Regional Development Policies in Vietnam

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Abstract: The region is an entity, the development of which is planned with a long-term vision, in Vietnam. The State has a policy for regional development, including regional development planning. Over the past years, the implementation of regional planning has contributed positively to regional and national socio-economic development and security. However, there are also several issues posed for the regional development policy, e.g. there are too many areas of planning, the overlaps among economic regions and key economic areas, or the lack of regional connectivity. The fundamental view in renovating and completing the policy is the linkage for development based on ensuring the interests in regional development.

Keywords: Regional planning, regional development policy, linkage for development, Vietnam.

Subject classification: Economics

1. Introduction

In Vietnam, a region is defined as part of the national territory which hosts a number of independent relatively socio-economic activities following the social division of labour of the country. From a legal perspective, a region is not classified as a State administrative unit. In fact, it is a territorial unit established to serve the strategic planning and regional planning for the socio-economic development of each region. It also helps to perform management of socio-economic development processes in every region and link all the administrative units within and outside a region to promote common development

goals. A lot of regional development policies have been issued and implemented in the moment. practice. At the comprehensive policy documents on regional development are Decree No.92/2006/ND-CP of the Government dated 7 September, 2006 on the compiling, approval and management of socio-economic development masterplans, and Decree No.04/2008/ND-CP dated 11 January, 2008 amending and supplementing a articles number of Decree No.92/2006/ND-CP, in which regions are categorised as socio-economic regions and key economic regions.

This article analyses the overall regional development policy of Vietnam on two aspects: the planning for the development of socio-economic regions and the masterplan prepared for key economic regions, on the basis of which it will propose solutions for the effective implementation of regional development policies in Vietnam.

2. The planning for the development of socio-economic regions

2.1. Dimensions covered in the masterplanning for socio-economic regions

The overall planning system for socioeconomic development in Vietnam at present consists of: masterplans for the socioeconomic development of regions and key economic regions; masterplans for socioeconomic development at provincial masterplans district levels: for the development of economic sectors industries at national and provincial levels; masterplans for the development of main Vietnamese products at national and provincial levels. These plans are prepared for a period of ten years with a vision of 15-20 years. They represent each five-year period and can be reviewed, adjusted and supplemented in line with the socio-economic situation.

The masterplan for regional socioeconomic development is defined "as an evidence-based layout for the socio-economic development and spatial organisation of socio-economic activities in a rational manner in a certain territory for a certain period of time", in which a socio-economic region "is a part of the national territory, composed of some centrally run provinces and cities where a number of relatively independent socioeconomic activities will take place following the social division of labour of the country. This classification of regions is meant to serve the development of strategies and planning for the socio-economic development of regions as well as to regulate socio-economic development processes in each region of the country" [2].

Vietnam's territory is divided into six socio-economic regions for planning purposes, including the Northern midland and mountainous region, the Red River Delta, the North Central Coast and the Central Coast, the Central Highlands, the Southeastern region and the Mekong River Delta.

The grounds for regional planning originate from: national socio-economic development strategies; resolutions and decisions on socio-economic development policies of the Party, the National Assembly and the Government; planning of the development of economic sectors and industries (at the national level); regional construction, urban development and land use planning already approved by competent authorities; also the system of statistical database and the results of baseline surveys. Ultimately, the regional planning will be approved by the Prime Minister.

The main subjects of the regional sociodevelopment masterplan economic unified and consistently settled, including the following nine tasks [2]: (i) conducting of the analysis, evaluation and prediction of factors conditions development, for examining the capability to exploit them rationally so as to achieve effectiveness in promoting regional comparative advantages; carrying out the analysis and assessment of the territorial exploitation progress; plus the analysis and evaluation of comparative advantages regarding factors and conditions

for regional development in the context of larger regions and the whole country, taking into account regional and international undertaking the analysis relations; evaluation of the current status of socioeconomic development and regional territorial exploitation; also measuring the potential of each region in contributing to the regional budget; (ii) conducting of an evidence-based study on the objectives, perceptions and orientations to achieve socio-economic development in line with the national sociodevelopment economic strategy and masterplan; (iii) outlining specific tasks to accomplish the goals of the socio-economic development masterplan; firm evidence-based justification of the development of the economic structure; drafting different evidence-based development paths; identifying directions for the development of key industries, core economic sectors and staple products, which defines the functions, duties and roles of urban centres and key sub-regions in regional development; (iv) design of an evidence-based comprehensive plan for the organisation of economic and social activities within the territory (choosing a suitable masterplan for territorial exploitation); (v) planning for infrastructure development to meet the immediate and long-term needs of the region's economic and social activities as well as to ensure the connectivity with other regions across the country; (vi) development of sound directions for land use planning (by

proposing land use plans based on the development orientations of sectors industries); (vii) evidence-based determination of the list of prioritised investment projects; (viii) building of validity arguments to support environmental need of protection; detecting severely polluted territories environmentally sensitive regions and proposing adaptation measures to protect or make use of these areas; (ix) finding of solutions of mechanisms and policies so as to achieve the goals of planning; proposing key investment programmes and projects with a balance in the sources of capital to ensure the implementation and elaboration execution steps in the planning; suggesting plans for the organisation and implementation of the planning.

2.2. The outcomes of the planning for socioeconomic regions

To date, a series of development plans have been prepared and executed for all six socio-economic regions mentioned above. Regional development plans, as stipulated, have identified solutions to issues in mechanisms and policies to achieve the goals of the planning. Box 1 provides an example of regional development policy, which was specified in the Masterplan for socio-economic development in the Red River Delta until 2020.

Box 1. The Policy Framework for the Development of the Red River Delta [8]

- Policies designed in support of rice cultivation areas to ensure national food security, including the provision of preferential credit subsidies for the purchase and storage of rice by traders in an attempt to stabilise the prices, investments in infrastructure and the storage system towards the establishment of a network linking different localities, then generating the drivers for further development. These policies

also seek to support the development of clean and hi-tech agricultural products, especially export products, and the branding for Vietnamese agricultural products.

- Policies devised to encourage the development of the semi processing and processing industries of agricultural, forestry and fishery products in remote and disadvantaged areas. Besides, there are also specific policies on investment, finance and credit applicable to sub-regions with many rivers and canals. These policies also lay out a set of mechanisms to measure the investment rate and ratio for each development project which use the sources of capital or credit lines from the national budget.

However, in addition to the planning of six socio-economic regions, there are also plans approved by government bodies at the ministerial and sectoral levels, which also demonstrate the contents related to regional development. According to the drafting board of the Law on Planning, for each planning period, from 2001 to 2010 and from 2011 to 2020, over 300-400 masterplans have been approved by government organs at the central level. In particular, 419 masterplans were adopted for the planning period from 2001 to 2010 and 344 for the period from 2011 to 2020.

Obviously, out of the above 300-400 masterplans, not all of them were meant to focus on regional development completely. Nevertheless, all the documents were related to regional issues to some extent. For example, the masterplan on development of the industrial sector also comprises the planning for the distribution of industrial development by territories (Clause 5, Article 1 of the Prime Minister's Decision No.880/QD-TTg dated 9 June, 2014 approving the masterplan on the development of Vietnam's industrial sector towards 2020, with a vision to 2030). If the planning for socio-economic development in special regional territories is conducted separately, according to the Ministry of Planning and Investment, there currently 21 types of masterplan altogether.

Over time, a large number of specific policies on regional development have been promulgated and implemented to bring about positive outcomes. It should be affirmed that, thanks to regional planning, including a series of policies on regional development, the social division of labour among regions has been well shaped across the whole country, taking into account the key products associated with regional characteristics (such as rice, fishery products, fruits in the Mekong River Delta; rice, vegetables and fruits in the Red River Delta; coffee, rubber and pepper in the Central Highlands...). The industrial sector has also identified some typical products for each region (for example, hi-tech products would be concentrated in some provinces and cities of the Red River Delta and the Southeastern region while heavyindustrial products would characterise the Central Coast...). A couple of specific economic policies have assisted and helped to shape and advance the division of labour across regions, such as policies on irrigation and consumption of agricultural products in the Mekong River Delta and Central Highlands... Besides, specific social policies for the ethnic minorities who resided in the Northern Uplands, Central Highlands and the southwestern region (Mekong River Delta) have not only helped eradicate hunger and significantly reduce poverty but also

improved their livelihoods, incomes and living conditions.

2.3. Limitations in the planning for socioeconomic regions and their causes

In addition to its positive outcomes, regional planning also faces limitations. So far, no research has really focused on conducting a comprehensive and proper assessment regional development of policies, although regions and regional development are of great importance in the national management of socio-economic development in Vietnam today. All ministries and government agencies in each sector have carried out periodical reviews on their own development policies. However, reviews on regional development policies are still not available since a regulatory institution for regional development has not been set up yet (the Prime Minister has issued Decision No.2059/QD-TTg dated 24 November, 2015 on the establishment of a steering committee for key economic regions and on the Council on Key Economic Regions in 2015-2020 period. while the similar regulatory agencies have not been established in socio-economic regions).

The most prominent policy issue in regional development planning is overlaps lying in the delineation of regional planning areas. Region-specific policy adjustments in the regulatory framework, issuance from the of Decree No.92/2006/ND-CP to date, have resulted in the delineation of six economic regions and four key economic regions eventually. Afterwards, new types of special areas, like the Hanoi Capital region or the metropolitan region of Ho Chi Minh City, were added in the planning. As regards the delineation of planning regions, researchers and regulators have pointed out numerous inadequacies. For example, there are too many regions and areas included in the planning, leading to overlaps among economic regions and key economic regions. "At the moment, Vietnam is adopting a multidisciplinary and multi-level planning system which comprises a string of plans with major disparities, or in other words, some sort of invisible separating gaps, among them" [9].

Inadequacies in regional delineation have so far led to not only the outgrowing number of regional plans in the planning, but more importantly, overlaps, duplications and fragmentations in the management and implementation of regional planning as well.

The number of hundreds of regional plans mentioned above also shows that, besides positive outcomes, there are quite a lot of shortcomings and even conflicts in regional planning. At the government's regular meeting in July 2015 on key issues in making legislation, current regional plans were found to be "inconsistent, overlapping and incompatible with other parts of the whole system" [10]. According to a summary review conducted by the drafting committee of the Law on Planning, there still exist many shortfalls related to the regional development planning. Among them, some of the most noteworthy points are as follows:

- Basically, the legislative framework on development planning is already set up. However, it remains fairly fragmented due to inconsistent regulations and a lack of formal standards.
- A large number of regional plans have been approved, yet they were still of low quality. Meanwhile, uniform procedures

have not been fully applied in the adoption of new policies (sometimes, local planning can be approved ahead of the promulgation of regional planning).

- There is a lack of coordination and cooperation between regional and interregional planning, not to mention the lack of connection and coordination in the implementation of regional development policies.
- The methodology of regional planning remains inadequate and has not closely linked with requirements under market mechanism and international economic integration. The participation and consultation of stakeholders, especially of participants from the business community, are quite limited.
- The vision of the planning is narrow and not strategic enough while the quality of forecasts is generally unsatisfactory.
- The subjects covered in regional planning are still overlapping and conflicting.
- The legislations have not specified clearly which regulatory agencies could be in charge of regional management.
- The level of openness and transparency in regional planning is still low.

As far as the implementation of the approved planning is concerned, it can be seen that, due to the large resource and capacity constraints imposed on the enforcement of the planning, the feasibility and effectiveness of regional planning, as

well as region-specific development policies, remain undesirably low.

3. The planning for the development of key economic regions

3.1. Dimensions covered in the regional planning for key economic regions

A key economic region, as broadly defined, "is a part of the national territory, stocking up a host of favourable conditions and for development factors with economic potential while acting as a driving force to promote the development of the whole country" [2]. Key economic regions usually accommodate within themselves major economic, social, scientific and technological centres of the country (Hanoi, Da Nang, Ho Chi Minh City and Can Tho). The regional planning for key economic regions covers the same matters as the planning for socio-economic regions does, with a focus on promoting its role as a driving force to facilitate the development of the surrounding areas and the whole country, also attaching utmost importance to the region that "contains" it (because each key economic region is usually established from a number of provinces and cities in a socio-economic region). Box 2 illustrates the position and the role of the Mekong Delta Key Economic Region.

Box 2. The Position and the Role of the Mekong River Delta Key Economic Region [7]

The Mekong River Delta Key Economic Region is a major central area of rice production, aquaculture, fishery and seafood processing, contributing significantly to the country's agricultural and fishery exports. In addition, the Mekong River Delta Key Economic Region plays an important role in the transfer of biotechnology, supply of

plant varieties, technical services, processing and export of agricultural products for the whole Mekong Delta region.

The main goal is to build the Mekong River Delta key economic region into a dynamic and developed region with a modern economic structure, which will contribute greatly to the national economy and the development of the whole Mekong River Delta economic region, turning it into a thriving region with cultural and social areas catching up with the common grounds of the whole country while ensuring political stability and solid national security.

3.2. The outcomes of the planning for key economic regions

Currently, four key economic regions are included in the masterplanning: a) The Northern key economic region, comprising the seven provinces and cities of Hanoi, Hai Phong, Quang Ninh, Hai Duong, Hung Yen, Vinh Phuc and Bac Ninh; b) Central key economic containing the five provinces and cities of Thua Thien - Hue, Da Nang, Quang Nam, Quang Ngai and Binh Dinh; c) The Southern key economic region, covering the eight provinces and cities of Ho Chi Minh City, Dong Nai, Ba Ria-Vung Tau, Binh Duong, Tay Ninh, Binh Phuoc, Long An and Tien Giang; d) The Mekong River Delta key economic region, including the four provinces and cities of Can Tho, An Giang, Kien Giang and Ca Mau.

In general, the planning for economic regions not only sets up the foundations orientations and for allocation and cooperation of production activities within these key economic regions, but also promotes and expands the coordination and distribution of production outside the regions, first and foremost, the socio-economic regions that "embrace" them. The preferential policies defined in the planning for key economic regions have created favourable conditions for the regions to demonstrate and take on the leading role as the regional driving force of economy. Box 3 illustrates preferential policies for the Mekong River Delta Key Economic Region. Particularly, for key economic regions, the government has just accepted the establishment of a steering committee and a regional council for each key economic region, under the Prime Minister's Decision No.2059/QD-TTg dated 24 November, 2015, with the function of "organising multidisciplinary coordination to assist the Prime Minister in studying, directing, supervising the working schedule, and coordinating relevant parties to address important interdisciplinary and inter-regional issues related the coordination for development key economic regions".

In general, the key economic regions in the planning have actually seen higher economic growth rates than the national average level, surpassing it by 1.2 to 1.25 times.

Box 3. Preferential policies for the Mekong River Delta Key Economic Region [7]

- Raising the level of assistance for localities of the Mekong River Delta Key Economic Region (according to the criteria of provinces and cities located in key economic regions under Decision No.210/2006/QD-TTg dated 12 December, 2006), keeping them higher than that of other key economic regions.

- Raising the level of assistance for industrial parks, economic zones and border-gate economic zones in the localities of the region, keeping them higher than the average level applied for other regions.
- To facilitate and orientate the attraction of more Official Development Assistance (ODA) for localities of the Mekong River Delta Region.

3.3. Limitations in the planning for key economic regions and their causes

The shortcomings in the strategic planning for socio-economic regions and their causes mentioned above are also applicable to key economic regions, as they are basically the general constraints for planning in Vietnam that have been assessed and summarised previously to serve the development of the Law on Planning. Specifically, regarding the planning for key economic regions, there are still some limitations:

(i) regions in regions: Theoretically, key economic regions are set up from just a small number of provinces and cities of socio-economic regions. Yet, they actually cover the majority of the provinces and cities of the socio-economic regions, such as seven out of 11 provinces and cities of the Red River Delta, five out of 14 provinces and cities of the North Central Coast and the Central Coast, six out of eight provinces and cities of the Southeast Region (with two more provinces of the Mekong River Delta Socio-economic Region, which are Long An and Tien Giang) and four out of 13 provinces and cities of the Mekong River Delta. This fact reflects the ambiguity in the masterplanning for two different types of regions (socio-economic regions and key economic regions).

(ii) weak spillover effects: the motivational spillover effects which stimulate and reinforce development of surrounding the environment are one of the key objectives of key economic regions. Yet, their impacts on overall development, to date, have not met the requirements. The first three key economic regions, namely the Northern, Central and Southern regions, were established in 1997 -1998 from 13 provinces and cities, and then expanded continuously with 20 provinces and cities. The fourth key economic region (Mekong River Delta region) was formed in 2009 from four provinces and cities. However, after two decades of development since the establishment of these key economic regions, the impacts of the spillover effects and other motivators on the development of areas adjacent to them are shown to be insignificant. In particular, regional development linkages, both interregional and intraregional ones, remain rather weak. The main cause of this might be attributed to the lack of "a factor of adhesiveness", that basically represents economic benefits and the authority of "a regulator" (a regulatory body) [5], [6].

4. Solutions for effective implementation of regional development policies

First, it is necessary to reform regional development policies in line with the

reform of development management institutions and the new role of the state, in which regional interests should be considered as a fundamental factor.

The development management regime in Vietnam is being renovated and completed in accordance with the market economy institutional framework and international integration. Also, along with that, the role of the State has been redefined to focus on the aspect of facilitation to establish a better environment for development Regional development policies should also be revised in such a way that, in particular, state resources will solely focus on basic and crucial regional development issues that the private sector is not interested in or has not yet paid much attention to. Here it is important to emphasise that, in order to attract investment from the private sector, more benefits should be generated from these activities for the investors. Typically, a region is identified on the basis of certain criteria, e.g. geographical location, natural conditions, population, among others, while a regional development policy exclusively aims at performing the social division of labour. However, to date, the management of regional development has not clearly defined the regional benefits to serve as a basis not only for attracting private investment but also for the design of regional policies. Benefit, according to management science, acts like a "factor of adhesiveness" to attach the parties together. Not clearly defined, benefits are unlikely to trigger interest, which is usually the driving force of investment activities. Regional development studies, especially on regional development linkages, point to the shortage of this "factor of adhesiveness". So as to realise the "kiến tạo", or "tectonic", i.e. constructive, and facilitating, role of the State in creating a favourable environment for regional development efforts, benefits, especially the economic benefits, should be clearly defined and reflected in regional development policies.

Second, it is essential to develop a clear direction in shaping fundamental policies to be applied in regional planning.

The draft Law on Planning elaborated following the guidelines and Party's directions of the Central Committee (the Resolution of the Fourth Plenum of the Party's Central Committee term, No.13-NQ/TW dated January, 2012), and submitted to the National Assembly by the government. So far, the National Assembly has discussed several issues in depth and is expected to officially issue the law by the end of 2017. Accordingly, regional planning is defined as a part of the national planning system, which requires the formulation of policies to perform regional planning. Policies will be specified in accordance with the regional characteristics indicated in the planning of each region. Nevertheless, in summary, there are three basic policies that need to be clearly distinguished in regional planning: policies on regional linkages (for both inter-regional and outer-regional areas), policies on the improvement of regional competitiveness, and policies on key regional products and services.

Third, the coordination among different policies specialised for each region is also desirable.

Broadly speaking, numerous policies have been specifically designed for each

region while the government has been counseled to continue introducing other region-specific policies; these policies have profound implications not only for the region but also for outer regional areas. There should be fundamental principles for the adoption of specific policies in general and regional policies in particular to avoid both subjective factors and influences of group interests in policy making. Regionspecific policies should focus on two main targets: (i) distinctive regions in general, such as remote and isolated areas, ethnic minority communities or regions with high poverty rates; and (ii) providing assistance to improve regional competitiveness. The basis for developing policies to assist the improvement of regional competitiveness lies in the Regional Competitiveness Index (RCI). The Provincial Competitiveness Index (PCI), which is published annually, may serve as a basis for the publication of the RCI.

Fourth, there is a need to establish a regional management authority with sufficient power, competency and resources for coordination of and cooperation in regional development policies.

So far, as the Constitution does not stipulate on the level of state management on regions, regional management has lacked a competent management authority with sufficient power and resources for the coordination of and cooperation in regional development policies. The need for a regional management authority is urgent. Each region needs "a regulator" to coordinate and cooperate in the execution of various regional development policies. There have been proposals encouraging the establishment of a regional management authority [5], [6] and it is expected that the

proposed plan for a regional management authority in the draft Law on Planning will be ratified soon by the National Assembly.

5. Conclusion

In Vietnam, regional development in general and regional development policies particular have been still an area with plenty of gaps in research to be addressed. Besides the achievements, there do exist a number of limitations in the regional development policy with the most prominent drawbacks being the implementation overlapping of sometimes conflicting masterplans, the lack of "adhesiveness" (in terms of interests) in regional development linkages, and the lack of "a regulator", i.e. a competent regional administrative The authority. development context of Vietnam, which mostly highlights the transformation of the growth model in a more intensive and sustainable direction, the profound international economic integration process and the country's strong responses to climate change, inevitably requires major reforms in general development policies, including regional development policies. In order to effectively implement regional development policies, Vietnam needs to renovate the current policy framework of the field, develop a host of fundamental policies to serve regional planning while coordinating different policies of each specific region and its regional authority.

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