



HARVARD Kennedy School
JOHN F. KENNEDY SCHOOL OF GOVERNMENT



Restructuring of SOEs in Vietnam

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Presentation structure

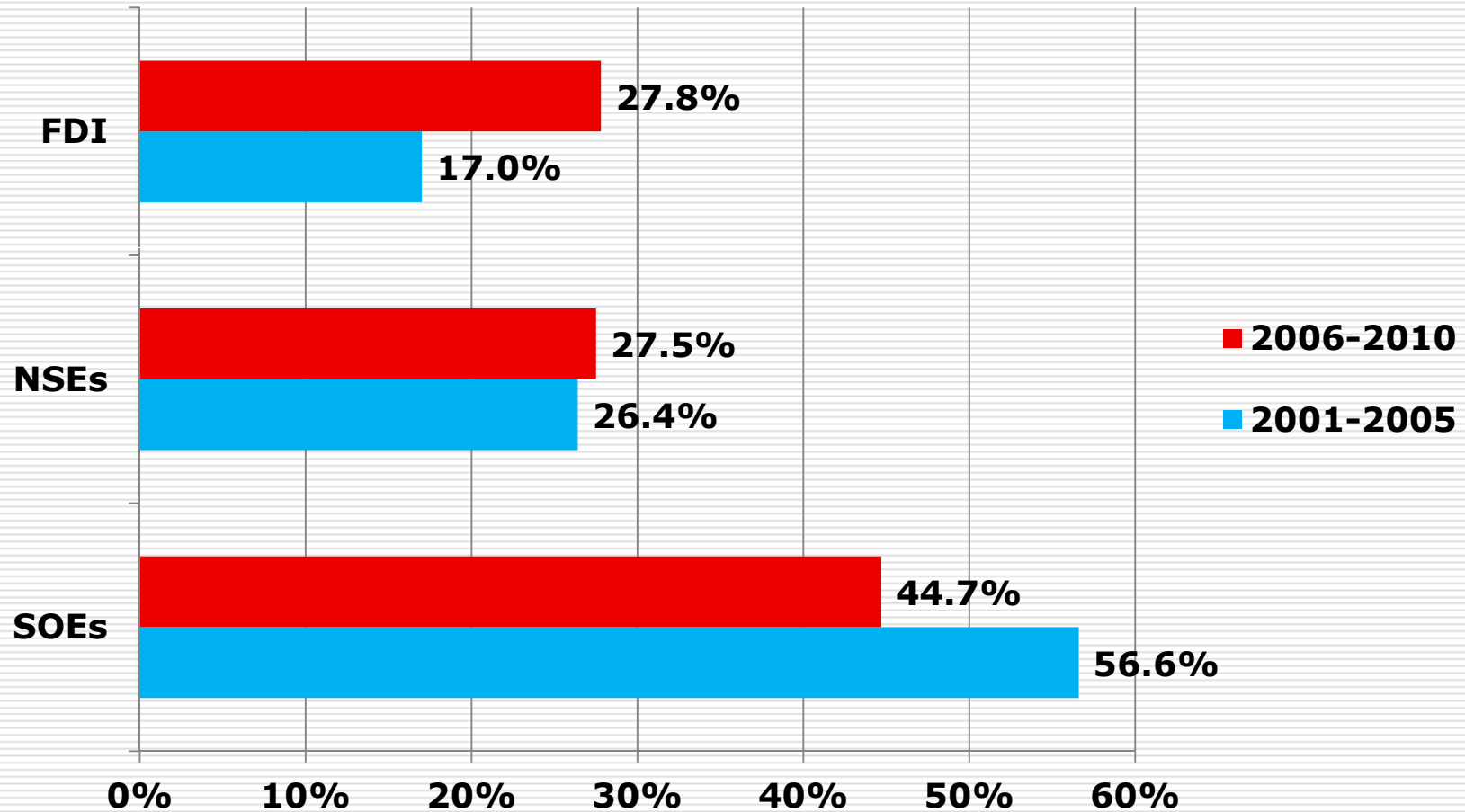
- ❑ Overview of the use of resources vs. contribution of SOEs
- ❑ State business groups (SBGs) in comparative perspectives
- ❑ Policy discussion

SOEs: Use of resource vs. contribution

	SOEs		NSEs		FDI	
	2001-05	2006-10	2001-05	2006-10	2001-05	2006-10
<i>Use of resources</i>						
Investment capital	56.6	44.7	26.4	27.5	17.0	27.8
Credit	36.6	30.9	-	-	-	-
<i>Contribution</i>						
Budget (non-oil)	19.6	17.6	6.7	10.3	6.6	10.5
Jobs	43.5	23.1	40.1	54.8	16.3	22.0
New jobs	-4.1	-13.1	74.1	84.8	30.0	28.3
GDP	30.0	27.8	46.7	46.1	14.6	17.9
GDP growth	32.9	19.0	44.6	54.2	14.5	17.4
Industrial production value	28.9	25.5	28.3	34.3	42.7	40.1
Growth of industrial value	28.5	11.6	34.0	42.9	37.4	45.5

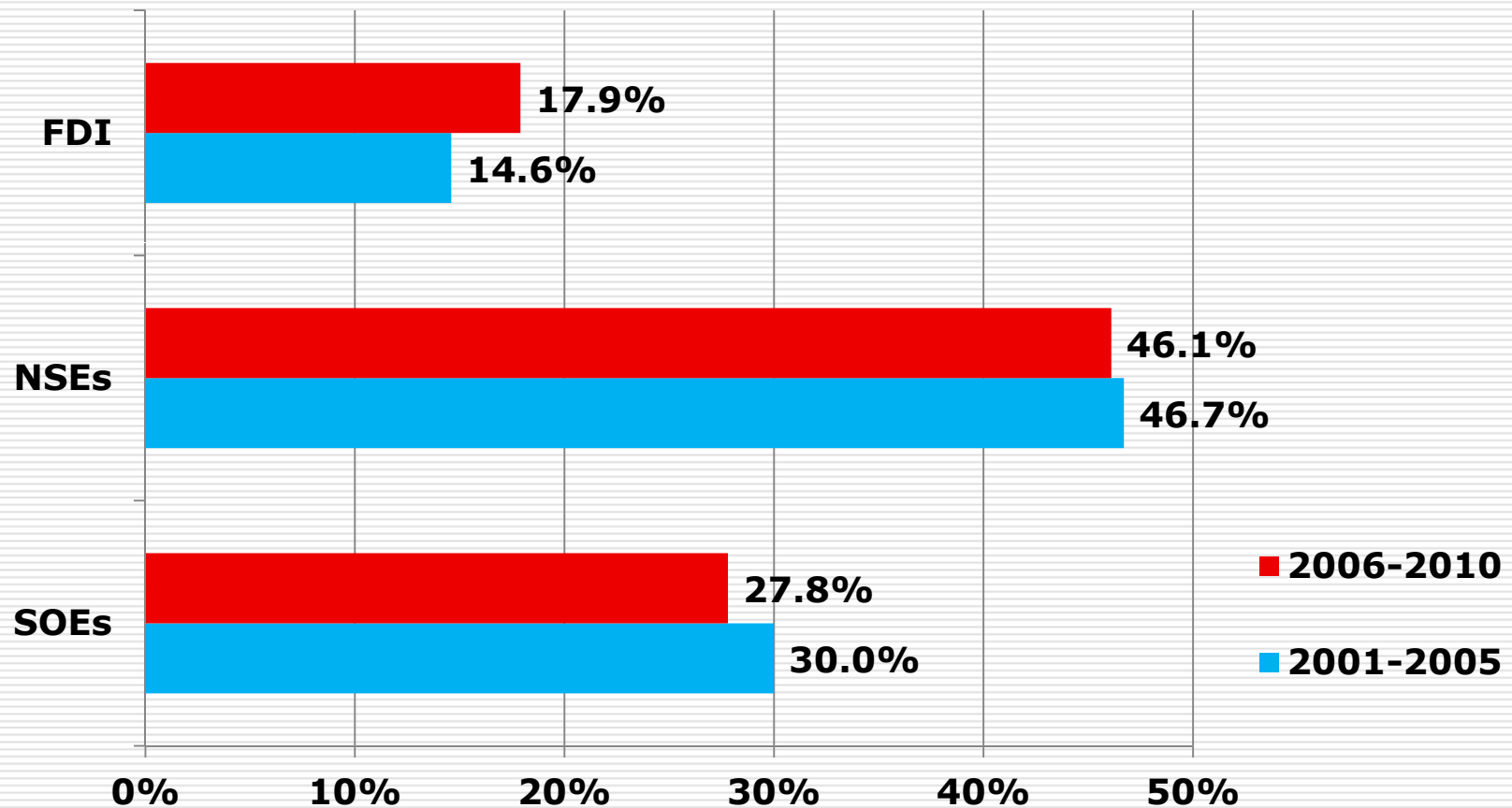
Source: GSO, MOF, IMF

Investment capital of three sectors (%)



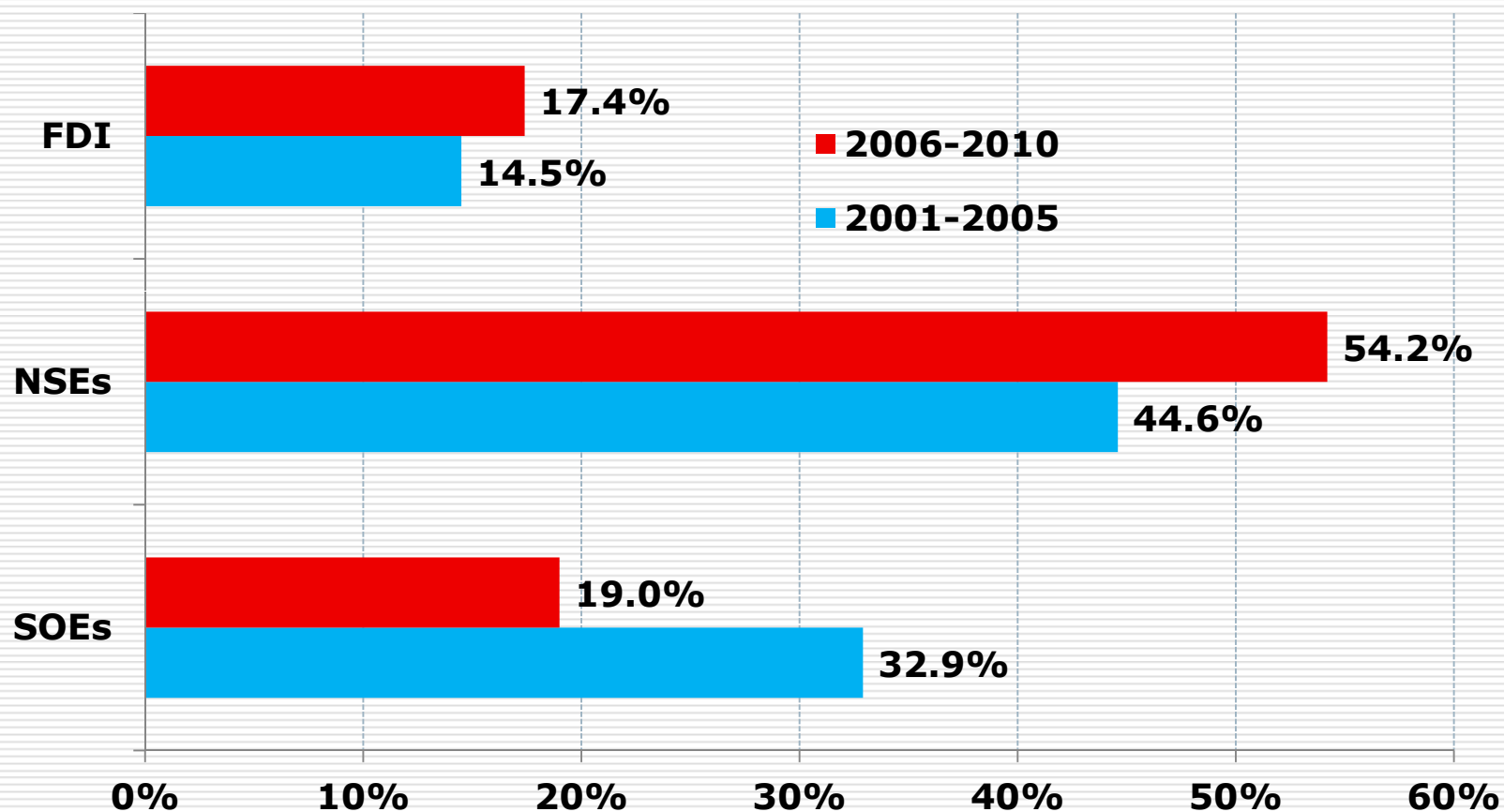
Source: Calculation from GSO data

GDP contribution of three sectors (%)



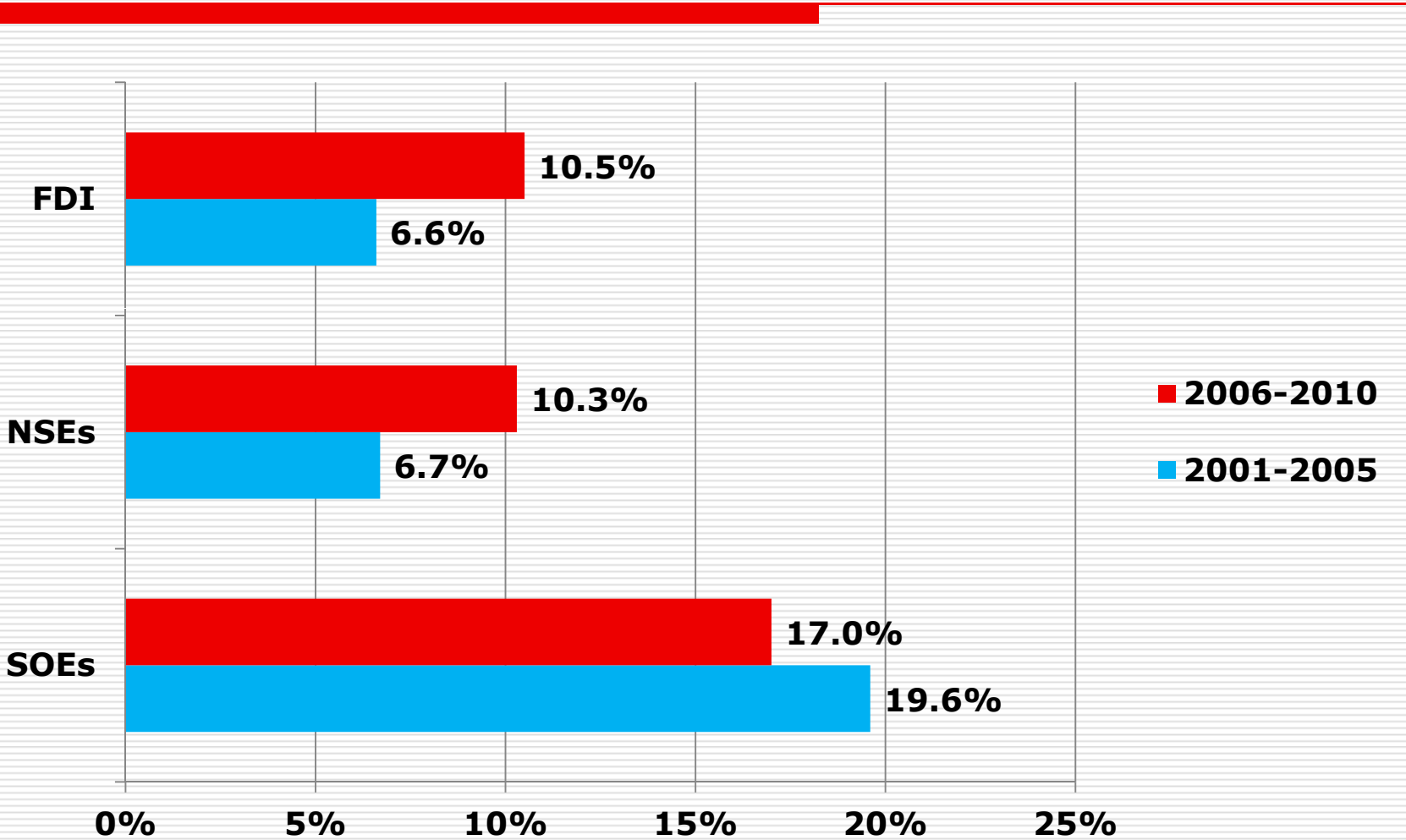
Source: Calculation from GSO data

Contribution to GDP growth of three sectors (%)



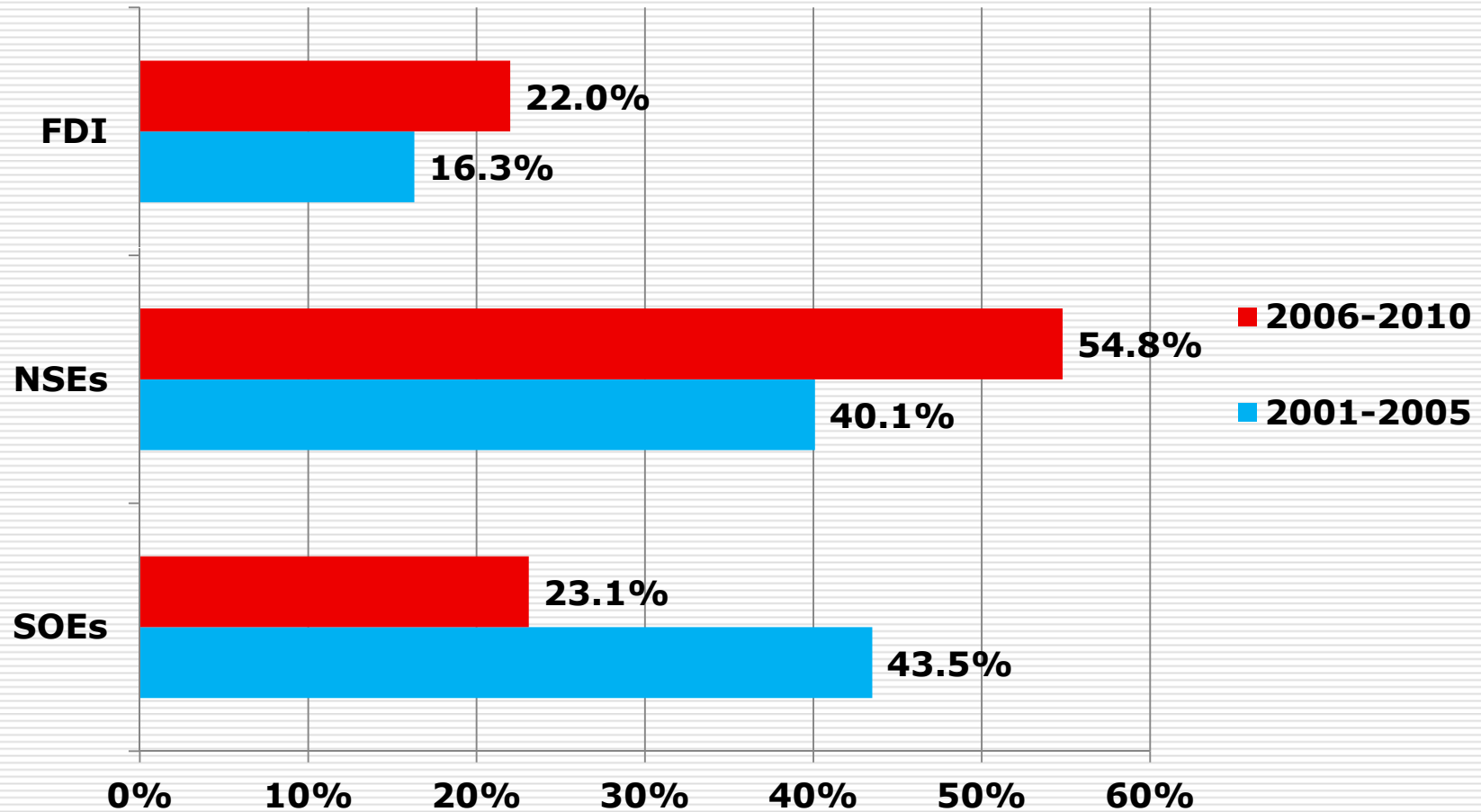
Source: Calculation from GSO data

Contribution to non-oil budget of three sectors (%)



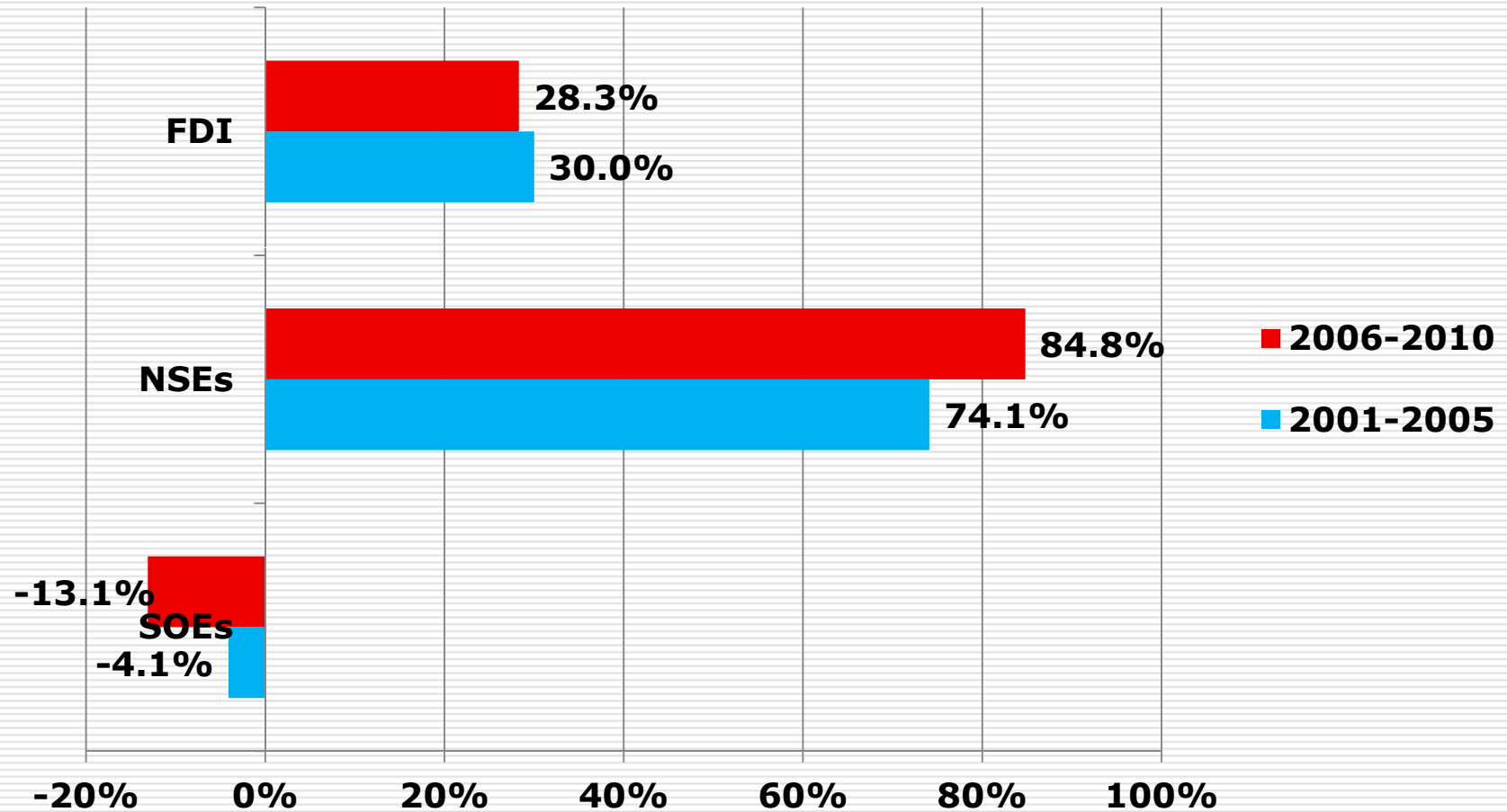
Source: Calculation from MOF data

Job creation of three sectors (%)



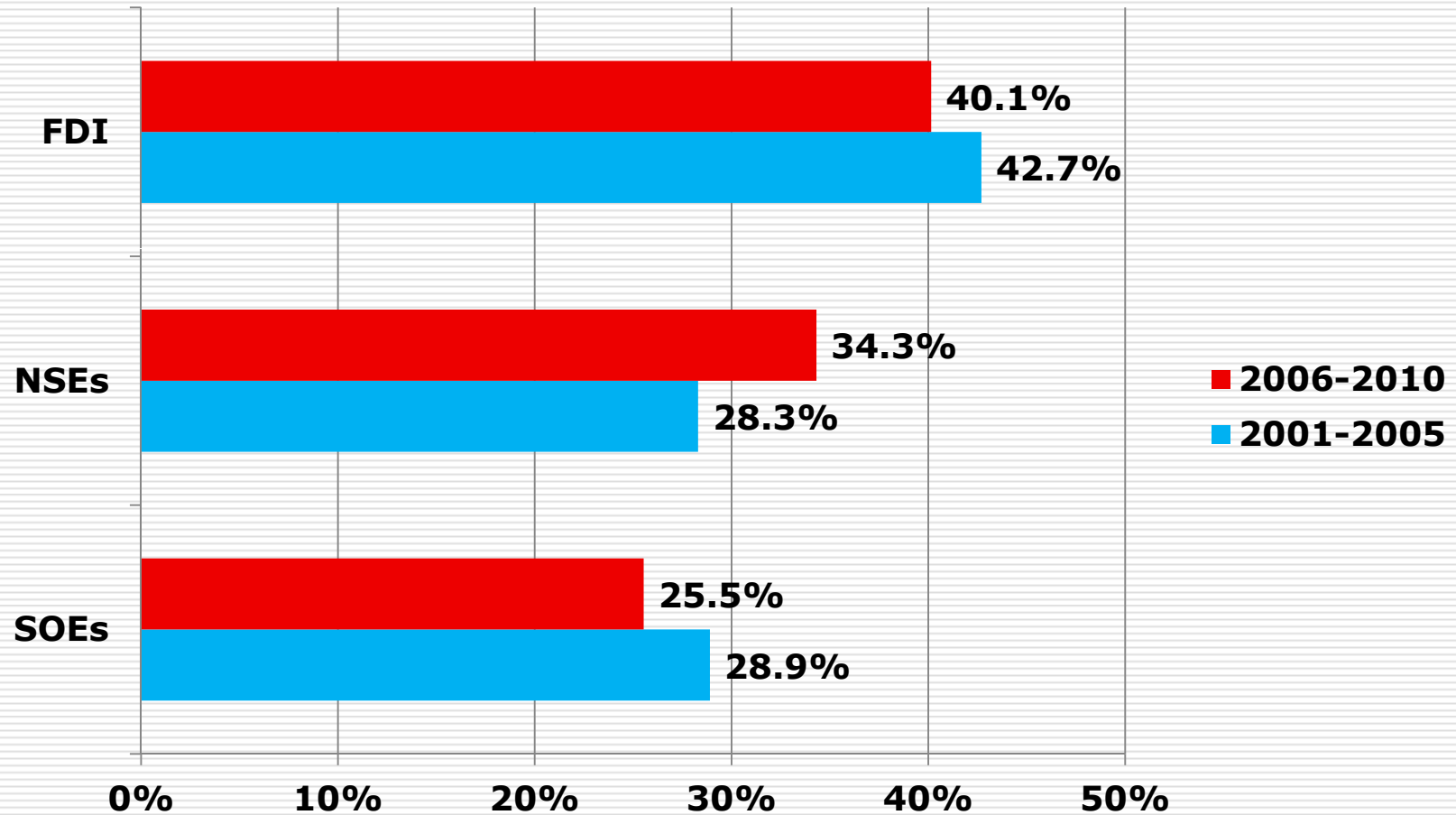
Source: Calculation from GSO data

New job creation of three sectors (%)



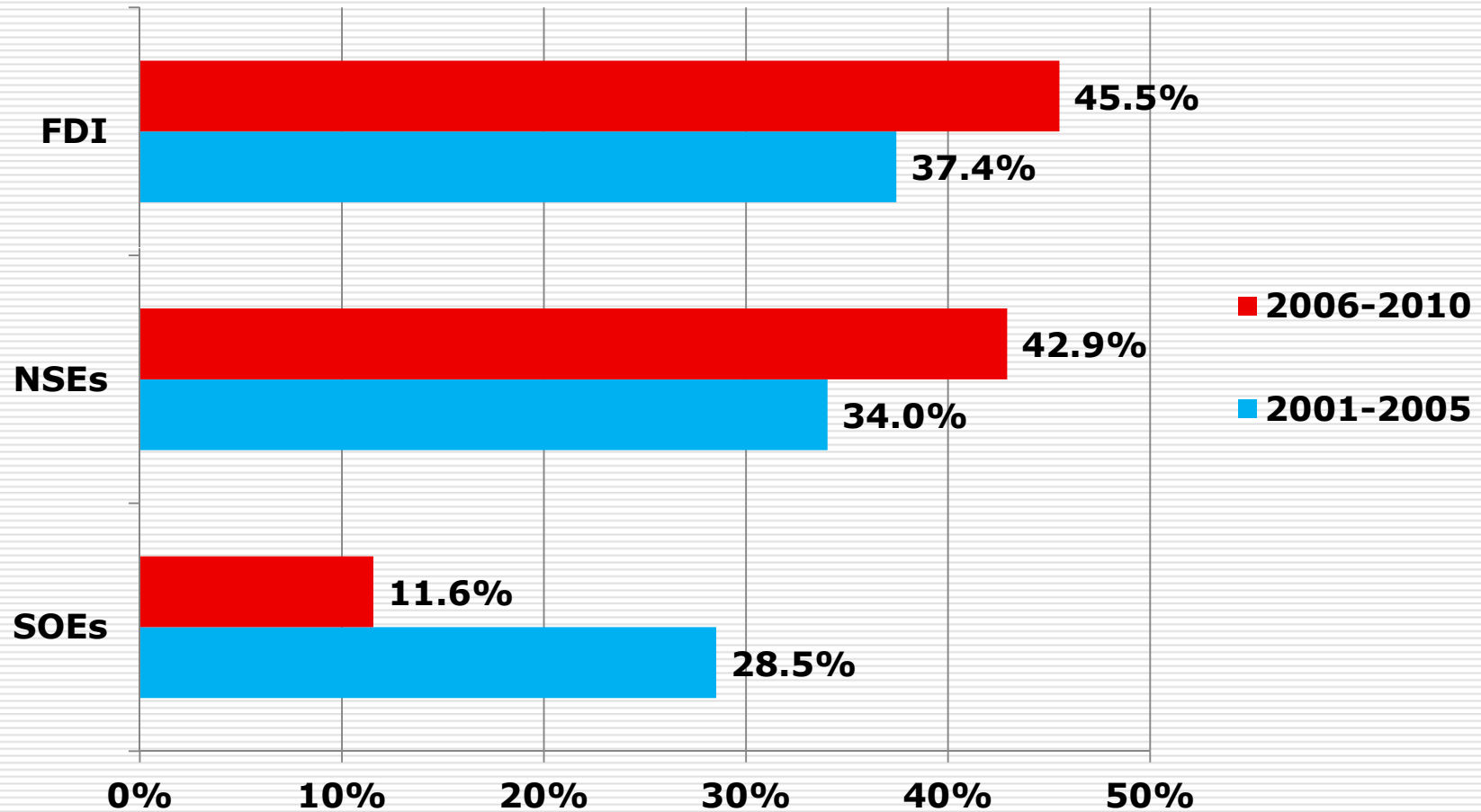
Source: Calculation from GSO data

Industrial production value of three sectors (%)



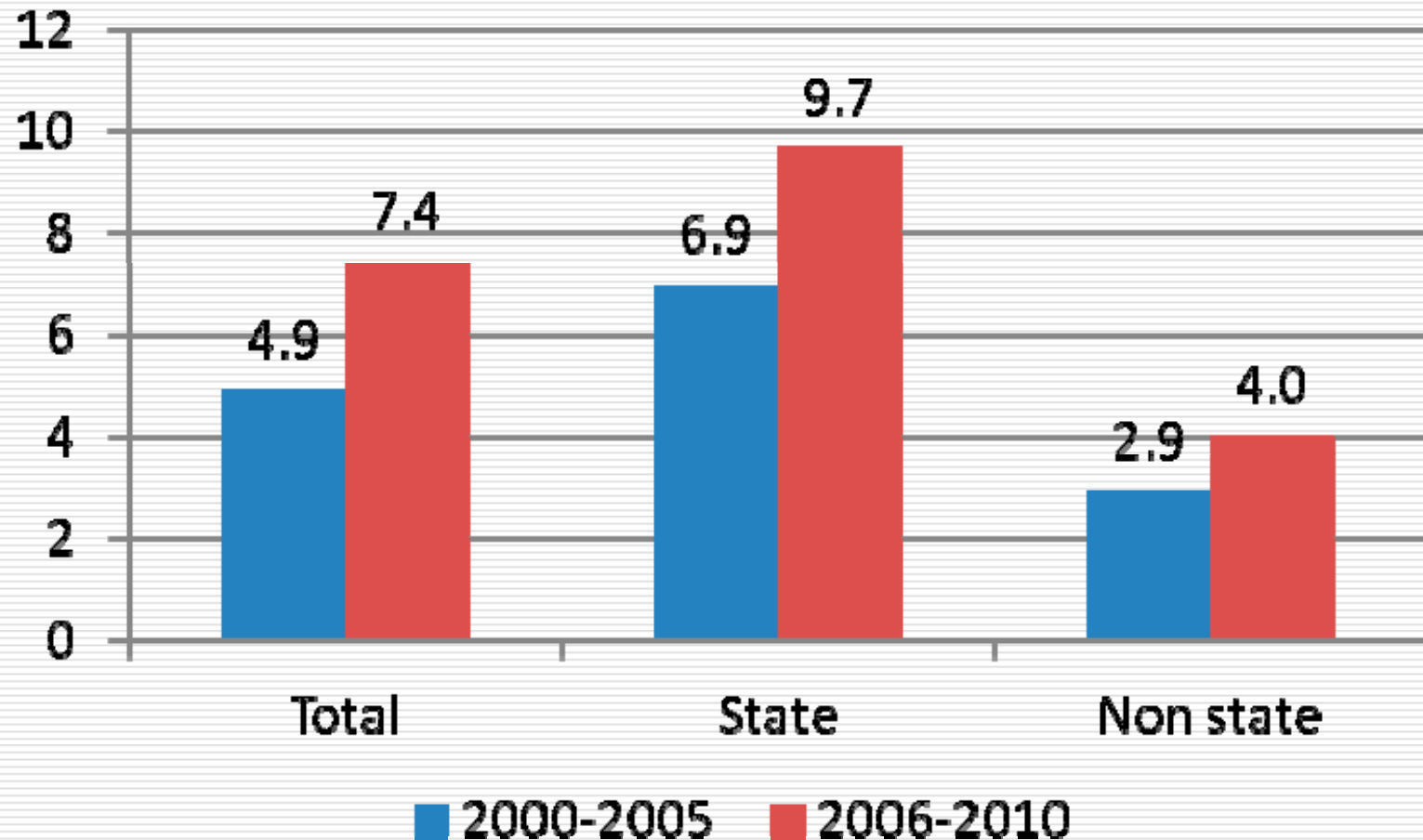
Source: Calculation from GSO data

Contribution to growth of industrial production value of three sectors (%)



Source: Calculation from GSO data

Decreasing investment efficiency



Source: Bui Trinh, 2012

SBGs in comparative perspectives

Sales of the 10 largest business groups (% GDP)

East Asia	
China	9.4
South Korea	49.0
Taiwan	19.0
South East Asia	
Indonesia	25.0
Vietnam	37.3
Latin America	
Brazil	8.0
Argentina	11.0
Mexico	10.0

Notes: Vietnam's data is for 2010. China's data is for 2005.
Data of all other countries is for 1995

SBGs in comparative perspectives

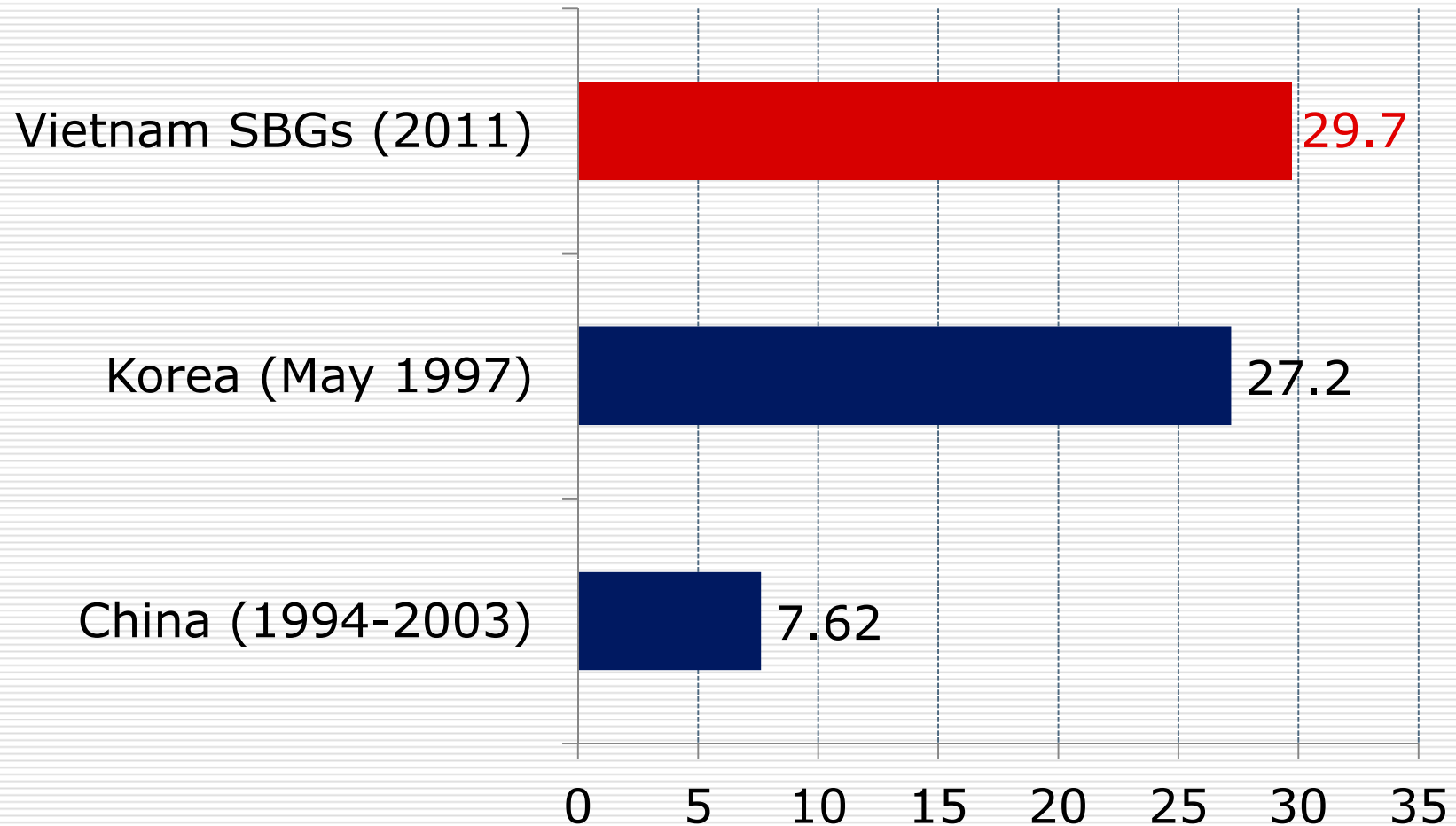
Diversification of large business groups

East Asia	
China	2.3
South Korea	1.7
Taiwan	1.6
South East Asia	
Indonesia	2.1
Philippines	3.1
Thailand	3.5
Vietnam	6.4
Latin America	
Brazil	1.4
Chile	5.1
Mexico	2.7

Notes: Group diversification is measured as the number of two-digit industries in which the group operates. Vietnam's data is for 2010, collected from the web pages of the state business groups. China's data is the average of the period 1994-2003 and taken from Lee ("Business Groups in China", 2010). Data of all other countries is for the late 1990s and taken from Khana and Yafeh ("Business Groups in Emerging Markets: Paragons or Parasites?", 2007)

SBGs in comparative perspectives

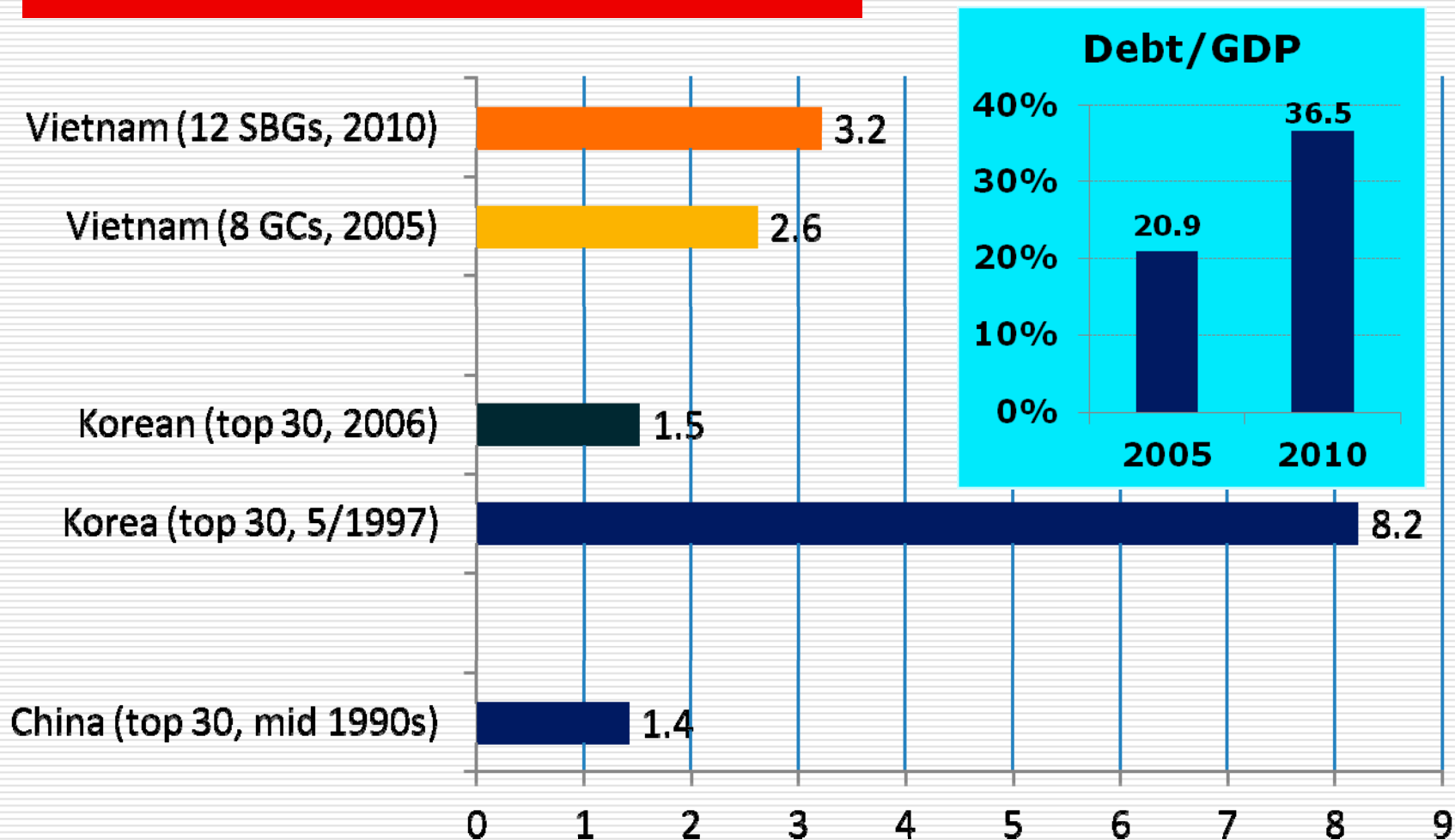
Average number of subsidiaries



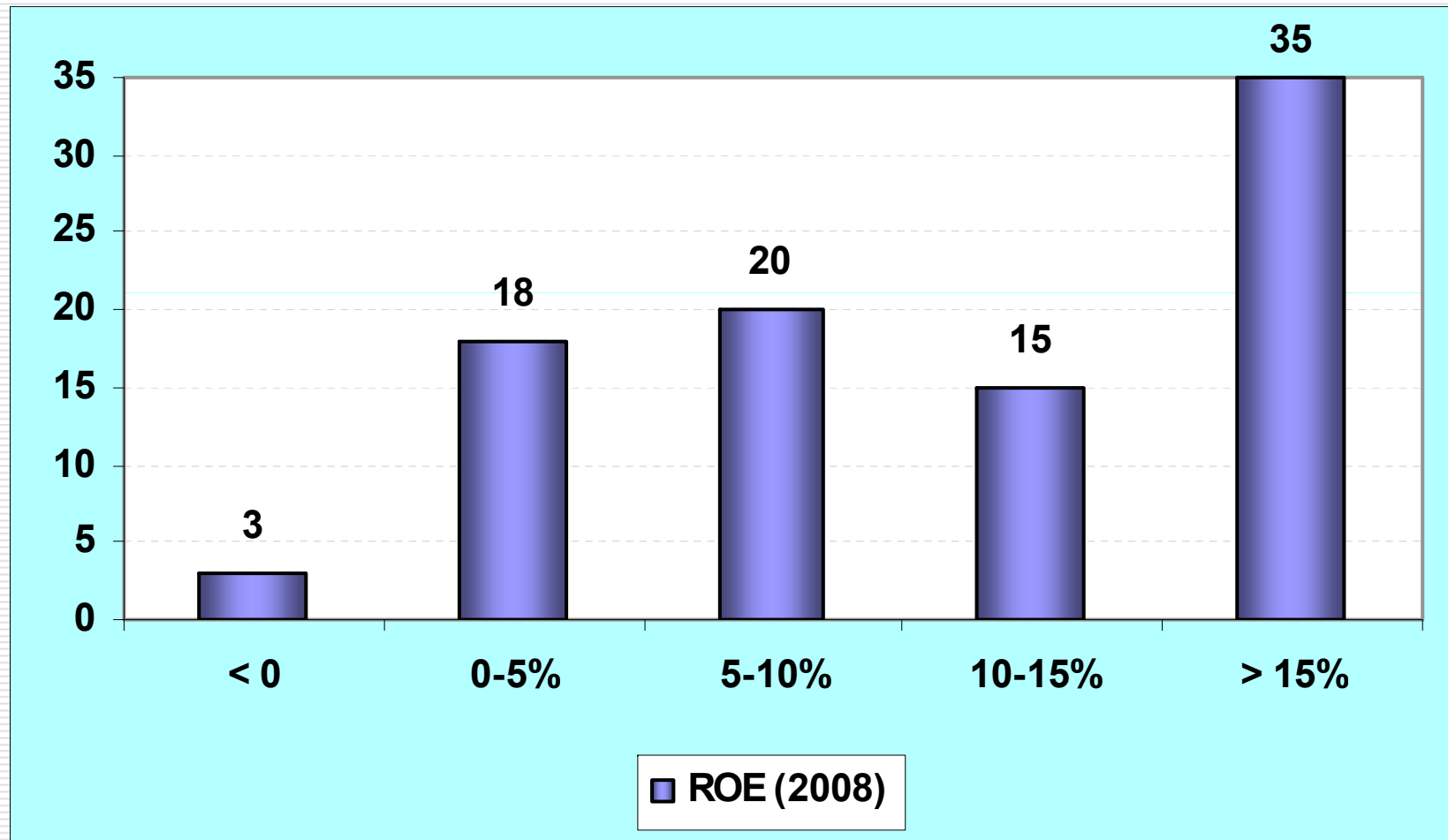
Notes: Only subsidiaries where SBGs own more than 50% are counted.

SBGs in comparative perspectives

Debt / Equity Ratio



ROE of SBGs and GCs (2008)

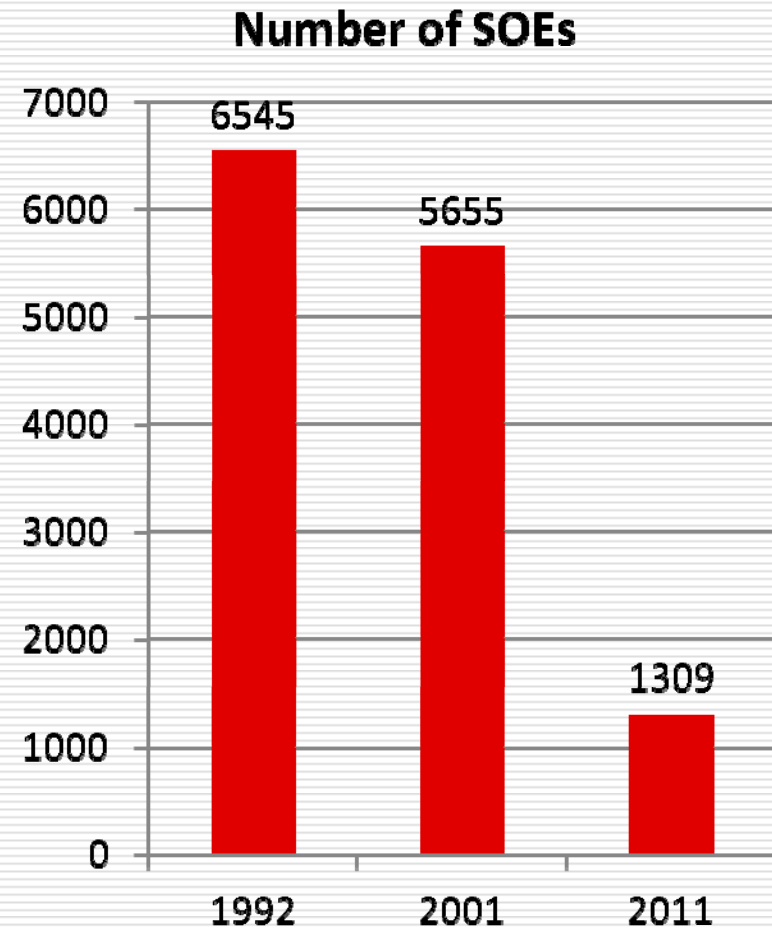
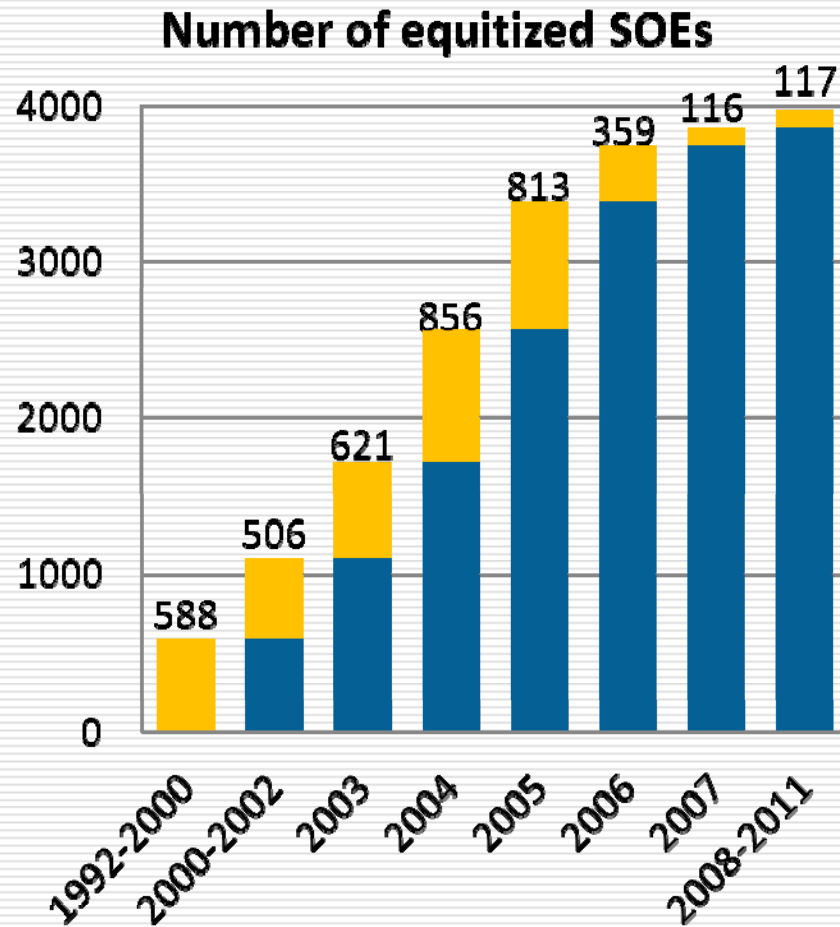


Source: Report of the National Assembly's Standing Committee (11/2009)

Summary on development of SBGs

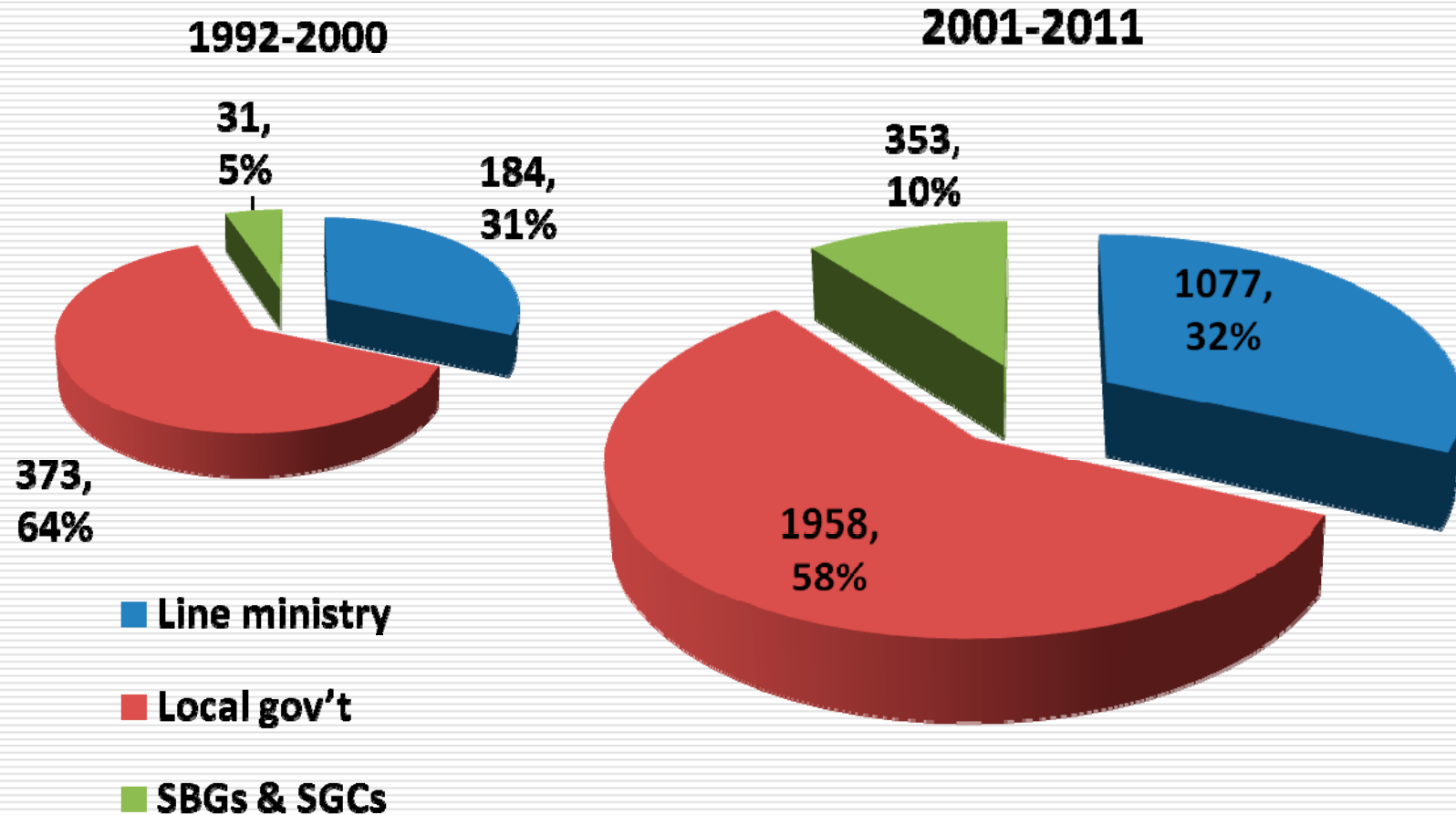
- Very quick expansion but inefficient
- Motivations of establishing SBGs:
 - Tools for economic control and social policy
 - Catching-up industrialization via economies of scale
 - Meeting post-WTO international competition
- Origin of SBGs:
 - Organic? [No]
 - Portfolio? [No]
 - Policy [Yes]
- Expectation vs. reality?

Equitization in Vietnam



Source: MOF

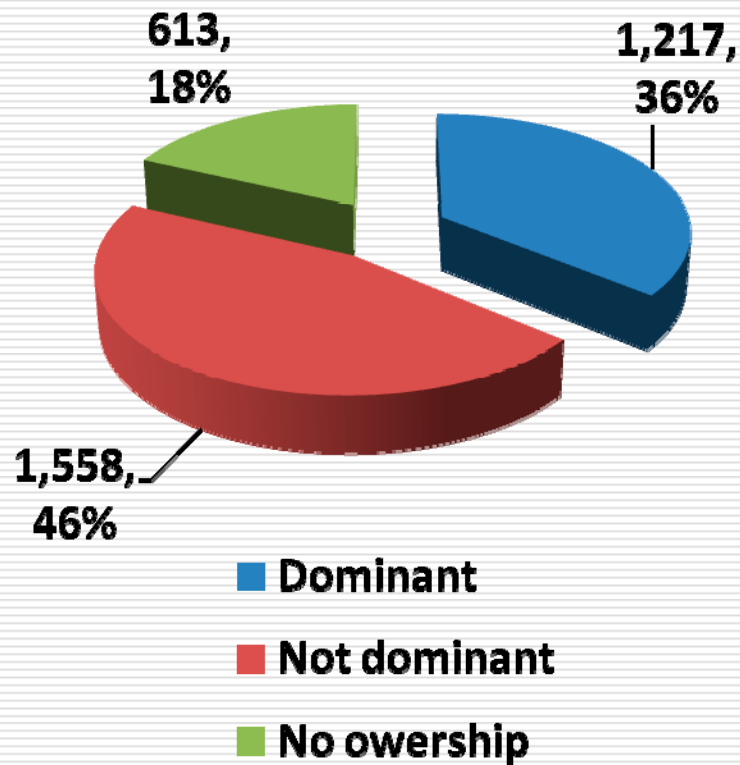
Management of equitized SOEs



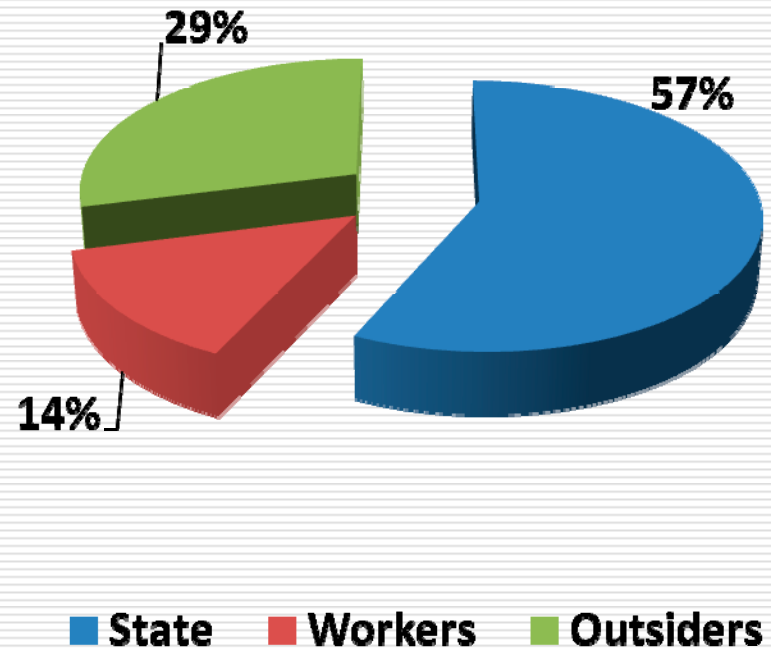
Source: MOF

Ownership at equitized SOEs

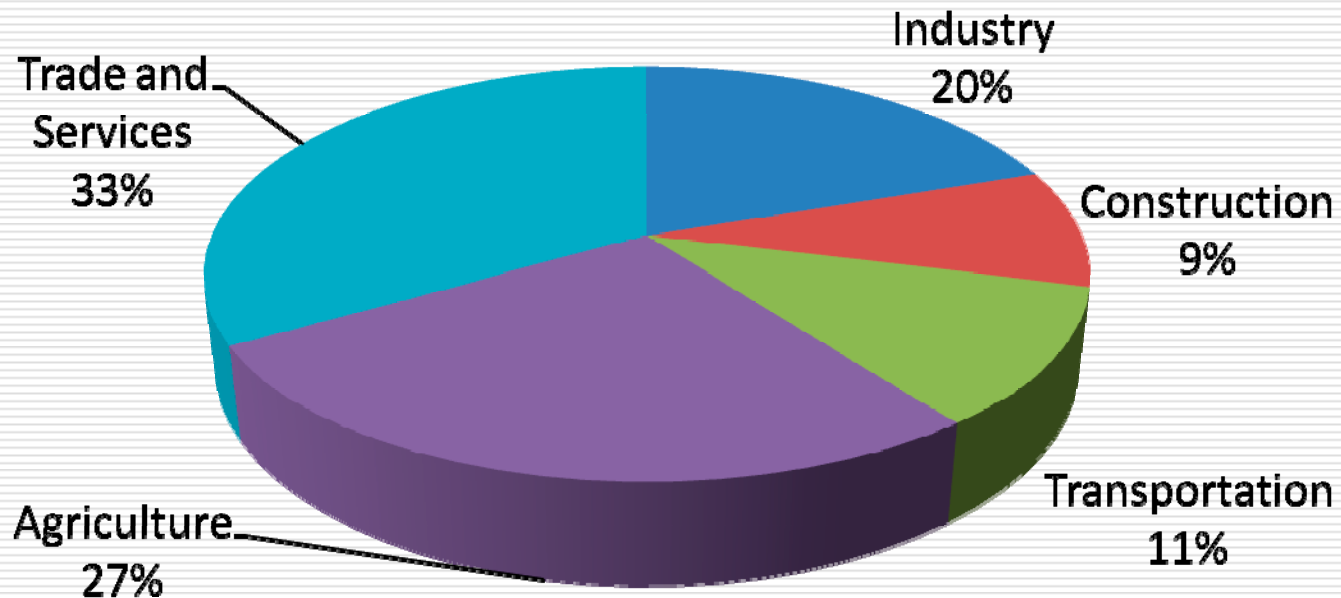
Level of state ownership



Ownership structure



Classification of the remaining SOEs



	Business	Non-business	Total
Central line-misnistry	162	193	355
Local governments	465	236	701
State business groups and corporations	230	23	253

Source: MOF

Restructuring SOEs

- Redefine the economic role of the State
- Redefine the economic role of the SOEs:
 - SOEs as tool of macro management and social policy?
 - Costs vs. benefits of “social functions”?
- Apply market principles to restructuring SOEs:
 - Market price
 - [International] competition
- Impose disciplines on SOEs
 - Terminate subsidies
 - Eliminate monopoly power / regulate monopoly SOEs
- Reforming governance system
 - Separate administrative and ownership functions
 - Improve oversight, transparency and accountability

Thank you for your attention!
