

*Hanoi 23 September 2004*

**THE PRIME MINISTER'S INSTRUCTIONS**

**on the preparation of the 5-year Socio-Economic Development Plan (2006-2010)**

The 5-year Socio-economic Development Plan (SEDP) for 2006-2010 plays an important role for the success of the ten-year Socio-economic Development Strategy 2001 - 2010 initiated by the IX Party Congress and for the meeting with new developments.

For the preparation of the 5-year SEDP in 2006-2010, the Prime Minister instructs ministries, central and local governments to grasp thoroughly the following issues:

**I. Requirements for the 2006-2010 SEDP**

The SEDP is to shape the framework for the comprehensive and deeper development of all socio-economic activities in close linkage with the process of international economic integration.

The quality of development must be placed top priority, that is, fast economic growth rate must go in line with higher effectiveness and more strengthened competitiveness, the macroeconomic balance must be ensured, more investment in human resource development must be committed, the process of poverty reduction must be pushed up, the life of the people must be improved, measures to eliminate social evils must be strengthened, and the eco-environment must be cared for.

Therefore, for the preparation of the 2006-2010 SEDP, sector ministries and central and local governments must ensure the followings:

1. Sector development plans, particularly those of the steel, cement and automobile industries; and regional socio-economic development plans in line with the development of the market-based economy, which are inclusive of all economic sectors and of vision to 2020, must be reviewed and adjusted if necessary.

2. The planned objectives must take into account the fact that Vietnam is going to finalize its commitments within ASEAN Free Trade Area (AFTA) and is targeting to enter WTO, which represent more severe competition in the diverging bilateral and multilateral cooperation process.

3. Focus must be placed on objectives of growth quality. The plan should narrow down the range of quantity targets and switch to targets of growth quality and development. In addition to economic targets, targets reflecting life quality, human development, social change and environment protection must be identified.

4. The plan must provide the means for the realization of objectives set in sector Development Strategies, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), Vietnam Millennium Development Goals (VDGs), and Vietnam's international commitments.

5. New contents must be added to the previous plan, covering issues such as the macroeconomic stability, poverty reduction, sustainable development, improvement of life quality, national values and religions, women and gender equality, the youth, public investment programs, plan monitoring and evaluation methods, especially community monitoring...

6. The production capacity, especially those of the state economic sectors must be facilitated to be liberalized. Internal resources must be taken advantage of as the determinants of development. External resources must also be used in the most effective manner. Special attention must be paid to the use of resources for development targets.

Resources directly managed by the Government must better service non-profit sectors in the social infrastructure. Improvements of the socio-economic infrastructure must be targeted.

Transparency and publicity in the allocation and management of government budget must be assured with the mass people facilitated to participate in the selection of targets and projects as well as in the monitoring process at local levels.

7. In the development of the plan attention must be paid to the use of international practices and standards such as non-performing debt criteria, international poverty line, and budget balance etc.

8. The decentralization process should be strengthened with more autonomy assigned to sub-national governments in the development, implementation and governance of their levels' socio-economic plans, which enable their initiatives, creativeness and accountability. The provincial level bears the major responsibility for the socio-cultural development and the life of the mass people on their localities. The 2006-2010 SEDP does not support the executive management of the government's agencies but also constitutes the framework of development so that all economic sectors, particularly foreign and domestic investors and businesses, can proactively follow.

9. The planning process must be reformed towards further publicity and expanded participation of all stakeholders. The preparation of the five-year plan must be expanded to take into account all comments and opinions voiced by research institutions, universities, non-governmental organizations, different social groups, and resident communities, particularly by investors and businesses.

## **II. Contents of the 2006-2010 SEDP**

The 2006-2010 SEDP must focus on the following issues:

### **1. Evaluating the implementation of the 2001-2005 SEDP**

Based on the implementation of the plan during three years from 2001 to 2003, the projection of 2004 plan implementation and the 2005 plan, evaluation works must be conducted on all aspects of socio-economic development and poverty reduction with special comparative analysis of the objectives mentioned in the 9<sup>th</sup> Central Resolution of ninth Party.

Alongside with the evaluation of the fulfillment of objectives initiated by the National Assembly, the realization of major strategies and policy for sustainable development and economic structural shifts, including economic sector changes, labor structural changes, and structural changes of economic regions, must be evaluated.

The evaluation must cover the management mechanism and the executive instruction for plan implementation. In terms of administrative reforms, focus must be placed on the institutionalization of the Party and Government's resolutions and instructions, the pursuance of disciplines, the streamlining of administrative procedures and the quality of staffs.

The results from the implementation of the resolution of the ninth Party's third congress on the restructuring and downsizing of state-owned enterprises, the ninth Party's fifth central resolution on the development of the cooperative sector, cooperatives and the private sector, the hastening of rural and agricultural industrialization and modernization in 2001-2002, the conclusions of the 6<sup>th</sup> Conference of the ninth Party's Central Executive Committee on education and training, sciences and technology, the Resolution No. 07/NQ-TW of the Politburo, must be assessed.

The evaluation must be conducted on unbiased, righteous and practical bases. The analysis must concentrate on the profound assessment of the growth quality of each sector and localities, the competitiveness of major products, the exploitation of resources, especially land and the use of land, labor quality and labor employment, application of scientific achievements and technological innovations. The mobilization and spending of capital sources, including the government budget, the government investment credits, credits extended by commercial banks, communities' savings, foreign direct investment (FDI) and corporate finance, is also a content of evaluation.

The assessment part of the plan must identify the achieved results of the 2001-2005 SEDP and more importantly drawbacks, weaknesses and obstacles must be pictured, from which internal and external causes can be mapped out for both achievements and failures. The responsibility of each level of government and each sector must hence be pointed out. All of these assessments are to provide the experiences for the targeting and setting of specific measures in the 2006-2010 SEDP.

## 2. Forecasts of domestic and international settings in 2006-2010

We are developing the 2006-2010 SEDP in the changing environment domestically and internationally, in which opportunities and challenges are interwoven. Therefore, ministries, sectors and sub-national governments must take the best of available opportunities and foresee possible obstacles and unfavorable situations so that relevant solutions can be planned to limit adverse impacts on our economic development.

a) Domestic settings: after twenty years of reforms, the market-based economy has been gradually institutionalized. Government policies have inserted positive influences on the socio-economic development. The country's socio-political stability has been the platform for an enabling environment for development. The economic size and capacity have been expanded and strengthened.

However, Vietnam's economy is facing with numerous rigorous challenges: the low growth quality, the ineffectiveness and low competitiveness of the economy in comparison with neighboring countries and others in the world while the integration process has grown to a new phase of more rivalry. Factors of a market-based economy have not been fully developed, creating barriers against production, business and investment. Corruption, bureaucracy and waste practices have not been eliminated.

b) International settings: it is the general forecast that the world economy is on the way of recovery and growth with higher growth rates. Vietnam's major partners shall in

better growth positions in the next five years. International markets shall be more dynamic; ODA and FDI flows start to recover. However, there exist implicit changes in the regional and international political situations. The energy crises leading to global economic crises represent a possibility. Severe competition and changes of economic powers shall greatly influence on our economy.

The most important character of the coming time is the multi-facet influences of the international economic integration process on Vietnam's structural changes, economic and administrative reforms, growth rates and development quality. The analysis and forecasts of domestic and international settings serve as the basis for sectors and provinces to evaluate favorable and unfavorable developments for their own sectors and provinces.

### 3. Major objectives and tasks of the 2006-2010 SEDP

#### a) Objectives:

- To maintain the high and sustainable rate of economic growth, to make significant changes in terms of the quality, the effectiveness and competitiveness of the economy, to develop the country out of the status of less developed and low income one.

- To develop sciences and technology, to improve the technological stage of the national economy.

- To facilitate the process of in-depth integration into the region and the world economy. To make the best of the opportunities provided for by the international integration process for the development of the country, in which external economic relations have to be effectively employed.

- To speed up the process of systematic building of institutions for a market-based and socialist-oriented economy.

- To develop socio-cultural affairs in line with economic growth. To improve the quality of education, training and human resource development.

- To further improve the life of the people, to push up the process of poverty reduction, to create more jobs and to further reduce social evils. To develop socio-economic infrastructure.

- To protect and develop the environment.

- To maintain political stability and social order, to defend the country's sovereign indolence, territorial integrity and national security.

#### b) Direction of development and major tasks:

- To make efforts to reach higher economic growth rate than the previous period and to devise steps for the next five year plan. To target at the 2010 GDP per capita that doubles the figure of 2000. To strengthen the process of economic structural changes, and labor structural shifts in line with industrialization and modernization. To raise the contents of advanced technology in products and to reduce the consumption of materials, particularly the consumption of energy.

- To exploit the strengths of service industries that are of high potentials. To develop high value-added services such as post and telecommunications, airways, banking,

insurance, consultancy, and tourism. To further develop the transport industry and trade. To expand and increase the purchasing power of the local markets.

- To develop industry on the basis of technological innovations, to improve quality, effectiveness and competitiveness of certain industries and industrial products. Each industry must select its own major products to be supported by government policies to develop into highly competitive ones.

- To basically finalize the arrangements, innovations and development of state-owned enterprises. To push up the process of equitization of state-owned enterprises, including big corporations. To control monopoly and business privileges, to remove unreasonable protectionist barriers that go against the international economic integration process.

- To provide an enabling environment for the development of the private sector. To support small and medium-sized enterprises as an effective way to create job opportunities.

- To effectively and fully realize international commitments, significantly those within AFTA and WTO framework. To develop bilateral and multilateral relations with important partners. To improve and devise legal documents in line with the integration process. To enhance the effectiveness of external economic relations, to provide favorable conditions for the development of exports.

To create an enabling, transparent and stable investment environment.

- To pay special attention to the mobilization of resources for development investment. To exploit effectively local and foreign resources (capital, technology and management experiences) for the development of production forces and socio-economic infrastructure. To shift the investment structure towards higher ratios of technological contents, enhancement of competitive capacity, increases of added-values and economic effectiveness. To develop the infrastructure system. To encourage sustainable investment in key economic region, to commit more investment in disadvantaged regions.

- To strengthen the national finance capacity; to continue reform efforts in the monetary and financial systems; to stabilize macroeconomic balances, to develop the capital and real estate markets to meet with socio-economic development demand.

- To expand research and development activities. To improve the technological levels of the economy. To take best advantage of internal strengths in terms of sciences and technology serving the industrialization and modernization process. To enhance the management of natural resources and environment.

- To innovate the education and training system, to enhance training activities and to improve the quality of the human resource for the country's industrialization, modernization and integration processes. Focus must be placed on the development of advanced human resource and skilled labor as well as the human resource for rural and agricultural sectors aiming at economic structural changes and labor structural changes. To improve the education quality at all levels of the system.

- To develop the health sector, sports and cultural-information affairs. To remarkably improve human health indicators. To develop the national culture, to increase the living standards and to ensure gender equality and women's advancement.

- To reduce the unemployment rates in the urban areas and the job insufficiency rates in the rural areas, to reduce the ratio of poor households based on international poverty line, especially in the most disadvantaged regions. To develop the social security network to provide support to the poor, and to build up sustainable structure.

- To effectively solve urgent social issues. To eliminate social evils, especially criminal rates and drug abuse, HIV/AIDS, to prevent traffic accidents.

- To protect and improve the environment for sustainable and effective socio-economic development.

- To make fundamental changes in administrative reforms, to solve the issues of bureaucracy, corruption, and wasteful practices. To develop the rules of law of a socialist state, to further deepen democracy and to strengthen the national solidarity.

- To maintain national security, political stability and expand external relations, to contribute to the peace and stability for the development of the country.

### **III. Timetables for the preparation of 2006-2010 SEDP and task assignments**

#### **1. Planning progress schedule:**

- From September 2004: Ministry of Planning and Investment (MPI) shall cooperate with other ministries and provinces to develop a framework of major socio-economic targets to be submitted to the Prime Minister. Based on the Prime Minister's instructive comments, the framework shall be finalized and disseminated to ministries, sectors, and provinces.

- From October 2004 to December 2004: ministries, sectors and provinces devise their own 2006-2010 plans.

- From December 2004-March 2005: MPI shall integrate all the individual plans to develop the national 2006-2010 SEDP, organizing discussions and workshops to discuss the plan with researchers, ministries, sectors, regions and provinces, with international and local experts; submitting the draft SEDP to the Government and the Politburo.

- From April 2005 to May 2005: MPI shall finalize the five-year plan under the Government's instructions and to organize further discussions and workshops.

- The Plan shall be reported to the Central Executive Committee's Conference in the second quarter of 2005.

- In November 2005 the plan shall be submitted to the National Assembly for the first round.

- After the Party's tenth national conference, the Plan shall be submitted to the National Assembly for approval.

#### **2. Task Assignments:**

##### **a) MPI:**

To lead and cooperate with Ministry of Finance (MOF) to devise the plan for resource mobilization from both international and local sources for the fulfillment of socio-economic development objectives. The sources can include ODA, FDI and those of economic sectors. The two agencies shall also prepare the planned ratios between savings and spending, and between capital and current budget items.

To cooperate with concerned ministries to map out the following balances: national finance balance, including the government budget balance; the balance of international

payment, the balance of trade, and the balance between the labor pool and job opportunities.

To provide the instructions on the preparation of 2006-2010 plans and to finalize the national 2006-2010 plan.

To supervise and monitor the preparation of 2006-2010 plans devised by ministries, sectors and provinces.

To develop the national 2006-2010 SEDP to be submitted to the Government and to other leading agencies of the Party and the National Assembly.

b) MOF shall lead and cooperation with MPI and related ministries to develop the plan for national finance balance, government budget balance, central and local budget balance, the plan to mobilize resources to the government budget, the plan for government debt servicing and national debt servicing.

c) The General Statistics Department shall cooperate with MPI and related agencies to identify the system of planned indicators and planned criteria, especially those reflecting quality to be provided to ministries, sectors and provinces for their building up of their plans.

d) Ministries, sectors and state-owned enterprises:

To cooperate with MPI in order to develop their individual plans and important balances within their capacity.

Ministries and agencies administering national target programs, including the 135 program, the poverty reduction and job opportunity program, the 5 million ha of forestry project and other important programs and projects shall work with MPI, MOF and related ministries and provinces to evaluate the implementation progress and effectiveness of the programs and projects that are within their capacity. These agencies shall also be assigned to devise proposals to the Government on the necessity and implementation mechanisms for national target programs in the five-year plans.

®) Provincial People's Committees

To provide instructions to provincial Departments of Planning and Investment, Departments of Finance in cooperation with other Departments to develop the provincial five-year plans.

Ministers, heads of ministry-level agencies, heads of governmental agencies, Chairmen of provincial People's Committees, General Directors of state-owned corporation are responsible for the implementation of this Instruction.

**Addressed to:**

- Party's Central Secretariat Committee;
- The Prime Minister, Deputy Prime Ministers;
- Provincial People's Councils and People's Committees;
- Ministries, ministry-level agencies, governmental agencies;
- The Office of the National Assembly;
- The Presidential Office;
- Party's Central Office and Committees;
- The People's Supreme Procuracy;
- The People's Supreme Court;
- Associations;
- The National Gazette;
- The Office of Government: the Minister-Chairman, Vice Chairmen, Departments and Bureaus;
- Filed at General Economic Department and the Archives.

**PRIME MINISTER**

(signed)

**Phan Van Khai**