decreased.

7. Regarding the implementation of the objective of "completing the institutions for SOEs to operate in line with market mechanisms" and "managing SOEs in accordance

⁶⁷ 04 objectives include: Arranging, equitizing, divesting state capital so that SOEs can have a more reasonable structure; improving operational efficiency; meeting international standards in the corporate governance; thoroughly handling shortcomings and weaknesses of SOEs; and perfecting the management and supervision model. 06 tasks include: Completing institutions; completing equalization and divestment of state capital; comprehensively restructuring the operations of SOEs; focusing on resolving shortcomings and weaknesses of 12 poor performing projects; approving, implementing the restructuring plan; and effectively implementing rights, obligations and responsibilities of the state ownership.

to international practices": This report found that the Law on Enterprise has created an equal competition mechanism without discrimination between SOEs and other enterprises, and established a SOE governance framework similar to that of enterprises in the private sector. However, in fact, SOEs do not have sufficient autonomy and self-responsibility to operate under the market mechanism; SOE governance still has a gap compared to international standards due to the lack of complete separation of state ownership functions from state management functions; the SOE Members' Council does not have a high level of autonomy, the implementation of SOE information disclosure regulations is limited; ownership policies for each SOE are not clear and consistent; SOE management personnel are not as professional as international standards, etc.

8. Regarding the implementation of the objective "Focusing on resolving the shortcomings and weaknesses of SOEs": The report assessed that the target has not been achieved. Typically, the handling of loss-making projects and factories has not completed as required by the Prime Minister's Decision No.707/TTg of 2017.

9. Regarding "Improving the model of management and supervision of state enterprises and State capital and assets invested in enterprises", the report assessed that during the past time, the results have achieved through the establishment of the Commission for the Management of State Capital at Enterprises (CMSC). However, recently, in SOEs and enterprises with state capital, there have not a clear and completed separation between the ownership functions and the state administrative functions of ministries, branches and localities.

10. *The main causes* of the failure to achieve the goal of restructuring SOEs and implementing the role of the state economy in the period of 2011-2020 are:

10.1. The report suggests that the core cause is the formation of a fully functioning market economy institution (in both awareness and action) is still delayed, the subjects of the economy, including the state economy and SOEs are not fully operating in accordance with the market mechanism. Since the operation was not in accordance with a full market mechanism, the efficiency of resource allocation has been low, that caused the restructuring of the economy in general and the restructuring of SOEs, in particular, has not reached the expected goals.

10.2. Specific causes include: *Firstly*, the difficulties from the market that adversely affect many SOEs, especially in the period affected by the 2008-2009 financial crisis and recession. *Secondly*, the limited capability, technology, management, administration and production of SOEs. *Thirdly*, the unclear viewpoints and orientations on the leading role of the state economy and SOEs, making confusion in implementation. Typically, the confusion between empowering autonomy and self-

responsibility to SOEs under the market mechanism and strengthening the management and supervision of the State which leads to administrative intervention in SOEs; the confusion between the requirement to equitize or divest state capital in accordance with the market principles and the requirement to preserve and develop the state capital, etc. The lack of adjustment to the identification of a number of objectives on the role of the state economy and restructuring of SOEs compared to the capability, and nature of the state economy and SOEs in the market mechanism. Therefore, such roles like "orientation", "regulation" or "leading" in the economy cannot be fulfilled.

11. In the third part of the Report, the research team analyzed domestic and international contexts, proposed perspectives, directions for implementing the role of state economy and SOE restructuring until 2030, and the 2021-2025 plan.

12. Regarding the situation of SOEs in the world, the Report presented that SOEs play a certain important role in most economies. However, the level of SOE reform remains a criterion of a complete, modern and integrated market economy. Therefore, in developing solutions to restructure SOEs in Vietnam, the following issues should be considered: (i) SOEs must not restrict the development of the private sector; (ii) Restructuring SOEs should be tied with the requirements to ensure fair competition environment; (iii) SOE innovation must give SOEs autonomy and self-responsibility, and avoid imposing too many non-market and non-economic tasks on SOEs.

13. Regarding the domestic context, it is noteworthy that, recently, there has been an official policy of identifying the private sector as an important driving force of the economy. It posed an urgency of renovation of the SOE sector.

14. Recommendations on the role of the state economy: The report suggested that the state economy must focus on supporting functions, linking other economic sectors to develop together; contribute to promote rapid and sustainable economic growth and develop social progress and justice. Instead of being a competitor to the domestic private sector, the state economy should be a supporter for the private sector to become the main driving force of the Vietnamese economy.

15. The report proposes the system of viewpoints on implementing the role of state economy, including *Firstly*, it is necessary to focus on investing state economic resources in building and perfecting the socio-economic infrastructure system for the development of all economic sectors; ensure the supply of essential public products and services that other economic sectors do not invest and provide; create favorable and safe investment and business environment, regulate the economy on the basis of respecting market rules. *Secondly*, restructuring the resources of the state economy investing in business on the principle of gradual reduction, proceeding to withdraw from competing business sectors that other economic sectors can perform better and

more effective, contributing to the implementation of the policy of developing the private sector as an important driving force of the economy.

16. The paper proposed viewpoints on the role of SOEs and restructuring SOEs in the new context. Accordingly, SOEs must focus on key and essential areas, such as public services to society, and national defense and security, where enterprises of other economic sectors do not invest; considering economic efficiency as the main evaluation criteria; being autonomous, self-responsible, compliant with discipline and market standards in investment and business.

17. Based on the viewpoints on the role of SOEs, the Report proposes the system of objectives and solutions to implement SOE restructuring to 2030, with the plan for the period of 2021-2025:

17.1. Regarding the goal of SOE restructuring, the Report recommends that by 2030, SOEs must operate completely under the market mechanism and fully meet international standards on corporate governance, and also make specific recommendations for a number of quantitative targets on profit margins, on the number of SOEs to be listed on domestic and international stock markets, etc.

17.2. Regarding the plans for 2021-2025, the Report has proposed specific, detailed solutions for: (i) improving the institutional system for SOE management in accordance with the requirements of market economy development; (ii) Improving the quality of SOE management, business operation and organization; (iii) Fundamentally renovating the mechanism for implementing the rights of state ownership representation in SOEs and state capital in enterprises; (iv) Completing equitization and divestment of state capital in the direction that SOEs are only concentrated into 04 groups of sectors and fields in accordance with Article 10 of the Law 69/2014/QH13; proceeding to divest state capital from the remaining industries and fields. According to this orientation, the Report recommends that, for the period of 2021-2025, about 90% of the enterprises wholly owned by the State needs to be equitized.

PART 1: OBJECTIVES AND REQUIREMENTS FOR THE STATE ECONOMY, RESTRUCTURING OF SOEs IN VIETNAM IN THE PERIOD OF 2011-2020

1. Background and necessity of restructuring SOEs in the period of 2011-2020

Since the period of 2008-2009, under the impact of the financial crisis and economic recession in the world, along with internal limitations and weaknesses, the operations of many SOEs have encountered difficulties and business efficiency tends to reduce. According to the General Statistics Office, the profit-to-assets ratio of the entire SOE sector in 2010 was only 2.9% (compared to 3.2% in 2005), while FDI enterprises reached 6.6%(compared to 11.2% in 2005) ⁶⁸ .

Assessing the implementation of the 10-year socio-economic development strategy of 2001-2010, the Political Report of the 10th Central Committee of the Communist Party of Vietnam at the 11th National Party Congress of the Party pointed out: "*The economic development is not sustainable; the quality, efficiency, competitiveness are low, not commensurate with the country's potential opportunities and development requirements; some targets didn't reach the goal, etc. There are a number of loss-making economic groups and state-owned enterprises causing frustration in the society*".

Resolution No.42/2009/NQ-QH12 dated November 27, 2009 of The National Assembly assessed: "*A significant number of economic groups, enterprises have low production and business efficiency which have not performed their key role in the economy, and the adequate advantages and investment from the State.*"

Report No.62/BC-CP of the Government dated November 23, 2011, on the actual situation of operations of state corporations and enterprises in the 2006-2010 period has identified: "*The efficiency of investment and business of SOEs in general and state corporations and enterprises, in particular, are not commensurate with the position, role and potentiality of enterprises.*"

The sixth plenum of The 11th Central Committee of the Communist Party of Vietnam concluded the outcome in the 10-year period of arranging, renewing, developing and improving the performance of SOEs from 2001 to 2010 that "*The SOEs have been restructured as an important step, mainly focusing on key fields and areas that should be controlled by the State, contributing to the State's economic performance in the role of leading, stabilizing and developing socio-economic conditions, ensuring social*

⁶⁸ General Statistics Office, "Vietnamese Enterprises - First 15 Years of the Century (2000-2014)", Statistical Publishing House, 2017, page 126.

security and demands of national defense and security . However, the arrangement and equityization of SOEs is still slow and loose; technological level is obsolete, corporate governance is weak and efficiency is low. The separation between state management functions and state ownerships management functions is not clear enough; The institutions and mechanisms for State ownerships management and supervision have many loopholes and shortcomings. The structure of sectors and fields is not rational, spread and investments outside the industry are inefficient. Some enterprises seriously violated the law, causing great loss and waste of state capital and assets "(Conclusion No. 50-KL /TW dated October 29, 2012).

In summary, by 2010, the process of reorganizing, innovating, developing and improving the efficiency of SOEs has achieved many positive results. SOEs hold a high proportion in the Vietnamese enterprise system in terms of resources, controlling sectors of the economy. However, due to their important role in the economy, the inadequate performance and competitiveness caused negative impact on the efficiency and competitiveness of the whole economy.

That context requires the restructuring of SOEs in the period of 2011-2020 to contribute to improve the efficiency and competitiveness of the economy as well as of the SOE sector.

2. Overview of documents setting goals and requirements for restructuring SOEs in the period of 2011-2020

Since the Renovation in 1986, Vietnam has had many guidelines and orientations on the arrangement, innovation, development and improvement of the performance of SOEs. However, the term "SOE restructuring" is only officially used in the 2011-2020 period in the following documents:

- Resolution of the 11th and 12th National Congress of the Party, including general directions on the role of the state economy and solutions for SOEs restructuring in the socio-economic development strategy for the period of 2011-2020, 2011-2015 plan and 2016-2020 plan.
- Resolution No.10/2011/QH13 on the socio-economic development plan in the period of 2011-2015 which directs that "It is necessary to focus on restructuring the economy in 3 important areas, including restructuring investment, focusing on public investment; restructuring financial market, focusing on restructuring commercial banks system, financial institutions; restructuring of businesses, focusing on economic groups and State corporations."
- Conclusion No.10-KL/TW of October 18, 2011 of the Central Executive

Committee (11th Session) directs that restructuring of the economy must be associated with renovating the growth model towards improving quality, efficiency and competitiveness, focusing on the three most important areas, including Restructuring investment with a focus on public investment; restructuring the financial market with a focus on restructuring the commercial banking system and financial institutions; SOE restructuring focuses on economic groups and State corporations Conclusion No.50-KL/TW dated October 29, 2012, of The 11th Central Committee of the Communist Party of Vietnam, proposed viewpoints and guidelines on continuing reorganizing, renewing and improving the efficiency of SOEs.

- Conclusion No.103-KL/TW dated September 29, 2014 sets out the policy of continuing to perfect the socialist-oriented market economy institution, including the state-owned economic institution. Resolution No.04-NQ/TW dated October 30, 2016 of the Central Executive Committee of the 12th term requires that reviewing and perfecting regulations and legal documents on management and administration to ensure disclosure and transparency, contribute to the elimination of the application-approval process ; prevent and repel corruption, "group interests", "backyards", profiteering in management and use of budgets, public assets, equitization of state enterprises, investment capital, land, resources, minerals, finance, banks, taxes, customs, allocation, management and staffing, etc. Promoting socialization, separating between public service provision, production and business management and state management functions in order to improve the effectiveness and efficiency of state management agencies; redress bureaucracy, authoritarianism, harassment and other negative acts from officials and public employees, etc. Reviewing, divesting, equitizing, reorganizing operations of loss-making military and police enterprises, which not serving national defense and security tasks.
- Resolution No.05-NQ/TW dated November 1, 2016 of the Twelfth Communist Party's Central Committee outlines a number of major guidelines and policies to continue renovating the growth model, labor productivity and competitiveness of the economy.
- Resolution No.24/2016/QH14 of the National Assembly on economic restructuring plan in the period of 2016 - 2020 sets out the target of "Divesting all state capital in enterprises of the sectors in which the State does not need to hold more than 50 percent of their capital, divesting state capital to the floor level prescribed for the sectors that the State reorganizes and restructures investment capital". They also set key tasks of "Continuing to promote the restructuring of SOEs focusing on economic groups and State corporations.

Furthermore, it is necessary to assess the nature and promote equitization and divestment of State investment in a public and transparent manner in accordance with the market mechanism; strengthen checking, inspection, supervision and audit in order not to cause loss of capital and public assets; perfect the model of SOE governance; adopt appropriate control mechanisms for the source of capital for selling/buying and merger of enterprises. The equitized enterprises must be listed on the stock market within one year from the date of the first issue of shares as well as attract competent strategic investors. They also need to develop and announce specific annual goals for state capital divestment in enterprises. Finally, thoroughly handling loss-making SOEs and inefficient State investment projects in accordance with market principles and mechanisms; even applying to bankruptcy these SOEs in accordance with the provisions of the law, if necessary".

- Resolution No.12-NQ/TW of June 3, 2017 sets out the goals, viewpoints and directions for solutions to restructure, innovate and improve the efficiency of SOEs until 2020.

3. Regarding determining the role of state economy⁶⁹

The Platform on national construction in the period of transition to socialism (supplemented and developed in 2011) identified that a socialist-oriented market economy would be developed with various forms of ownership, economic sectors, business organization models and distribution models. All economic sectors operating under the law are all important sectors of the economy which equal before the law, develop in long term together, cooperate and compete fairly. The State economy plays a key role.

The Socio-Economic Development Strategy for the period of 2011-2020 sets the viewpoints of developing economic sectors and types of businesses fast and harmoniously; Strengthening the potential and improving the efficiency of the state economy. In this period, the State economy plays a key role and is an important material force for the State to orient and regulate the economy, contributing to the stability of macro-economy.

The 2013 Constitution states that the Vietnamese economy is a socialist-oriented market economy with many forms of ownership and various economic sectors, in which State economy plays the leading role (Article 51). Land, water resources, mineral resources, resources in the seas, airspace, other natural resources and properties invested and managed by the State are public properties owned by the entire people, the State performed as the ownership representative (Article 53).

⁶⁹ The name "State economy" has replaced the name "State-owned economy" since 1994.

4. The goals of SOE restructuring in the period of 2011-2020

4.1. The goals of renovating, restructuring and improving SOE efficiency under Resolution No. 12-NQ/TW of June 3, 2017

- Overall objectives: Restructuring, renewing and improving the efficiency of SOEs on the basis of modern technology, innovation and management capability in accordance with international standards, in order to mobilize, allocate and effectively use social resources, preserving and developing state capital in enterprises so that SOEs can maintain a key position and be an important material force of the state economy, contributing to promoting economic development and making social progress and fairness.
- Objectives to 2020: Restructuring and renovating SOEs for the period of 2017-2020 based on criteria for classifying SOEs and enterprises with state capitals in sectors and fields. Striving to complete the divestment in enterprises, which the State does not need to hold or contribute capital to. Focusing on handling definitely ineffective and loss-making economic groups, state corporations, projects, investment projects of SOEs. Striving to meet international standards on corporate governance; improving production and business efficiency, product quality, and competitiveness of SOEs. Completing the model of management and supervision of SOEs and State capital and assets invested in enterprises. By 2018, setting up a specialized ownership agency for SOEs and the State's shares and contributed capital in enterprises.

4.2. The goal of restructuring SOEs in the period of 2011-2015 in accordance with the Decision No.929/QD-TTg of the Prime Minister

Decision No.929/QD-TTg dated July 17, 2012 of the Prime Minister approving the Scheme on "Restructuring of State-owned enterprises, focusing on economic corporations and groups in the 2011-2015 period" stipulates following 02 groups of objectives:

- (1) State-owned enterprises to have a more rational structure, focusing on key industries and fields, providing essential public products and services for society and national defense and security, serving as a core for the state economy to play a key role and be an important material force for the State to guide and regulate the economy and stabilize the macro-economy.
- (2) Improving the competitiveness, profit-to-equity ratio for business enterprises; fulfilling the task of producing and supplying essential public-utility products and services to the society, national defense and security for public-utility enterprises.

4.3. The goal of restructuring SOEs in the period of 2016-2020 in accordance with the Decision No.707/QD-TTg of the Prime Minister

Decision No.707/QD-TTg of the Prime Minister dated May 25, 2017 approving the Scheme on Restructuring of State-owned Enterprises, focusing on state-owned economic groups and corporations for the 2016-2020 period, in which Article 1.1 stipulates the following 04 groups of objectives. including

(i) Implementing the restructuring, equitization and divestment of state capital so that SOEs can have a more rational structure, focusing on key industries and fields; providing essential public products and services to the society; defense security; natural monopoly field; with high technology applications, large investments, creating motivation for socio-economic development that enterprises of other economic sectors do not invest. Performing disclosure and transparency in accordance with the market mechanism and the provisions of the law in equitization and divestment, to avoid negative phenomena, group interests, loss of capital and state assets.

(ii) Investment by state-owned enterprises focusing on the fields of science and technology; sectors and fields with strategic importance, leading and orienting the construction of a knowledge-based economy with high technology content, contributing to raising the competitiveness of the whole economy. Improving the efficiency of business operation and production, increasing competitiveness, profit-to-equity ratio of state-owned enterprises; strengthening management capability and governance capability in accordance with international standards. The operation of state-owned enterprises is strictly managed, supervised, publicized, transparent and equal with enterprises of other economic sectors.

(iii) Focusing on resolving the shortcomings and weaknesses of state-owned enterprises and enterprises with state capital in accordance with the provisions of law, ensuring disclosure and transparency, in accordance with the market mechanism.

(iv) Perfecting the model of management and supervision of state-owned enterprises and state capital, state assets invested in the enterprises. Separating the function of representing state ownership in state-owned enterprises and enterprises with state capital with the state management function of ministries, branches and localities soon."

5. Regarding the task of restructuring SOEs in the 2011-2020 period

5.1. The task of restructuring SOEs in accordance with the Socio-Economic Development Strategy for the period of 2011-2020

The Socio-Economic Development Strategy 2011-2020 sets out the tasks: Continuing to innovate vigorously and improving the performance of SOEs, especially economic

groups and corporations. Perfecting institutions of managing the operations of economic groups and corporations soon. Promoting equitization of SOEs; building a number of strong and multi-ownership economic groups, of which the state ownership plays a dominant role. Clearly defining the State ownership and business rights of enterprises, perfecting the mechanism of management of state capital in enterprises.

5.2. The task of restructuring SOEs in accordance with the 2011-2015 socio-economic development plan.

Renovating and perfecting laws, mechanisms and policies on ownership of land, natural resources, capital and other types of public assets so that natural resources, capital and public assets can be managed and used effectively, overcoming loss and wastefulness. Land, resources, capital and properties with State as owner representative is assigned to entities of all economic sectors to use on the efficiency principle. Entities have the same rights and obligations in the effective use of State resources.

Reviewing of operations of the State Capital Investment Corporation; studying and formulating organizations to effectively manage investment and business capital sources and properties of the State; overcoming the situation where the administrative management apparatus directly engages in business activities through administrative orders.

Promoting innovation, arrangement and improvement of business efficiency of SOEs. Urgently restructuring the business sector of state economic groups and corporations, focusing on a number of key sectors and fields of the economy.

Gradually developing enterprises at regional and global level. Defining correctly and more specifically the rights and responsibilities of the board of directors and the CEOs for state capital and assets at the enterprise, to ensure the right to take initiative in production and business of the enterprise, and preserve and improve the efficiency of using state capital and assets.

Promoting organizational and operational mechanism reform of public service units in line with the socialist-oriented market economy. These units have the right to be proactive and encouraged, given favorable conditions to participate in the market, provide more and better public services to society, especially health, education and training services, science, technology, etc.

5.3. The task of restructuring SOEs in accordance with the 2016-2020 socio-economic development plan

Continuing to promote SOE restructuring in the direction that SOEs focus on key and essential areas national defense and security; and areas where enterprises of other economic sectors do not invest.

Promoting equitization and sale of capital in enterprises where the State does not need to hold shares or does not need to hold dominant shares, including those that are doing business effectively. Completing the institution of pricing land, tangible and intangible assets (intellectual property, brand, etc.) in equitization in line with market principles. Separating production, business tasks and political, public tasks.

Separating the function of ownership of state assets and capital and the function of state management and business administration of SOEs; soon canceling the function of state ownership representation of ministries and People's Committees for state capital and assets in enterprises. Establishing a specialized ownership agency for SOEs.

Strengthening the contingent of leaders, managers, and improve SOE governance in accordance with international standards. Strengthen management, supervision, inspection and control to ensure publicity and transparency of investment, finance and activities of SOEs. To renovate the organization and operation mechanism of public non-business units in the direction of raising the autonomy and self-responsibility regime on organizational structure, payroll, personnel and finance; privatizing the public service sector, attracting economic sectors to participate in this field.

5.4. Overview of the core contents of the tasks of renovating, restructuring and improving the efficiency of SOEs under Resolution No.12-NQ/TW of June 3, 2017

(1) Promoting SOE restructuring:

Clearly defining the number and scope of sectors and fields that require state-owned enterprises or enterprises with state capital, to formulate 5-year plans and annual plans of restructuring of SOEs, equitization and divestment of state capital in accordance with the following principles: Focusing on key and essential areas; important areas and national defense and security; areas where enterprises of other economic sectors do not invest; reducing state ownership to a sufficient level to change governance substantially and attract highly qualified investors; maximizing the value of selling state capital under the market mechanism.

Definitely handling loss-making and inefficient SOEs and investment projects for enterprises where the State does not need to hold dominant shares or contributed capital it shall be equitized, sold, contracted, leased, dissolved or bankrupted. Enterprises where the State needs to hold 100% of the capital or need to hold dominant shares or contributed capital should be restructured with appropriate mechanisms and policies.

Expanding methods of selling shares, contributed capital, including selling the whole SOEs; to apply bankruptcy measures as prescribed by law to SOEs fail into bankruptcy without feasible restoration measures.

Complying with laws, respecting market mechanisms, implementing the equitization and divestment roadmap of state capital which are already approved by competent state agencies. Ensuring disclosure and transparency in SOE restructuring, especially in equitization and divestment of state capital in enterprises. Applying advanced asset valuation methods that are consistent with the market mechanism; ensuring that the State's capital, assets and enterprise values are fully, rationally, publicly and transparently priced. Completing the institution of pricing land, tangible and intangible assets (intellectual property, brand, etc.) in equitization in line with market mechanisms. Clearly defining the responsibilities of an independent valuation consultancy organization in valuing assets, capital and determining the value of enterprises. Clearly defining the responsibilities of the State Audit in auditing, determining the value of enterprises, valuing assets and the state capital.

For the equitization of SOEs that are assigned to manage and exploit infrastructure projects invested by the State, which play an important role in society, economy, national defense and security, the State exercises control in accordance with the following principles: The State shall unifiedly owns important infrastructure works; while equitized enterprises and investors receiving exploitation rights may only manage, operate and exploit infrastructure works and projects; The selection of investors and enterprises must comply transparently with the Bidding Law; ensuring national defense and security and protect national sovereignty and territorial integrity.

Implementing drastically and effectively the arrangement, innovation, development, and improvement of the operational efficiency of agro-forestry companies in accordance with Resolution No.30-NQ/TW, dated March 12, 2014 of the Political Bureau of the 11th term. Strictly organizing the equitization and dissolution of agricultural and forestry companies, ensuring the rights of people who are contracted to land, water surface, perennial plant gardens and forests.

Simultaneously deploying appropriate solutions, mechanisms, and policies to consolidate the financial situation, completely handling the financial backlog, insolvency debts and non-profit assets of SOEs.

Speeding up the divestment of investment capital outside the core business, resolutely resolving the dispersed and spread investment situation. Restructuring SOEs on the basis of the assigned tasks, main business lines, sectors, maximizing the potential and strengths; Thoroughly implementing cost saving; improving the quality of goods, services, reputation and brand in the market.

Increasingly investing and improving the capability of SOEs in terms of creative innovation, research, application, transfer of science, technology, modern production techniques, energy-saving and environmentally friendly use, considering this as a

decisive factor to improve productivity, quality, efficiency and competitiveness of SOEs.

Capitals from equitization and divestment of state capital are centrally managed and only used for development investment expenditures without using recurrent expenditure of the state budget.

(2) Continuing to renovate mechanisms and policies for SOEs to truly operate under the market mechanism:

SOEs take part in performing the political and social tasks assigned by the State in accordance with the mechanism of the State's order, competitive selection, publicity and determination of cost price, implementation cost, responsibility and benefits of the State, SOEs to ensure that business performance of SOEs is not reduced.

Economic and financial relations between the State and SOEs, especially rights and obligations, must be fully and transparently performed in accordance with the law and in line with market mechanisms.

Eliminating direct administrative intervention or subsidies mechanisms for SOEs, unfair treatment of enterprises of other economic sectors, especially in access to state resources, credit, land, resources, investment and business opportunities, finance, taxes, etc.

Promoting the leading role of SOEs of forming and expanding domestic, regional and global production, supply and value chains. Limiting closed, local and non-transparent production and business activities in SOEs, especially in state economic groups and controlling companies.

(3) Innovating and improving the operational efficiency of the governance system and improving the capability and quality of SOE management staffs:

Developing and applying corporate governance framework in line with international standards in SOEs.

Consolidating and developing a number of multiple owner state economic groups which are large scale, operate effectively, and be able to compete regionally and internationally in a number of key sectors and fields of the economy on the basis of perfecting the model of state-owned economic groups in accordance with international practices.

Resolutely fighting and establishing effective internal management and control systems in preventing, detecting, stopping and handling violations of law and conflicts of

interests; the situation of SOE leaders and managers in cahoots with government officials and employees and the private sector to form "interest groups", "backyard", abuse of positions and powers to control SOE operations for personal profits, corruption, waste, and cause harm to the State and businesses.

Clearly defining the duties, powers and responsibilities of managerial positions in the SOE governance system; ensuring responsibility equated with powers Improving standards, conditions, responsibilities of independent members of the board of directors.

The Board of Supervisors and Supervisors must be an effective monitoring tool of the owner, operate independently without being led, directed or dominated by the personal interests of the Board of members or the Board of Directors and the board of management and executive. The General Director and the members of the SOE executive board are appointed, hired by the Board of members and the Board of Directors and performed the duties and powers in accordance with the law and labor contracts.

Completing the incentive systems, economic leverage coupled with improving responsibility and discipline in SOEs. Implementing the regime of salaries, bonuses and remuneration of employees and managers of SOEs in accordance with the market mechanism, highly competitive on the basis of production and business results. Separating SOE managers from public servants. Widely deploying the mechanism of recruitment and appointment through competitive, open and transparent examinations for all managerial, executive and other job titles in the enterprise.

Ensuring the transparency and disclosure of SOEs and accountability of enterprise managers, especially in finance, investment, procurement, utilization of State capital, expenses, business results, profit distribution, personnel work, large transactions, dealings with people related to managers, assets and income of managers in accordance with international standards and the provisions of law. Perfecting accounting, auditing and financial reporting system in accordance with international standards.

(4) Improving the effectiveness and efficiency of state management of SOEs:

Improving the management function of the State to SOEs, including: Reviewing and improving the legal system, mechanisms and policies on SOEs in accordance with the Party's guidelines and policies, practical situation and experiences gained over the past years. Improving the capability, and efficiency of the inspection, audit and supervision work of the state management agencies in SOEs; preventing, detecting and strictly handling violations of law, corruption and wastefulness in SOEs. Strengthening the direction, inspection and supervision of the implementation of equitization, state capital divestment options and plans which are already approved. Enhancing responsibilities of

ministries, branches, localities, organizations and individuals representing state ownerships, especially the head personnel in implementing the Party's guidelines, State policies and laws, and approved options and plans for restructuring and renovating SOEs, especially in equitization and divestment of state capital in enterprises, ensuring disclosure and transparency in implementation.

Perfecting the organization to perform the function of the State as the owner of SOEs, shares and capital contributed by the State in enterprises. The State fulfills the responsibilities of the owner towards SOEs, shares, and the State's contributed capital in enterprises; truly plays the role of investors, owners, has equal rights, obligations and responsibilities with other investors in the business. Ensuring autonomy in the operation of SOEs in accordance with market principles. Respecting the independence in exercising the rights and responsibilities of the Board of members, the Board of Directors, the Chairperson of the Board of members, the Chairman of the Board of Directors, the General Director, the SOE Executive Board so that the operation and governance of SOEs is implemented in a transparent, accountable, professional and highly effective manner. Quickly establishing a specialized state ownership agency.

PART 2: EVALUATION OF THE ROLE OF THE STATE ECONOMY AND RESULTS OF SOEs RESTRUCTURING IN THE PERIOD OF 2011-2020

1. EVALUATION OF THE ROLE OF THE STATE ECONOMY

1.1. Overview of state economy in the period of 2011-2020

Article 53 of the 2013 Constitution states: “Land, water resources, mineral resources, resources in the sea, airspace, other natural resources and properties invested and managed by the State are public property owned by the entire people and unified managed by the State which is owner's representative.”

Public properties, according to Article 3 of the Law on Management and Use of Public Property, are properties owned by the people and unifiedly managed by the State as the owner's representative, including public properties in service of management and provision of public services, assurance of national defense and security at agencies, organizations and units; infrastructure assets in service of national interests and public interests; property established with all people ownership rights; public assets at the enterprise; money belonging to the state budget, off-budget state financial funds, state foreign exchange reserves; land and other resources.

Article 4 of the Law on Management and Use of Public Property classifies public assets as follows:

(i) Public property used to manage and provide public services and ensure national security of competent state authorities, people’s armed forces, public service providers, authorities affiliated to Communist Party of Vietnam, socio-political organizations, socio-political and professional organization, social organization, social-professional organization or another organization that is established according to regulations of law on associations, except for the property specified in Clause 4 this Article (hereinafter referred to as “public property of authorities and organizations”);

(ii) Infrastructural property serving national or public interests are technical infrastructure works, social infrastructure facilities, land areas, water areas or sea areas associated with infrastructure works, including: transport infrastructure, power supply infrastructure, irrigation infrastructure and response to climate change, urban infrastructure, industry cluster infrastructure, industrial zones, economic zones, high-tech zones, commercial infrastructure, information infrastructure, educational and training infrastructure, science and technology infrastructure, medical infrastructure, cultural infrastructure, sports infrastructure, tourism infrastructure and other

infrastructure in accordance with provisions of law (hereinafter referred to as “infrastructural property”);

(iii) Public property of enterprises;

(iv) Property of state-funded projects;

(v) Property established for public ownership according to provisions of law, including: confiscated property; property without owners, property whose owner is unidentified; property that is dropped, forgotten, buried, hidden, sunk and found; property without inheritors and other property belonging to the State as prescribed in provisions of the Civil Code; property whose owner voluntarily transfers ownership to the State; property transferred by the foreign-invested enterprises without reimbursement to the Vietnamese State according to their commitments after the expiry of their operation duration; property invested in the form of public-private partnerships and transferred to the Vietnamese State under project contracts;

(vi) Money of the state budget, non-state budget financial funds and foreign exchange reserves of the State;

(vii) Land; water resources, forest resources, mineral resources, marine resources, airspace, telephone numbers and other numbers serving state management, Internet resources, radio frequency spectrum, orbit satellites and other resources managed by the State according to regulations of law.

By 2019, there is no official published data and full evaluation of the value of all public assets in the economy. Therefore, this Report only gives an overview of the value of some types of public assets according to the competent state agencies data:

- **State assets at agencies, organizations and units:**

According to data from the Department of Public Property, Ministry of Finance, the cost of state assets at agencies, organizations and units by 2015 was over VND 1.646 quadrillion (the residual value is VND 1.464 quadrillion), of which, land value accounts for 42%, houses account for 14.6%, cars account for 1.2%, other assets with value over VND 500 million account for 2.7%, other assets with value under VND 500 million account for 0.3%, assets of road infrastructure account for 37.4%, rural central clean water works account for 1.4%.

Table 1: Overview of state assets in agencies, organizations and units until 2015

	Amount (pcs)	Acreage m2	Cost (VND billion)	Residual value (VND billion)
Total			1646448.95	1464153.10
Land	128757	2473358074	692372.26	692372.26
House	285081	126931592	240641.96	134472.65
Car	36897		20623.27	5939.49
Other assets with value over VND 500 million	21801		45911.83	17863.02
Other assets with value under VND 500 million	273167		6257.00	2053.00
Road infrastructure assets	5159		616067.63	595586.68
Rural central clean water works	14205		24575.00	16244.00

Source: National database of state assets.

- **State capital invested in enterprises:**

According to the data in the Government's Report No.480/BC-CP dated October 12, 2018, the value of state capital in enterprises where the state owns over 50% of charter capital is VND 1.457 quadrillion (Only counting the number of enterprises managed by the Ministry or the provincial People's Committee and excluding the value of public assets assigned to the enterprise for management which hasn't been included in the value of equity in the enterprise).

- **Money of the state budget, non-state budget financial funds and foreign exchange reserves of the State**

Total state budget revenue and expenditure from 2011 to 2018 increased by more than 50%. According to the estimated figures by the General Statistics Office in 2018, the state budget expenditure reached over 1.6 quadrillion dong, of which, recurrent expenditure accounted for 61%, development investment expenditure accounted for over 28%, the remaining was interest payments and aid expenses.

Table 2. State budget revenue and expenditure for the period of 2011-2018 (VND 1,000 billion)

	2011	2012	2013	2014	2015	2016	2017	2018 Estimate
1. Total state budget revenue ⁷⁰	734.8	751.3	845.7	897.5	1020.6	1131.5	1293.6	1424.9
2. Total state budget expenditure	762.5	965.4	1107.3	1143.1	1276.5	1298.3	1355.0	1616.4
- Recurrent expenditure	467.0	603.4	704.2	723.3	788.5	822.3	881.7	989.9
- Development investment expenditure	263.2	318.6	346.0	351.0	401.7	365.9	372.8	411.3
- Payment of loan interests	29.8	39.9	54.1	66.7	82.0	107.3	n/a	n/a
- Aid expenditure	0.9	1.0	1.1	1.4	0.8	1.5	n/a	n/a

Source: gso.gov.vn.

⁷⁰ The total State budget revenue includes the lottery revenue, excluding investment mobilization under Clause 3, Article 8 of the State Budget Law, excluding revenue transfer.

Regarding non-state budget financial funds, according to the provisions of the State Budget Law, the *non-state budget* financial fund is a fund established by a competent agency and operate separately with the state budget, revenue sources and spending tasks of the fund to perform the tasks prescribed by law. According to the Government's report, the total revenue of the funds in 2018 was 495.2 trillion dong, the total expenditure was 411.8 trillion dong, the fund balance at the end of the year was about 839.3 trillion dong. By the end of 2018, the whole country had more than 40 state financial funds established and operating under the provisions of law, in which 28 funds are set up and managed by 17 ministries and central agencies, accounting for approximately 95% of the total working capital of state financial funds; In the localities, there are more than 20 funds or types of funds are established, mainly with small scale (under VND 5 billion).

Regarding the State's foreign exchange reserves, the State Bank of Vietnam is the agency tasked to set the State's annual foreign exchange reserve; buying and selling foreign currencies with the State budget and international organizations and using the State foreign exchange reserves in accordance with regulations; providing data of the State foreign exchange reserve in accordance with law. According to official data released by the State Bank of Vietnam, the State's foreign exchange reserves reached US \$51.5 billion at the end of 2017.⁷¹

- **Public property which is land:**

According to the land statistics of the whole country as of the end of 2017⁷², total natural area is 33.1 million ha, of which, the agricultural land area is over 27.3 million ha (82.3%), the non-agricultural land area is 3.7 million ha (11.3%), the unused land area is 2.1 million ha (6.4%).

In terms of structure of non-agricultural land, residential land accounts for 19%; group of land for offices, national defense, security, public works and public purposes works accounts for 42.8%; non-agricultural business and production land accounts for 7.3%; land for religious and belief establishments, cemeteries and funerals accounted for 3.1%; land of rivers, canals and ditches accounted for 19.8%; land with special-use water surface and other non-agricultural land accounts for 7.9%.

⁷¹ Annual report 2017 of the State Bank of Vietnam (page 28). At the Government's regular press conference on May 3, 2018, the data on foreign exchange reserves was announced to be nearly 63 billion USD: <http://vpcp.chinhphu.vn/Home/Noi-dung-hop-bao-Chinh-phu-thuong-ky-thang-42018/20185/23902.vgp>

⁷² Decision No. 3873 / QD-BTNMT dated December 25, 2018 of the Ministry of Natural Resources and Environment

Table 3. Land area by purposes (unit: ha)	
	Total
	33123568
1. Agricultural land	27268589
1.1. Land for agriculture production	11508010
1.2. Forestry land	14910513
1.3. Aquaculture land	796053
1.4. Land for salt production	17155
1.5. Other agricultural land	36858
2. Non-agricultural land	3749674
2.1. Residential land	714926
2.2. Specialized land	1874333
- Land for construction of offices	12952
- Defense land	245138
- Security land	52569
- Land for construction of non-business facilities	82603.77
- Land for non-agricultural business and production	274481
- Land for public purposes	1206589
2.3. Land for religious bases	11923
2.4. Land for beliefs bases	665
2.5. Land for cemeteries and funerals NHT	103906
2.6. Land of rivers, canals, ditches and springs	742864.57
2.7. Land with special-use water surface	243759
2.8. Other non-agricultural land	51312
3. Unused land	2105305

Source: Decision No. 3873/QĐ-BTNMT dated December 25, 2018

Classifying by the subjects assigned to manage and use land, the area allocated to households and individuals accounts for 48% of the country's total area, economic organizations account for 10%, state agencies and units account for 7.3%, public non-business organizations account for 13.6%, communal People's Committees account for 14.9%, residential communities and other organizations manage 4.1%. etc. (see table 4).

Table 4. Land area by users and management subjects (unit: ha)	
	Whole country
	33123568
	The total allocated area to use, of which:
	26818605
	- Households and individuals in the country
	15890492
	- Economic organizations
	3304578
	- State agencies and units
	2422613
	- Public non-business organizations
	4513649
User object	- Other organizations
	291676
	- FDI enterprises
	46609
	- Diplomatic organizations
	55
	- Vietnamese people residing abroad
	3
	- Residential communities and religious facilities
	34893
	Total area under management, of which:
	6304963
Object of management	- People's Committee at commune level
	4950754
	- Land fund development organizations
	6285
	- Residential communities and other organizations
	1347924

Source: Decision No. 3873/QĐ-BTNMT dated December 25, 2018

- **Public properties which are mineral or water resources:**

According to the information of the General Department of Geology and Minerals of Vietnam (under the Ministry of Natural Resources and Environment), Vietnam has more than 5000 mines, ore deposits of 60 different types of minerals, there are some types of minerals has significant, world-class reserve scale, has a strategic significance and a resource for the country's socio-economic development. On average, each year the mining industry provides the economy with about 90 million tons of cement limestone, about 70 million cubic meters of common construction materials, nearly 100 million cubic meters of construction sand and leveling sand, over 45 million tons of coal, over 3 million tons of iron ore, etc. The output value of the mining industry (excluding petroleum) accounts for about 4-5% of the annual GDP; Directly contributing to the budget from the grant of mining rights, royalties, and environmental protection fees (excluding petroleum) an average amount of VND 16-20 trillion per year, of which tax on exploitation of natural resources contributes 10 -11 trillion dong⁷³.

Box 1: Vietnam mineral potential

Results of the survey, evaluation and exploration of minerals performed so far show that our country has quite diverse and abundant mineral resources with over 5,000 mines and ore deposits of 60 different types of minerals; There are a number of minerals with considerable world-class reserve, has a strategic significance and a source of national socio-economic development.

On average, each year, our country's mining industry provides the economy with about 90 million tons of cement limestone, about 70 million cubic meters of common construction materials, nearly 100 million cubic meters of construction sand and leveling sand, over 45 million tons of coal, over 3 million tons of iron ore, etc.; output value of the mining industry (excluding petroleum) accounts for about 4-5% of the annual GDP; Directly contributing to the budget from the grant of mining rights, royalties and environmental protection fees (excluding those of oil and gas) from 2014 till now an average amount of VND 16-20,000 billion per year, in which tax on exploitation of natural resources contributes VND 10,000 - 11,000 billion. It can be said that mineral resources have actually become one of the resources for the country's socio-economic development in each period.

Titanium ore: Titanium ore in Vietnam includes 02 types: original ore and placer ore. The original ore concentrates in Thai Nguyen province; the placer ore concentrates in the coastal provinces from Thanh Hoa to Ba Ria - Vung Tau. The total potential of titanium resources and reserves in Vietnam is about 663.15 million tons of useful heavy minerals.

Bauxite ore: Bauxite ore in Vietnam is distributed mainly in the northern provinces (Lang Son, Cao Bang, Ha Giang) and in the Central Highlands (Dak Nong, Lam Dong, Gia Lai, Kon Tum) and Binh Phuoc and Phu Yen provinces. The reserve and forecast resources of bauxite ore deposits in the Northern provinces are about 88.5 million tons. For bauxite laterite ore, the total reserves and forecast resources of bauxite-laterite ore have been estimated at about 3,500 million tons of fine ore.

Rare earth: Rare-earth ores are concentrated in Bac Nam Xe, Nam Nam Xe, Dong Pao (Lai Chau), Muong Hum (Lao Cai) and Yen Phu (Yen Bai) mines. According to statistics, rare earth reserves and resources in Vietnam reached about 19.96 tons of Tr2O3.

⁷³ General Department of Geology and Minerals (2017): <http://www.dgmv.gov.vn/bai-viet/gioi-thieu-ve-tiem-nang-khoang-san-viet-nam>

Apatite: So far, 17 apatite ore mines and points have been confirmed, concentrated mainly in Lao Cai province. Most apatite mines are of medium to large scale. The reserve and forecast resources of apatite ore calculated to a depth of - 900m are 2,373.97 million tons.

White sand: White sand is distributed in 09 coastal provinces of North and Central Vietnam with great potential but the level of investigation and evaluation is limited. The total reserves of 13 explored mines is at 123 million tons, the forecast resource is about 03 billion tons.

High quality limestone (except white marble): Limestone can meet the requirements of cement, industrial lime and poly buckets production are present in 29 provinces of the country but unevenly distributed, concentrated mainly in the Northern and Northern Central regions. To date, more than 80 mines have been surveyed, assessed and explored at different levels with a total reserve of about 08 billion tons.

White marble: Distributed in 11 northern provinces, but concentrated in Nghe An and Yen Bai provinces. Up to now, there are over 70 mines already under exploration. About 200 million m³ of white marble have been identified as eligible for paving stone production and 1.2 billion tons are of sufficient quality to produce calcium carbonate powder.

Mineral water - hot water: Most provinces and cities in the country have mineral water - hot water resources. So far, there are 400 sources of mineral water - hot water investigated and recorded.

Uranium ore: Geological researches and mineral searches have discovered uranium mineralization in the Northwest, Viet Bac, Central and Central Highlands regions. In which it concentrates in the region of Nong Son (Quang Nam). To date, 06 uranium mines have been evaluated and explored with a total estimated resource of about 218,000 tons of U₃O₈, of which Nong Son area contributes about 100,000 tons of U₃O₈.

Coal: Coal is distributed mainly in the Northeast coal basin and Red River coal basin. In addition to the exploited coal reserves, if excluding the Red River basin coal, the remaining reserves and resources are not large (about 5 billion tons including forecast resources).

Regarding Song Hong coal basin, its overall coal potential is currently under investigation and evaluation at the mainland area. Initial results show that the coal potential in the mainland of the Red River basin is very large, the density of coal storage is high at the depth from -330 to -1200m. Distribution ranges from Khoai Chau Hung Yen to Tien Hai, Thai Binh - Hai Hau Nam Dinh. Initial results have determined that coal has good quality for use as energy coal.

In addition, our country has a number of other metallic minerals such as: copper ore, iron ore, manganese, antimony, mercury, molybdenum, feldspar, kaolin, kaolin clay as raw materials for ceramic, paving stone, etc. which have been discovered and assessed on potential of resources, however, resources of these mineral are not large and have scattered distribution.

(Source: General Department of Geology and Minerals, <http://www.dgmv.gov.vn/bai-viet/gioi-thieu-ve-tiem-nang-khoang-san-viet-nam>, January 17, 2017 - 20:39)

Regarding water resources, according to data of the Department of Water Resources Management (Ministry of Natural Resources and Environment), Vietnam has 108 river basins with about 3450 rivers and streams with a length of 10 km or more, including 9 large river system with a basin area of more than 10,000km². The annual average total surface water is about 830-840 billion m³, of which more than 60% of water is from abroad. The amount of water per capita is over 9,000 m³/year. Groundwater also has a total potential reserve of about 63 billion m³/year, distributed in 26 major water storage units, but concentrated mainly in the Northern Delta, Southern region and Central

Highlands. Regarding reservoirs, there are about 2,900 relatively large hydroelectric and irrigation reservoirs (with a capacity of 0.2 million m³ or more) that have been operated, under construction or planned for construction, with a total capacity of reservoirs containing over 65 billion m³. The total amount of water being exploited and used every year is about 81 billion m³, approximately 10% of the total average annual water volume of the whole country.

• Telecommunications number storage and other number storage in service of state management, Internet resources, radio frequency spectrum and satellite orbit:

According to current regulations, telecommunication resources are national resources, including telecommunications number storage, Internet resources, radio frequency spectrum and satellite orbits under Vietnam's management.

By 2019, the State has granted registration for 488002 domain names ".vn", 15995392 IPv4 addresses, 309244723200/64 IPv6 addresses converted in units/64; nearly 4.4 million fixed telephone subscribers, over 120 million mobile phone subscribers generating traffic; over 11 million fixed broadband Internet access subscribers; over 44 million subscribers of mobile broadband (3G, 4G), etc.⁷⁴

1.2. Evaluation of the implementation of the role of the state economy in the period of 2011-2020

The Socio-Economic Development Strategy 2011-2020 has requested: *“Strengthening the potential and improving the efficiency of the state economy. The State economy plays a key role and is an important material force for the State to orient and regulate the economy, contributing to the stability of macro-economy”*. Compared to that requirement, the implementation of the role of the state economy in the period of 2011-2020 has the following characteristics:

(1) State economy plays an important role in socio-economic development, contributing nearly 30% of economic growth, one third of social investment; has been directly holding the majority or has a dominant position in a number of fundamental sectors and fields of the economy. Specifically:

The share of the state economy in gross domestic product (GDP) tended to decrease, but maintained an average contribution of 28-29% of GDP during the implementation of the Socio-Economic Development Strategy 2011- 2020 (excluding contributions to product taxes less product subsidies).

⁷⁴ Ministry of Information and Communications (2018) and data posted on the Vietnam Internet Network Center's website <http://vnnic.vn>.

Table 5. Annual GDP by economic sector

	2011	2012	2013	2014	2015	2016	2017	2018
GDP at current prices (VND 1,000 billion)	2779.9	3245.4	3584.3	3937.9	4192.9	4502.7	5006.0	5542.3
GDP structure (%)	100	100	100	100	100	100	100	100
State economy	29.0	29.4	29.0	28.7	28.7	28.8	28.6	27.7
Non-state economy	43.9	44.6	43.5	43.3	43.2	42.6	41.7	42.1
FDI	15.7	16.0	17.4	17.9	18.1	18.6	19.6	20.3
Products taxes less subsidies on production	11.5	10.0	10.1	10.1	10.0	10.0	10.0	10.0

Source: Annual statistical yearbook

Of the total investment in society, the estimated average proportion of the state economy in the period of 2011-2020 is 35.5%, that proportion of non-state economy is 41.3%, and that of the FDI sector is 22.9%.

Considering the structure of state investment capital, the proportion of state budget capital maintained at an average of 47-48%, capital from state-owned enterprises is getting decreased, from 27% in 2001, 19% in 2010 and 16% in 2017.

Table 6. State investment capital and investment capital of entire society at current prices

	2011	2012	2013	2014	2015	2016	2017	2018
Total (VND 1,000 billion)	924.5	1010.1	1094.5	1220.7	1366.5	1487.6	1670.2	1856.6
% economic sector	100	100	100	100	100	100	100	100
State economy	37.0	40.3	40.4	39.9	38.0	37.5	35.7	33.3
Non-state economy	38.5	38.1	37.7	38.4	38.7	38.9	40.6	43.3
FDI	24.5	21.6	21.9	21.7	23.3	23.6	23.7	23.4
Products taxes less subsidies on production	37.0	40.3	40.4	39.9	38.0	37.5	35.7	33.3
% capital resource	100	100	100	100	100	100	100	100
State budget	19.3	20.3	18.9	17.0	17.1	18.2	17.3	17.5
Government bonds	4.9	6.2	5.1	5.1	4.2	2.6	1.7	2.2
State's development investment credit	3.0	4.0	4.3	4.6	4.5	4.4	3.5	1.9
Investment capital of SOEs	8.6	8.6	10.0	11.5	10.8	11.3	12.2	10.1
Residential and private businesses	38.5	38.1	37.7	38.4	38.7	38.9	40.6	43.3
FDI	24.5	21.6	21.9	21.7	23.3	23.6	23.7	23.4
Other mobilized capital	1.2	1.2	2.1	1.7	1.5	0.9	1.0	1.6

Source: Annual statistical yearbook.

State economy plays a major role in ensuring national energy security. According to the Electricity Regulatory Authority (Ministry of Industry and Trade) data on Vietnam's

electricity generation market⁷⁵, power plants under the state-owned economic groups EVN, PVN and TKV account for about 87% of the source. Specifically, EVN GENCO 1 accounted for 25%, EVN GENCO 2 accounted for 17%, EVN GENCO 3 accounted for 24%, TKV accounted for 11%, PV Power accounted for 10%, other factories of all economic sectors accounted for 13%. For the oil and gas industry, Vietnam National Petroleum Group (Petrolimex) accounts for about 50% of the domestic retail market share⁷⁶. Other than that is the enterprises of state economic groups and state-owned corporations such as PVoil accounts for 22.5% of the market share, Saigon Petro accounts for 6%, Thalexim Thanh Le Corporation accounts for 6%, Mipec military petroleum accounts for 6%, other businesses account for only 15%.

The share of the state economy in the financial and banking sectors tended to decrease, but maintained its dominant position in the market. By 2018, state-owned commercial banks⁷⁷ account for 44% of assets, 25% of charter capital, 48% market share of capital mobilization, 50% market share of lending of the whole credit institution system.

Table 7. System of Vietnam's credit institutions

	Total asset	Owner's equity capital	Charter capital	Mobilization market share	Market share in lending
The whole system	11214678	851795	582379	-	-
	Billions dong				
	%	100%	100%	100%	100%
State-owned commercial banks	44.0 %	33.1%	25.6%	48.5%	50.9%
Banks for Social Policies	1.8 %	-	2.4%		
Joint stock commercial bank	41.3 %	41.4%	46.2%		
Joint-venture banks and foreign banks	10.0 %	20.8%	20.0%		
Finance and leasing companies	1.6 %	4.3%	4.5%	51.5%	49.1%
Cooperative Bank	0.3 %	0.5%	0.5%		
People's Credit Fund	1.1 %	-	0.8%		

Source: The 2017 Annual Report of the State Bank

The state economy is playing a dominant role in telecommunications, information and communications sectors. According to the data of the Ministry of Information and Communications⁷⁸ on Vietnam's broadband market, Viettel is now the enterprise with the main market share, with 51.5%; followed by VNPT with 28.4%; MobiFone accounted for 12.7%; FPT Telecom accounted for 3.8% and the remaining 3.6%

⁷⁵ Erav.vn updates on June 19, 2019

⁷⁶ Petrolimex's 2018 annual report

⁷⁷ State-owned commercial banks include 4 large banks, namely Vietnam Bank for Agriculture and Rural Development, Joint Stock Commercial Bank for Industry and Trade of Vietnam, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Joint Stock Commercial Bank of Investment and Development of Vietnam and the banks are under the management of the State Bank in restructuring of credit institutions.

⁷⁸ Ministry of Information and Communications, "White Paper on Information and Communication Technology 2017".

belongs to other small businesses. Viettel accounted for 60% of telecommunication sector revenue in 2017 (VND 234,000 billion).

Table 8. Telecommunication market share (%)

	Viettel	VNPT	Mobifone	Other
Landline phone market share	25.5	73.3	0	1.2
Mobile phone market share (2G)	42.5	21.5	30	6
Fixed broadband market share	26.1	46.1	0	27.8
Mobile broadband market share (3G)	57.7	23.9	16.1	2.3
Land mobile market share (2G and 3G)	16.7	22.2	26.1	35
Fixed broadband and land mobile market share	51.5	28.4	12.7	7.4

Source: Ministry of Information and Communications, 2017.

Regarding industrial production, the state economy produces 97% of clean coal, directly exploits or is a joint venture partner producing 100% of crude oil exploited in the territory, producing over 86% of electricity generated into the grid network, however, the proportion of production of some other important industrial commodities has dropped sharply such as cement which is now holding only 40% of the output, less than 15% of steel production, about 50% of NPK fertilizer, etc.

Table 9. Output of some industrial products by economic sector (%)

	2011	2012	2013	2014	2015	2016	2017
Clean coal	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	96.5	96.3	96.6	96.8	96.8	97.9	97.5
Non-state	1.6	1.6	1.8	1.2	1.7	1.3	1.3
FDI	1.9	2.1	1.6	2.0	1.5	0.7	1.2
Chemical fertilizers	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	96.6	97.4	96.9	97.3	97.2	95.1	94.9
Non-state	3.4	2.6	3.1	2.7	2.8	4.9	5.1
FDI	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPK fertilizer	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	68.9	64.4	61.9	61.9	58.3	55.2	54.6
Non-state	17.8	22.7	22.4	23.4	29.7	31.4	32.0
FDI	13.3	12.9	15.6	14.7	12.0	13.5	13.5
Cement	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	43.3	46.9	47.3	46.1	46.0	42.8	41.6
Non-state	25.5	25.9	25.3	24.0	26.8	31.0	32.1
FDI	31.2	27.2	27.4	29.9	27.1	26.3	26.3
Crude iron and steel	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	17.9	22.0	18.1	13.4	21.1	17.4	14.7
Non-state	64.0	58.0	63.2	61.7	43.4	45.0	39.1
FDI	18.1	20.0	18.7	24.9	35.5	37.6	46.2
Rolled steel	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	20.7	19.8	16.5	15.2	13.9	13.2	12.8
Non-state	41.7	41.8	45.9	49.2	49.9	50.3	48.2
FDI	37.6	38.4	37.6	35.6	36.2	36.6	39.0
Generated electricity	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State	75.7	89.6	89.3	87.3	84.3	84.3	86.4
Non-state	1.9	3.1	3.1	4.2	4.6	5.1	6.6
FDI	22.4	7.4	7.6	8.5	11.1	10.6	7.0

Source: Website of GSO (2018), gso.gov.vn

(2) The State economy has a decisive contribution to building and developing the infrastructure system necessary for the business activities of all economic sectors and socio-economic development which other economic sectors have not been able to do so due to large investment, slow capital recovery, and inability to profit in the short term:

In the structure of state investment by sector, field, about 70% of direct investment is for the economic sector, which focuses on key socio-economic infrastructure works to create motivation for developing and attracting non-state resources.

Major invested sectors are agriculture and forestry (accounted for 7.4% of state investment in 2017), manufacturing industry (7.6%), electricity and gas (15.1%), construction (6%), transportation, warehousing (18.5%), etc.; About 30% of the annual state investment is devoted to state management, national defense and security, activities of political organizations and socio-political organizations, compulsory social insurance, information and communication, water supply, waste and wastewater management and treatment activities, education and training, health care, social assistance, arts, recreation, entertainment, professional activities, science and technology, administrative activities, and other support services.

Table 10. Structure of state capital investment by industries

	2011	2012	2013	2014	2015	2016	2017
Total (VND billion)	341555	406514	441924	486804	519878	557633	594885
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture and Forestry	5.6	5.4	6.7	6.3	6.4	7.3	7.4
Mining	6.3	6.0	6.1	5.2	4.3	4.2	4.1
Manufacturing and processing industry	9.8	12.1	10.6	7.3	7.0	7.5	7.6
Electricity, gas, etc.	14.5	13.6	12.9	13.5	13.9	15.5	15.1
Water; waste and wastewater treatment	3.7	3.1	3.5	4.2	4.0	3.9	4.3
Construction	5.3	5.8	8.2	6.4	6.2	6.1	6.0
Wholesale and retail, SC vehicles	2.5	3.2	2.6	1.4	2.1	1.7	1.8
Transport, warehousing	17.3	15.6	16.1	20.3	22.1	18.9	18.5
Accommodation and catering services	1.4	1.6	1.5	0.7	0.8	0.8	0.9
Information and Communications	5.4	5.3	4.1	3.0	2.6	2.5	2.4
Finance, banking, insurance	1.7	1.9	1.5	1.8	1.9	1.8	1.8
Real estate trading	2.4	2.9	3.1	1.6	2.3	2.3	2.3
Professional, Science and Technology activities	2.0	2.1	1.7	3.5	3.0	3.0	3.0
Administration and support services	1.7	1.4	1.2	0.5	0.4	0.4	0.3
State management, national defense and security, social security, etc.	8.4	7.5	7.2	9.5	8.8	8.6	8.8
Education and training	4.1	5.3	5.6	7.1	6.8	7.0	6.9
Health care and social assistance activities	2.9	2.8	3.4	4.0	4.0	5.3	5.4
Arts and entertainment	2.6	2.1	1.8	2.4	2.0	2.2	2.2
Other activity	2.3	2.4	2.5	1.0	1.3	1.1	1.1

Source: General Statistics Office (gso.gov.vn)

- Important contributions of state investment capital:
 - Transport infrastructure is getting better and better. A number of important and large-scale traffic works are invested and upgraded, such as highways, airports, seaports, etc., thus promoting the connectivity between regions in the country and international trade. A number of large, synchronous and modern works have been focused for construction, upgrading, completion and putting into operation⁷⁹.
 - The energy infrastructure has been invested to increase its capacity, basically meeting the requirements of development and ensuring national energy security. Many big projects (over 1,000 MW) have been completed and put into operation, such as Son La and Lai Chau hydroelectric power stations; thermal power plants of Vinh Tan 2, Mong Duong 2, Vung Ang 1, Mong Duong 1, Duyen Hai 1, Duyen Hai 3, Vinh Tan 4; bringing the grid to the islands of Phu Quoc, Ly Son, Cu Lao Cham, Co To, Van Don, etc. therefore, source capacity has increased by 18.5 thousand MW; about 7.6 thousand km of transmission of 500 kV and 220 kV types and 37.4 thousand MVA capacity of transformer stations, etc.
 - Irrigation infrastructure is focused on for construction and upgrading in the direction of multi-objectives, many key and large-scale projects are upgraded, repaired and completed, making important contributions to promoting agricultural, rural areas development and increasing irrigation capacity, creating water supply and drainage, preventing salinity, etc.
 - Urban infrastructure attracts investment interests, especially in big cities. Many constructions such as main roads in and out of the city, radial roads, urban bypasses, urban ring roads and major bridges are invested in construction, especially belt roads and urban railway in Hanoi and Ho Chi Minh City. Programs on clean water loss prevention and solid waste treatment has been actively implemented and focused on for investment.
 - Information and communication infrastructure is strongly developed, quite modern, wide, connecting with international networks and gradually forming information superhighway. Large information and databases systems form the basis of developing information technology application and building an e-government more and more effectively, bringing initial effectiveness in state agencies' operations.
 - Infrastructure for education and training, science and technology, health care,

⁷⁹ Completed and put into operation 969 km of highways, the national highway network which is under management to date is 24,598 km, an increase of 5,757 km compared to 2011. Complete the upgrading of important airports such as Noi Bai, Tan Son Nhat, Da Nang, Cam Ranh, Can Tho, Vinh, Phu Quoc, Lien Khuong, Pleiku, Tho Xuan, Cat Bi, etc; invest in international gateway ports of Lach Huyen, Cai Mep- Thi Vai, etc.

culture, sports and tourism attracts interests in investing. Many investment projects on construction of educational facilities have been carried out, scientific and technological infrastructure is focused on investment in key national science tasks ... Medical infrastructure projects which are being implemented have been speeded up and completed and soon put into operation.

- State investment gives important contribution to improve the quality of resource management, protect and improve the quality of the environment, pro-actively respond to climate change, and prevent natural disasters: The efficiency of management and use of land and a number of other resources has been gradually improved. Initially implemented a number of measures to protect the environment, especially in investment activities, business development and foreign investment attraction. The capability of disaster forecasting has been raised, environmental impact assessment has been more concerned, and climate change response has been strengthened. Nature conservation, biodiversity, forest protection and development are given more attention. Measures to protect the environment, prevent and handle serious polluting facilities are actively implemented. The rate of facilities causing serious environmental pollution being handled is high.

(3) The State economy is an important material force for the State to create and ensure a safe business environment for development of other economic sectors, shown in the following aspects:

- State economy contributes decisively to national defense, security and foreign affairs. State capital is the most important and largest source of capital to invest in national defense, security, and foreign affairs, contributing to firmly defending the national independence, sovereignty, unity and territorial integrity; protect national-ethnic interests; protect the sustainable peace of the country, etc.
- The state economy is a direct resource to serve the management and administration of the economy of the State. State-owned enterprises, state-owned credit institutions, public service agencies, state-owned economic organizations and agencies, the system of public assets and state investment capital together with the policy regime are main instruments for the State to realize the goal of allocating resources associated with progress and social justice; directly providing most public products and services to the society;
- The state economy has the decisive role to effectively implement the pricing policy, price regulation or price stabilization of the State. Specifically: SOEs are holding the majority of the supply of goods and services in the state monopoly sector of production and business, important resources, public utility products and services

using state budget, gasoline, finished oil, electricity; liquefied petroleum gas, nitrogenous fertilizer, NPK fertilizer. The system of health facilities, education, training, public service delivery agencies and state administrative agencies is an effective tool for effective implementation of price adjustment policies for products such as pesticide, preventive vaccines, kitchen salt, milk for children under 06 years old, sugar, rice, medicines for disease prevention and treatment.

- The system of public property is owned by the entire people and is represented by the State, especially land, water resources, minerals and many types of assets which are formed from the State investment capital being allocated to the economic sectors for exploitation and use, is an input resource and an extremely important production factor for many sectors and fields of the economy, especially those associated with land, ground and natural resources.

(4) State economy contributes to improving labor productivity of the economy

According to GSO 2018, the labor productivity at current prices of the state economy reaches 399 million VND per person, that of the non-state economy reaches nearly 52 million VND per person, and that of the economy with foreign investment capital is 247 million VND per person.

Table 11. Current labor productivity (million VND/person)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019 Forecast
State	161.1	191.1	209.4	232.5	251.3	276.1	311.9	339.0	368.7
Non-state	28.2	32.8	34.9	37.9	40.4	42.6	46.5	51.6	58.7
FDI	208.3	232.5	248.6	246.9	240.4	233.3	233.6	247.7	252.5

Source: GSO 2019

(5) However, the implementation of the role of the state economy in the period of 2011-2020 has not reached the goals in the following contents:

Firstly, the goal of "improving the efficiency of the state economy" has not been set in the Socio-Economic Development Strategy 2011-2020:

The efficiency of state investment capital is lower than the average investment efficiency of the economy and is significantly lower than that of non-state and FDI sectors. Even in the period of 2011-2020, the ICOR coefficient of the state economy tended to increase (reducing investment efficiency).

Table 12. Efficiency of using investment capital ICOR

	2011	2012	2013	2014	2015	2016	2017
General average	5.72	6.76	6.67	6.29	5.80	6.42	6.11
State	9.03	8.00	10.02	12.12	9.17	9.75	12.62
Non-state	3.76	4.85	6.24	5.32	5.12	6.15	6.27
FDI	6.82	6.33	6.02	5.67	4.64	5.22	4.47

Source: GSO 2019

Reduced investment efficiency is one of the reasons for reducing the state's contribution to GDP growth. According to the General Statistics Office, the average GDP growth in the period of 2011-2020 of the whole country reached 6.35% per year, that of the state economy was 4.45%, that of the non-state economy was 6.63%, and that of foreign invested economy is 9.44%.

Table 13. GDP growth rate (%)

	2011	2012	2013	2014	2015	2016	2017	2018
	6.24	5.25	5.42	5.98	6.68	6.21	6.81	7.08
State economy	4.79	5.80	4.76	4.05	5.37	5.20	4.22	3.60
Non-state economy	7.93	6.01	4.73	5.85	6.32	5.51	6.23	7.33
FDI	7.69	7.42	7.86	8.45	10.71	9.55	12.66	12.18
Products taxes less subsidies on production	2.07	-1.60	6.42	7.93	5.54	6.38	6.34	6.08

Source: Annual statistical yearbook.

Secondly, the state economy does not have a prominent role in leading and creating development momentum for the economy, shown in the following evidence:

The state economy is the main force in the production and supply of essential public products and services, but the quality of these products and services is limited, adversely affecting the development of the economy and people's lives. The role of supporting socio-economic development and restructuring in areas with difficult socio-economic conditions is unclear.

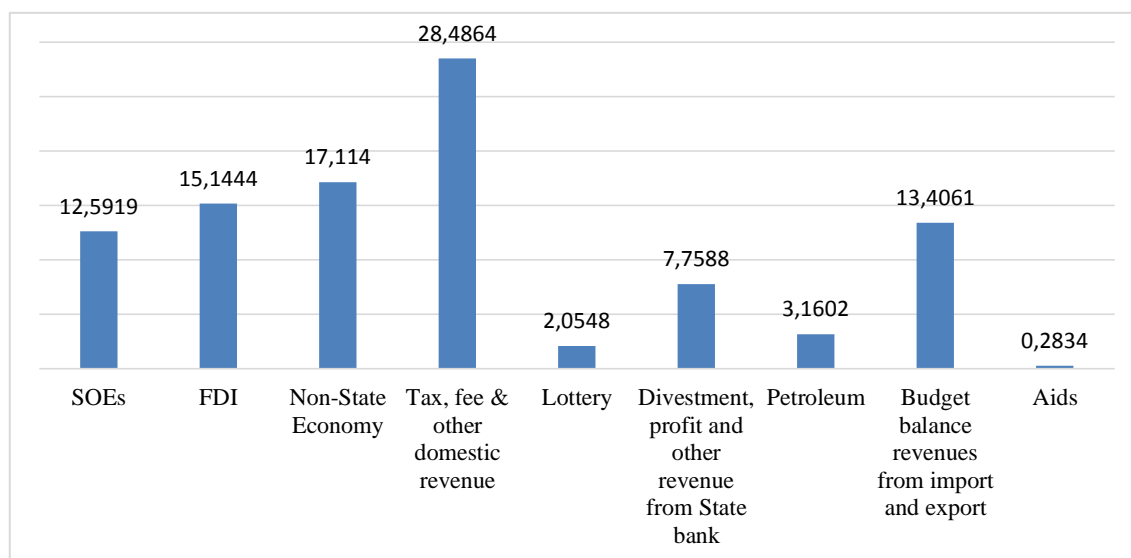
The share of the state economy in economic growth, generating revenue for the state budget, creating new jobs and market share in most business lines is declining, especially in industries with a competitive level such as trade, manufacturing, consumer goods production, food production, etc. Specifically:

Of the total state budget revenue, revenues from SOEs reached 17.5% in 2011(excluding profits, dividends paid to the state budget and revenue from crude oil), 19.4% in 2012, 22.8% in 2013, 21.4% in 2014, 15.7% in 2015, 13.5% in 2016, 11.4% in 2017 and was estimated to reach 10.7% in 2018.

Table 14. State budget revenue								
	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue (VND 1,000 Billion)	721.8	734.8	828.3	877.6	1020.5	1131.4	1293.6	1424.9
Structure of state budget revenue (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1. Domestic revenue	61.5	64.9	68.5	67.6	75.6	80.5	80.3	80.6
SOEs	17.5	19.4	22.8	21.4	15.7	13.5	11.4	10.7
FDI	10.7	11.2	13.4	14.1	13.8	14.4	13.3	13.1
Industrial, commercial and non-governmental service sectors	11.7	12.5	12.7	12.8	12.7	13.9	14.0	14.7
Personal income tax	5.3	6.1	5.6	5.5	5.6	5.8	6.1	6.6
Environment protection tax	1.6	1.7	1.4	1.4	2.6	3.8	3.5	3.3
Fees, charges, housing and other revenues	14.7	13.9	12.5	12.5	25.3	29.1	32.0	32.2
2. Revenue from crude oil	15.3	19.1	14.5	11.4	6.6	3.6	3.8	4.6
3. Export-import balance	21.6	14.6	15.6	19.7	16.6	15.2	15.2	14.2
4. Aid revenue	1.7	1.4	1.3	1.3	1.2	0.7	0.6	0.5

Source: Annual statistical yearbook.

Figure 1: Share of estimated state budget revenue in 2019 (%)



Source: Ministry of Finance, 2019 State Budget Estimates, mof.gov.vn

The contribution of the state economy to job creation is decreasing. As of 2019, there are about 4.5 million people working regularly for agencies, organizations and enterprises of the state economic sector (accounting for 8.3% of the total labor force over 15 years old in the economy).

Table 15. Structure of labor over 15 years old by economic sector (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019 Estimates	2020 Estimates
State	9.9	9.7	9.5	9.2	9.1	8.8	8.6	8.3	8.1	8.0
Non-state	85.9	85.9	85.7	85.4	85.0	84.5	83.6	83.3	82.7	82.2
FDI	4.2	4.4	4.8	5.4	6.0	6.7	7.8	8.4	9.1	9.8

Source: GSO (2019)

In the transport and tourism industry, the share of the state economy has been declining sharply. In 2018, the state economy accounted for only 15% of passenger volume, 8% of freight volume, 30% of passenger rotation and nearly 60% of cargo rotation. In travel tourism, the state economy accounts for 15% of the revenue of the whole domestic market.

Table 16. Market share for domestic passenger and cargo transportation

Goal	2011	2012	2013	2014	2015	2016	2017
Passenger volume	100	100	100	100	100	100	100
% State	19.2	17.5	17.0	16.4	15.8	14.9	14.2
% Non-state	80.1	81.9	82.4	83.0	83.7	84.5	85.3
% FDI	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Passenger rotation	100	100	100	100	100	100	100
% State	33.5	31.4	31.8	30.1	28.5	27.9	27.4
% Non-state	64.8	66.8	66.4	68.2	69.9	70.5	71.1
% FDI	1.6	1.8	1.8	1.7	1.6	1.5	1.5
Freight volume	100	100	100	100	100	100	100
% State	12.7	11.7	10.8	10.1	9.1	8.0	7.1
% Non-state	87.0	88.0	88.9	89.6	90.6	91.7	92.7
% FDI	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Cargo rotation	100	100	100	100	100	100	100
% State	72.0	70.1	68.3	67.3	65.5	63.1	60.6
% Non-state	26.8	28.7	30.5	31.6	33.4	35.9	38.4
% FDI	1.2	1.2	1.1	1.1	1.1	1.1	1.0

Source: gso.gov.vn.

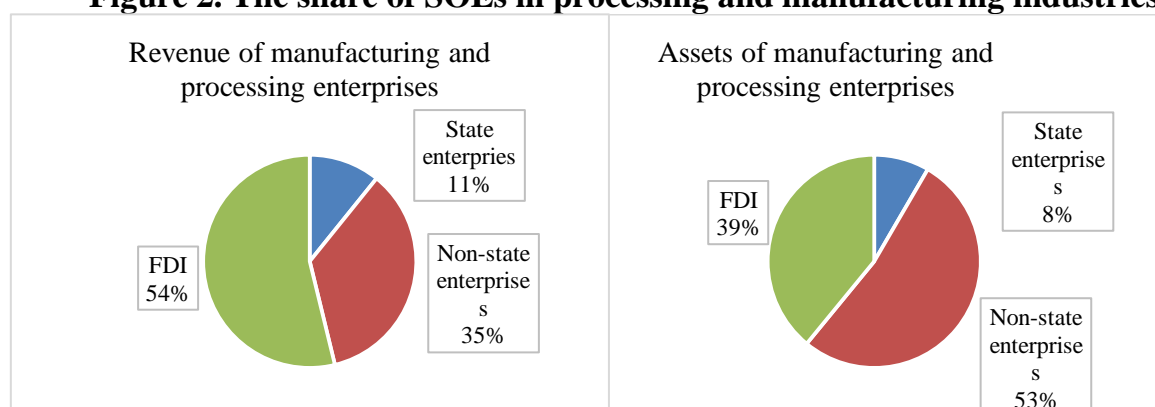
In the manufacturing and processing industry, by 2018, the state economic units (SOEs) accounted for only 10.8% of revenue and 8.4% of assets, while FDI accounted for 53.8% of revenue, 39% of assets. The corresponding figures for the non-state sector are 35.4% and 52.6%.

The share of the state economy in the production of a number of important industrial

commodities has dropped sharply such as only 40% of the cement output, less than 15% of the steel output, about 50% of the NPK fertilizer.

In the industries such as construction, agriculture, forestry, fishery, commerce and other services in the period of 2011-2020, along with the rapid development of other economic sectors, the role of the state economy tends to decrease sharply, accounting for a very low proportion compared to the non-state economy and the economy with foreign investment.

Figure 2. The share of SOEs in processing and manufacturing industries



Source: Business survey data of GSO (2017)

For example, in the system of registered enterprises in Vietnam until 2017, SOEs accounted for 7.5% of total revenue of agro-forestry-fishery enterprises, 9.4% of construction industry, 9.2% of wholesale and retail sector, 11.7% of hotel and restaurant services, 10.2% of science and technology services, etc.

Table 17. The role of SOEs in agriculture, forestry and fisheries, construction, trade and services sectors

	Revenue (%)			Assets (%)		
	SOEs	Non-state	FDI	SOEs	Non-state	FDI
Agro-forestry-fishery	7.5	88.8	3.7	53.9	40.7	5.5
Construction	9.4	83.4	7.2	5.8	92.7	1.5
Wholesale and retail	9.2	84.3	6.5	9.8	84.5	5.7
Restaurants and hotels	11.7	72.5	15.8	8.1	79.6	12.3
Real Estate	0.3	99.4	0.2	1.2	97.2	1.6
Science and technology services	10.2	67.2	22.6	22.5	73.5	4.0
Education and Training	0.4	67.8	31.8	0.7	83.4	15.9
Health care and social assistance	0.2	87.0	12.7	0.2	90.0	9.8
Entertainment	80.3	16.4	3.3	21.1	68.3	10.6
Other services	4.5	82.4	13.1	2.5	87.8	9.6

Source: Survey on enterprises of GSO (data updated to 2017)

Thirdly, because the state economy is still ineffective and does not have a clear role in promoting other economic sectors, firstly the domestic private economy, to develop so the state economy has not made any great contribution to improving efficiency, competitiveness, restructuring the economy, renewing the growth model as well as perfecting the market economy institution in Vietnam.

2. SITUATION OF RESTRUCTURING OF SOEs IN THE 2011-2020 PERIOD

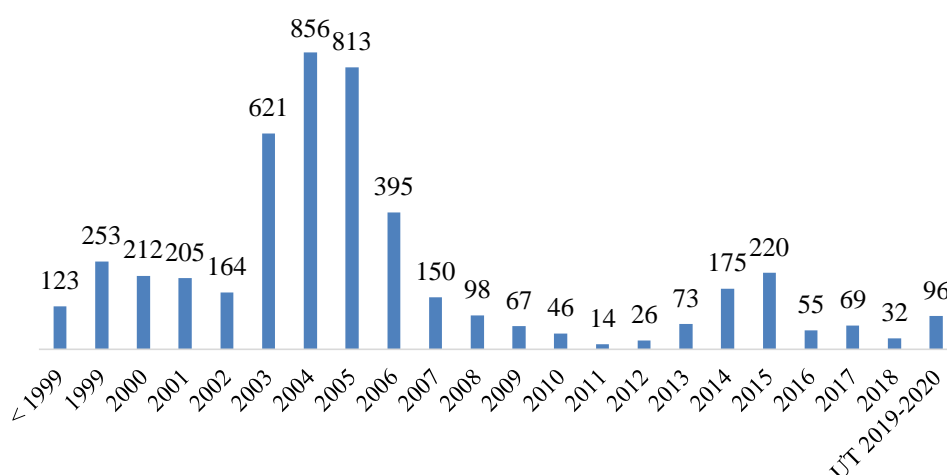
Based on the task of SOE restructuring presented in Part 1, the following is an analysis of the situation of SOE restructuring in the 2011-2020 period on 03 contents: (1) Restructuring SOEs through reorganization, equitization, divestment of state capital; (2) Restructuring SOEs through measures to improve the performance and competitiveness of SOEs; (3) Restructuring SOEs through improving market economy institutions for SOEs and improving SOE governance capability to meet international standards.

2.1. Situation of SOE restructuring through equitization and divestment of state capital

a) Number of enterprises equitized, divested in the period of 2011-2015:

The plan for the period of 2011-2015 is to equitize 518 enterprises and business divisions⁸⁰. The result of the 2011-2015 period is that the equitization plan of 508 enterprises has been approved, reaching over 98% of the plan (there were 14 enterprises in 2011, 26 enterprises in 2012, 73 enterprises in 2013, 175 enterprises in 2014 and 220 enterprises in 2015). In which, the State holds over 90% of charter capital in 5 enterprises, over 65% of charter capital in 108 enterprises, over 50% of charter capital in 154 enterprises.⁸¹

Figure 3: Number of equitized state enterprises



Source: Summary of the Central Institute for Economic Management

⁸⁰ Report No. 217 / BC-CP dated May 24, 2018 of the Government.

⁸¹ Summarized from the Enterprise Information Pages of the Government Portal in 2015 and 2016: <http://doimoidoanhngiep.chinhphu.vn>

Regarding divestment, the whole country has withdrawn 26,222 billion dong (book value), collected 36,537 billion dong (equal to 1.40 times of the book value)⁸². In which: Divestment of non-core investment (securities, banking, insurance, real estate, investment funds) was VND 9,835 billion, collecting VND 11,086 billion (equal to 1.1 times of the book value), reaching 42% of the plan. planning; transfer of state capital in enterprises that the State does not need to hold shares was 16,387 billion dong, collecting 25,451 billion dong (1.6 times of the book value)⁸³.

b) Number of equitized or divested enterprises in the period of 2016-2020:

- 2016-2020 Plan:

The Prime Minister issued the List of SOEs for equitization (Document No. 991/TTg-DMDN dated July 10, 2017) and the List of divestments to 2020 (Decision No. 1232 / QD-TTg dated July 17, 2017), which defines the roadmap as follows:

Equitize 127 SOEs in three years 2017, 2018 and 2019 (including 44 enterprises in 2017, 64 enterprises in 2018, 18 enterprises in 2019, in addition, in 2020, one enterprise will be equitized), not including the number of enterprises that have not completed the equitization plan before 2017.

State capital divestment of about VND 60 trillion in 406 enterprises (including 135 enterprises in 2017, 181 enterprises in 2018, 62 enterprises in 2019 and 28 enterprises in 2020), excluding the number of enterprises that have not completed the divestment plan before 2017. At the same time, groups and corporations must divest capital in industries and fields that are not in the main business lines.

- Results of the 2016-2020 plan implementation (as of June 2019):

Accumulated from 2016 to June 2019, in the whole country, 162 enterprises has been equitized with the predetermined scale of state capital reaching VND 205,433.2 billion, equaling 108% of the total value of state capital in equitized enterprises in the whole period of 2011-2015; Total revenue from equitization and divestment reached VND 218,255,691 billion, 2.8 times higher than the total revenue from equitization and divestment of the whole period of 2011-2015; proceeds from equitization, divestment transferred to the State Budget to meet the needs of the medium-term public investment plan under the Resolution of the National Assembly reached VND 185,000/VND

⁸² Summary report on SOE arrangement and renovation in the period of 2011-2015 of the Steering Committee for Enterprise Innovation and Development at the Conference on implementation of SOE arrangement and renovation on December 6, 2016

⁸³ According to Report No. 01 / BC-KTNN dated December 31, 2017 of the State Audit Office.

250,000 billion, accounting for 74% of the plan for the whole period of 2016 -2020⁸⁴ .

However, among enterprises whose equitization plans are approved from 2016 to now, only 35 enterprises are in the list of 127 equitized enterprises in Document No. 991/TTg-DMDN (reaching 27.5%).

On August 15, 2019, the Prime Minister issued Decision No. 26/2019/QĐ-TTg on approving the list of enterprises to be equitized by the end of 2020, including 93 enterprises, including large state-owned economic groups and corporations such as the parent company of Vinacomin, Vinachem Chemical Group, VNPT Post and Telecommunications Group, Agricultural Bank and Rural Development Agribank, Tobacco Corporation, Power Generation Corporations 1 and 2, Northern Food Corporation, MobiFone, etc.

On divestment: Total divestment is VND 24,157 billion, collecting VND 169,787 billion, in which:

- + Divestment in enterprises under Decision No. 1232 / QĐ-TTg: Accumulated from 2017 to June 2019, the State divested 87 units with the value of 4,549 billion VND (reaching 7.5% of the plan of 60,000 billion VND), collecting 8,765 billion VND.
- + Divestment in enterprises not mentioned in Decision No. 1232/QĐ-TTg: From 2017 to June 2019, the state divested 3,785 billion dong, collecting 110,392 billion dong (including the divestment of 3,436 billion dong, collecting 109,965 billion dong at Sabeco).
- + Divestment in groups, corporations, SOEs under the restructuring plan: Divestment of VND 15,821 billion, collecting VND 50,630 billion, in which: Divestment in the sensitive field was VND 4,617 billion, collecting VND 5,888 billion; divestments in other areas was 4,917 billion, collecting 8,807 billion. SCIC divested VND 6,286 billion, collected VND 35,933 billion.

c) Results of attracting social investment and strategic shareholders:

- Period of 2011-2016:

According to the Report on results of monitoring the implementation of policies and laws on management and use of state capital and assets at enterprises and equitization of state enterprises in the 2011-2016 period of the National Assembly, the capital ratio the state holds is high at shareholding companies (including economic groups and state corporations operating in the sectors that the state doesn't need to control).

⁸⁴ Source: Document No. 249/TB-VPCP of July 17, 2019.

Of the businesses that completed IPO in the period of 2011-2016, only 60% of enterprises sold shares under the approved plan, 40% of businesses could not sell all the shares according to the approved plan; The state continues to hold 81.1% of charter capital, workers and trade unions hold 2.2%, strategic investors hold 7.3%, other investors hold 9.4% of authorized capital.

Table 18. IPO results of equitized enterprises in the period of 2011-2016

	Equitization plan	Result
Total shares	100%	100%
State	65.0%	81.1 %
Strategic investors	15.8%	7.3 %
Workers and trade unions	2.5%	2.2 %
External shareholders	16.7%	9.4 %

*Source: Summary from Report No. 16/BC-ĐGS dated 25/5/2018*⁸⁵

- The period of 2017-2018:

The auction initial public offering continues to face similar difficulties during the period of 2011-2016. The study of the results of the auction initial public offering published on Hanoi and Ho Chi Minh City Stock Exchanges shows that, besides a number of successful IPO transactions (such as IDICO, VINAFOOD2, etc.), many businesses have the sale of initial public offering is very low compared to the approved plan such as: Machinery and Industrial Equipment Corporation only reached 0.1%, Vinafood1 Flour Company reached 4%, Tan Bien Rubber Company reached 0.4 %, Gia Lai Water Supply Company reaches 0.04%, GENCO3 reaches 2.8%; Song Da Corporation 0.4%, etc.

d) Results of developing an institution on equitization and divestment of state capital:

Firstly, the institution and legal provisions on equitization of SOEs are amended and supplemented timely with practical requirements, increasingly perfect, complete and synchronous; basically achieved the goal of publicity and transparency in accordance with market principles, associated with the development of capital markets and stock markets and overcoming the closed equitization situation of the previous period. Specifically:

The financial handling mechanism is more complete, improving the responsibility of the business, the owner's representative agency and related agencies, contributing to ensuring a financially sound business before being transformed into a joint stock company.

The valuation of enterprises has been made public, transparent and more suitable in line

⁸⁵ Report No. 16 / BC-ĐGS dated May 25, 2018 of the National Assembly Supervision Delegation on the results of monitoring the implementation of policies and laws on management and use of state capital and assets at enterprises and equitization of state enterprises in the period of 2011-2016.

with market principles through diversification of methods of determining enterprise value, value of state capital; improve the quality, independence, initiative and responsibility of valuation organizations, etc.

Information related to equitization of SOEs is public, transparent and widely disseminated in various forms, such as listing information at enterprises which are going to be equitized, publishing information on websites of the ministry, industry, locality, enterprise, auction organization, etc.

Including the value of land use right into the value of the equitized enterprise has complied with the provisions of the land law. Decree No. 126/2017/ND-CP stipulates that equitized enterprises are responsible for reviewing the entire area of land being managed and used to prepare and complete the approval of land use plans in accordance with provisions of law on land and related laws before the time of equitization decision; strictly implement the land lease mechanism in accordance with the 2013 Land Law;

Equitization of SOEs is increasingly associated with the stock market and has a positive impact on the development of the stock market. By 2018, there were 411 equitized enterprises listed on the stock market, hundreds of businesses registered to trade on Upcom.

Secondly, equitization of SOEs has achieved the goal of transforming enterprises where the State does not need to hold 100% of capital to a multi-owner enterprise type to improve its financial capacity and innovate management methods; basically achieve the goal of harmonizing the interests of the State, businesses, investors and employees in the enterprise. Specifically:

Equitization along with other arrangement methods ⁸⁶ has reduced the number of enterprises with 100% state capital, from 5,655 enterprises (in 2001), 1,060 enterprises (in 2011) to 526 enterprises (by 2018) ⁸⁷.

The transformation of 100% state-owned enterprises into joint-stock companies changes the structure and manner of corporate governance, creating conditions for equitized enterprises to gradually apply modern corporate governance principles in line with market economy practices; minimize the unreasonable intervention of state

⁸⁶ Particularly in the period of 2011-2015, besides the number of equitized enterprises, the country has merged and consolidated 48 enterprises, dissolved 17 enterprises, bankrupt 8 enterprises, sold 10 enterprises, transformed 8 enterprises into limited companies with multiple members.

⁸⁷ Data compiled from the Proposal for Improving Operational Efficiency of SOEs in 2012 and Annual Government Reports to the National Assembly (Report No. 336/BC-CP dated November 16, 2012; No. 490/BC-CP dated November 25, 2013; No. 512/BC-CP dated November 25, 2014; No. 620 / BC-CP dated November 11, 2015; No. 428/BC-CP dated October 17, 2016; No. 441/BC-CP dated October 16, 2017 and No. 480 / BC-CP dated October 12, 2018) and only take the number of enterprises directly represented by the ministries and provincial-level People's Committees into account. Accordingly, in 2011, there were 1,060 enterprises left (452 enterprises operating in the fields of defense, security and public utility, 608 enterprises operating in business), 846 enterprises by 2013, 796 enterprises by 2014, 781 enterprises by 2015, 652 enterprises by 2016, 583 enterprises by 2017 and 526 enterprises by 2018 (including: 07 economic groups, 58 state corporations, 18 holding companies, 443 independent enterprises).

administrative agencies; further clarify the relationship between the enterprise and the state ownership representative agency through the mechanism of exercising shareholder rights in accordance with the Enterprise Law; improve the nature of autonomy and self-responsibility of enterprises.

The corporate governance model is organized more closely with many systems of regulations, principles and regulations to ensure effective operation of the business as well as the establishment of a mechanism to control power through inspection, supervision of shareholders inside and outside the business, thereby limiting the abuse of corporate governance.

The new model of corporate governance also ensures democracy and interests of shareholders, especially small shareholders who are employees in the company through a very strict system of regulations. The changing corporate governance method after equitization has created a driving force to develop and improve production and business efficiency; improve the publicity and transparency of enterprises, especially equitized enterprises listed on the stock market.

After equitization, in general, investors and shareholders have been guaranteed to participate in corporate governance in accordance with the law. Many equitized SOEs actively seek and have succeeded in attracting strategic domestic and foreign shareholders to invest in enterprises. Strategic shareholders not only participate in finance but also in corporate governance, professional experience, market development, typically the case of Petrolimex, Vietnam Airlines, Vietinbank, etc.

The interests of state owners are increasingly guaranteed during and after equitization of SOEs. The capital collected after equitization of SOEs shall be transferred to the Enterprise Arrangement and Development Support Fund and managed and used in accordance with law.⁸⁸

Policies for employees in equitized enterprises are concerned to implement. Most employees in equitized enterprises continue to work and be retrained to improve their qualifications. Redundant laborers in equitized enterprises are entitled to subsidy and training support policies to arrange new jobs at enterprises or arrange new jobs by themselves.

Political and socio-political organizations in enterprises have shown an important role in the process of organizing and implementing policies and laws on equitization of

⁸⁸ According to the Ministry of Finance's data on the Enterprise Arrangement and Development Fund, in the period of 2011-2016, revenue from equitization, divestment of state capital is about VND 43,108 billion, profit and dividends of state capital share collected is about 39,552 billion dong; expenses for supporting the settlement of redundant laborers is about VND 148 billion, paid to the State budget under the National Assembly's Resolution is VND 57,665 billion, and the proceeds from the sale of state capital into the state budget under Resolution No. 99/2015/QH13 is VND 30,000 billion, the additional capital investment to maintain or increase the proportion of state capital participation in other enterprises is about VND 29,610 billion. In the period of 2016-2019, proceeds from equitization, divestment after deducting expenses and amounts left for businesses were VND 17,7244 billion.

SOEs; change the operating mode more suitable to the organizational model of the enterprise after equitization, ensure the implementation of the provisions of law, and do not interfere with the enterprise's autonomy.

Thirdly, basically, equitization has achieved the goal of improving business efficiency of the business. The operating results of the majority of enterprises were better than before equitization, increased state budget contribution, stabled business, increased size of equity, had healthier finance. Summary of business results of 350 enterprises after equitization in 2015 showed that compared to the year before equitization, the average profit before tax increased by 49%, contributed 27% more to the state budget, increased 39% of total assets, revenue increased by 29%, average income of employees increased by 33%.

e) Inadequacies of equitization and divestment of state capital in the period of 2011-2020

Firstly, *equitization and divestment of the state capital have not yet achieved the goal of mobilizing capital from domestic and foreign investors to improve the efficiency and competitiveness of the economy:*

The proportion of capital held by the State at joint stock companies is still high, including enterprises that the State do not need to hold dominant shares or do not need to hold shares. The amount of shares offered to the public is low compared to the equitization plan of the enterprise, some enterprises even cannot sell shares to the outside, leading to the fact that state shareholders and employees have to hold all shares.

Consequently, attracting external capital, a goal of equitization has not been achieved. The State must maintain stakes in enterprises that the State do not need to hold shares and fail to meet the targets set in the Resolution No.24/2016/QH14 of the National Assembly and the Government's Resolution No. 27/NQ-CP: "Withdrawing all state capital in enterprises that the State do not need to hold more than 50% of capital, divesting state capital to the floor level prescribed for industries where the State reorganizes and restructures investment capital."

Secondly, *policies and regulations on equitization and divestment still have problems in the organizational implementation:*

Equitization policies and regulations have been adjusted to fit the requirements of the 2016-2020 restructuring period by issuing Decree No.126/2017/ND-CP with many new regulations such as: diversify methods of selling shares in accordance with international practices, strengthening inspection and supervision of enterprise valuation, determination of land use rights value, etc.

However, in the implementation of new equitization laws and policies, ministries,

branches, localities and businesses still face many difficulties, many issues arise to be handled, extending the preparation time and slow down the equitization schedule:

Regarding the handling of land in equitization, according to the current regulations in Decree 126/2017/ND-CP, enterprises must review all the land area under management and use in order to formulate land use plans and submit the plans to competent authorities for consideration and approval before the time of equitization decision.

However, the actual progress is often delayed at the stage of statistics and cadastral measurements. Many cases are not approved by the local authorities due to incomplete documents, papers, due to inconsistencies in land use plans, measurement of land areas and conformity with master plans and plans of land use, local construction planning, etc, not to mention the case where the locality has no plan or has not adjusted the land use plan yet, there is inconsistency or overlap between the plans.

There have been cases where the enterprise has been assigned to manage and use land and assets on land for decades but there is still no legally authenticated document.

Documentation, submission for approval and approval of land handling plans are becoming more complicated for equitized defense and security enterprises and large-scale SOEs, economic groups, corporations, state-owned commercial banks with branches and affiliates all over the country assigned to manage, use a very large area of production and business premises, spread evenly in many localities, are being used for diverse business purposes, but the legal ground is incomplete.

Difficulties in handling finance, assets, debts, determining the value of enterprises, the value of state capital are still one of the causes for slowing down the equitization progress. Most of the equitized enterprises under the 2016-2020 plan are large-scale and wide-scale businesses, so the financial processing and preparation of documents and plans take a lot of time, especially in those SOEs facing financial difficulties and having large liabilities, many types of costs and assets managed by them but are not fully accounted for.

Some regulations on equitization and divestment cannot be implemented in practice or are confusing in the application of laws due to the lack of uniformity, consistency and feasibility such as the provisions on determination of historical, culture, brand name value in enterprise valuation, state capital valuation; regulations on basis for determining the reserve price when transferring state capital, etc.

Thirdly, the quality of equitization is not satisfactory. Many equitized enterprises do not attract private investment, do not have strategic shareholders, have not reached the goal of ownership restructuring to improve the quality of governance, increase financial strength, access to markets and new technology.

Regarding the law, strategic shareholders are being treated like ordinary shareholders,

with no special attractive interests other than the right to participate in the enterprise according to the percentage of shares held.

Economically, the business efficiency of many SOEs before equitization is still low, along with the increasingly narrowing economic, land, competitive, monopoly and policy advantages making the attractiveness of equitization of SOEs no longer too large.

In fact, SOEs with better business index will conduct IPOs more successfully, which requires a review of how to proceed with equitization, such as restructuring solutions and raising the enterprise value before equitization. This approach has long-term effectiveness, but conflicts with the pressure to complete the equitization plan.

In terms of corporate governance, preliminary statistics show that enterprises that have a plan to maintain state shares at a low level often carry out IPOs more successfully than enterprises in which the State holds dominant shares; It is required to continue to minimize the number of State-owned enterprises where the State holds dominant shares to create better attraction to investors.⁸⁹

**Box 2: Impact of maintaining state ownership in investment attraction results:
Compare 2 equitization cases under the Ministry of Construction**

In June 2017, the Prime Minister issued a decision approving the equitization plan of the parent company of Song Da Corporation and Vietnam Urban and Industrial Zone Development Investment Corporation (IDICO). Both enterprises are under the Ministry of Construction, have many similarities in the size of state capital and business lines, together with plans to offer an initial 18% stake to external investors. However, there is a big difference in the results of the IPO. While IDICO can sell 100% of the offered shares and acquire strategic shareholders, Song Da can only sell 0.4% of the offered shares, the Ministry of Construction must hold 99.7% of the shares after the company transformed into a joint stock company.

Factors that make IDICO equitization more successful: In economics, IDICO's pre-equitized business ratios are better. Regarding governance, the fact that IDICO developed a plan to maintain the State's share ratio (Ministry of Construction) at low level (36%) and raise the ownership ratio of strategic investors to 45% seems to have been creating greater attraction for private investors to buy shares, strategic shareholders to invest in enterprises.

***Fourthly,** the implementation of equitization and divestment plans still has poor performance*

Some units did not meet the equitization schedule as planned. There are still many delays in registering depository and transactions, listing on the stock market,⁹⁰ affecting investors' confidence when making investment decisions via auction due to the fear of difficult transactions of stocks after auction.

⁸⁹ For example: When Vinacomin carried out equitization and sold out more than 50% of charter capital of Shipbuilding Mechanical Company, Nhan Co Environmental Construction Company, Mining Equipment and Technology Development Company, the investors registered and auctioned to buy all offered shares; However, for units approved for the State to hold 51% or more of the shares, the majority of those had unsatisfied shares sale result.

⁹⁰ As of August 2017, there are 747 equitized enterprises have not implemented this content yet.

The quality of consultancy in the equitization process is still limited, in some cases, there's no responsibilities and professional ethics of individuals and advisory organizations in the provision of services.

On financial handling before and during the equitization process, there are cases where exist inconsistency, wrong principles and wrong regimes; incorrect assessment of property values; errors in determining brand values, business advantages, financial investments, value of land use rights, fixed assets, inventories, completed projects and works not yet settled, determining the value of enterprises that have not followed the market principles, etc leading to the discrepancy of the enterprise values for equitization. There are cases where the enterprise valuation exceeds 18 months but procedures for re-valuation of enterprises are not implemented.

When determining the value of enterprises for equitization, there are cases where the land use rights are not included or calculated, resulting in land prices being lower than market prices. There are cases where after the equitization, joint-stock enterprises do not put land in use, arbitrarily change land use purposes and fail to fulfill financial obligations to the State in accordance with regulations, leaving land encroached, occupied; Joint-stock enterprises have been using land since many years ago but have not yet registered for registration or re-signed land lease contracts with competent state agencies, causing difficulties in land management in their localities.

The accounting and performance of obligations to the state budget has not fully and properly complied with regulations, resulting in misleading reflection of the financial situation⁹¹. Settlement of equitization in some places has been slow compared to the regulations. There are cases of late payment of equitization to appropriate capital; using the Enterprise Arrangement Support Fund for wrong purposes.

2.2. Situation of SOE restructuring through improving the performance of SOEs

a) Performance of SOEs in the period of 2011-2020

(i) Overview of enterprises with 100% of charter capital held by the State:

According to summary of Government report data submitted to the National Assembly from 2011 to 2018⁹², the number of enterprises with 100% state owned charter capital has decreased by about 2 times, but the total value of assets increased by 1.3 times, the total value of state equity increased by 1.8 times, the total profit increased by 1.1 times, contribution to the state budget increased by 1.1 times.

⁹¹ From 2012 to 2016, the State Audit Office of Vietnam held an audit of the results of valuation consultancy and handling of financial issues before officially announcing the value of equitized enterprises of 17 enterprises, increase the actual value of state capital by VND 22,356.7 billion, reduce the actual value of state capital by VND 125.2 billion.

⁹² Report No.262/BC-CP in 2011, No.336/BC-CP in 2012; No.490/BC-CP in 2013; No.512/BC-CP 2014; No.620/BC-CP of 2015; No.428/BC-CP in 2016; No.441/BC-CP in 2017 and No.480/BC-CP in 2018

Table 19. Some indicators of enterprises wholly owned by the State

Year	2011	2012	2013	2014	2015	2016	2017
Number of businesses	-	846	796	781	652	583	526
Assets (VND billion)	2235407	2569433	2869120	3105453	3043687	3053547	3015478
Equity (VND billion)	754487	1019578	1145564	1233723	1376236	1398183	1371561
Revenue (VND billion)	1635677	1709171	1709134	1709780	1588326	1515821	1605050
Profit (VND billion)	146908	166941	181530	187699	161431	139658	167579
Budget contribution (VND billion)	206155	221673	276063	278212	246038	251845	219469
Accumulated losses (VND billion)	48988	17023	21086	24451	6165	12504	12074
ROA (%)	6.6	6.5	6.3	6.0	5.3	4.6	5.6
ROE (%)	19.5	16.4	15.8	15.2	11.7	10.0	12.2

Source: The Government's annual reports to the National Assembly.

The majority of resources of enterprises with 100% of charter capital held by the State are located in state-owned groups/ corporations. By 2018, 83 groups and corporations (including the group of parent-subsidiary companies) hold 92% of total assets, 90% of equity; 443 independent companies hold 8% of total assets, 10% of equity of enterprises with 100% of charter capital owned by the State.

Table 20. Allocation of capital and assets of enterprises with 100% of charter capital held by the State

January 1 of the year	Assets (VND billion)			Equity (VND billion)		
	Total	Groups, controlling companies	Independent enterprise	Total	Groups, controlling companies	Independent enterprise
2011	1799317	-	-	653166	-	-
2012	2235407	-	-	754487	-	-
2013	2569433	2392374	177059	1019578	921638	97940
2014	2869120	2639916	229204	1145564	1042365	103199
2015	3105453	2791967	313486	1233723	1112445	121278
2016	3043687	2821006	222681	1376236	1254899	121337
2017	3053547	2822131	231416	1398183	1267007	131176
2018	3015478	2776384	239094	1371561	1227124	144437

Source: The Government's annual reports to the National Assembly

(ii) Position of SOEs in the Vietnamese enterprise system:

According to the General Statistics Office till 2019, the total number of operating enterprises is over 714,000; The number of active enterprises with production and business results was over 626,000, of which, the proportion of SOEs (including all types of enterprises with more than 50% state capital at all management levels) was 0.38% (it was 1.17% in 2010, 1.01% in 2011, 0.93% in 2012, 0.86% in 2013, 0.76% in 2014, 0.64% in 2015, 0.53% in 2016 and 0.44% in 2017).

Table 21. The structure of operating enterprise with production and business results								
	2011	2012	2013	2014	2015	2016	2017	2018 Est
Number of businesses (1000 enterprises)	324.7	346.8	373.2	402.3	442.5	505.1	560.4	626.1
Proportion %:	100%	100%	100%	100%	100%	100%	100%	100%
SOEs	1.01	0.93	0.86	0.76	0.64	0.53	0.44	0.38
Enterprises with 100% state capital	0.37	0.47	0.43	0.37	0.30	0.25	0.21	0.18
Non-state enterprises	96.22	96.48	96.40	96.50	96.66	96.70	96.67	96.77
FDI enterprises	2.59	2.77	2.59	2.74	2.75	2.70	2.77	2.89
Labor (1000 people)	10816	11005	11465	12049	12857	14012	14512	15260
Proportion %:	100%	100%	100%	100%	100%	100%	100%	100%
SOEs	14.7	13.9	13.6	12.0	10.7	9.2	8.3	7.6
Enterprises with 100% state capital	9.7	8.4	8.6	7.3	6.1	5.3	4.9	4.3
Non-state enterprises	61.8	61.4	59.8	59.3	60.0	61.2	60.6	59.5
FDI enterprises	23.6	24.7	26.6	28.6	29.3	29.6	31.1	32.9
Assets (VND 1000 billion)	14863	16101	18786	20755	23620	28093	33010	35403
Proportion %:	100%	100%	100%	100%	100%	100%	100%	100%
SOEs	33.5	32.5	32.6	31.8	31.3	29.2	29.6	28.6
Enterprises with 100% state capital	25.0	21.1	24.4	20.3	16.8	14.9	15.7	12.9
Non-state enterprises	50.5	50.6	48.6	48.8	49.8	52.6	52.5	53.0
FDI enterprises	16.0	16.9	18.8	19.4	18.9	18.2	17.9	18.4
Equity (VND 1000 billion)	4785.9	4967.9	5958.4	6523.3	7399.8	8479.0	9379.2	-
Proportion %:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-
SOEs	23.8	27.6	27.5	25.8	23.2	21.8	19.4	-
Non-state enterprises	56.3	50.9	50.2	50.8	54.2	54.5	56.5	-
FDI enterprises	19.9	21.4	22.3	23.4	22.6	23.7	24.1	-

Source: Compiled from the annual Statistical Yearbook.

Regarding labor, the proportion of SOEs in 2018 was 7.6% (14.7% in 2011, 13.9% in 2012, 13.6% in 2013, 12% in 2014, 10.7% in 2015, 9.2% in 2016, and 8.3% in 2017).

Regarding capital and assets by 2019, SOEs hold 28.6% of total capital (100% state-owned enterprises alone hold 12.9%). Those proportion of non-state enterprises and FDI enterprises are 53% and 18.4% respectively.

In terms of production and business results, the role of SOEs in the enterprise sector tended to decline sharply: The proportion of net revenue from production and business of SOEs in 2011 was 25.2%, 26.3% in 2012, 24.1% in 2013, 21.9% in 2014, 18.2% in 2015, 16.4% in 2016, and 15.1% in 2017. The ratio of profit before tax of SOEs was 43.3% in 2011, 47.6% in 2012, 41.3% in 2013, 33.2% in 2014, 28.4% in 2015, 27.7% in 2016 and 22.9% in 2017.

Table 22. Turnover and profit of operating enterprises having business results

	2011	2012	2013	2014	2015	2016	2017
Net revenue from production and business (VND 1,000 billion)	10301.9	11167.8	12201.7	13516	14949.1	17436.4	20664.3
Total (%), of which:	100%	100%	100%	100%	100%	100%	100%
SOEs	26.2	26.3	24.1	21.9	18.2	16.4	15.1
Non-state enterprises	54.1	51.9	50.8	52.1	54.0	56.0	56.8
FDI enterprises	19.7	21.8	25.0	26.0	27.8	27.6	28.1
Profit before tax (VND 1,000 billion)	334.4	358.8	488.3	556.7	552.8	712.0	876.7
Total (%), of which:	100%	100%	100%	100%	100%	100%	100%
SOEs	43.3	47.6	41.3	33.3	28.4	27.7	22.9
Non-state enterprises	25.2	19.0	16.1	22.0	27.2	26.4	33.3
FDI enterprises	31.5	33.5	42.6	44.7	44.4	45.9	43.8

Source: Annual statistical yearbook.

- Profitability performance, profit rate:

Average return on revenue of businesses in 2017 reached 4.2%, of which the SOEs was 6.4%, non-state enterprises was 2.5%, FDI enterprises were 6.6%.

Average return on assets of businesses in 2017 reached 2.9%, of which SOEs were 2.2%, non-state enterprises were 1.8%, FDI enterprises were 7.0%.

Average return on equity of enterprises in 2017 reached 10%, of which SOEs were 11.4%, non-state enterprises were 6%, FDI enterprises were 18.1%.

Table 23. Profitability performance (Profit rate)

		General	SOEs	Enterprises with 100% state capital	Non-state	FDI
Return on assets (ROA)	Average of 2011-2015 period	2.4	2.8	2.5	1.1	5.4
	2016	2.7	2.6	2.9	1.4	6.9
	2017	2.9	2.2	2.6	1.8	7.0
Return on equity (ROE)	Average of 2011-2015 period	8.2	12.1	10.1	3.4	15.1
	2016	9.0	11.0	9.8	4.4	17.5
	2017	10.0	11.4	10.6	6.0	18.1
Return on sales (ROS)	Average of 2011-2015 period	3.7	6.0	5.6	1.5	6.1
	2016	4.1	6.9	6.3	1.9	6.8
	2017	4.2	6.4	6.1	2.5	6.6

Source: Vietnam Business White Paper 2019

- Labor use efficiency and employees' income:

In 2017, SOEs had an employment efficiency of 18 times, ⁹³ the national average was 14.7 times, that of non-state enterprises reached 15.5 times, that of FDI enterprises reached 12.3 times.

Average income of employees in 2017 was 8.3 million VND per month, of which SOEs were 11.9 million VND per month, non-state enterprises were 7.37 million VND per month, FDI enterprises were 9.03 million per month. In the period of 2010-2017, the average income of enterprise sector employees increased by 110.5 % per year, of which, SOEs increased by 108.9 % per year, non-state enterprises increased by 111.6% per year, FDI enterprises increased by 111.4 % per year.

	Labor use productivity (times)			Average income (million VND/ month)		
	2011-2015	2016	2017	2011-2015	2016	2017
Nationwide	15.1	14.4	14.7	5.8	7.5	8.3
SOEs	17.8	16.2	18.0	8.9	11411	11.9
Enterprises with 100% state capital	17.2	17.9	21.1	9.3	11260	11.3
Non-state enterprises	15.7	15.6	15.5	4.9	6405	7.3
FDI enterprises	12.4	11.8	12.3	6.6	8504	9.0

Source: Vietnam Business White Paper 2019.

- Financial safety index:

As of January 1, 2018, the ratio of equity to total SOEs business capital to 2018 was 28.4%, non-state enterprises were 30.3% and FDI enterprises were 37.9%; The debt-to-equity ratio of SOEs is 4.2 times, the average of enterprises is 2.5 times, that of non-state enterprises is 2.3 times, that of FDI enterprises is 1.6 times.

	Average of 2011-2015 period	2016	2017
NATIONWIDE	2.2	2.3	2.5
SOEs	3.0	3.3	4.1
Enterprises with 100% state capital	2.8	2.3	3.1
Non-state enterprises	2.0	2.2	2.3
FDI enterprises	1.6	1.5	1.6

Source: Vietnam Business White Paper 2019

⁹³ Calculated by the average labor turnover over the average labor income.

- Capital turnover index:

The capital turnover index in 2017 of the entire enterprise sector was 0.7 times, that of state-owned enterprises was 0.3 times, that of non-state enterprises was 0.7 times and that of FDI enterprises was 1.1 times.

Table 26. Capital turnover ratio			
	Average of 2011-2015 period	2016	2017
NATIONWIDE	0.66	0.67	0.67
SOEs	0.47	0.38	0.34
Enterprises with 100% state capital	0.45	0.47	0.42
Non-state enterprises	0.70	0.71	0.73
FDI enterprises	0.88	1.02	1.06

Source: Vietnam Business White Paper 2019

- Percentage of enterprises making losses:

The proportion of SOEs making losses is lower than the average for the enterprise sector. In 2018, 15.2% of SOEs suffered from losses, the national average was 48%, non-state enterprises were 48.3%, and FDI enterprises were 42.3%.

Table 27. Percentage of enterprises making losses (%)			
	Average in 2011-2015 period	2016	2017
NATIONWIDE	39.9	49.1	48.0
SOEs	17.9	15.6	15.2
Enterprises with 100% state capital	17.2	15.0	15.4
Non-state enterprises	39.9	49.3	48.3
FDI enterprises	46.7	47.9	42.3

Source: Vietnam Business White Paper 2019

b) Comments on the results and performance of SOEs in 2011-2020 period

The SOEs have made great efforts to perform their assigned tasks; production and business activities of enterprises, especially state-owned groups and corporations remained stable. The total value of state capital invested in enterprises is preserved and developed, which is an important source of revenue from the state budget, contributing to macroeconomic stability and economic growth. The target of the ratio of return on state equity is fairly high, higher than the average of the Vietnamese enterprise sector.

However, the biggest limitation and weakness of the SOE sector in 2011-2020 is that it has not been able to "improve an important step in business efficiency and competitiveness" as required by The 12th Central Committee's 5th plenum Resolution, Resolution No. 24/2016/QH14 of the National Assembly, Resolution 27/NQ-CP of the Government and Decision 707/QD-TTg of the Prime Minister. Specifically:

- Regarding the quality of growth and investment efficiency of SOEs:

In the recent period, SOEs had lower output growth rate (growth of revenue and profit) than growth of input resources (growth of business capital). In contrast, non-state enterprises and FDI enterprises both have higher revenue and profit growth rates than capital growth. SOEs' revenue and profit growth speed is also slower than that of non-state enterprises and FDI enterprises. In other words, SOEs are having to use more capital to create a co-value of output, which is a factor that reduces the investment efficiency of SOEs in particular and the state economy in general.

Table 28. Financial development index of enterprises in 2010-2017 period			
(%/year)			
	Working capital	Revenue	Profit
General	115.4	115.6	113.3
SOEs	113.2	106.3	108.3
Non-state enterprises	116.0	116.3	114.1
FDI enterprises	117.7	122.7	117.3

Source: GSO (2019)

- Regarding productivity, efficiency and competitiveness of SOEs:

According to the 2019 Statistical Yearbook, profitability and labor efficiency of SOEs are higher than the average of Vietnamese enterprises. However, the average figures do not accurately and fully reflect the business performance of most SOEs. In fact, SOEs' profits and business performance depend on a few large businesses. In 100% state-owned enterprises, most of the resources are in 07 groups and over 60 state corporations. Particularly, 7 state-owned groups hold 66% of assets, 66.7% of state equity, creating 61.7% of revenue, 56.5% of profit before tax and 56.7% of state budget revenue of all enterprises with 100% state capital. In particular, the two largest groups PVN and EVN hold 48% of business capital and 46% of state equity; The three groups PVN, EVN and Viettel together create 50% of revenue, 51% of profits and 52% of the budget contribution of enterprises with 100% state capital.

Moreover, the enterprises that have created most of the profits and added value for the SOE sector are basically operating in low-competitive industries and sectors, focusing on resource exploitation and using natural conditions (mining) or the sectors and fields dominated by SOEs, controlling the market (such as telecommunications and energy).

From the perspective of competitive institutions, most of SOEs' revenues, profits and budget contributions are in industries and sectors where there are less competitive with the private enterprises. In sectors with high competition among economic sectors such as trade, construction, manufacturing, etc., the business efficiency of SOEs is still low, proving that the competitive pressure has revealed limitations on the business of SOEs.

In fact, there are still many businesses that do not meet the requirements of financial

safety, have high debt, and are likely to collapse when their business is inefficient. On average, SOEs have higher liabilities than the average of Vietnamese enterprises.

In terms of production and service provision, the capability to lower costs, save costs and increase investment efficiency of most SOEs is limited. Waste and resource loss, especially in the fields of exploitation, processing, export of natural resources and minerals, and construction investment are inadequate, which have existed for many years but have not been completely handled so far, therefore it increases costs and reduces operational efficiency.

In general, SOEs have not met their goals and requirements to do well in providing essential products and services for society, serving national defense, security, high-tech applications, and creating motivation for rapid development for other industries, sectors and the economy as prescribed in Article 10 of Law No. 69/2014/QH13. The capability of SOEs in sectors and fields of infrastructure construction is limited. The role of SOEs in high-tech industries and industries capable of leading economic restructuring towards modernization is still not clear. The operation of SOEs in the industry of precise machining and manufacturing, etc has many weaknesses.

A number of SOEs have actively participated in international integration and competition. However, the competitiveness, regional market share and global market shares of Vietnamese SOEs are generally small⁹⁴. There is an opinion that most SOEs use resources for domestic competition, even among SOEs in the same industry.

2.3. Restructuring SOEs through adopting market economy institutions for SOEs and improving SOE governance capability to meet international standards

Socio-economic development strategy for 2011-2020 period, SOE restructuring project for 2011-2015 period and SOE restructuring project for 2016-2020 period have determined that perfecting the market economy institution for SOEs is a focus task in restructuring SOEs; At the same time, set the goal by 2020 to meet the international standards of SOE governance⁹⁵.

SOE governance follows international practices, such as the 2015 OECD SOE governance guidelines⁹⁶ (presented in Appendix 2 of the Report) gave 39 principles on 07 content groups of SOE governance, which require to follow principles such as: Create a legal framework on fair competitiveness for SOEs and other businesses; ensuring SOEs to have full autonomy and self-responsibility in line with the market

⁹⁴ The enterprise ranked 500th in Fortune's list of the 500 largest enterprises in the world, has revenue of 23.5 billion USD, 2 times higher than Vietnam's largest state-owned conglomerate EVN (11.9 billion USD), PVN (11.8 billion USD) and Viettel (10.8 billion USD).

⁹⁵ Article 1.1. Decision No. 707 / QĐ-TTg of the Prime Minister dated May 25, 2017 approving the Scheme on Restructuring of State Owned Enterprises, focusing on state-owned economic groups and controlling companies in the 2016-2020 period.

⁹⁶ OECD (2015), OECD Guidelines on Corporate governance of State - Owned Enterprises, Edition 2015.

regime; exercise centralized, specialized and professional state ownership rights; SOEs must apply high standards of accounting, auditing, information disclosure, transparency of operations, equal treatment and assurance of interests of stakeholders.

With the above objectives and requirements, the economic institutions and SOE governance practices in Vietnam for the period of 2011-2020 have the following characteristics:

a) Results of developing and perfecting the institutions and operational mechanisms of SOEs in the 2011-2020 period

Firstly, the mechanism of operation and governance of SOEs is increasingly improved in line with market mechanisms and international practices

Implementing Resolution of Congress XI and XII of the Party, Conclusion No. 10-KL/TW dated October 18, 2011 of the Third Conference of the Central Executive Committee (Session XI), Conclusion No. 50-KL/TW October 29, 2012 of the Central Executive Committee (Session XI); Resolution No.12-NQ/TW of the Fifth Conference of the Central Executive Committee (Session XI); implementing relevant resolutions of the National Assembly, in the period of 2011-2020, the National Assembly, the Government, and the Prime Minister issued a system of legal documents (Laws, Decrees, Decisions) on restructuring, organization, administration, management and operations of SOEs. The ministries have fully issued a circular guiding the implementation of these mechanisms and policies. The list of legal documents and regulations on organization, management, operation and restructuring of SOEs is presented in Appendix 1 of the Report.

Regarding the legal content, the system of business regulations in general, the operation of SOEs in particular has ensured consistency with the policy of creating a framework for SOEs to operate under market mechanisms, fair competition, non-discrimination between SOEs and other enterprises, is the premise to impose SOEs in the general management framework in accordance with international practices.

Business Laws⁹⁷ applies equally to all types of enterprises, there are no longer regulations (as considered in the Law passed by the National Assembly) creating exceptions or incentives for SOEs in market access, financial access, land and labor, production factors, resources, business investment opportunities, investment from the state budget, taxes, etc.

A review of the Law on Credit Institutions, the Land Law, the Labor Code and the relevant laws shows that there is no provision of discrimination, advantage or disadvantage for enterprises by form of ownership.

⁹⁷ Enterprise Law, Investment Law, Commercial Law, Competition Law, Land Law, Credit Institutions Law, Labor Code, Civil Code, Bankruptcy Law, Tax Laws, etc.

In commercial relations, the law stipulates the principle of contractual freedom for businesses. SOEs and other enterprises have full rights to seek, sign and execute contracts with business partners and joint ventures; apply general regulations of contract dispute resolution. Regulations of laws and policies on domestic trade, export, import, circulation of domestic goods and commercial services, traders, business items of enterprises, etc without distinction of ownership of the business.

The state management of investment implements the principle of respecting the freedom of doing business, autonomy in investment and self-responsibility of enterprises. The State manages investment by projects, not economic sectors, focusing on facilitating and supporting enterprises to promote investment. In the legal aspect, SOEs have the same rights as private enterprises to carry out development investment, including investment in exploitation and investment in infrastructure construction based on regional, sectoral and territorial plans of the State; decide on their own investment projects in accordance with the provisions of law on investment; use capital and assets to invest in joint ventures or contribute capital to other enterprises.

State management in the field of finance, the regulations on taxes, fees, charges, corporate finance, accounting, auditing, prices, etc. have been applied generally to all types of enterprises regardless of form of ownership.

The freedom to set prices - buy and sell goods and services is guaranteed in line with the common framework. Current law has granted enterprises the right to set prices according to the market situation, except for products and services subject to the State's price regulation.

In terms of labor relations and wages, SOEs are subject to the Labor Code's general application of labor standards; rights, obligations and responsibilities of employees, employers, organizations representing labor collectives, organizations representing employers in labor relations and other relations directly related to labor relations; State management of labor. Particularly in the Labor Code, SOEs have full freedom of employment, freedom of contract and wage agreement.

SOEs are governed by the general law of competition and antitrust. Competition Law, Commercial Law, Civil Code and guiding documents have formed a legal system that regulates the competition environment between enterprises and business entities.

The law on market entry and exit (dissolution and bankruptcy) applies to all, without distinguishing SOEs from private enterprises.

Especially, since 2017, the completion of economic institutions on SOEs in general, SOE governance in particular has institutionalized requirements in Resolution No.12-NQ/TW of June 3, 2017 on the following contents:

- There are regulations on SOEs participating in the implementation of political

and social tasks assigned by the State under the mechanism of the State's order, competitive selection, publicity and determination of production costs and implementation costs.

- There have been relatively complete and synchronous regulations on economic and financial relations between the State and SOEs, especially the rights and obligations are fully and transparently implemented in accordance with the law and in line with market mechanism.
- There are regulations on the elimination of direct administrative and subsidy mechanisms for SOEs, unfair treatment of enterprises of other economic sectors, especially in access to state resources and credit, land, resources, investment opportunities, business, finance, taxes, etc.
- Promulgated regulations on consolidation of multi-ownership state economic groups in accordance with international practices; clearly define the scale and scope of operations in line with the management and administration capability, etc; require SOEs to establish effective internal management and control systems in preventing, detecting, stopping and handling violations of law and conflicts of interests; clearly define the duties, powers and responsibilities of managerial positions in the management system, ensuring the responsibilities go hand in hand with powers.
- There are regulations on the principle that salaries and bonuses of employees and managers of SOEs must be linked to labor productivity and in line with market mechanisms.

In the implementation, there have been a number of SOEs deploying the mechanism of recruitment and appointment through competitive, open and transparent examinations for all managerial, executive and other job titles in the enterprise.

From the Government, since 2016, the direction and administration of SOEs and weak projects have been increasingly oriented towards market principles. The Government and the Government leaders repeatedly instructed not to provide state budget capital to support the loss and ineffective SOEs and projects.

Secondly, the promulgation of legal documents on SOEs basically ensured urgent, timely, appropriate, complete, full, uniform and effective requirements in the process of restructuring SOEs in the period of 2011-2020. Specifically:

- Regarding the urgency and timeliness:

In the period of 2011-2020, most of the laws and policies on SOE restructuring, SOE organization, management and operations were issued in a timely manner compared to actual requirements:

After the 2003 Law on State-Owned Enterprises ceases to be effective on July 1, 2010,

the Government, the Prime Minister and ministries have promptly issued all guiding documents to create favorable conditions for all state-owned companies to transform into limited liability companies or a joint stock companies in accordance with the 2005 Enterprise Law⁹⁸.

Implementing the plan of restructuring SOEs in the period of 2011-2015 in accordance with the Decision No.929/QD-TTg of the Prime Minister, the ministries have promptly studied, drafted and submitted to the competent authorities to promulgate new SOEs classification criteria as a basis for equitization and divestment; amend regulations for divestment in line with market principles; to promulgate new regulations on the model of organization and administration of state economic groups and corporations to fit the actual situation and task requirements as well as international practices; issue new regulations on the disclosure and transparency of financial statements, financial and business information, administration of state economic groups and corporations, and increase the accountability of the Members' Council and the Executive Board; renovating the management mechanism of salaries and bonuses of SOEs; amend and supplement regulations on equitization, sale, handing over and dissolution of SOEs; assign and decentralize for the exercise of the rights, responsibilities and obligations of the state owner to SOEs and the State capital invested in enterprises⁹⁹, etc.

After the National Assembly passed the Enterprise Law 2014, the Law on Investment 2014 and the Law on Management and Use of State Capital Invested in Business and Production Activities at Enterprises, the Government promptly issued many Decrees guiding, including contents related to restructuring and renovating the operation mechanism of SOEs such as regulations on ownership transfer, equitization, divestment of state capital; regulations on state ownership representative agencies for SOEs; regulations on management organization, governance and operations of SOEs; regulations on financial management and supervision of SOEs; regulations on personnel management, labor, wages; regulations on the operation of public utility enterprises, etc.

In particular, regarding the guidance of Law No.69/2014/QH13 on management and use of state capital invested in production and business activities in enterprises, the Government has issued documents guiding all 8 groups of issues that this Law has assigned the Government to provide detailed guidance, which is issued promptly after the Law takes effect (2015) on 7/8 groups of issues¹⁰⁰.

⁹⁸ Decree No. 25/2010 / ND-CP of the Government and the guiding circular of the Ministry of Finance, Ministry of Labor - Invalids and Social Affairs.

⁹⁹ Decree No. 99/2012/ND-CP and guiding documents.

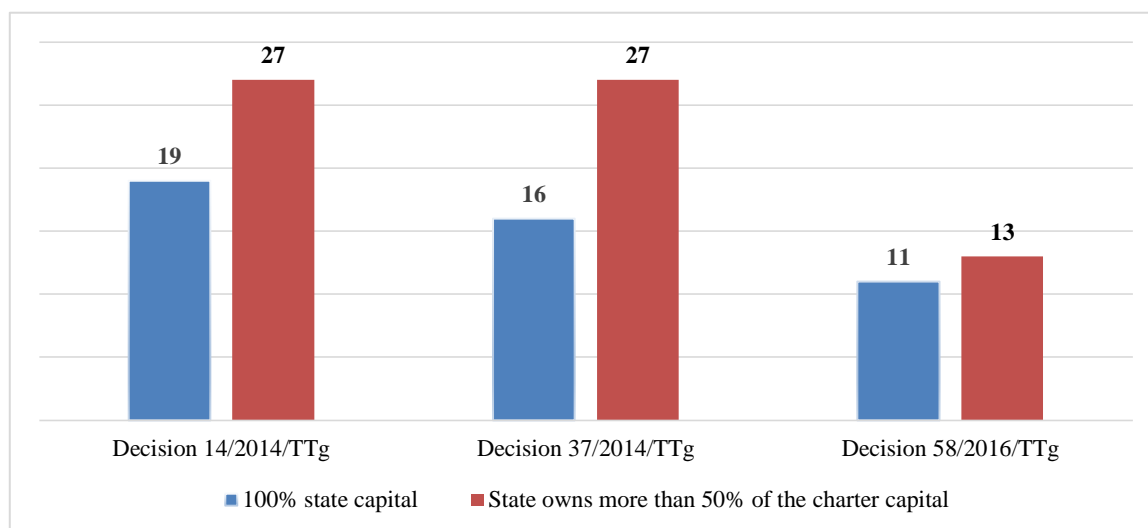
¹⁰⁰ 08 issues are specified in Article 10.2, Article 12.5, Article 15.6, Article 16.2, Article 18.5, Article 21.5, Article 36.1 and Article 42.4 of Law No.69/2014/QH13. In which, one issue guided later is Article 42.4 assigns the Government to detail the implementation of rights and responsibilities of the owner's representative agency (Decree No.10/2019/ND-CP dated 30/1/2019).

In furtherance of Resolution No. 12-NQ/TW of June 3, 2017, of the Fifth Plenum of the 12th Party Central Committee, on continuing restructuring, renovating and improving efficiency of SOEs, The Government issued all documents on the establishment, functions, tasks, powers and organizational structure of the State Capital Management Committee at enterprises¹⁰¹.

- Conformity with requirements of reality:

The system of legal regulations is regularly reviewed, revised, supplemented and replaced to fit the requirements of management practice and restructuring, innovating and improving efficiency of state-owned enterprises in the period of 2011-2020. From 2011 up to now, there have been 3 times the criteria of classification of SOEs are adjusted to conduct reorganization and equitization in the direction of reducing the number of sectors and fields where the State holds 100% of charter capital, from 19 sectors and fields in accordance with Decision No.14/2011/QD-TTg in 2011 reduced to 11 sectors and fields in accordance with Decision No.58/2011/QD-TTg in 2016; 04 times issued Decrees on equitization¹⁰² to meet the requirements of the actual practice from time to time; review, amend and supplement regulations on divestment to be in line with the actual practice of the process of transferring state capital and capital of SOEs invested in other enterprises, etc.

Figure 4. Adjustment to reduce number of industries, sectors that the State holds 100% authorized capital or dominant stock



- Regarding completeness, uniformity and consistency:

In general, the system of regulations guiding the restructuring, innovation and improvement of SOE performance in the 2011-2020 period is complete, comprehensive

¹⁰¹ Resolution No.09/NQ-CP dated February 3, 2018, Decree No.131/2018/ND-CP and documents guiding the transfer of ownership representative rights.

¹⁰² Decree No.59/2011/ND-CP, Decree No.189/2013/ND-CP, Decree No.116/2015/ND-CP, Decree No.126/2017/ND-CP.

and not contrary to the provisions of the relevant laws (Law No.69/2014/QH13, Investment Law, Enterprise Law, Public Investment Law, Construction Law, Land Law and business laws as well as specialized laws such as the Petroleum Law, the Electricity Law, the Telecommunication Law, etc); The overlap and conflict of laws among documents have decreased sharply.

b) Weakness in economic institutions for SOEs and SOE governance

Firstly, in fact, SOEs do not have sufficient autonomy and self-responsibility in line with the market mechanism:

The Enterprise Law stipulates that the legal entity of SOEs has the same rights and obligations as enterprises of all economic sectors in the same organizational form, first of all being autonomy in business, freedom of contract, possession, use and disposition of assets of the enterprise.¹⁰³

However, in reality, institutions and management mechanisms do not give SOEs full autonomy and self-responsibility. The outside State management agency also decides many issues in the field of business administration of SOEs. The reason is that SOEs are bound by a system of strict regulations on finance, supervision, management of employees, labor and wages, for example:

- Regarding the right to possess, use and dispose assets of the enterprise:

Current law details the cases where an enterprise must seek approval of the owner's representative agency, financial agency and relevant agencies on financial and asset management, costs, revenues, profits, outward investment, capital mobilization, etc. SOEs must comply with specific regulations on restrictions on property rights such as: limiting the scope of capital investment in establishment or participation in capital contribution to establishment of an enterprise, additional investment in capital, investment in acquisition of another enterprise; must ensure that the debt payable ratio does not exceed three times of the equity; not to contribute capital or invest outside the industry; not to decide on their own the transfer of investment capital outward; strictly abide by the principle of preserving capital in the transfer of shares and contributed capital; ask for comments, appraisal opinions of many state agencies in investing in large-scale projects (including self-borrowed - self-repayment projects by enterprises), etc.

- Regarding the right to recruit and appoint managers:

¹⁰³ Provisions of the Enterprise Law on the governance structure, ownership, members' councils, general directors and executive apparatus of one-member limited liability companies wholly owned by the State are not distinct from one member limited company in private sector, etc.

With the current regulations on conditions for appointing managers, firstly the conditions for personnel planning¹⁰⁴, it will be difficult to find, select, and sign contracts with good managers from the market to appoint SOE management titles.

- Regarding freedom of wage agreement:

Current law stipulates that salary is associated with business efficiency but still controls the maximum benefits.¹⁰⁵ At the same time, it is required that the representative agency must negotiate with the Ministry of Labor, War Invalids and Social Affairs before approving the salary, remuneration, bonus fund implemented in the previous year and the salary and planning managers' remuneration fund for state-owned economic groups.

Objectively, the above provisions are necessary and appropriate in the context of restructuring, minimizing financial risks, avoiding loss of state assets, but in the long run and from a management perspective, as a rule, this is one of the factors reducing SOE's autonomy compared to other enterprises.

Secondly, the practice of SOE governance in Vietnam is still far away from the international standard on SOE governance:

- Regarding ensuring that the SOE governance framework is consistent with other enterprises:

Although the business laws and unified and fair competition laws have been established, the enforcement is not strict and the actual incentives for SOEs are barriers for SOEs to meet modern and governance standards, typically not drastic implementation of bankruptcy procedures for some SOEs, which must be bankrupt, supporting a number of unprofitable projects with no signs of recovery.

On the other hand, up to now, there is no complete and thorough separation between management under the ownership and state management functions (even when the State Capital Management Committee has been established at the enterprise); sector development policies are interwoven with state ownership policies; State investment in socio-economic development and service of economic sectors is intertwined with state equity investment in SOEs and SOE investment (see the case study of the Airports Corporation of Vietnam ACV). As a result, it is difficult to develop a clear governance framework for SOEs like the private sector, and at the same time, there is a potential risk of unfair treatment and competition restriction in practice.

¹⁰⁴ Decree 97/2015/ND-CP Chapter V stipulates that the person appointed to managerial positions of the Company must be planned for the appointed position for on-site human resources or planned for the equivalent position with appointed titles for human resources from elsewhere. In order to be included in the planning, many state administrative conditions must be met, which are not really suitable for those who are experts outside the state system, etc.

¹⁰⁵ Decree No. 52/2016 / ND-CP stipulating salaries, remuneration and bonuses for managers of one-member limited liability companies with 100% charter capital owned by the State

Box 3: Lack of separation between state management and state ownership management: The case of Airport Corporation of Vietnam ACV

According to the Ministry of Transport, before the equitization of ACV, the assets of aviation infrastructure managed by the State are included in the value of ACV's assets. At that time, through ACV's development investment plan, the Ministry of Transport approved ACV's investment in airports development projects and maintenance of aviation infrastructure assets. ACV is responsible for investing, managing and exploiting in accordance with the Enterprise Law and related laws with ACV's capital.

However, from April 1, 2016, ACV has been equitized. Since then, ACV has been temporarily assigned to manage and exploit aviation infrastructure assets managed by the State to ensure uninterrupted and safe aviation activities.

It is worth mentioning that, after equitizing ACV, the implementation of maintenance, investment in upgrading and expanding aviation infrastructure faced many difficulties. At present, the runways and taxiways at airports with large operating capacities such as Tan Son Nhat and Noi Bai have exceeded the frequency of exploitation compared to the original design calculations, leading to potential failures, threatening flight safety and need to be upgraded.

However, according to the provisions of law, the above items are under the State properties category and must be invested with the budget. Meanwhile, medium-term public investment capital in the period of 2016-2020 and state budget source for aviation infrastructure has not yet been allocated. And ACV is already equitized, so it cannot use its own capital to invest in aviation infrastructure.

Through the study, the Ministry of Transport found that the plan to hand over aviation infrastructure assets to the Civil Aviation Authority of Vietnam for management would be consistent with the Law on Management and Use of Public Assets; separating the state management function of state agencies from business activities of enterprises. However, the Civil Aviation Authority of Vietnam said that the current organizational structure of this agency could not immediately meet the conditions to directly manage and exploit aviation infrastructure assets at aerial ports and airports in the country.

Therefore, the Ministry of Transport has researched and developed the project in the direction of assigning ACV to manage, use and exploit aviation infrastructure assets invested and managed by the State without including state capital in the enterprise till 2025. After the above deadline, the Ministry of Transport is assigned to review and report to the Prime Minister for consideration and decision on the transfer of aviation infrastructure assets to state aviation management agencies for management and use.

In terms of law, the system of specific regulations on management of enterprises with 100% state capital and management of state capital in multi-ownership enterprises, on the one hand, reduces the autonomy of SOEs as mentioned above, on the other hand, complicates the structure of SOE governance because SOE management decisions are highly dependent on the agency representing the state owner outside the enterprise, even for SOEs which are joint stock companies. For example, under the current regulations on management of state capital in enterprises (in Decree No.91/2015/ND-CP), in case a joint stock company with state shares increases its charter capital, the investment supplementing state capital must comply with a complicated administrative

order and procedures, decided by various authorities, for example: Before voting on the increase of capital at the General Meeting of Shareholders, the representative of state capital must compile a dossier of application for additional investment in state capital to report to the representative agency for cooperation with the same level financial competent agency to evaluate and submit to the Prime Minister for consideration and decision (after consulting the relevant agencies).

- Regarding the exercise of the right to represent state ownership:

International practices of SOE governance (e.g. OECD 2015) require that the exercise of ownership rights to SOEs must be transparent and meet high standards of accountability, professionalism and efficiency. However, the accountability, efficiency and effectiveness of exercising the rights of state ownership representation of SOEs in Vietnam have not yet met this requirement:

Decisions of the state owner are not focused, timely, through many complicated procedures and procedures, and various levels of state administrative management (even when the State Capital Management Committee was established), it is difficult to determine responsibility for cases of loss and loss of state assets invested in enterprises.

The responsibility on monitoring SOE remains fragmented. No agency has sufficient authority and ability to monitor and assess businesses fully, effectively and comprehensively. SOE management information has been an inadequate problem for many years, but so far has not been overcome. The state and the owner agency lack a consistent, complete and up-to-date database on state capital and assets at the enterprise as well as a complete list of all enterprises with state capital. Therefore, there is a lack of tools to effectively implement the monitoring and warning functions.

Some of the owner's representative agencies are assigned to manage quadrillions dong of state capital in enterprises, but how effective of the management of the owner's representative agencies is, how the responsibility of raising the value of state capital is, what responsibility of the owner representative agency is in supervising, monitoring and inspecting enterprises are issues that have not been regularly reviewed, evaluated and made public. Due to the lack of a regular monitoring and evaluation mechanism for the representative agency, it is not possible to create pressure for the representative agencies (ministries, provincial-level People's Committees, etc.) to manage state capital better and more effective. Especially, it will be more difficult to determine responsibility for cases of losses and loss of state assets invested in enterprises.

In the organization of implementation, due to the limited capability and resources of the owner's representative agency, the violations of laws, risks, weaknesses and losses in SOEs have not been detected in time and strictly dealt with. Some state management agencies and SOE leaders have not been drastic and have been slow to implement the guidelines, policies and laws on management, innovation, restructuring and improving

efficiency of SOEs.

- Regarding management and administration of SOEs:

According to international practices on SOE governance, SOE managers should be assigned specific, clear quantitative goals and tasks, and legal constraints on autonomy and self-responsibility at a high level, remuneration, reward and punishment regime commensurate with the results of the achievement of the assigned objectives and tasks. However, the governance mechanism in most Vietnamese SOEs does not meet this requirement. Specifically:

Regarding the assignment of current objectives, tasks and mechanisms, there has not been a strong pressure on SOE managers to improve their responsibility for efficient use of state capital. The assignment of economic tasks to SOEs is mainly in the form of approving annual registration plans of enterprises with financial indicators "higher than the previous year". The medium and long-term goals of the owners for each SOE and each SOE manager are almost unknown. Many types of costs have not been properly and adequately calculated such as land use rights and other business advantages,¹⁰⁶ resulting in not properly identifying the strength and potential of SOEs as well as the actual performance of SOEs, and leaving many implications for the overall management of SOEs. Many SOEs have not thoroughly separated between business and political and social tasks¹⁰⁷. Responsibilities, costs and sources of funding for SOEs to perform their duties as "an important material force for the State to guide and regulate the economy and stabilize macro-economy" have not been clearly defined.

Regarding the remuneration, labor and salary management mechanism in the current SOEs has not kept up with the requirements of the market mechanism. Wages do not in line with job positions, generally are set on average, paid to lower-skilled workers higher than the market, while paid to high-tech workers lower than the market, leading to the transfer of labor with high professional and technical qualifications to other businesses. Regulations on recruitment and remuneration for enterprise managers are not really tied to their responsibilities and obligations, and do not match the enterprises' autonomy requirements under the market mechanism and international integration; not to achieve the objective of implementing the salary, bonus and remuneration regime in line with the market mechanism, highly competitive on the basis of production and business results; The salary and bonus payment mechanism has not been implemented on a large scale as agreed for the general director and a number of key management titles of the enterprise.

¹⁰⁶ At present, the reassessment of enterprises' value is based on the actual market prices during the equitization process, but not yet applied to SOEs, although at the same time, both types of enterprises were 100% state ownership.

¹⁰⁷ This is reflected in the decrees promulgating the regulations of state economic groups and corporations, which are especially important, providing the political and social tasks of the groups and corporations.

The management of SOEs also links to the regime of officials and public employees. The application of hiring and labor contracts to the CEO and members of the SOE management board is slow. Remuneration and handling of responsibilities of SOE management staff still follow the same principle as for state officials, creating no motivation associated with responsibility, consistent with the operation of the enterprise in line with market mechanism¹⁰⁸.

The powers, autonomy and accountability of the representative agency, the Board of Members of an enterprise with 100% state capital, and the representative of state capital in an enterprise with state capital are not sufficiently clear in reality, leading to low effectiveness and management efficiency, not meeting the requirements of modern management. The Board of Directors and Members' Council of SOEs lack the institutional foundation to perform their tasks professionally and independently. The implementation of a number of legal provisions on the rights and responsibilities of SOE governance entities still entangled, leading to ineffective implementation or slow, prolonged implementation, failing to meet the requirements of economic practice of enterprises, typically problems related to competence, order, procedures and responsibilities for deciding and approving investment projects of enterprises with 100% state capital; the increase or decrease of state capital in order to ensure the interests of the state owner at enterprises with a part of state capital; etc.

The organization of production and business of many SOEs has not kept up with the requirements of the market mechanism. Investment management, financial management, risk management, thrift practices and combating wastefulness are still loose; production and business expenses are still large; forecasting capability is still limited; the formulation and implementation of strategies, plans on investment, development of production and business in some places are incompatible with the ability to mobilize capital and internal finance, and management capabilities of the enterprise.

Technology management and business management tools are slow to innovate. Many businesses have not applied modern operating technology, especially information technology, leading to slow or undetectable problems arising in business as well as losses and negativity.

The organization of implementation of the law on information disclosure is limited and formal, including the content of information disclosed, the means of publication and the mechanism of control and verification of information quality. As a result, it is difficult

¹⁰⁸ The salaries and bonuses for managers have been adjusted (Decree No. 52/2016/ND-CP), but in general are still low (only 40-50%) compared to equivalent management titles in private enterprises and FDI enterprises. Therefore, there is no motivation created for the good managers. There is no separation between salaries and bonuses of the owner representative (the board of management, the members' council, the controller) and the executive management board (the board of directors) to ensure objectivity, independence and effective in directing and operating the business.

for the state as owner and other stakeholders to monitor the business; policy-making agencies, state management agencies, partners, potential investors and the public are short of reliable information on the situation of SOEs; has little effect on preventing and minimizing acts of infringing upon state assets in SOEs; reduce trust or create negative public opinion about the transparency of SOEs, especially large-scale groups and corporations operating in state-monopolized sectors or fields, or sectors and fields where prices are regulated by the State or sectors and fields providing essential public products and services, etc.

A part of SOE managers is weak in management, administration capability, weak in responsibility, degraded in ethical qualities, deliberately acting against the law, taking advantage of tasks assigned to seek personal and family interests, corrupt and cause great losses for some SOEs, adversely affecting the belief in the State policies and the image of State economy in general, SOEs in particular.

A number of enterprises violated the State's regulations on management of investment capital, causing losses of the State's assets but were slowly discovered and actively prevented. The operation of SOEs and enterprises with the State capital is one of the top areas of concern in anti-corruption.

In many cases, the implementation is "in the right way" but not in real nature; The "process" in many cases has become a front for wrongdoing, self-seeking, and obscure staff selection and arrangement. Administrative management thinking and friendly relations (including the relationship of interests and not eliminating negative acts, bribe for positions, bribe for rights) are still lurking and dominating in recruitment and arrangement of managerial staff in SOEs. Meanwhile, the system of criteria for evaluating, appointing, training and retraining staffs in SOEs is still limited, leading to a number of weak SOE management officials in terms of management and operation and violating the law, corrupting and causing losses for some SOEs.

Regarding the financial management mechanism, in fact, there are still cases of SOEs being allocated capital in various forms by the State but not yet under strong pressure in the preservation and development of state capital, and being given support and assistance when facing difficulties. Many types of costs have not been properly and adequately calculated such as land use rights and other business advantages,¹⁰⁹ resulting in not properly identifying the power and potential of SOEs as well as actual performance of SOEs.

The internal supervision and inspection of SOEs is heavily in formalistic and ineffective due to the lack of separation between supervisory subjects and supervisory objects. The collective of workers has not been facilitated to bring into play the supervising effect on

¹⁰⁹ At present, the reassessment of enterprises' value is based on the actual market prices during the equitization process, but not yet applied to SOEs, although at the same time, both types of enterprises were 100 % state ownership.

the process of using state capital at the enterprise.

The Board of Supervisors and supervisors have not yet met the goal of becoming an "effective monitoring tool of the owner, operating independently and not be led, directed or dominated in the interests by the Board of members or the Board of Directors and the board of management and executive of the enterprise" at the request of the 12th Central Committee's 5th plenum Resolution. In some SOEs, their internal control systems do not respond to violations by a number of business leaders.

Thirdly, on the promulgation of legal documents and economic institutions:

Many studies and reports have pointed out the limitations and weaknesses of institutions and legal documents for the process of restructuring SOEs.

For example, according to the Report on the results of monitoring the implementation of policies and laws on management and use of state capital and assets at enterprises and equitization of SOEs in the 2011-2016 period of the National Assembly, a number of guidelines and policies are slow to be institutionalized or not fully institutionalized, inconsistent, unclear, and do not have breakthrough solutions; there are still inconsistent regulations; some regulations are unclear, creating different interpretations, making it difficult for the implementation process; there are still some major issues that have not been solved or not fully and timely addressed in the law, such as the concept of SOEs; a number of related mechanisms and policies have not been promptly issued¹¹⁰; The system of legal documents on the management and use of state capital and assets in enterprises is complicated, the content of some documents is not suitable to reality, and overlaps with other legal systems, etc.

3. ASSESSMENT OF THE IMPLEMENTATION OF THE GOALS AND TASKS OF SOEs RESTRUCTURING IN THE PERIOD OF 2011-2020, THE CAUSES, LESSONS AND RAISED ISSUES

3.1. Evaluation of the implementation of goals and tasks of restructuring SOEs in the period of 2011-2020

Objectives and tasks of restructuring SOEs are set out in many resolutions, conclusions and decisions of the Party, National Assembly, Government and Prime Minister at different stages in the period of 2011-2020. The following is an assessment of the results of the implementation of objectives and tasks of restructuring SOEs according to 04 objective groups and 06 task groups set out in the latest document, Decision No.707/2017/QĐ-TTg of the Prime Minister dated May 25th, 2017 on 4 levels: Achieved at high level, achieved at average level, achieved at low level, and unachieved.

¹¹⁰ For example, Decree No.10/2019/ND-CP on the exercise of the rights and responsibilities of state ownership representatives is promulgated to guide Clause 4, Article 42. Law No.69/2014/QH13 4 years after Law No.69/2014/QH13 takes effect

a) Evaluation of the results of implementing the goal of SOE restructuring to 2020

Objectives to 2020 (4 objectives according to Decision 707/QD-TTg)	Evaluation on implementation results
Objective 1: <i>SOEs have a more rational structure</i>	Evaluation: <i>Archived the objective at a low level. The structure of SOEs has changed, but has not been rational yet.</i>
<u>Objective 1.1:</u> Implementing the restructuring, equitization and divestment of state capital so that SOEs can have a more rational structure, focusing on key industries and fields; providing essential public products and services to the society; defense security; natural monopoly field; with high technology applications, large investments, creating motivation for socio-economic development that enterprises of other economic sectors do not invest.	<ul style="list-style-type: none"> • It is still possible to achieve the goal of the number of SOEs approved for equitization at the end of the plan period, although the annual implementation schedule is often delayed. • The achievement of the goal of "more rationally structured SOEs" is at a low level because state capital is still present in most industries and sectors; The State capital has not been reduced to the floor level prescribed by the resolutions of the Party and the National Assembly.
<u>Objective 1.2:</u> Implement equitization and divestment publicly and transparently in accordance with the market mechanism and the provisions of the law, so as to avoid negative phenomena, group interests, loss of capital and state assets.	<ul style="list-style-type: none"> • Equitization and divestment are more and more open and transparent. The law was amended and supplemented to prevent negative acts, group interests, losses of capital and state assets in equitization and divestment.
Objective 2: <i>Improve the efficiency of SOEs</i>	Evaluation: <i>Objective accomplishment is at an average level. Business and production efficiency, product quality, and competitiveness of SOEs have increased, but are still slow</i>
<u>Objective 2.1:</u> Improve efficiency of operation, business and production, increase competitiveness, increase profit rate on equity of SOEs.	<ul style="list-style-type: none"> • Profit margin increased slightly in the period of 2011-2020. However, the average result in the period of 2011-2020 is still lower than the average result in the period of 2001-2010. • Many SOEs have high competitiveness and efficiency, however, in overall, the SOE sector has not yet achieved the objective of "improving an important step in the efficiency of production and business, product quality, and competitiveness" of the 12th Central Committee's 5th plenum

Objectives to 2020 (4 objectives according to Decision 707/QD-TTg)	Evaluation on implementation results
	Resolution
<u>Objective 2.2:</u> Investment by state-owned enterprises focusing on the fields of science and technology; sectors and fields with strategic importance, leading and orienting the construction of a knowledge-based economy with high technology content, contributing to raising the competitiveness of the whole economy.	The law stipulates that SOE investment must focus on providing essential public products and services, ensuring social security, directly serving national defense, security, and applying high technology, creating rapid growth momentum for other industries, sectors and the economy.
<u>Objective 2.3:</u> Strengthen management capability and management capability in accordance with international standards.	The legal provisions have gradually been improved so that SOEs operate more and more in line with market mechanisms, but in reality, they do not fully meet the international standards on SOE governance. The cause is: The goals and tasks of SOEs are not clear; autonomy and self-responsibility of entities managing SOEs are not high; The reward and punishment regime is not serious yet. The SOE management team is not as professional as the international standard required.
<u>Objective 2.4:</u> The operation of SOEs is managed, supervised closely, publicly, transparently and equally with enterprises of other economic sectors.	Law documents do not provide priority and incentives to SOEs. Provisions on disclosure of information by SOEs are similar to those of listed enterprises. The law was amended and supplemented to closely manage and monitor SOE operations. However, the monitoring effectiveness is still low in reality due to obsolete management tools and methods; decentralized supervision and management authority.
Objective 3: Focus on resolving the shortcomings and weaknesses of state-owned enterprises and enterprises with state capital in accordance with the provisions of law, ensuring publicity and transparency, in accordance with the market mechanism.	Evaluation: <i>Not achieved yet</i> Dealing with market principles, but not yet completing the goal of "definitive handling" of weak SOEs.
Objective 4: Complete the model of management and supervision of state-owned enterprises and state capital, state assets invested in the enterprises. Separating the function of representing of state ownership in state-owned enterprises and enterprises with state capital with the state management function of ministries, branches and localities soon.	Evaluation: <i>Objective accomplishment is at an average level.</i> Not yet separate the function of representing of state ownership in state-owned enterprises and enterprises with state capital with the state management function of ministries, branches and localities in enterprises.

a) Evaluation of the results of implementing the goal of SOE restructuring to 2020

The task of restructuring SOEs (6 tasks in Decision No.707/QD-TTg)	Evaluate the performance of tasks
Task 1 : Perfecting institution	Evaluation: <i>Basically completed the tasks of perfecting institution, amending and supplementing regulations</i>
<p>Continue to improve the institution, legal framework on the management and operation of SOEs in accordance with the position, roles and goals of SOE restructuring; create conditions to improve production and business efficiency and perform the assigned tasks; meet the State's management requirements in a socialist-oriented market economy.</p>	<p>Amended and supplemented regulations on equitization and divestment in line with the new requirements.</p> <p>The legal framework has been completed for SOEs to do business in a common legal environment, to compete equally with enterprises of other economic sectors.</p> <p>Synchronously issued regulations to enhance transparency of financial statements, financial information, business and administration of state-owned enterprises. Strengthen the supervision and control of state ownership over SEOs.</p> <p>Completed financial mechanism for enterprises producing and supplying public products and services, national defense and security. Extend the regime of ordering, bidding for production and supply of public products and services. Separating between production and supply of products, public services, national defense and security and production and business activities for profit of enterprises.</p> <p>Regulations on salaries and bonuses are associated with labor productivity and business efficiency; ensuring the harmonization of interests of the State, enterprises and workers.</p> <p>Completed the legal framework on state ownership management policies for SOEs</p>
Task 2 : Equitization, divestment	Evaluation: <i>Archived the objective at a low level:</i> Efforts have been made, but the desired results has not been achieved yet, the progress is behind schedule.

The task of restructuring SOEs (6 tasks in Decision No.707/QD-TTg)	Evaluate the performance of tasks
<p>Complete equitization of 137 enterprises in the 2016-2020 period in Decision 58/2016/QD-TTg. Develop a roadmap and sell state capital in accordance with the criteria in Decision 58/2016/QD-TTg.</p> <p>Strictly comply with the equitization and divestment plans approved by competent authorities, ensuring a minimum of VND 250,000 billion must be met according to the capital requirements for the medium-term public investment plan for the 2016-2020 period under the Resolution. No. 26/2016/QH14.</p>	<p>The list of SEOs for equitization and divestment has been issued (Document 991/TTg-DMDN 2017, Decision No.1232/QD-TTg 2017, Decision No. 26/2019/QD-TTg) and the roadmap for each year is clearly defined.</p> <p>To June 2019: Total revenues from equitization and divestment transferred to the state budget reached 74% of the plan according to the Resolution of the National Assembly.</p> <p>The equitisation results of 2016- June 2019 period are slow compared to the approved plan, but it is still possible to complete the transformation of 137 enterprises into joint stock companies by the end of 2020.</p>
Task 3 : Continue to comprehensively restructure the operations of SOEs	Evaluation: <i>Archived the objective at a low level.</i> Efforts have been made but there have been no clear positive results
<p>Improve financial capacity; renovating management and technology; renovating organization, human resources management; structure of product, business and production lines, development strategies to improve operational efficiency.</p>	<p>In addition to some advanced examples (such as Viettel, EVN ...), most SOEs have not had significant positive changes in financial, management, and technology capability. Restructuring product structure facing difficulties.</p>
Task 4 : Handling of weak SOEs	Evaluation: Sectors and levels have made great efforts to perform their tasks, but have not yet completed and completely dealt with weak and unprofitable SOEs and projects.
<p>Review and thoroughly handle existing problems and weaknesses of State-owned enterprises and enterprises with State capital; resolutely handle unprofitable enterprises, inefficient and low efficiency investment projects according to the market mechanism and clearly define the responsibilities of each relevant unit and individual. Focus on resolving the shortcomings and weaknesses of 12 projects, enterprises that are behind schedule, inefficient in the industry and trade sector, and continue reviewing other projects and enterprises.</p>	<p>All levels and sectors have endeavored to handle poor performing projects in accordance with the market principles with a high sense of responsibility, urgency and drastic.</p> <p>However, the results are limited, a number of unprofitable projects are still being processed and there have been no better signs.</p>
Task 5 : Organization of implementation	Evaluation: <i>Archived the objective at a low level.</i>
<p>The Minister, Chairman of the provincial People's Committee directs the Chairman of</p>	<p>Since the issuance of Decision No.707/QD-TTg in May 2017 to November 2018, only 35 out of</p>

The task of restructuring SOEs (6 tasks in Decision No.707/QD-TTg)	Evaluate the performance of tasks
the Members' Council of economic groups, corporations, SOEs: To formulate and submit to competent authorities for approval for implementation of enterprise restructuring plan; complete equitization and divestment plans; to thoroughly handle existing problems and raise the operational efficiency of SOEs and enterprises with State capital.	526 SOEs have been got approval on restructuring plans (Data of the Ministry of Finance).
Task 6 : Exercise of ownership rights	Evaluation: <i>Archived the objective at an average level.</i>
Effectively exercise the rights, obligations and responsibilities of the state ownership to SOEs and state capital in the enterprises. Establish a specialized agency to exercise the rights and responsibilities of the owner representative in SOEs and enterprises with state capital.	A State capital management committee has been established, but the effectiveness, efficiency, rights, obligations and responsibilities of the state as the owner to SOEs and state capital in enterprises have not been clearly improved significantly, there are still obstacles in the organization of implementation

3.2. The cause of the failure to achieve the goal of restructuring SOEs in the period of 2011-2020

a) Core causes

Firstly, the adequate, modern and integration market-economy institution is incomplete.

The core cause is the delay in forming a full market economy institution (both in awareness and action), leading to economic entities, including the state economy and SOEs not fully operating under the market mechanism. Since the operation hasn't been fully in line with market mechanism, the efficiency of resource allocation is still low, leading to the restructuring of the economy in general and the restructuring of SOEs in particular has not reached the expected goals.

An in-depth study of sufficient market institutions in Vietnam is beyond the scope of this Report. Nguyen Dinh Cung (2019) raised the issues of Vietnam's economy according to the following market economy criteria: Firstly, private ownership has not yet become the dominant possession of the economy. Secondly, property rights are not clear. Thirdly, the role of the State is still large, reducing the autonomy and freedom of business, reducing the role of self-regulation of the market; prices of production factors (capital, land, labor, natural resources) do not reflect the supply-demand relationship of the market. Fourthly, there is no guarantee of the principle of creative exclusion, that is, market competition based on productivity, quality and efficiency in a fair manner in order to choose the winner.

Secondly, being confused in establishing the role of the state economy and of SOEs in the economy

The identification of SOEs as the main material force of the state economy - the economic sector playing a leading role in the economy - leading to the implications of the policy in practice as the public regime, which is directly SOE sector, must be large and strong; and therefore, cannot be narrowed down, at least in relative terms. Therefore, SOEs, especially groups and corporations, are prioritized to concentrate resources for expansion and development; And just like that, groups and corporations have become "too big to fail." In addition, this is also the reason making the equitization and divestment process, especially the equitization of groups and corporations, become more difficult and delayed.

b) Specific causes

- *The cause of not improving the efficiency and competitiveness of SOEs:*

Besides the objective factors due to market disadvantages, there are factors that make the performance of SOEs not commensurate with holding resources as follows:

Firstly, due to the limitations of the SOEs themselves, many projects suffer losses due to weak management and management capability, the capability of forecasting, assessing market demand, evaluating the efficiency of investment projects, managing and implementing projects. The expansion of production and processing of some new products of enterprises is still difficult and lacks initiative in renovating production and business. Most SOEs have not focused on in-depth investment. Typical technologies of the 4.0 industrial revolution have not yet been commonly applied in SOEs' business and production activities¹¹¹.

Secondly, limitations and inadequacies of institutions, mechanisms for SOE management and administration "creating loopholes to form interest groups, manipulating SOE operations, corruption and wastefulness; not clear about responsibilities of organizations and individuals; powers not yet associated with responsibilities in the administration and operation of SOEs; lack of mechanisms of power control "(the 12th Central Committee's 5th plenum Resolution).

From a business management perspective, the current mechanism has not created enough pressure and motivation for SOE managers to maximize asset value and save

¹¹¹ According to the results of the 4.0 Industrial Revolution Readiness Survey conducted by UNDP, CAF and the Ministry of Industry and Trade, only nearly 29% of SOEs are applying cloud computing technology, over 22% of SOEs have a plan to apply and up to 49% of SOEs do not plan or think that this technology is not involved in the production and business process. Similarly, nearly 50% of SOEs are not ready with data-based service delivery applications, etc.

costs; and often are not cautious enough to make the most optimal investment decisions, even abuse the power to spend, profiteering from the State assets. In some cases, investment is still made at any cost, regardless of the investment efficiency because the greater the purchase, the higher the profiteering opportunities are, typically the offenses in published court cases such as procurement of old products, outdated technology with payment value many times higher than the real value to gain illicit profits through agreements or collusion with foreign supply partners, etc.

Many SOEs are given a huge amount of assets to do business, but the management and monitoring system does not keep up with practical requirements, is ineffective and very formalistic, even disabled, leading to be unable to prevent and warn of risks of loss or loss of state capital in enterprises.

- *Causes limiting the results of equitization and divestment of state capital:*

Firstly, the equitization process in the period of 2011 - 2020 is affected by adverse developments of global and regional economy, especially in the period of 2011-2013, when Vietnam was strongly affected by the The global financial crisis led to the decline of the financial and securities markets, thus it also had a negative impact, reducing the market attractiveness, slowing the equitization of SOEs and state capital divestment. There is even an opinion that the supply of equitization and divestment of the state capital are greater than the absorption demand of the market.

Secondly, most of the groups, corporations and SOEs to be reorganized and equitized in the 2011-2020 period are large-scale, have many member companies, with a wide range of multi-sector businesses which have complicated financial situation which is difficult to handle in a short time, so it takes time to arrange, equitize and divest state capital.

Thirdly, efforts to implement the plan of equitization and divestment of state capital and restructuring SOE ownership are not high:

The preliminary and final reports of the Government on equitization over the years assessed that a number of ministries, sectors, localities and enterprises lacked initiative, were not serious and not drastic in directing, organizing the implementation, slowing down the equitization progress. Reality in the period of 2011-2020 shows that this situation continues to occur under many manifestations such as:

According to current regulations, the owner's representative agency is assigned many tasks and great responsibilities in the equitization process.¹¹² However, due to the lack

¹¹² From deciding on the equitization plan of an enterprise under its management, selecting an advisory organization, organizing an auction, announcing the enterprise's value, approving a plan on debt trading, adjusting state capital, approving labor plans, approving financial settlement, selecting strategic investors to guiding, inspecting and supervising the equitization process.

of appropriate apparatus, resources, human resources and skills, many owner representative agencies have not fully and effectively performed these important tasks and responsibilities.

A number of representative agencies and relevant agencies have not yet timely and drastically directed, have not actively implemented the equitization plan, and some are reluctant to do so. When faced with difficulties such as pricing, debt settlement or land issues, the general mentality is fear of taking responsibility. Especially in the context that many SOE management and equitization violations have been discovered and dealt with in the past time, there has been a fear of taking responsibility, inactivity and dare not make decisions according to the legal authority stipulated by the law, seeks to push the decision-making responsibility to the higher level or takes a lot of time and procedures to get the consent of other agencies.

The coordination and support of ministries, branches and localities are sometimes not tight and not timely. The guidance and direction has not been synchronized and consistent. There are many opinions reflecting the situation that some provincial People's Committees are slow to comment on land use plans and land prices, affecting the equitization progress.

Some SOEs have not complied with the law on equitization, delayed the completion of the equitization plan to submit to the competent authorities for approval, while they were afraid and worried about the position and leadership after equitization. Many equitized SOEs being slow to register for transactions and listing on the stock market have not yet met the market requirements for information disclosure and periodic reporting on production, business and corporate governance.

Although the Party and the State have identified equitization as a key solution of the process of restructuring and renovating SOEs for the past 30 years and in the future, the benefits of equitization have also been confirmed in practice. However, there are still many officials at all levels, sectors and business leaders who are anxious, worried about their position, role, and loss of interests, leading businesses position after equitization, and therefore, did not make any effort to equitize, even deliberately delayed, affecting the overall progress of the equitization process.

Fourthly, the implementation of administrative discipline is not strict and the unclear mechanism for handling violations is one of the core causes of the slow progress of equitization:

Right from the 2011-2015 period, the Government and Government leaders repeatedly requested appropriate handling measures for failing to comply with the schedule of SOE restructuring and equitization. Directive No.04/CT-TTg in 2017 and Directive

No.01/CT-TTg in 2019 continue to affirm: “Clearly define individual and organizational responsibilities in delaying equitization, divestment, etc; observance of discipline, administrative discipline, compliance with regulations of equitization and divestment, restructuring and performance of SOEs; having strong enough sanctions, strict handling of violations, not let it to recur.”

However, the reality shows that the implementation and handling of responsibilities in the process of equitization and restructuring of SOEs is not good, not serious. The number of cases handled, replaced, and transferred is very small compared to the prevalence of the failure to complete the SOE restructuring and equitization plan.

In addition to cases of clear law violations that have been prosecuted, the main reason for not handling or failing to handle irresponsibility that slows down the progress of equitization is the lack of specific legal mechanisms and regulations to clearly identify the form of violations, the level of handling as well as clearly identify the competent authority to assess and handle relevant agencies, organizations and individuals that fail to complete the equitization plan, etc.

In addition, the change of institutions, transfer of state ownership rights also has impact on the SOE equitization schedule:

Mechanisms and policies are decisive factors for the equitization progress in the period of 2016-2020. However, by the end of 2016, there were only criteria for classifying SOEs as a basis for determining the object of equitization; Only until 2017 and 2018, important legal regulations have been issued on guidance on dealing with land issues (Decree 01/2017/ND-CP) and equitization (Decree 126/2017/ND-CP), on arrangement and handling of public assets (Decree 167/2017/ND-CP), on divestment (Decree 32/2018/ND-CP), etc. The inadequate promulgation of documents has created a waiting mentality, slowing down the process of formulating and approving the plan in most enterprises under the equitization plan 2017-2018.

The establishment of the State Capital Management Committee in 2018 to take over the responsibility of representing owners in 19 large groups and corporations, including responsibility for directing, speeding up construction and approving equitization plans, have a significant impact on the progress of implementation in equitized units such as TKV, Vinataba, VinaCafe, Vinafood1, MobiFone, VNPT, Vinachem, not to mention the apparatus, human resources and resources to fulfill the responsibilities of the State Capital Management Committee in enterprises which are insufficient and not strong enough.

Similarly, the progress of equitization preparation and implementation in some enterprises has been delayed due to handling of negative cases, legal violations and

losses such as in Mobifone and industry and trade projects.

- *Causes of constraints on economic institutions and SOE governance:*

Firstly, the awareness of the role and position of SOEs, requirements and solutions for restructuring, innovating, developing and improving SOE efficiency is still insufficient. Some issues are unclear, there are different opinions but they are not quickly summarized in practice, conclusions, which lead to not having a high consensus in awareness to be concretized in legal documents. For example, SOE concept and the concept of state capital, the position of SOEs in implementing the role of leading the state economy, SOE autonomy in market mechanisms, issues of using SOEs as a tool of economic regulation, the issue of separating the function of state ownership from the state management function of state administrative agencies, etc.

Secondly, regulations on restructuring SOEs, organization, management, governance and operations of SOEs are scattered in many different laws, decrees and legal documents, issued in different times, due to different preparation and drafting agencies, there are certain contradictory and overlapping regulations.

3.3. Some experience from restructuring practice in the period of 2011-2020

The biggest lesson learned is to persevere and master the principle of imposing a full, modern and integrated market mechanism for SOEs, including the following related issues:

First, the role of the state economy and SOEs must be in line with market-economy development practices. Arranging, reorganizing and improving the performance of SOEs to ensure the implementation of the constitutional role of the state economy and the Party's Platform; supervise, evaluate and handle promptly, regularly and continuously the implementation of the Party's resolutions and conclusions on the state economy and SOEs.

Second, the law and law enforcement must be synchronized and really ensure equal competition between SOEs and other types of enterprises, especially in accessing resources. All priority, preferential or light-hearted, "pampered" acts of SOEs can be the cause of SOE innovation and restructuring not successful according to the Party's goals.

Third, the management and administration of SOEs must really follow the market mechanism, based on business principles. Strictly enforce financial discipline and market discipline. Resolutely handle and let the market eliminate weak SOEs and staffs, even when there are some unwanted social impacts in the short term.

Fourth, definitely do not allow opportunities to form the relationship of interests, profiteering from state capital and assets invested in production and business by the internal and external monitoring mechanism; disclose information and transparentize SOE operations; completely disassociate SOEs from their direct relationships with state agencies competent to allocate social resources, in other words, do not allow them to be both owners of SOEs and promulgators of policy and market regulation.

Fifth, there must be specific policies to institutionalize the Party's policy set for many years to allocate the property of the entire people to all economic sectors in accordance with the principle of efficiency and market mechanism.

3.4. Some issues need further study from practice

(1) Regarding the contents of the leading role of the state economy:

The content of the leading role of the state economy has been determined since the 1990s:

- + The political report of the 12th Central Executive Committee on January 20, 1994 at the 7th National Mid-term Conference of Delegates has determined *“Continuing to reorganize and build a SOE sector with effective operation, playing a leading role in the economy, is a very important and urgent task. That role is shown by paving the way and supporting other sectors to develop, promoting rapid and sustainable growth of the economy, as a tool with material strength for the State to regulate and guide market economy towards socialist orientation”*¹¹³.
- + Also at the 7th National Mid-term Conference of Delegates (in 1994), the Report of the Presidium stated: *“We believe that the leading role of the state economy must show in many aspects: Being the force holding the economic important parts, holding the dominant position of the economy, ensuring the stable development of the economy; is a force that facilitates, helps and links all economic sectors to develop together; be able to intervene, regulate and guide the development of all economic sectors and the entire national economy; set an example of economic sectors for productivity and efficiency”*¹¹⁴.

After 30 years of renovation, along with the strong development of other economic sectors, especially the private sector, on the one hand, it continued to affirm the overall role defined in the Platform and the Constitution on other hand, it is necessary to clarify, detail or adjust some specific roles of the state economy in the new context,

¹¹³ Page 206, Complete Party Document - Volume 53, National Political Publishing House 2007.

¹¹⁴ Page 246, Complete Party Document - Volume 53, National Political Publishing House 2007

especially some roles that received different opinions due to not meeting the requirements of capacity, force and nature of state economy and SOEs, for example: The role of "acting as an example of economic sector for productivity and efficiency"; the role of "holds the dominant position of the economy", etc.

(2) Regarding the duties of SOEs in the overall role of the state economy:

The identification of SOEs playing a role "as a core force, making a major contribution to the state economy playing a leading role in the economy" needs further study and clarification. The reason is:

Firstly, in the period of 2011-2020, it has been shown that among the sectors that help the state economy maintain a leading role in some aspects, SOEs are not as prominent as those of non-State enterprises (such as the system of public property, which is land, resources, the system of infrastructure assets formed from the state investment capital, the system of educational, training, healthcare and non-business units, apparatus of state management agencies, apparatus of security and defense and establishment of a safe and stable business environment for economic sectors to develop)

Secondly, in terms of the structure of the state economy, the value of state capital in SOEs no longer accounts for the majority of the total value of state-owned assets invested in the economic sector if fully valued according to market principles (firstly, public properties under public ownership and under the unified management of the State such as land, natural resources and other public assets formed from State investment capital are not properties of SOEs).

In other words, SOEs are still an important part of the state economy, but it may no longer be necessary to clearly define SOEs' duties as the "main material force of the state economy" as previous development periods. It is argued that the failure to identify SOEs to become a "major material force of the state economy" does not diminish the actual role of SOEs, while being consistent with the capability, force and nature of the SOEs in the new stage of development in our country.

(3) Regarding the use of SOEs as economic regulatory tools:

It is argued that the identification of SOEs as an economic regulation and market control tool has both exceeded the capability of SOEs and created SOE privileges, causing long-term disadvantages for economic administration. Therefore, it is necessary to conduct further research to clarify that, the State has the owner right to assign SOEs and representatives of state capital to carry out the goals to serve the interests of the State, to perform political and social tasks. However, with the state management function, the use of fiscal policy instruments, social security policies and resources of

state administration will be much more effective than using SOEs as a tool.

(4) Regarding the autonomy of SOEs in the market mechanism:

At the same time, the requirement for autonomy and self-responsibility for SOEs under the market mechanism and the requirement for strengthening the State management and supervision is still a problem of institutional and legal confusion. Similarly, both the responsibility to preserve and develop the state capital and to ensure the sale of shares and the divestment of state capital at market prices are still issues that need to be further clarified on guidelines and directions as well as institutions and laws.

Regarding this content, it is said that, to implement the viewpoint of Resolution No.12-NQ/TW which is "*SOEs operate under the market mechanism, taking economic efficiency as the main evaluation criteria, having autonomy, self-responsibility, fair competition with enterprises of other economic sectors*", it is necessary to fundamentally modify the legal system on the operation of SOEs, in which, ownership representative agencies of State-owned capital focuses on the task of supervision and evaluation, should not decide the issues of business areas such as project approval, investment decisions, ... and must comprehensively renovate the mechanism of assigning tasks, evaluating results and handling responsibilities for SOEs.

(5) Regarding the development of SOEs:

Resolution No. 12-NQ/TW of the 12th Communist Party Central Committee has set the policy of "continuing to renovate, restructure and improve the performance of SOEs". So, is it true that the "development" factor of SOEs is no longer set? This is an issue that needs to be further clarified in order to have a clear and consistent orientation for the SOE sector, especially in the context that there are two types of opinions to consider:

The first type of opinion said that it is necessary to reduce the size of SOEs in market economy.

The second type of opinion said that it is necessary to strengthen the power to effectively use state resources in SOEs, making SOEs the driving force of economic growth.

PART 3. RECOMMENDATIONS OF ORIENTATIONS FOR THE IMPLEMENTATION OF THE ROLE OF THE STATE ECONOMY, SOEs RESTRUCTURING IN THE 10-YEAR STRATEGY PERIOD OF 2021-2030, 5-YEAR PLAN OF 2021-2025

1. CONTEXT AND IMPACTS ON THE IMPLEMENTATION OF THE ROLE OF STATE ECONOMY AND SOE'S RESTRUCTURING

1.1. Domestic context

The domestic context sets new requirements for the implementation of the role of the state economy and SOE's restructuring as follows:

Firstly, SOE reform made remarkable achievements, but could not meet assigned goals and progressed too slowly. In near future, reform would be more difficult and complicated than previous period, especially given bad reputation of the state economy, SOEs and state management policy system, which heavily spoiled by negative cases, corruption and law violations in some state business groups and corporations.

Secondly, the private economy was identified as an important driver of the economy, which create more pressure on bolder reform in SOE sector.

Thirdly, socialist-oriented market economy institutions have been completed one step; The role of market mechanisms, policies and tools has been used more frequently and effectively, leading to the need to redefine the role of SOEs in many production and business sectors and fields to suitable with capability, force and nature of SOEs.

1.2. International context

a) General international context

The context of the regional and global situation creates opportunities and challenges for renovating, restructuring and improving the efficiency of SOEs:

- Strong development of science and technology, industrial revolution 4.0, competition and international economic integration are the major trends in the world, requiring countries to increase labor productivity and national competitiveness as well as the competitiveness of enterprises, including SOEs.
- In the economies, government investment in general and state ownership in SOEs in particular is still objective and necessary. The problem is that SOEs and state owners' behavior must be in line with common practices. New generation free trade agreements, including potentially signed FTA, clearly stated that: Enterprises, including SOEs, must have a mechanism of operation, governance,

management and administration in accordance with common business practices. In order to avoid disadvantages in international trade relations, the reform of market economy institutions needs to be strengthened, including economic institutions for SOEs, especially the way to exercise State ownership rights, fair treatment of the State with businesses, transparency of the State's ownership policies, including the goals, political and social obligations of SOEs.

b) Current situation of SOEs in the world and requirements for SOE reform

(i) The position of SOEs in economies:

Despite the increasingly strong privatization, SOEs exist, develop and play a certain important role in most economies, being a key player in key sectors such as finance, infrastructure, manufacturing, energy, and mining. Even more and more SOEs appear in the list of companies with the largest scale and as largest investors in the capital market, etc.

Box 4. European Commission report on SOEs in 2016¹¹⁵

According to data reported by 2500 SOEs (only counting the number of enterprises where government hold dominant shares) of the 40 largest economies (excluding China), the total asset value in 2015 was 2.4 trillion USD, 9.2 million labors. If enterprises with the State's minority shares are included, the value of assets and labor are many times higher.

In the list of the biggest 2000 enterprises of Forbes, 10% are enterprises where the state has domination authority.

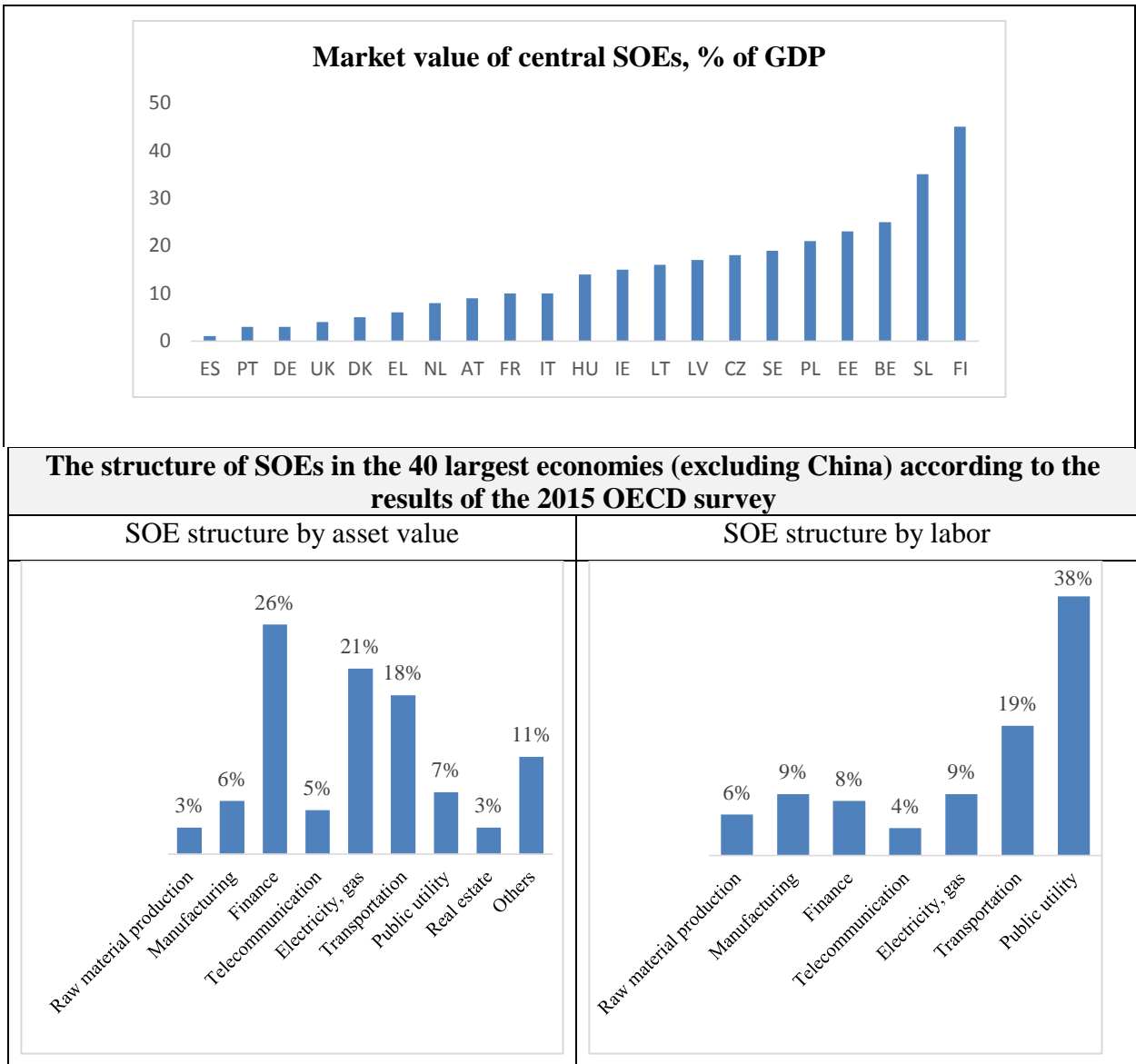
SOEs play a particularly important role in the "network industry" (such as railroads, energy, telecommunications, etc.), with an estimated 40% of assets and 43% of SOE employees are in these industries and fields.

Regarding the size of EU domestic SOEs, the total value of SOEs' assets is greater than 20% of GDP in Poland, Estonia, Belgium, Slovenia and Finland; 10-20% of GDP in Hungary, Ireland, Lithuania, Latvia, Czech Republic, Sweden, about 10% of GDP in France and Italy and less than 10% of GDP in Spain, Portugal, Germany, Denmark, Greece, Netherlands, Austria and England.

In terms of the size of state equity invested in business, that of the UK, Romania, Denmark and Germany is less than 5% of GDP, that of Portugal, Italy, Spain, and Sweden is from 5-10% of GDP, that of the remaining EU countries is over 10% of GDP, especially that of Finland is up to 40% of GDP (because Finland includes the state capital invested in social security funds).

State equity invested in business can bring public financial benefits. For example, in Finland, revenues from state shares are equivalent to 1.5% of GDP, in many other countries like Sweden, this share is equivalent to 1% of GDP.

¹¹⁵ EC (2016), State-Owned Enterprises in the EU: Lessons Learnt and Ways Forward in a Post-Crisis Context. European Union, 2016.



World Bank in 2014 highlighted 6 key features of SOEs: (1) SOEs continue to play an important economic role in all territories and development levels; (2) SOEs provide many essential services to business and consumption, directly contributing to economic growth and poverty reduction. (3) Many SOEs have become world leading multinational corporations, especially from emerging economies. (4) SOEs are used as a tool to develop strategic industries with the purpose of global competition in many countries. (5) State ownership tends to expand through the nationalization or acquisition of ownership from private enterprises, especially after the 2008 crisis. (6) The state has become the largest investor in the economy.

International studies and reports also show that, since the early 1990s till now, SOEs' financial performance and budget contribution have improved but are generally lower than those of the private sector. Most of SOEs' profits usually come from a few large companies that have competitive advantages, cheap access to land, capital and other inputs. In some countries, SOEs are still a big burden and a source of risk for macro finance.

(ii) SOE reform in the world and SOE's issues in Vietnam:

SOEs are considered to have an important role in economic development, having many impacts on markets, different entities and subjects in society, but always have potential risks for the economy. Therefore, countries, international organizations and institutions always require SOE reforms to fully comply with market principles and discipline, not to distort price signals in the market, in other words, do not distort the market.

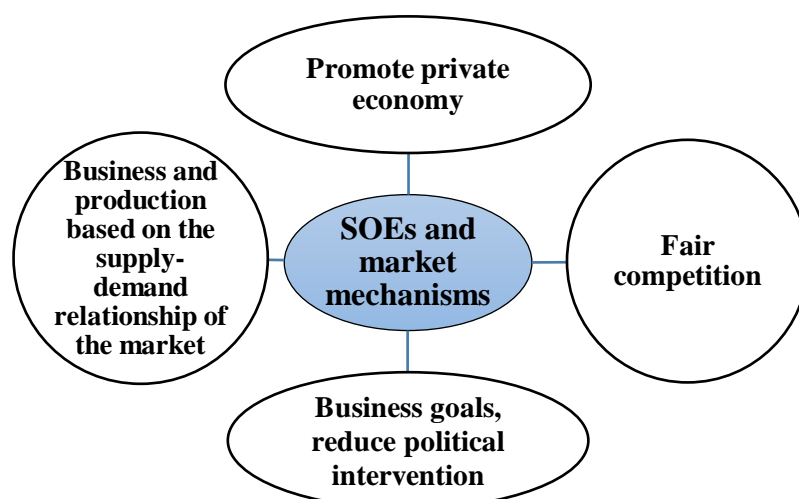
Countries and international organizations have many solutions and different approaches for SOEs to actually operate under the market mechanism. One such approach is to make SOE reform as one criterion to assess the full level of market economy development: This approach first starts with defining the criteria of a market or non-market economy, then examines each criterion, including SOE-related criteria.

Based on that principle, in 2002, the US Department of Commerce determined that Vietnam had a non-market economy after evaluating the following 6 criteria: 1) Ability to convert currencies; 2) Freedom of wage agreement; 3) Foreign investment; 4) The degree of ownership or control by the State of the main means of production; 5) The extent of the State's control over the allocation of resources, and decisions on prices and output of enterprises; 6) Other appropriate factors. In which, regarding SOEs, the US Department of Commerce has made the following remarkable assessments: *"SOEs continue to play a key role in the Vietnamese economy, with the share of the state sector in the economy accounting for 40% of GDP and 42% of industrial output. In addition, the Government has stated its goal of maintaining the leading role of SOEs. Although the private sector is thriving from 85% to 90% of the labor force, the competition between this sector and the state sector is still limited."*¹¹⁶

After many years of reform and remarkable achievements, the operation of the SOEs in Vietnam as well as the way of exercising the right to represent the state ownership and the way the State manages the economy in our country have had more innovations, more and more consistent with international practices. However, issues such as the size of the SOE sector, the scope of state capital investment in business, the protection of private property rights, etc may still be important criteria for countries and international institutions to review market economy in Vietnam.

¹¹⁶ United States Department of Commerce (2002), "Decision on Vietnam's economic status " (Website of the US Embassy in Vietnam http://vietnamese.vietnam.usembassy.gov/bta_nmedecision.html)

Figure 5. SOEs and market economy institutions



Source: Summary by the Research Group

Therefore, in developing solutions for reforming and restructuring SOEs, the following issues should be considered:

Firstly, the development of SOEs must not cause bad effects or restrict the development of private enterprises.

Secondly, the renovation and restructuring of SOE should be placed in the requirement to ensure a fair competitive environment between SOEs and other enterprises.

Thirdly, SOE innovation must give SOEs autonomy and self-responsibility to operate under the market mechanism, according to the market's supply and demand relationship, avoid intervention or impose SOEs to fulfill too many goals, including non-market and non-economic tasks.

(iii) Ensure fair competition by designing institutions for SOEs:

According to international best practices on SOE governance (for example, OECD's SOE governance guidelines 2015), legal and management framework for SOEs must ensure a level playing field in the market. With this requirement, economic institutions must not create unreasonable competitive advantages for SOEs at the expense of other enterprises. Specific criteria include:

There should be a clear separation between the function of state ownership and other state's functions that can affect the operating conditions of SOEs, especially the function of market regulator.

SOEs with business goals in combination with common good goals must apply high standards of transparency and disclosure of cost structure information in order to keep track of expenses and debts related to their main business sectors. If possible, business

activities should be separated from supply of public goods and services. The state budget should finance activities for public utility and must be disclosed.

Borrowing and mobilizing finance for SOEs' competitive business activities must comply with market principles. Specifically: The relationship of SOEs with all financial and credit institutions and the relations between SOEs must base on trade. It should not to create advantages for the competitive business activities of SOEs through indirect financial support such as preferential financing, tax debt, unreasonable buying and selling credit among SOEs. It is necessary to set a requirement that the appropriate rate of return for competing SOEs' business activities equivalent to that of the private sector, taking into account its specific operating conditions. When SOEs engage in public procurement - whether as a tender or contractor - the relevant procedures must be competitive, non-discriminatory and meet appropriate standards of transparency.

SOEs are not exempted from common business laws, such as tax laws and other regulations. At the same time, SOEs should not be subjected to financial obligations or to perform unpaid tasks, which cause material damage or disadvantage compared to private enterprises in similar circumstances. Many reports by international organizations and institutions such as the EU and the World Bank require countries to ensure "a level playing field" by eliminating the difference in the legal framework between SOEs and enterprises of the private sector as well as applying the private sector's method to operate the state ownership function. Creating a level playing field also means that the State does not give SOEs advantages or disadvantages in competition even when the State is the owner of SOEs.

Legally, creating a level playing field is done through the application of private enterprise regulations to SOEs. In order to do so, in addition to the application of corporate law, common corporate law, it is necessary to agree on terms and methods of applying the law in other relevant fields, first of all competition law, labor law, commercial law, bidding law, procurement and bankruptcy law. The general practice of this issue is: no legal exemption for SOEs, especially in competition law and bankruptcy law; minimize the mechanism of "soft budget constraint"; full, satisfactory and transparent payment for public service provision activities. At the same time, the SOE management and administration apparatus (for example, the Board of Directors, General Director) must have the same responsibilities and autonomy as that of the private sector enterprises.

Regarding competition law enforcement, it is necessary to eliminate non-market factors due to the advantages of SOEs such as: Advantages from the state's support such as tax support, land support, access to preferential financial resources, loan guarantees, etc; preferential behaviors of the State (for example, not paying attention or loosely

monitoring the monopoly status of SOEs, issuing business licenses for SOEs easily, not imposing strict tax treatment, allowing SOEs to proceed public procurement carelessly, etc); Advantages due to monopoly and advantages under the guise of public utilities (for example, postal services, public services, etc); Advantages due to the fact that the types of state capital invested in enterprises cannot be valued according to market principles, which leads to inaccuracy, wrong cost calculation, affecting the market valuation mechanism.

In the aforementioned issues, not imposing the bond between SOE spending and income (also known as "soft budget constraint") is one of the most obvious manifestations of the lack of imposing market mechanism to SOEs. Soft budget constraint is a situation where SOEs are easily approved by the Government or creditors to their requests of additional capital or loans; subsidized, supported, maintained the existence even when there are prolonged losses; ect. This management method is the cause for SOEs to spend unwisely and eliminate motivation for production and business which need to be changed. Therefore, it requires to impose fixed budget and financial discipline, budget discipline to SOEs.

2. RECOMMENDATIONS ON IMPLEMENTING THE ROLE OF THE STATE ECONOMY AND SOE RESTRUCTURING

2.1. Recommendations and views on the role of the state economy

a) Regarding the role of the state economy:

The state economy continues to play a role defined in the Country Development Platform during the transition to socialism period (supplemented in 2011) and the 2013 Constitution. That role is expressed in supporting and linking other economic sectors to develop together; It is an important driving force for rapid and sustainable economic growth and development and social progress and justice.

b) Regarding the implementation of the role of state economy

Firstly, it is necessary to concentrate investment of state economic resources on:

- + Building and developing the system of socio-economic infrastructure for the development of all economic sectors, including transport infrastructure, energy infrastructure, agricultural infrastructure, urban infrastructure, Information and communication infrastructure, education and training infrastructure, science and technology, health care, culture, sports, tourism, environmental protection and improvement infrastructure, response to variables climate change, disaster prevention. Ensuring the supply of essential public products and services that other economic sectors do not invest and provide.

- + Creating a favorable and safe investment and business environment, regulating the economy on the basis of respecting market rules. Enhancing national defense, security and foreign affairs to firmly defend the independence, sovereignty, unity and territorial integrity of the Fatherland.

Secondly, it is necessary to restructure the resources of the state economy investing in business sector based on following principles:

- + Ensuring the scale of state investment in business is more suitable with the requirements of developing a full and modern market economy, integrating in the direction of decreasing, proceeding to withdraw from the competitive business sectors and fields where other economic sectors can perform better and more effectively, contributing to the implementation of the policy of developing the private economy to become an important driving force of the socialist-oriented market economy;
- + Focusing on sectors and fields that promote the growth model transformation from mainly developing in width to rational development between breadth and depth, improving quality, efficiency and sustainability of the economy.
- + Assigning to all entities of all economic sectors the right to exploit and use public property under the ownership of the people, which is represented by the State and managed by the State on the principle of efficiency, competitiveness, and equal access. The entities have the same rights and obligations in the exploitation and use of public properties under the ownership of the people, which are represented and managed by the State.

2.2. Recommendations and views on the role of SOEs and restructuring SOEs

(i) SOEs are an important material force of the state economy, contributing to the promotion of economic development and the implementation of social progress and justice; focusing on key and essential areas, important areas and national defense and security, areas where enterprises of other economic sectors do not invest.

(ii) SOEs include enterprises with 100% state-owned charter capital or shares, dominant contributed capital, are organized and operated mainly in the form of a joint stock company; taking economic efficiency as the main evaluation criteria; autonomy, self-responsibility, compliance with discipline and market standards in investment and business; competing equally with enterprises of other economic sectors in line with the provisions of law. Ensuring publicity, transparency and accountability of SOEs. Separating the task of supplying public products and services from the normal business tasks of SOEs.

(iii) SOEs must constantly improve their operational efficiency to improve the efficiency of state capital and assets invested in production and business, contributing to improving the quality, efficiency and sustainability of the economy, quickly increasing the domestic value, benefit and the competitiveness of Vietnamese products and enterprises.

(iv) Restructuring and renovating SOEs in accordance with the market mechanism is a regular and continuous process, associated with the process of renovating the growth model and restructuring the economy, in line with the economic - social development strategy in each period. Resolutely equitize, divest state capital under the market mechanism in enterprises that the State does not need to hold or does not need to hold dominant shares or contributed capital, including those doing business effectively. Thorough handling, including bankruptcy of poor performing SOEs.

(v) Improving the effectiveness and efficiency of management, supervision, inspection and control of SOE operations; not to let loss and waste of state capital and assets occur. Separating and clearly defining the function of the State as the owner of the properties and capital with the function of state management for all types of enterprises, and the function of business administration of SOEs.

(vi) Renovating methods and improve the leadership capability of the Party organizations; promoting the role of the Vietnam Fatherland Front and socio-political organizations in supervising the restructuring, renovating and improving the efficiency of SOEs; ensuring the legitimate rights and interests of labor, and maintaining socio-political stability. Strengthening training, retraining, improving qualifications, management capability and ethical quality to strengthen the contingent of leaders and managers of SOEs.

3. RECOMMENDATIONS ON THE ORIENTATION OF SOE RESTRUCTURING TO 2030

3.1. Objectives to 2030

(i) Complete the establishment and improvement of economic institutions for SOEs to operate under a modern, complete and integrated market mechanism.

(ii) SOE lead Vietnamese enterprise sector in labor productivity and profitability; reach modern technology level equivalent to other countries in the region.

(iii) SOEs fully meet international standards of corporate governance. Most SOEs have a mixed ownership structure, organized mainly in the form of a joint stock company and listing shares on the domestic stock market. Strive to have 3 to 5 SOEs listed on the world's major stock markets; 1 to 3 SOEs are on the list of the 500 largest enterprises in

the world according to the rankings by reputable international organizations.

3.2. Orientations and tasks of restructuring SOEs to 2030

(1) State capital invested in production and business in enterprises must focus on key and essential important sectors, and national defense and security; sectors where enterprises of other economic sectors do not invest, apply high technology, make large investments, create rapid development momentum for other industries and fields and the economy.

(2) Establishing and building up inclusive institutions of a full, modern and integrated market economy for SOEs:

SOEs and private sector enterprises apply a uniform legal document system in all aspects of production and business activities. Terminating all acts and actual manifestations of discrimination of state agencies towards enterprises by the form of ownership. Borrowing and mobilizing finance for SOEs' competitive business activities must comply with market principles. The relationship of SOEs with all financial and credit institutions and with other SOEs must be based on pure trade relations. It must stop all forms of preferential financing, tax debts, unreasonable purchase and sale credits, debt reversals, debt transfer to SOEs and between SOEs.

Thoroughly separating the state ownership representative function and state management function for SOEs, including the separation of the state administrative apparatus and the representative agency of the State equity at the enterprises.

The State exercises unified management of public-utility activities (including activities serving the political and social objectives of the State) on the principle of assigning enterprises of all economic sectors to perform in a manner of equality, publicity, transparency and ensuring funding sources for implementation is from the state budget.

Participation in public procurement must ensure competitiveness, non-discrimination between SOEs and other enterprises and meet high standards of transparency.

(3) SOEs fully meet international standards of corporate governance:

SOEs operate mainly as enterprises with mixed ownership, operating in the form of joint stock companies. The state owner fully fulfills the responsibilities to SOEs, shares and capital contributed by the State in a professional, specialized, and effective manner; actually play the role of investors, owners, being equal in rights, obligations and responsibilities with other investors in the enterprises.

SOEs are guaranteed autonomy and self-responsibility according to market principles.

The state as the owner respects the independence in exercising the rights and responsibilities of the board of members, the board of directors, chairman of the members' council, chairman of the board of directors, general director, and executive board of SOEs for operation and management of SOEs are conducted transparently, accountability, professionalism and with high efficiency.

Economic and financial relations between the State and SOEs, especially rights and obligations, must be fully and transparently performed in accordance with law and in line with market mechanisms. All State assets invested in SOEs must be valued at the market. Strictly and correctly calculate all expenses incurred in the production and business of SOEs, including the cost of state equity. Make rational requirements on the profitability performance of equity, at least equal to the industry average.

The Committee for Management of State Capital at Enterprises and the state ownership representative agencies shall not decide on management and administration issues in the field of business administration of SOEs, ensuring that enterprises have the right to self-control completely in order to achieve the set goals; focus on enterprise supervision through the system of on-site representatives.

SOEs comply with high standards in line with international practices on information disclosure, transparency of operations, accounting and auditing regimes.

The Board of Directors, Board of Members of SOEs actually become the agency taking the highest responsibility to the performance of the enterprise; be fully accountable to the state owner, the shareholders, operating in the best interests of the business, has the full authority to appoint and dismiss the executive director.

SOEs follow the regime of salaries, bonuses and remuneration of employees and managers according to the market mechanism similar to those of the private sector, which is highly competitive on the basis of production and business results and labor productivity.

4. RECOMMENDATIONS ON SOE RESTRUCTURING PLAN FOR THE PERIOD OF 2021-2025

4.1. Key tasks to 2025

(i) On restructuring ownership, sectors of SOEs, equitization, and divestment of state capital:

Completing the process of restructuring SOEs ownership in all sectors and fields. Converting almost wholly state-owned enterprises into joint stock companies. Reducing State capital in all SOEs to floor level as prescribed. Completing the divestment of state capital in enterprises that are not subject to hold state shares and maintained capital.

(ii) Regarding the performance of SOEs:

SOEs have labor productivity and profit margins that are higher than the average of all profitable enterprises in the economy and not lower than the average of the foreign invested enterprises sector. The annual profitability of state equity must reach at least 15% per year for the period of 2021-2025.

Economic groups, corporations, projects and investment projects of SOEs which are ineffective and prolonged losses shall be handled completely. The situation of loss, waste of state investment, unpayable debts of SOEs is basically solved.

Product quality and competitiveness of SOEs have been improved partly. The level of application of typical technologies of Industry 4.0 in SOEs is higher than the average of the enterprise sector and not lower than the average of foreign-invested enterprises in the same business sector.

(iii) Regarding economic institutions for SOEs:

SOEs must operate under a full, modernized and integrated market mechanism; have autonomy and take self-responsibility like enterprises of other economic sectors according to the provisions of law.

SOEs meet international standards of corporate governance and are ranked and recognized by prestigious international organizations. More than 50% of SOEs are eligible and listed on the domestic stock market. At least 1 to 3 SOEs are listed on the world's largest stock market. Making great efforts to promote a Vietnamese SOEs in the list of the 500 largest enterprises in the world according to the rankings of reputable international organizations. Completing the goal of separating the function of the State as owner of assets and capital from the State management function for all types of enterprises and business administration functions of SOEs. Meet high standards of SOEs' disclosure, transparency and accountability.

4.2. Solutions to implement SOE restructuring in the 2021-2025 period

a) Developing the management and operation institutions of SOEs in line with the requirements of market economy development

Amend and supplement the Enterprise Law to clearly define the concept of SOEs from the perspective of Resolution No.12-NQ/TW of June 3, 2017, in accordance with international practices and commitments.¹¹⁷

To adjust the structure of state capital investment in the direction of continuing to increase the proportion of investment in infrastructure for the development of all economic sectors and socio-economic development, reducing the proportion of direct investment of The State in SOEs in competitive business:

- + Concentrating state investment capital to build and perfect the infrastructure systems of transport, energy, agriculture, urban, information and communication, education and training, science and technology, health, culture, sports, tourism, improving environmental quality, and improving national defense, security and foreign relation capability.
- + Amending regulations on the scope of state capital investment in production and business activities in the direction of not considering the state capital investment in establishing new SOEs in the 2021-2030 period; Only consider supplementing the state capital for SOEs, which have regular duties and mainly provide the following products and services: Public postal services; publishing (not including printing and publication distribution); Agriculture and Forestry; management and exploitation of inter-provincial, inter-district irrigation works; management, exploitation and operation of national railway and urban railways infrastructure systems; operating national and urban rail transport; air traffic services, aviation news services, search and rescue services; ensure maritime safety (excluding dredging and maintaining public navigational channels); SOEs meet the criteria of national defense and security enterprises as prescribed by law; transmission, dispatching of the national electricity system and management of distribution grid; multi-purpose hydroelectricity; Nuclear power which has a special important socio-economic significance in association with national defense and security; SOEs meet the criteria of “applying high technology, large investment, creating a momentum for rapid development for other industries, sectors and the economy”¹¹⁸.

¹¹⁷ According to Article 17.1 of the CTPPP Agreement, “an SOE is an enterprise primarily engaged in commercial activities in which a Party (the State): (a) directly owns more than 50 percent of equity; (b) control over 50 percent of the voting rights through owner interests; or (c) reserve the right to designate a majority of board members or any other equivalent management body.” According to OECD’s 2005 and 2015 SOE governance guidelines: “The term SOEs refers to enterprises in which the state has control over wholly, majority or minority ownership.”

¹¹⁸ This list is narrower than the provisions of Decree No. 91/2015/ND-CP (excluding manufacturing and trading

- + Thoroughly apply the principle of self-borrowing, self-repayment and self-responsibility in investment and capital mobilizing activities for SOEs doing business activities.

Continue to implement solutions to separate business activities and requirements of SOE political and social duties.

Promote information disclosure and transparency of SOE operations in accordance with the law. Competent state agencies must update, synthesize and publicly post all information in accordance with the law on SOEs, systematically and make it accessible for citizens.

Terminating of preferential treatment for SOEs in credit access in practice:

- + All resources of the state economy, such as land, natural resources and public assets, must be fully set market price and assigned to entities of all economic sectors for use on the principle of efficiency, fairness and competitiveness. Officially recognizing land use rights as goods traded on the market; establish public land institutional requirements to be publicly bid, develop systems to enforce legal requirements for transparent planning and procedures.
- + The authorities of the State do not directly or indirectly direct commercial banks to lend to SOEs, especially loans beyond the credit limit. The lending conditions, order and procedures of commercial banks must truly comply with the principle of not distinguishing enterprises by ownership.
- + Minimize the cases where state agencies guarantee SOEs to issue corporate bonds.
- + Be cautious and minimize the proportion of foreign loans of SOEs guaranteed by the Government. The State controls and sets strict conditions for loans borrowed by SOEs, which are self-borrowing and self-payment.
- + Absolutely do not perform the form of exchange, transfer or direct to write off debt between SOEs.

Thoroughly grasping the principle of budget constraint in all activities of SOEs in the direction of: Imposing a fixed budget to carry out defined objectives and tasks. Not to approve requests of capital or loans that higher than planned. Not subsidizing, supporting and maintaining the existence when businesses suffer losses, in the state of dissolution or bankruptcy, etc.

industrial explosives; printing, minting and manufacturing gold bars and souvenir products in gold; Lottery business; SOEs with the function of investing in state capital, trading and dealing with debts in service of restructuring and supporting the regulation and stabilization of macro-economy).

Eliminating direct support for SOEs in the field of competition. For the support of public-duty tasks or the provision of non-commercial services, a common mechanism for all economic sectors should be applied on the principle of transparency, creating cohesion between subsidies budget with performance, expressed by criteria such as: the level of service to the people, improve the efficiency, service quality, the level of innovation and creativity, contributing to social progress and economic development, etc.

Minimize and strictly control a number of necessary priorities for SOEs in accessing low-interest loans from the State or state-owned commercial banks, first of all the guarantee activities of Government. Termination of tax exemption, reduction, postponement and cancellation for SOEs.

Do not allow SOEs to benefit from the state capital management mechanism. Put more pressure on the responsibility to increase the value of state capital. Avoid leaving too much profit from state capital to businesses.

To amend and supplement the accounting and asset evaluation regime to ensure that book assets reflect true values, thereby, correctly determining expenses and costs of SOEs.

State equity and other public assets assigned to SOEs for management, exploitation and use such as land and resources must be fully marketed.

Fully impose constraints on capital costs in investment and business of enterprises. The state must earn profits at least equal to the market price of capital. Give businesses the autonomy in restructuring capital and assets within the approved framework of goals and targets. The representative of the owner, the manager of the enterprise must be directly accountable for the business results of the enterprise. When enterprises encounter difficulties, fail to preserve and develop capital, incur losses, fail to pay due debts, not fully pay taxes to the State, etc, the representatives of owners and managers must be replaced and handled responsibilities in accordance with the law on violations. Absolutely do not use the intervention of the Government to freeze debt, reduce debt repayment obligations, guarantee bonds issuing to pay debt, reduce taxes and tax obligations.

Clearly and transparently identify costs for non-commercial activities. All expenditures from the state budget to perform non-commercial tasks of SOEs must be announced in the financial statements. Strengthen monitoring of non-commercial activities to assess and publicize the effectiveness of this activity on SOEs, etc.

To renovate and adjust mechanisms and policies to encourage enterprises to make

investment in raising scientific and technological qualifications. Revising financial regulations when performing scientific research and technological development tasks using the state budget to create favorable conditions for enterprises proposing to perform scientific research tasks with State budget; The State may provide partial funding to enterprises of all economic sectors to implement.

Continue to renovate the incentive lever system to ensure that SOEs actually operate under the market mechanism and compete equally as those of other economic sectors:

- + Complete the separation of the contingent of SOE managers and executives from the cadre and civil servant regime. Thoroughly apply market principles in the wage regime. Enterprises shall decide on their own wage unit prices on the principle that the average wage growth-rate is lower than the labor productivity growth-rate.
- + Regularly and widely deploying examinations and entrance examinations for all managerial and executive posts of SOEs.

b) Regarding management and administration of SOEs

Each SOE develops and implements a management efficiency evaluation system that is applied to key executives and managers at enterprises and authorized representatives at other enterprises.

Identifying key indicators for each title, including standards of experience and managerial qualifications; methods and processes of selection (including examination), appointment; competitive principles and methods of payment and bonuses; biannually and annually evaluate the operational efficiency; incentive mechanism; sanctions for violations.

Applying new technology, firstly typical technologies of the industrial revolution 4.0 into the task assignment, measurement and evaluation system for each job position in the enterprise as a basis for payment, training, fostering, organizing, arranging and promoting SOE staff.

Applying and implementing standards on risk management in SOEs as listed companies; associating responsibilities of the Board of Directors, the Members' Council with the management of financial risks of SOEs; building and operating an online risk warning information system to connect with the state as owner's information monitoring system; apply modern technology to manage risk.

Further enhancing the independence and effectiveness of the Supervisory Board and Supervisors to truly become a real supervisory body of the state entity and the general meeting of shareholders.

Innovating production and business in the industry 4.0:

+ Based on the specific characteristics of the industry, size and internal capacity, SOEs formulate and implement strategies and plans to transform production and business, upgrade technologies, apply new business models, expand e-commerce trade, participating in digital economic value chains.

+ For large-scale enterprises with high technological potential and high concentration of production such as state-owned groups and corporations of telecommunications, electricity, oil and gas industries, it is necessary to continue promoting their advantages of being large-scale enterprises with ability to centralize production on the basis of investment in technological upgrading, raising the possibility of researching and creating new technologies, increasing the proportion of automation for the entire technological line of the main business.

+ For SOEs with low 4.0 industry readiness, it is necessary to strongly restructure products and services and labor on the basis of new technologies, raise the proportion of equipment - product connections, carry out research and technical standardization of the entire production chain, implementation of control systems of machinery and equipment by modern information technology, increasing the proportion of investment in skilled workers.

c) Regarding the exercise of the right to act as the representative of the State ownership to SOEs and state capital in the enterprises

Consolidate and improve the operational capability of the Committee for Management of State Capital at Enterprises.

Review and continue to expand the object of transfer of enterprises and state capital at enterprises to the Committee for Management of State Capital at Enterprises and the State Capital Investment Corporation, towards the model of ministries, ministerial-level agencies do not perform the function of representing state capital ownership in enterprises.

Clearly state that the owner's representative agency is responsible for comprehensive supervision of SOEs, management of state capital in enterprises, ensuring efficiency, preservation and increase of the value of state capital invested in enterprises, including responsibility in approving ineffective cases and projects, causing losses of state assets.

The owner's representative agency shall issue and implement the state ownership policy for each SOE. The ownership policy must specify the reason the state owns the business; the role of the State in SOE governance, how the State exercises ownership rights and responsibilities of state agencies in the implementation of those policies.

Supplementing legal provisions on the mechanism of supervision and evaluation of results of performing the function of representing state ownership based on evaluation criteria, including: The degree of completion of the assigned targets on financial efficiency, social efficiency and the goal of state capital investment in production and business activities at the enterprise; degree of completion of the plan, roadmap for restructuring, reorganizing and renovating enterprises under management; the legality, rationality, and prudence of owner decisions made by the owner representative agency during the reporting period.

Improving supervision capability and efficiency of owner representative agencies:

Building, managing and operating the national data system on all enterprises with State capital.

Modernizing SOE management and monitoring tools , investing in construction and operation of a management information center, monitoring the flow of state capital invested in enterprises, especially through an online management information system connecting the representative agency with each affiliated enterprise, ensuring the requirement of automatic assessment and comparison of financial and performance indicators of the enterprise with plans and budgets to monitor and alert regularly to the owner representative agency. All factors such as business plan, task goals, budget, performance, and project progress will be monitored on the same database collected from the business, thereby ensuring the monitoring is conducted more regularly, transparently and more effectively.

Supplement the task of risk management in supervisory activities of the owner representative agency.

d) Regarding equitization and divestment of state capital

Firstly, expanding the object of equitization and divestment of state capital.

Review and issue criteria for classifying SOEs to institutionalize the requirement "Most SOEs have a mixed ownership structure, mainly joint stock enterprises" of Resolution No.12-NQ/TW (the 12th Central Committee's 5th plenum), minimizing the type of SOEs that the State holds 100% of charter capital, further narrowing the type of enterprises that the State maintains shares and contributed capital. On that basis, the following solutions should be implemented:

Transfer most of 103 enterprises with 100% state-owned capital in the Decision

No.58/2016/QD-TTg¹¹⁹ to become joint stock companies under the new regulations on classification criteria of SOEs, only state-owned one-member limited liability company form should be maintained for 13 publishing houses and the National Money Printing Factory (State Bank of Vietnam), Vietnam Deposit Insurance (State Bank of Vietnam), Vietnam Development Bank, Social Policy Bank, Securities Depository Center (Ministry of Finance).

Classify and arrange public non-business units, agro-forestry companies, defense and security enterprises to turn them into joint-stock companies if they are eligible.

Secondly, perfecting policies and laws on equitization and diversification of SOE ownership:

Continue to review and summarize the implementation process to amend, supplement and promulgate mechanisms and policies on equitization fully, synchronously and in accordance with practical requirements to remove difficulties and obstacles, improve efficiency and prevent losses of state capital and assets:

+ To thoroughly handle financial problems before determining the enterprise value. Organize pricing close to market prices. Continuing to sell shares publicly and transparently, linking the equitization process with the development of the stock market and attracting strategic investors to buy shares to contribute to corporate governance innovation, improve operational efficiency and competitiveness of enterprises after equitization. Continuing to expand the objects that are subject to State Audit before announcing the enterprise value.

+ Continue to improve the quality, objectivity, independence and responsibility of the consulting organization in determining the value of state capital and assets at the enterprise for equitization and divestment of state capital.

+ Clearly define responsibilities and sanctions to ensure the implementation of commitments to strategic shareholders.

+ Continuing to review and strictly regulate land management and use regimes when equitizing SOEs, including the responsibility of reviewing SOEs' land fund, developing

¹¹⁹ include: 2 businesses of measuring and mapping in service of national defense and security; 2 enterprises of multi-target transmission, moderation of electricity and hydropower systems; 2 enterprises managing national and urban railway structure systems, 01 air traffic service enterprise, air information notification service, search and rescue service; 03 enterprises of secured maritime; 1 public utility enterprise, 63 enterprises operating in Lottery business; 13 publishing enterprises; 6 enterprises of Credit policies, ensuring credit system safety; 1 enterprise of printing and minting money; and 9 other enterprises (Vietnam Oil and Gas Group, Securities Depository Center, Ho Chi Minh City State Financial Investment Company, Hai Phong Housing Management and Business One Member Limited Company, Housing Development and Management One Member Co., Ltd, Bien Dong Seafood Service One Member Co., Ltd, Khanh Hoa Salanganes'Nest One Member Co., Ltd, Central Scientific Documentary Film One Member Co., Ltd, Books Import and Export Co., Ltd.

land use plans and handling for realization of land acquisition, land allocation, land lease, issuance of certificates to joint-stock enterprises, regulations on change of land use purpose of joint-stock enterprises, and clear regulations on the handling of land for businesses which manage a lot of land, manage land in locations with high commercial advantages.

- Promulgate new regulations on the sale of all SOEs, including state economic groups and corporations.

Thirdly, on state divestment:

Implement consistently and thoroughly the market principle on the divestment of state capital invested in a business that is not the main business or is not directly related to the main business; State capital in joint stock companies which the State does not need to dominate.

Continue to diversify methods of capital divestment according to market principles; expand the scope of auction, sale of shares in lots on the listed exchange; review and stricter regulations on the process of placing orders when divesting state capital to avoid arbitrary low divestments, which do not guarantee effectiveness.

Fourthly, improve the responsibility of the leader in equitization, divestment of state capital:

Strictly enforce administrative discipline and seriously handle violations that slow down the equitization, divestment of state capital and SOEs restructuring.

Amendments and supplements to the law to clearly identify the form of violations, the level of handling as well as the determination of the competent authority to assess and handle concerned agencies, organizations and individuals that have not been fulfilled equitization and divestment plan.

Specifying the level of completion of equitization, divestment and restructuring of SOEs is one of the criteria for evaluating the performance of political duties of the head of the agency assigned to act as a state ownership representative.

APPENDIX 1. OVERVIEW OF LEGAL REGULATIONS RELATED TO SOE RESTRUCTURING IN THE PERIOD OF 2011-2020

Implementing Resolution of Congress XI and XII of the Party, Conclusion No. 10-KL/TW dated October 18, 2011 of the Third Conference of the Central Executive Committee (Session XI), Conclusion No. 50-KL/TW October 29, 2012 of the Central Executive Committee (Session XI); Resolution No.12-NQ/TW of the Fifth Conference of the Central Executive Committee (Session XI); implementing relevant resolutions of the National Assembly, in the period of 2011-2020, the National Assembly, the Government, and the Prime Minister issued a system of legal documents (Laws, Decrees, Decisions) on organization, administration and operations of SOEs. The ministries have issued many circulars guiding the implementation of these mechanisms and policies. The following are the main contents:

- Provisions governing industries and fields of SOEs:

The policy mechanism has specified the policy of industry downsizing so that the SOEs have a more rational structure. The scope of state capital investment and the scope of industries and fields of operation of enterprises with 100% state capital tend to be narrowed down through development stages.

Adjusting regulations on industries are allowed to be invested in establishing 100% state-owned enterprises		
SOE Law 1995	SOE Law 2003	Law No.69/2014/QH13
Critical and important industries and fields help pave the way and create conditions for other economic sectors to develop, promote the rapid and durable growth of the economy, regulate and guide the economy socialist-oriented market.	Industries and fields that provide essential products and services to the society; high-tech industries and sectors, creating fast-growing motivation for other industries and fields and the whole economy, requiring large investments; industries and fields with high competitive advantages; geographical areas with exceptionally difficult socio-economic conditions, which other economic sectors do not invest in.	Supplying essential public products and services to the society; fields directly serving defense and security; natural monopoly field; high technology application, large investment, creating fast development motivation for other industries, sectors and economy.

In the period of 2011-2020, criteria for classification of SOEs are adjusted three times to reorganize and equitize in the direction of reducing the number of 100% state-owned enterprises and sectors, from 19 sectors and fields according to the Decision No.

14/2011/QD-TTg in 2011, reduced to 11 sectors and fields according to the Decision No. 58/2011/QD-TTg in 2016.

- Regulations on ownership transfer, equitization, divestment of state capital:

In the period of 2011-2020, the Government has four times issued Decree on equitization¹²⁰ to meet the requirements of the practice from time to time.

The current document is Decree No.126/2017/ND-CP issued to create more favorable conditions for the order and procedures to promote equitization and prevent loss of capital and state assets. In which, regulations on valuation of enterprises and state capital are becoming more and more consistent with the market mechanism through the provision of active valuation consultancy organizations to apply advanced valuation methods, select appropriate methods to determine the value of the enterprise and ensure that each equitized enterprise must apply at least two (02) different methods of determining the value of the enterprise and submit it to the ownership representative agency for review and decision.

The inspection and supervision of the equitization process is more strictly regulated, in which there are additional provisions on the scope and subjects subject to State Audit before the competent agencies announce the values of enterprises (enterprises with a value of VND 1,800 billion or more).

Land handling and determination of land use rights value in the value of equitized enterprises are stipulated more specifically, ensuring complete completion of legal documents on land of SOEs before equitization.

Regarding state divestment, the current system of regulations¹²¹ have stipulated principles, determined the starting price, the authority, the mode of transfer of state capital and the capital of SOEs investing in other enterprises, determining the selling price of shares that investors must pay when the owner representative agencies conduct transactions on the exchange to transfer capital at the listed joint stock company or register for trading on the stock market; provisions on recording of outward investment capital of SOEs under Business Cooperation Contracts (BCC) and transfer of

¹²⁰ Decree No. 59/2011/ND-CP of July 18, 2011, Decree No.189/2013/ND-CP of November 20, 2013, Decree No.116/2015/ND-CP of November 11, 2015, Decree No.126/2017/ND-CP dated November 16, 2017. On that basis, the Ministry of Finance has issued all guiding Circulars.

¹²¹ Decree No. 32/2018 / ND-CP amending and supplementing a number of articles of Decree No. 91/2015 / ND-CP dated October 13, 2015 on state capital investment in enterprises and management, use capital and assets at the enterprise; Circular No. 59/2018 / TT-BTC dated July 16, 2018 amending and supplementing a number of articles of the Ministry of Finance's Circular No. 219/2015 / TT-BTC of December 31, 2015, on state capital investment into enterprises and management and use of capital and assets at enterprises; Decision No. 583 / QD-UBCK dated July 6, 2018, promulgating the Model Regulation on auction by lots in the transfer of state capital and capital of State-owned enterprises invested in joint stock companies; Decision No. 586 / QD-UBCK dated July 6, 2018, promulgating the Model Regulation on common auctions of state capital transfer and capital invested by state-owned enterprises in joint stock companies.

investment capital for participation in BCC; stipulating the responsibility of the representative of state capital in collecting dividends and profits divided into the State Budget.

Other provisions on ownership transfer, equitization and divestment of state capital, including: Regulations on selling, handing over and transferring enterprises with 100% state capital (abolishing the regulations on contracting, leasing) in accordance with the Government's Decree No. 128/2014/ND-CP dated December 31, 2014; organize, innovate, develop and improve the operational efficiency of agro-forestry companies according to Decree No.118/2014/ND-CP of December 17, 2014; convert public non-business units into joint-stock companies under the Prime Minister's Decision No. 22/2015 / QD-TTg of June 22, 2015; policies for redundant employees when rearranging one-member limited liability companies owned by the State under Decree No. 63/2015 / ND-CP of July 22, 2015; opening "room" for foreign investors under Decree No. 60/2015 / ND-CP of June 26, 2015 amending and supplementing a number of articles of Decree No. 58/2012 / ND-CP of July 20, 2012 of the Government detailing and guiding the implementation of a number of articles of the Securities Law and the Law amending and supplementing a number of articles of the Securities Law.

- Provisions on state ownership representative agencies for SOEs:

The completion of regulations on exercising rights, responsibilities and obligations of the state as the owner to SOEs and State capital invested in enterprises has contributed to renovating, improving the effectiveness and efficiency of SOE management of the State and the ownership representative agencies.

Decree No. 99/2012/ND-CP of November 15, 2012, Decree No. 10/2019/ND-CP of February 28, 2019, on the exercise of the rights and responsibilities of the ownership representative agency and the Decree No. 131/2018/ND-CP of September 29, 2018, on the functions, tasks, powers and organizational structure of the State Capital Management Committee in enterprises and guiding documents have stimulated more clearly on rights, responsibilities and obligations of the state as the owner to SOEs and the state capital invested in enterprises; making a big step towards the goal of separating the state management function from the function of representing state ownership in SOEs in accordance with the Party's resolutions and conclusions.

- Regulations on organization, management, and operation of SOEs:

From July 1, 2010, all SOEs which have been transformed into joint-stock companies and limited liability companies are prescribed in the Enterprise Law. The 2003 Law on SOEs has no subject to regulate.

Enterprises with 100% state capital and enterprises with State shares and contributed capital may organize, register, enter the market, operate and withdraw from the market according to the general regulations like enterprises of all other economic sectors.

In general, the legal system of business of economic entities includes: Enterprise Law (stipulating the establishment, registration, organizational model, corporate rights and obligations, corporate governance, etc.), Investment Law, Commercial Law, Competition Law, Labor Code, Civil Code, Bankruptcy Law and dozens of specialized business laws such as Insurance Business Law, Credit Institutions Law, Real Estate Business Law, laws on Maritime, Electricity, Oil and Gas, Telecommunication. etc. with specific rules for entities operating in each specific business area. Under these laws, there are hundreds of guiding documents at the decree level of the Government, decisions of the Prime Minister, circulars of ministries.

In addition to the system of general regulations on economy, business and competition, the State has issued a system of regulations governing the operation of SOEs as the owner of investor capital in enterprises, first of all : Decrees of the Government on the Regulation on organization and operation of State-owned economic groups and corporations established by the Prime Minister's decision; Decree No. 69/2014/ND-CP dated July 15, 2014 of the Government on State-owned economic groups and corporations; Decree No. 81/2015/ND-CP dated September 18, 2015 of the Government on information disclosure of SOEs; Decree No.93/2015/ND-CP dated October 15, 2015 of the Government on organization of management and operation of defense and security enterprises; Decree No.97/2015/ND-CP dated October 19, 2015 of the Government on management of holders of titles and positions at 100% state-owned one-member limited liability companies; Decree No.106/2015/ND-CP dated October 23, 2015 of the Government on the management of the representative of state capital holding management positions at enterprises in which the State holds more than 50% of the charter capital; Decree No.51/2016/ND-CP dated June 13, 2016 of the Government stipulating the management of labor, wages and bonuses for employees working in one-member limited liability companies with 100% of charter capital owned by the State (replacing Decree No.50/2013/ND-CP dated May 14, 2013); Decree No. 52/2016/ND-CP dated June 13, 2016 of the Government stipulating salaries, remuneration and bonuses for managers of one-member limited liability companies with 100% of charter capital owned by the State (replacing Decree No.51/2013/ND-CP dated May 14, 2013 by the Government); Decree No.53/2016/ND-CP dated June 13, 2016 of the Government stipulating labor, salary, remuneration, and bonus for companies with dominant shares and contributed capital owned by the State.

The Government and the Prime Minister approved the SOEs restructuring scheme, focusing on state economic groups and state corporations; evaluated, strengthened and

terminated the establishment of economic groups; at the same time specifying criteria and conditions for the establishment, organization and operation of economic groups and corporations. The Government has stipulated the regulations of state groups and a number of State corporations to clearly define the rights, responsibilities and obligations of the owner of state capital and the rights and obligations of SOEs.

Regarding scientific and technological activities, the laws and policies of the Party and National Assembly, the Government and ministries and branches have been legislated and promulgated relatively, clearly and completely the legal corridor for State-owned enterprises and public service delivery agencies to carry out technological innovation, invest resources in scientific and technological activities through renovating financial mechanisms, forming development fund of science and technology¹²², thereby promoting initiatives, technical improvements for SOEs, contributing to increasing labor productivity, speeding up the progress of national key construction projects (such as Son La hydroelectricity, Lai Chau hydroelectricity).

Regarding labor policies and salaries, the Government's regulations on salary policies for SOEs have been changed, overcome limitations and the too big gap between employees and managers; stipulating responsibilities in assigning autonomy to enterprises in recruitment; The salary of the employee is determined on the productivity and salary of the manager of the enterprise on the basis of assessing the performance of the enterprise.

- Regulations on financial management and supervision of SOEs:

The State has issued a system of legal documents to fundamentally renovate investment mechanisms and financial mechanisms for SOEs thereby asserting that SOEs operate equally with other economic sectors; regulating strict debt management, minimizing the subsidy of state resources for SOEs; supplement regulations to evaluate the efficiency of production and business activities of management board and SOEs; strengthen the responsibility of financial supervision for SOEs and owner representative agencies associated with promoting financial disclosure and transparency.

With the synchronous promulgation of Decrees on state capital investment in enterprises and management of capital and assets at enterprises,¹²³ associated with the regulations on strengthening the debt management in SOEs that hold 100% of charter

¹²² Decree 95/2014 / ND-CP dated October 17, 2014 guiding the Law on Science and Technology in 2013 stipulates that SOEs annually have to deduct from 3% to 10% of taxable income to set up scientific and technological development fund of enterprises.

¹²³ Decree No. 71/2013 / ND-CP of July 11, 2013; Decree No. 91/2015 / ND-CP of October 13, 2015 and Decree 32/2018 / ND-CP of March 8, 2018 issued financial mechanisms for important groups and corporations under Forms of Decrees, Decisions and Circulars.

capital ¹²⁴ and the system of criteria and forms of supervision of state capital investment in enterprises, financial monitoring, performance evaluation and disclosure of financial information of SOEs and state-owned enterprises¹²⁵, The Government has formed a comprehensive framework of regulations on finance, State capital investment associating SOEs with market mechanisms and budget discipline.

In addition, the regulations on the operation of public utility enterprises make clear the modes of supplying public products and services selected according to the following priority order: Bidding, ordering, assigning. The new mechanism has expanded entities to participate in the production and supply of public products and services to all enterprises regardless of economic sectors.

¹²⁴ Decree No. 206/2013 / ND-CP of December 9, 2013, replaced Decree No. 69/2002 / ND-CP of July 12, 2002

¹²⁵ Decree No.61/2013/ND-CP of June 26, 2013; Decree No.81/2015/ND-CP of September 18, 2015; Decree No.87/2015/ND-CP of October 6, 2015.

APPENDIX 2. PRELIMINARY COMPARISON OF SOE GOVERNANCE PRINCIPLES OF OECD (2015) AND SOE GOVERNANCE PRACTICES IN VIETNAM

		OECD GUIDE	VIETNAM PRACTICE ASSESSMENT
TT	Content of the instructions	Evaluation:	Explanation
	<p>I. Reasons/objectives for maintaining state ownership in enterprises:</p> <p><i>The state maintains its ownership in the enterprise for public purposes. It is necessary to carefully evaluate and publicize the objectives of the state ownership when investing capital in the enterprise</i></p>	Not implemented	The law has not specified clearly and specifically the reason why the State must hold ownership in enterprises as well as the role of SOEs.
40.	A. The goal of state ownership should focus on maximizing the benefits of the economy through the efficient allocation of resources.	Not implemented	<ul style="list-style-type: none"> - For SOE sector: The law does not specify the goals of the State - For each enterprise with 100% state capital: The regulations of the enterprise include regulations on the goals of the business but the owner objective is not clear. - For each multi-ownership SOE: In general, the objective of the state shareholders has not been clearly announced.
41.	B. The State should promulgate and implement a policy of state ownership. The ownership policy must specify the reason the state owns the business; the role of the State in SOE governance, how the State exercises ownership rights and responsibilities of state agencies in the implementation of those policies.	Not fully implemented	<ul style="list-style-type: none"> - For the whole SOE sector: Although "ownership policy" has not yet officially issued, but Law No. 69 stipulates the goal of state capital investment in the overall economy. Decision 58/2016 / QĐ-TTg clearly stipulates the types that the State needs to hold 100% ownership or over 50% ownership. - For each specific SOE: There is basically no ownership policy of an agency representing the owner.

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			<p>- In the organization of implementation, it is often seen that the State has shares in enterprises that the State don't need to have shares. The reason is that there is no consistency in announcing the reason why the State must maintain ownership in enterprises. In terms of governance, the announcement of the reason for maintaining state ownership is the basis for setting goals and tasks as well as evaluating the performance of SOEs and SOE managers. Therefore, not clearly announcing the reason for maintaining state ownership in SOEs is one of the causes leading to problems in SOE governance.</p>
42.	C. The policy of state ownership must follow the appropriate procedures of policy responsibility and be publicly announced. The Government should review and regularly review its ownership policies in each period.	Not fully implemented	Law 69 prescribes the exercise of the rights and responsibilities of state ownership representatives, however, in reality, there is no agency responsible for the state ownership policy for SOEs.
43.	D. The State should clearly define the reason why it must maintain ownership in each specific enterprise. Any public policy goals at a particular SOE must be made publicly available and has an agency who is responsible for that.	Not yet implemented	Not specified and implemented in practice
	II. Performing the role of the State as an owner (investor): <i>The state needs to play the owner role actively, ensuring that SOE governance is conducted in a transparent and accountable manner with the required level of professionalism and efficiency.</i>	Incomplete implementation	Not completely separate the function of representing the owner and the state management function

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44.	A. The state should allow SOEs to be organized in the forms of companies according to common practice.	Fully implemented	SOEs are organized in the forms of companies.
45.	B. The state should allow SOEs to have full autonomy within the framework of goals and tasks assigned to the SOE management apparatus. The state should not assign SOEs with unclear goals and tasks.	Not fully implemented	SOEs do not have full autonomy and self-responsibility. There are many unclear tasks, such as serving macroeconomic stability
46.	C. The State should allow the Board of Directors to carry out their responsibilities independently; Respect their rights.	Not fully implemented	Members of the Board of Directors of the enterprise with 100% state capital are still considered state officials
47.	D. The exercise of state ownership should be clear and separate from state management. The exercise of ownership rights should be concentrated in one owner agency, or at least one focal point coordinating the implementation of ownership rights. The owner agency should have the capability and authority to effectively exercise its rights.	Not fully implemented	State Capital Management Committee in enterprises is established, but many ministries and provincial People's Committees still are representatives of the owners of state capital in enterprises. The State Capital Management Committee itself has no clear rights and responsibilities.
48.	E. The owner agency must have a clear relationship with the representatives and relevant state agencies, including the state's supreme audit body.	Not fully implemented	No agency is responsible for fully explaining the performance of SOEs
49.	F. The state as an active owner must exercise its ownership according to the legal structure of each enterprise.	Not fully implemented	The owner's representative agency performs its role passively (from assigning objectives, tasks to monitoring, warning, evaluation of results, etc.).
	III. SOEs and market mechanisms: <i>The legal framework and the management of SOEs to ensure a level playing field in the market</i>	Not fully implemented	Legislative documents do not provide discrimination, but the documents under laws and practices still discriminate in many ways.

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50.	A. There is a need for a clear distinction between state ownership functions and other state functions that can affect the operating conditions of SOEs, especially the market regulation function (state management).	Not fully implemented	The state management content and state ownership rights have been specified, but many regulations are still intertwined (for example, investment regulations), and the implementation mechanism is not separated.
51.	B. Parties with relevant interests, including competitors, should be entitled to effective complaints and a fair trial when they believe their rights have been infringed upon.	Not fully implemented	Regulations are scattered in the legal system, but with weak enforcement.
52.	C. When SOEs have both economic and socio-political tasks, they must meet high standards of openness and transparency. The cost and revenue structure from those tasks should be clearly separated.	Not fully implemented	The law has not stipulated clearly. In fact, it cannot be separated. Many SOEs said that they carry out socio-political tasks without explicitly compensating costs
53.	D. Costs for public duties must be paid and clearly announced by the State.	Not fully implemented	The law includes provisions on finance for public-utility products and services and ensures the principle that the State pays costs. But many SOEs are assigned political-social tasks without a clear financial mechanism.
54.	E. Business SOEs should not be exempted from general taxation and business regulations. The law should not discriminate between SOEs and other enterprises. The legal form of SOEs should allow creditors to put pressure on opening of bankruptcy proceedings	Not fully implemented	Tax law and law on bankruptcy and dissolution do not distinguish between SOEs or other enterprises. But the number of SOEs that have been dissolved or bankrupted actually account for a very small proportion compared to the number of SOEs that need to be dissolved or go bankrupt.
55.	F. SOEs must meet competing conditions of financial use. Especially: 1) The relationship between SOEs and financial institutions, state banks, state financial institutions and other SOEs must be based on pure trade; 2) SOEs' economic activities are not permitted to benefit from any indirect financial support, such as concessional	Not fully implemented	The law on credit, access to finance and production resources (land, labor, capital ...) does not distinguish SOEs and other enterprises. However, in practice, there are still supports for SOEs which need to be bankrupted (rescheduling, postponing tax debts, etc.). Many assets formed from public investment and intended to serve the common good of the economy become

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	financing, tax debt or preferential commercial credit from other SOEs. SOEs' business activities should not receive inputs (such as energy, water or land) at prices or conditions that are more favorable than competitors in private sector; 3) SOEs' business activities should be conducted by competing with private enterprises.		assets owned by SOEs in various forms. State investment in many cases is still intertwined with SOE investment, etc.
56.	G. When SOEs participate in public procurement, whether it is a contractor or a buyer, the relevant procedures must be competitive, non-discriminatory and protected by appropriate transparency standards.	Not fully implemented	The law has full provisions, but weak enforcement, in some cases SOEs are appointed, assigned to perform without competition.
	IV. Equal treatment with other shareholders: <i>When SOEs are listed, the State and enterprises should recognize the rights of all shareholders and ensure fair treatment of shareholders, guaranteeing the right to access enterprise information.</i>	Not fully implemented	The current regulations do not discriminate between state shareholders and other shareholders in multi-ownership SOEs. In practice, the interests of small shareholders are violated in many forms, but this is a common problem of joint stock companies, not only SOEs.
57.	A. The State should try to fully implement OECD's Corporate Governance Principles when the State is not the sole owner: 1. The state and SOEs need to ensure that all shareholders are treated equally. 2. SOEs should apply high standards of information disclosure and transparency of their operations to all shareholders. 3. SOEs should actively exchange consultations with all shareholders of the enterprise. 4. It is necessary to create conditions for minority shareholders to participate in the general meeting of shareholders and the basic decisions of SOEs. 5. Transactions between the State and SOEs as well as between SOEs should follow the market mechanism.	Not fully implemented	Having complied on the legal aspect, but in fact, in many SOEs that are controlled by the State, enterprises have not actively exchanged information to consult with small shareholders; Some businesses have conflicts between state shareholders and other shareholders due to lack of transparency in finance and assets before and during equitization (e.g. Transport Hospital, etc.)

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58.	B. The national corporate governance regulations should apply to all listed and unlisted SOEs.	Fully implemented	Enterprise Law, Securities Law, Decree 71/2017 (on public corporate governance), etc do not discriminate between SOEs and other enterprises
59.	C. In cases where SOEs are required to implement public policy, at all times, be ready to provide information on this to other shareholders.	Fully implemented	Fully implemented in the legal aspect
60.	D. When SOEs are involved in cooperation projects such as joint ventures and public-private partnerships, the interests of partners must be guaranteed in a timely and objective manner.	Fully implemented	Fully implemented in the legal aspect
	V. Ensuring the interests of people with related interests: <i>The state ownership policy should specify the responsibilities of SOEs to related parties and require SOEs to report on this. The policy of state ownership should also state all the requirements of the State for responsible business activities of SOEs .</i>	Not fully implemented	Existing laws stipulate responsibilities of SOEs to stakeholders, but they are still general, unclear, lacking in detail and dispersed in many different documents.
61.	A. The government, owner agencies and SOEs should recognize and respect the rights of the stakeholders defined by law or by mutual agreement.	Not fully implemented	The SOE's legal documents and regulations all affirm respect for relevant stakeholders (creditors, workers, customers), but enforcement is weak in practice, especially for exclusive SOEs, public utility SOEs rarely actively implement specific measures to ensure the participation of people and customers in corporate governance.
62.	B. Listed SOEs and large-scale SOEs have reports on stakeholders, including workers, creditors and affected communities.	Not fully implemented	Decree 81/2015/ND-CP on disclosure of information by SOEs, in requirements of reporting on the performance of public duties and social responsibilities. However, the rate of submission of

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63.	C. The Board of Directors of SOEs should implement, supervise and carry out communication activities on internal control measures, ethical improvement programs, including issues of fraud and corruption. These programs and measures must be based on national standards, in line with international commitments and applicable to SOEs and subsidiaries.	Not implemented	this report is very low.
64.	D. SOEs need to adhere to high standards of responsible business behavior. The state should clearly set out its requirements on these issues.	Not fully implemented	The law has not mandated the application of responsible business standards (eg ISO 26000, etc)
65.	E. SOEs should not be used as a means to finance political activities. SOEs should not contribute to political campaigns.	Not implemented	There are no regulations on this
	VI. Information disclosure and transparency of SOE operations: SOEs need to adhere to high standards of transparency, accounting, and high quality audits.	Not fully implemented	The law specifically regulates SOEs' information disclosure responsibilities. But law enforcement has not yet met the requirements. The information has not been verified to a high standard.
66.	A. SOEs should report to the State and to the public on financial and non-financial information that meet international corporate governance disclosure standards, including information on their operations. It is also important to mention the relationship with the state owner and information on the achievement of public policy objectives.	Not fully implemented	Decree 81/2015/ND-CP stipulates that enterprises with 100% capital owned by the State must publish 9 types of reports. The content of these 9 types of reports is similar to the content of listed businesses. Listed SOEs comply with separate regulations on information disclosure of listed enterprises, public companies, etc.

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67.	B. The annual financial statements of SOEs must be independently audited with high quality standards. State control procedures are not a substitute for independent auditing.	Not fully implemented	However, information is often published slowly, the content is sketchy with inconsistent information, etc. Law 69 requires SOEs to audit annual financial statements. Before and after the audit, the annual financial statements must be sent to the owner representative agencies, finance agencies of the same level and state management agencies in accordance with law. However, the law does not require all SOEs to be independently audited for annual financial statements
68.	C. The state ownership agency should have an annual summary of SOEs and make them publicly available. Good practice for this is posting publicly on the website for public access.	Not fully implemented	The Government has an annual report submitted to the National Assembly, posted on the Ministry of Finance's Website. However, most of the owner's representative agencies have not implemented this.
	VII. Responsibilities of the BOD: <i>The BOD of the SOE needs necessary authority, competence and objectivity to carry out its functions, namely strategic direction and supervision of SOE executives. They need integrity and accountability for their actions.</i>	Not fully implemented	Board of Members of 100% state-owned enterprise do not have the authority, capability and objectivity needed to carry out their functions, namely strategic direction and supervision of SOE executives; The accountability is unclear because the law stipulates that external agencies decide on some issues of SOEs
69.	A. The Board of Directors should be given clear tasks and authority, and ultimately responsibility for the performance of SOEs. The role of the Board of Directors should be clearly defined in laws and corporate law. The Board of Directors is fully accountable to the owners of SOEs; the best interests of SOEs; equal treatment among shareholders of SOEs.	Not fully implemented	The Law on Enterprises and Law No.69 clearly stipulate the role of the Board of Directors, but the Board of Members is not ultimate responsible for the performance of SOEs.

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70.	B. The Board of Directors needs to effectively implement the main function of developing SOE strategies and supervising SOE executives within the framework of goals and tasks assigned by the State to SOEs. The Board of Directors must have full authority to appoint and dismiss the Chief Executive Officer (CEO). The BOD should be compensated according to the achievement of SOE long-term benefits/goals.	Not fully implemented	Board of Members also decides a number of issues in the field of business administration (investment, procurement, etc). The Board of Members of the Economic Group does not have full authority to appoint and dismiss the Chief Executive Officer (CEO). Salary has not been linked to long-term goals of SOEs
71.	C. The structure of members of the Board of Directors must ensure that the Board of Directors makes decisions objectively and independently. All members of the Board of Directors, including members appointed from government officials, must have a high professional level and corresponding legal responsibilities.	Not implemented	Board of Members does not have an independent member, it is still linked to the regime of state officials and is subject to maximum salary control
72.	D. Independent members of the Board of Directors (if applicable) may not have any material interests or relationships with the SOEs, the SOE executive management apparatus, other major shareholders and owners agencies to ensure objectivity for their decisions.		
73.	E. Mechanisms for resolving conflicts of interest need to be implemented; do not allow these conflicts of interest to adversely affect the performance of the responsibilities of the BOD members as well as prevent political interference in the activities of the BOD.	Not fully implemented	There have been regulations on standards and conditions for members of the Board of Directors, the Board of Members, on the prevention of conflicts of interest, etc. but the enforcement is still weak, there are still cases where the owner representative agency appoints people with related interests. To participate in Board of Members, Board of Directors of SOEs
74.	F. The Chairman of the BOD is responsible for organizing the Board meetings effectively. When necessary, the	Not fully implemented	Many SOEs apply the model of Chairman of BOD not being CEO.

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	<p>Chairman of the BOD acts as a coordinator between the members; a contact point in the relationship with the state owner agency.</p> <p>In good practice, the Chairman of the BOD should not concurrently be the CEO.</p>		
75.	G. If the Board of Directors must include a representative of employees, then it is necessary to set up a mechanism to ensure this representation is implemented effectively and contribute to strengthening the capability, information and independence of the Board of Directors.		Not applicable yet
76.	H. The Board of Directors should consider establishing specialized boards, including independent and qualified members, to support the Board of Directors to perform their functions more fully, especially on auditing and risk management and wages. The establishment of specialized committees is to make the Board meetings more effective and not lose the main responsibilities and functions of the Board.	Not implemented	
77.	I. The Board of Directors should conduct an annual assessment of its performance under the overall supervision of the Chairman of the Board of Directors	Not fully implemented	There are annual assessments but conducted formally, there is no basis for verification
78.	J. SOEs should carry out internal auditing and set up internal auditing team, reporting to and under supervision of the BOD.	Not fully implemented	Internal control is not effective

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