TERM OF REFERENCE

Local consultants for

Report on "Restructuring the economic sector towards forming industry clusters and strengthening the resilience of the economy in the context of integration: Case studies in Vietnam"

1. Background to Aus4Reform

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

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

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

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

- Building more Competitive and Transparent Markets and Business Enabling Environment
- Ensuring Markets Operate Competitively in Consumer and National Economic Interests
 - Facilitating the Restructuring of the Rural Economy

- Greater Business and Women's Voice in Investment Climate and Economic Restructuring Issues.
- and a Flexible Fund to Respond to Emerging Bottlenecks to Productivity Growth and Innovation.

2. Activity Objectives and Approach

The Australia supports Vietnam's economic reform program (Aus4Reform Program) aims to support Vietnamese agencies in implementing economic restructuring, renovating growth model, and improving business investment environment towards improving labor productivity, quality and competitiveness of the economy in order to rapid and sustainable development.

The expected results of the Program (by the end of 2020) include:

- Create a more favorable and fair business environment, aiming to have at least one million private enterprises by 2020, including increasing the share of womenowned businesses and increasing employment in private sector for both men and women;
- Form and develop more competitive and transparent product markets and markets for factors of production, facilitating the effective conversion of factors of production (especially land factor) into more innovative and value-added products and services, and reduced ownership of small agricultural land;
- Strengthen competition institutions, including the development of Competition Law (amendment), restructuring of competition authorities and enforcement mechanisms of the Law;
- Accelerate restructuring of rural areas, towards the goal of improving labor productivity in rural areas
- Promoting women's economic empowerment, reducing gender gaps in labor productivity and accelerating productivity growth.

The program will help the Government of Vietnam achieve the aforementioned goals through four components and the Flexible Fund with expected outcomes including:

- Creating a competitive and transparent market and improving the investment and business environment.
 - Strengthen competition and consumer protection institutions.

- Facilitate rural restructuring and increase the competitiveness of market factors.
- Strengthening the voice of businesses in economic restructuring.
- Flexible Funds address emerging issues related to barriers to productivity growth and innovation.

2. Operational objectives and approaches

2.1. Context

Economic restructuring has been identified as one of the major policies of the Party and State in recent years to renew the growth model and improve the competitiveness of the Vietnamese economy. In the 2016-2020 period, to implement the process of economic restructuring substantially, effectively and sustainably, the Government issued Resolution No. 27/NQ-CP dated February 21, 2017 on the Government action program to implement Resolution No. 05-NQ/TW on a number of major policies to continue to renew the growth model, improve growth quality, labor productivity, and competitiveness of the economy and Resolution No. 24/2016/QH14 dated November 08, 2016 on the Plan of restructuring the economy for the period 2016 - 2020. The plan clearly states the goals and sets out 16 groups of key tasks for Ministries, agencies and local governments until 2020.

One of the most important contents of the process of economic restructuring and renovating growth model in Vietnam is "Restructuring the industry and economic regions towards improving productivity, quality, efficiency, along with boosting international economic integration" with the goal of gradually shifting from growth based on increasing the number of production inputs to growth based on productivity, labor quality, and application of science and technology and innovation. In particular, focus on the task of substantially restructuring industries with specific contents: (1) Formulating and implementing national industrial policies, creating a synchronized policy framework, focus and make breakthroughs on increasing productivity, quality, efficiency and competitiveness; (2) Focus on foundational industries, which have competitive advantages and strategic implications for rapid and sustainable growth; select main products of key industries to prioritize development and restructuring; to develop the processing and manufacturing industries, sharply increase the internal productivity of the industry, increase the technology content and the proportion of domestic value in products; (3) To attach importance to developing the industry of manufacturing

components and component assemblies, promoting a number of products to deeply and effectively participate in the global production and value chain and distribution network.

According to the Report No.531/BC-CP dated 16 October, 2020 of the Government on the results of the implementation of Resolution No.24/2016/QH14 on the plan of economic restructuring for the period 2016-2020, the economic restructuring has significantly supported the growth model, initially creating positive changes, in which the pattern and quality of growth is continuously improved. Specifically, the growth is mainly based on reforms and business promotion instead of credit expansion and economic stimulus packages. Investment efficiency has been certainly increased; social labor productivity is increased significantly compared to previous one. The public sectors, especially SOEs, plummeted, while the domestic private sectors have been more prosperous than before; some private corporations have appeared and are gradually moving from real estate to multi-industry business, focusing on industry, technology and high-quality service development. The macroeconomy has continuously maintained stable, especially the resilience of the economy had certain improvements in some aspects.

However, the internationally complicated development, especially the global supply chain breakdown due to the Covid-19 epidemic, has revealed the weaknesses of the economic structure of Vietnam which need to be addressed. These include the dependence on import and export markets of some countries in some products, the weakness of domestic supporting industries, the vulnerability of the domestic economic sectors. The stagnancy of large import and export markets of Vietnamese goods such as China, the US and Europe has a great negative impact on the production and business situation of domestic enterprises. The large workforce, especially in the informal sector, has been hit hard by the pandemic.

This limitation is partly due to the slow domestic economic restructuring in the direction of upgrading the value chain, the slow application of technology advancement, innovation. Specifically, the structure of the economic sectors is less dynamic and there is no significant change in the structure of export and import products, and the structure of export and import markets...; less forming new industries, new products (especially in the trend of Industry 4.0), so it has not contributed significantly to the restructuring of industries. The restructuring of the economic sectors does not entail a corresponding movement of labor. Production

capacity of some industries in Vietnam is still limited, mainly due to the lack of synchronous development in linking industries, the lack of investment in higher value-added activities such as R&D activities or supporting industries. This leads to unsustainable development. Despite having achieved great success in exporting processed and manufactured goods such as textiles, footwear, electronics as well as a certain position in the global value chain, Vietnam can only participate in low-added value stage such as processing, assembling, but be unable to actively prepare the supply sources for production, especially for industries which have to import raw materials such as textiles, footwear, electronics, chemicals...; the above limitations are one of the causes leading to the fact that the spatial distribution of industries has not well exploited the advantages and geographical location, potential of localities, and the association of industrial clusters has not been formed. Consequently, the economic restructuring has not been effective as expected in recent years.

The world economic context in the period 2021-2025 is expectedly much more difficult and uncertain than the period 2016-2020, which certainly causes significant influence on the Vietnamese economy because of its large openness to the world¹. Specifically, the Covid-19 pandemic will still occur complicatedly in many countries, including important trading partners of Vietnam such as the US and European countries. In addition, a number of shifting trends in the world need to be considered such as: Globalization and integration have changed regarding the speed, nature, and scale, shifting from internationally multilateral to regional partnership groups and bilateral cooperation; developed countries such as the US, EU, Japan, Korea... tend to develop a number of important domestic industries through their own policies attracting businesses to move their investment back home; multinational enterprises tend to restructure the supply chain to diversify supply and avoid the risk of dependence on several countries, especially China.

Moreover, strategic competition among major countries, with a focus on US-China trade war, has become increasingly aggressive and unpredictable after the Covid-19 pandemic and has become a part of the world's economy and politics; the trade war might continue to carry on. In the future, uncertainties and geopolitical conflicts will continue to increase as they are directly related to the core interests of states. Asia in general and ASEAN in particular are expected to be directly affected by the geopolitical competition. Vietnam, the geographical

¹ According to GSO, the Vietnamese economy's openness to the world is 120%GDP in 2009, and 200% in 2020.

gateway to ASEAN, being adjacent to China and directly one of the disputing parties in the South Sea, will continue to be affected positively and negatively from these changes. These uncertainties put a requirement on the economic restructuring plan in the coming periods to pay more attention to the resilience of the economy to internationally external fluctuations.

What's more, the achievements of Industry 4.0 are applied in all areas of life, which have a profound impact on the political, social, and economic systems of each country. In addition, enhancing technological innovation to support economic growth is a common trend of countries around the world, especially in developed countries such as the US, EU, Japan, and Singapore. Therefore, technology competition plays an important role in strategic competition, becoming a decisive factor in the global economy of each country in the coming time. Industry 4.0 profoundly changes the nature of global trade and investment, making underdeveloped countries vulnerable and easy to fail in the future global trade chain. In Industry 4.0 Era, resources such as skills and capital are considered more important than the advantages of low-cost labor. In the period 2021-2030, jobs performed by low-skilled workers (in developing countries) are expected to be replaced by robots (in developed countries). This, together with the impact of Covid-19, will make the global investment and trade flows reversed and returned to developed countries, instead of towards developing countries. As a result, underdeveloped countries, who have advantages of cheap labor and the export of goods with low value-added content, tend to face increasing difficulties in industrialization. This creates pressure to accelerate economic restructuring towards to a greater focus on innovation, technology and high quality labors.

Therefore, the process of economic restructuring in the next periods to enhance the resilience of the Vietnamese economy is completely necessary, in which more emphasis should be placed on restructuring the industries in a more suitable, efficient and sustainable direction. This is also one of the most important tasks in the Government's Resolution No.01/NQ-CP dated 01 January, 2021 on the main tasks and solutions to implement the socio-economic development plan in 2021. Hence, this study is aimed at completing the above-mentioned task.

At the same time, this study will contribute to the successful implementation of the Political bureau's Resolution No. 23-NQ/TW dated March 22, 2018 on the orientation to formulate a national industrial development policy to 2030, with a vision to 2045. Moreover, derived from the results of the economic restructuring in

the 2016-2020 period, the National Assembly has assigned the Government to develop a plan to restructure the economy for the period of 2021-2025. The Government assigned the Ministry of Planning and Investment to preside over drafting this plan. Therefore, this study will make important contributions to building the direction of sectoral restructuring in Vietnam for 2021-2025.

2.2 Objectives

The main purposes of research "Restructuring the economic sector towards forming industry clusters and strengthening the resilience of the economy in the context of integration: Case studies in Vietnam" including:

- Improving the risk diversification in import and export of goods and input materials for production (market diversification); Improving the ability of domestic firms to take advantage of opportunities of internationally economic integration (enhancing the high added value goods of exports, supporting industries, and application of high-tech technologies; improving the domestic participation into the higher value stages of supply chain); Enhancing the autonomy and development of essential manufacturing industries such as pharmaceuticals, medical equipment, mechanical engineering, etc.
- Enhance the internal resilience of the economy to external uncertainty in the context of the increasing international economic integration; Review, evaluate and recognize the role of building and developing clusters in the process of development and restructuring industry in particular and socio-economic development in general; Study the experience of countries in the region and countries with similar socio-economic development conditions to Vietnam in terms of building and developing industrial clusters. Thereby, to draw some lessons for Vietnam; Review and re-evaluate policies and legal frameworks on building and developing industry clusters in the process of industrial development and restructuring industry in Vietnam; Review and assess the current situation of building and developing industrial clusters in Vietnam in the 2016-2020 period, assess the advantages, shortcomings, limitations and influencing causes; Propose policy recommendations in order to promote the formation, development and improvement of operational efficiency as well as contribution of industry clusters to the process of industrial development and restructuring in particular and national socio-economic development in general.

The support of Aus4Reform Program will help: (i) strengthen the basis and evidence for proposed solutions and (ii) strengthen policy dialogue on the implementation of the Master Plan on Economic Restructuring, supporting socioeconomic development thereby improving the quality of economic growth, productivity and competitiveness of the Vietnamese economy.

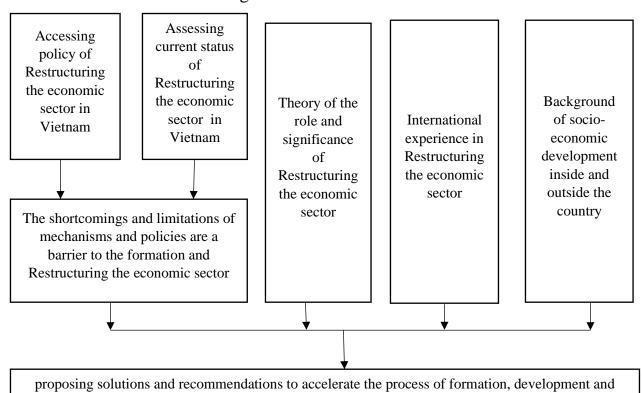
2.3. Scope and approach

This study includes 01 main report and 07 component reports with the following specific approach:

- a) Main report: Restructuring the economic sector towards forming industry clusters and strengthening the resilience of the economy in the context of integration: Case studies in Vietnam
- Review, evaluate and study international experiences and draw lessons for Vietnam about the role of economic sector restructuring (industry, agriculture, and services) in the direction of forming sector clusters and strengthening the resilience of the economy in the context of increasing economic integration.
- Review and re-evaluate the policy framework (policies and regulations) of Vietnam on restructuring the economic sector (industry, agriculture, and services) towards forming sector clusters and increasing resilience of the economy in Vietnam
- Review and re-evaluate the reality of the process of restructuring the economic sector (industry, agriculture, and services), the reality of forming industry clusters, the situation of the resilience of industries economy in Vietnam. The focal contents are: industry (food processing, information technology); agriculture (agricultural products, fisheries key national agricultural products); services (tourism, logistics);
- Review and evaluate the socio-economic context in the country and in the world, forecast the impacts of these circumstances on the process of economic restructuring in the direction of promoting the industry clusters, strengthening the resilience of the Vietnamese economy.
- Propose solutions to promote economic restructuring in the direction of promoting the industry clusters and increasing resilience of the economy in Vietnam in the context of international integration.
 - The main report focuses on the following main points:
- + Review, evaluate and study international experiences and draw lessons for Vietnam about the role of economic sector restructuring (industry, agriculture, and

services) in the direction of forming sector clusters and strengthening the resilience of the economy in the context of increasing economic integration.

- + Review and re-evaluate the policy framework (policies and regulations) of Vietnam on restructuring the economic sector (industry, agriculture, and services) towards forming sector clusters and increasing resilience of the economy in Vietnam
- + Review and re-evaluate the reality of the process of restructuring the economic sector (industry, agriculture, and services), the reality of forming industry clusters, the situation of the resilience of industries economy in Vietnam. The focal contents are: industry (food processing, information technology); agriculture (agricultural products, fisheries key national agricultural products); services (tourism, logistics);
- + Review and evaluate the socio-economic context in the country and in the world, forecast the impacts of these circumstances on the process of economic restructuring in the direction of promoting the industry clusters, strengthening the resilience of the Vietnamese economy.
- + Propose solutions to promote economic restructuring in the direction of promoting the industry clusters and increasing resilience of the economy in Vietnam in the context of international integration.



improvement of the performance of Restructuring the economic sector in Vietnam

b) Component reports

To complete the main report, 07 component reports will be focused on research and in-depth assessment, including

Component report 1: Theory, international experience and lessons for Vietnam on the role of economic restructuring (industry, agriculture, and services) in the direction of forming sector clusters, increasing resilience of the economy in the context of integration;

Component Report 2: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of electronic product manufacturing industry

Component Report 3: Promoting economic sector restructuring towards forming industry clusters and strengthening resilience: The case of the information technology industry

Component Report 4: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of producing, processing and consuming vegetables and fruit.

Component Report 5: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of producing, processing and consuming wood and wooden products.

Component Report 6: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the tourism industry

Component Report 7: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the Logistics industry

2.4. Deliverables

Senior and intermediate consultants will develop the draft and final report for CIEM and the Aus4reform Program as specified in the contract between the consultant and the Aus4reform Program representative. All reports must be submitted in both hard copy and soft copy (PDF or WORD format).

The content and structure of the specific reports are as follows:

a) Main report: Restructuring the economic sector towards forming industry clusters and strengthening the resilience of the economy in the context of integration: Case studies in Vietnam

Contents:

- Review, evaluate and study international experiences and draw lessons for Vietnam about the role of economic sector restructuring (industry, agriculture, and services) in the direction of forming sector clusters and strengthening the resilience of the economy in the context of increasing economic integration.
- Review and re-evaluate the policy framework (policies and regulations) of Vietnam on restructuring the economic sector (industry, agriculture, and services) towards forming sector clusters and increasing resilience of the economy in Vietnam
- Review and re-evaluate the reality of the process of restructuring the economic sector (industry, agriculture, and services), the reality of forming industry clusters, the situation of the resilience of industries economy in Vietnam. The focal contents are: industry (food processing, information technology); agriculture (agricultural products, fisheries key national agricultural products); services (tourism, logistics);
- Review and evaluate the socio-economic context in the country and in the world, forecast the impacts of these circumstances on the process of economic restructuring in the direction of promoting the industry clusters, strengthening the resilience of the Vietnamese economy.
- Propose solutions to promote economic restructuring in the direction of promoting the industry clusters and increasing resilience of the economy in Vietnam in the context of international integration.

b) Component reports:

- Component report 1: Theory, international experience and lessons for Vietnam on the role of economic restructuring (industry, agriculture, and services) in the direction of forming sector clusters, increasing resilience of the economy in the context of integration

The report focuses on the process of restructuring the economic sector (industry, agriculture, and services) in the direction of forming industry clusters, enhancing resilience of the economy in countries with economic development conditions suitable to Vietnam. From there, useful lessons for Vietnam are drawn.

Component Report 2: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of electronic product manufacturing industry

The report focuses on the following contents: (1) Reviewing and evaluating the policy framework to restructure and promote the development of the electronic product manufacturing industry; (2) Current status of development, formation of clusters and resilience of the electronic product manufacturing industry in Vietnam; (3) Forecast the impacts in the context of international economic integration on Vietnam's electronic product manufacturing industry. (4) Proposing solutions to restructure and develop the electronic product manufacturing industry in the direction of developing associative clusters and enhancing the resilience of the industry.

Component Report 3: Promoting economic sector restructuring towards forming industry clusters and strengthening resilience: The case of the information technology industry

The report focuses on the following contents: (1) Reviewing and evaluating the policy framework for restructuring and promoting the development of the information technology industry (software production); (2) The current situation of cluster formation and the resilience of the information technology industry (software production) in Vietnam; (3) Forecast the impacts in the context of international economic integration on the information technology industry (software production) of Vietnam. (4) Proposing solutions to restructure and develop the information technology industry (software production) in the direction of forming linked clusters and enhancing industry resilience.

Component Report 4: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of producing, processing and consuming vegetables and fruit.

The report focuses on the following contents: (1) Reviewing and evaluating the restructuring policy framework and promoting the development of the industry of producing, processing and consuming vegetables and fruit; (2) Current situation of development, formation of linkages and resilience of the industry of producing, processing and consuming vegetables and fruit in Vietnam; (3) Forecast impacts in the context of international economic integration on the industry of producing, processing and consuming vegetables and fruit of Vietnam. (4) Proposing solutions to restructure and develop the industry of producing, processing and consuming vegetables and fruit in the direction of forming linkages and enhancing the resilience of the industry.

Component Report 5: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of producing, processing and consuming wood and wooden products.

The report focuses on the following contents: (1) Reviewing and evaluating the restructuring and promoting policy framework of the industry of producing, processing and consuming wood and wooden products; (2) Current status of development, formation of linkages and resilience of the industry of producing, processing and consuming wood and wooden products in Vietnam; (3) Forecast impacts in the context of international economic integration on the industry of producing, processing and consuming wood and wooden products of Vietnam. (4) Proposing solutions to restructure and develop the industry of producing, processing and consuming wood and wooden products in the direction of forming linkages and enhancing the resilience of the industry.

Component Report 6: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the tourism industry

The report focuses on the following contents: (1) Reviewing and evaluating the restructuring policy framework and promoting the development of the tourism industry; (2) Current status of development, formation of affiliated clusters and resilience of the tourism industry in Vietnam; (3) Forecast the impacts in the context of international economic integration on Vietnam's tourism industry. (4) Proposing solutions to restructure and develop the tourism industry in the direction of forming linked clusters and enhancing industry resilience.

Component Report 7: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the Logistics industry

The report focuses on the following contents: (1) Reviewing and evaluating the structural policy framework to restructure and promote the development of the logistics industry; (2) Current status of development, the formation of association clusters and resilience of the logistics industry in Vietnam; (3) Forecast the impacts in the context of international economic integration on Vietnam's logistics industry. (4) Proposing solutions to restructure and develop the logistics industry in the direction of forming linked clusters and enhancing industry resilience.

2.5. Specific requirements from consultants

2.5.1. For senior consultants:

• Qualifications:

- University degree in economics, development economics, industrial economics or other relevant sectors (preferably master's or doctoral degrees);

- At least 7 years of experience in research and analysis in fields related to economic management, or development economics; Economic sector management. Industrial economy. Agricultural economy. Service economics.
 - Experience in economic policy research and analysis;
 - Having solid knowledge of law on economic management in Vietnam;
- Ability to use at least one common language to look up and refer to foreign documents:
 - Honest, serious and professional.

• Tasks:

- -Review, evaluate and study international experiences and draw lessons for Vietnam about the role of economic sector restructuring (industry, agriculture, and services) in the direction of forming sector clusters and strengthening the resilience of the economy in the context of increasing economic integration.
- Review and re-evaluate the policy framework (policies and regulations) of Vietnam on restructuring the economic sector (industry, agriculture, and services) towards forming sector clusters and increasing resilience of the economy in Vietnam
- Review and re-evaluate the reality of the process of restructuring the economic sector (industry, agriculture, and services), the reality of forming industry clusters, the situation of the resilience of industries economy in Vietnam. The focal contents are: industry (food processing, information technology); agriculture (agricultural products, fisheries key national agricultural products); services (tourism, logistics);
- Review and evaluate the socio-economic context in the country and in the world, forecast the impacts of these circumstances on the process of economic restructuring in the direction of promoting the industry clusters, strengthening the resilience of the Vietnamese economy.
- Propose solutions to promote economic restructuring in the direction of promoting the industry clusters and increasing resilience of the economy in Vietnam in the context of international integration.
- Report preparation: Restructuring the economic sector towards forming industry clusters and strengthening the resilience of the economy in the context of integration: Case studies in Vietnam

2.5.2. For junior consultants:

• Qualifications:

- University degree in economics, development economics, economic management, industrial economics or other related sectors; Economic sector management. Industrial economy. Agricultural economy. Service economics (having a Master's or Doctoral degree is an advantage);
- Have at least 2-5 years of research and analysis experience in the fields related to economic management and / or economic development;
 - Experience in economic policy analysis and research;
 - Strong knowledge of law on economic management in Vietnam;
- Ability to use at least one common language to look up and refer to foreign documents;
 - Honest, serious and professional.
 - Tasks:
- Reviewing policies and laws related to the fields that are focusing on research and in-depth assessment.
- Review previous studies related to the fields that are focusing on research and in-depth assessment.
 - Complete 07 component reports
- + Component report 1: International experience and lessons for Vietnam on the role of economic restructuring (industry, agriculture, and services) in the direction of forming sector clusters, increasing resilience of the economy in the context of integration;
- + Component Report 2: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of food processing industry.
- + Component Report 3: Promoting economic sector restructuring towards forming industry clusters and strengthening resilience: The case of the information technology industry
- + Component Report 4: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of agricultural products.
- + Component Report 5: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the fisheries sector.

- + Component Report 6: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the tourism industry
- + Component Report 7: Promoting economic restructuring towards forming industry clusters and strengthening resilience: The case of the Logistics industry

3. Timing

- For junior consultants:
- + 08 Component reports: By 10th August, 2021
- For senior consultants:
- + Draft 02 main report: 30th August, 2021
- + 02 Final report: 25th September, 2021
- 03 Field trip: (Ha Noi, Hai Phong, Da Nang Quang Nam, Can Tho Ho Chi Minh): July, 2021 ²
 - Conference: Within the first 02 weeks of October, 2021.

4. Direction

- The consultant will be responsible to the Director of Project Component of Aus4Reform-CIEM. Project management board will provide consulting support.
 - Can use documents, research results for other purposes

5. Resources needed

Dossier required for consultants includes:

- Consultant's personal background;
- Contact details of consultant.

² Survey location can propose changes in case it is necessary.