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RESOLUTION 68: A NEW DAWN FOR VIETNAM'S PRIVATE SECTOR

Last week, the Vietnamese Communist Party's Politburo issued Resolution 68, a landmark directive poised to redefine the landscape for private enterprise in Vietnam. Hailed as a historic "turning point," the resolution fundamentally elevates the status of the private economic sector, explicitly identifying it as "the most important driving force of the national economy." This represents a significant evolution from previous definitions in which the private sector was considered merely "a component" or "an important part" of the economy.

Resolution 68 Targets	
By 2030	By 2045
<ul style="list-style-type: none">• Increase the number of private sector enterprises in Vietnam from nearly 1 million at present to 2 million by 2030.• Develop at least 20 large private corporations with strong brands, integrated into global value chains and possessing regional and international competitiveness.• Achieve 10-12% economic growth in the private sector.	<ul style="list-style-type: none">• Further increase the number of active private enterprises to at least 3 million.• Develop a private sector that is strong, sustainable, proactively participates in global production and supply chains, and possesses high competitiveness at both regional and international levels.

The core vision of Resolution 68 is to cultivate a fast-developing, sustainable, high-quality, and globally competitive private sector which will not only be an economic powerhouse but also a leader in science, technology, and innovation. The goal is to help Vietnam avoid the middle-income trap and achieve its aspiration of becoming a developed, high-income nation by 2045.

A standout feature of Resolution 68 is its goal to develop 20 large private companies by 2030 that are capable of integrating into global value chains and driving industrial growth. The model draws inspiration from South Korea, where chaebols like Samsung and Hyundai have propelled national development. The hope is that by nurturing large private enterprises, Vietnam can enhance innovation, create high-quality jobs, and strengthen economic resilience.

Further to that last point, this report examines three core components of this new policy initiative: 1) Incentives for private companies, with a focus on developing large-scale conglomerates akin to South Korea's chaebols; 2) Equal treatment for private companies relative to state-owned enterprises (SOEs), ensuring a level playing field for each; and 3) Action plans for privatization to restructure SOEs and expand private sector influence.

VinaCapital at the Forefront of Advocating for the Private Sector

Vietnam's Government recognizes that the next decade presents a critical window for accelerating economic growth before demographic and other challenges make sustaining high growth rates more difficult. In our 28-April report titled [“Doi Moi 2.0: Vietnam's Government Restructuring”](#), we examined the series of public sector reforms being implemented with the aim of accelerating the country's GDP growth. The measures discussed in that report are focused on the public sector, while Resolution 68 is focused on private sector development. Policy makers canvassed advice from a variety of sources including the Private Economic Development Research Board (PSD), which the Government established in 2017.

Don Lam, VinaCapital's CEO and Founding Partner, is Vice Chairman of the PSD committee, which is also known as Ban IV (in Vietnamese) or Committee #4 (in English), and with his fellow members has worked to identify and propose solutions to address the issues facing private enterprises in Vietnam. PSD's mission is to streamline administrative procedures, improve the ease of doing business, and attract increased foreign investment, all while promoting innovation and fostering sustainable economic development.

This committee tackles major constraints facing private enterprises, such as gaps in technology, management, and financing and advocates for innovation through tools like legal sandboxes and R&D incentives, with the aim of cultivating a more dynamic, tech-oriented, and sustainable private sector. Although the private sector currently contributes half of Vietnam's GDP and accounts for more than 80% of employment, it faces resource and capacity limitations in reaching the Government's goal of vaulting Vietnam's private sector to rank among the top three in ASEAN and top five in Asia for innovation, technology, and digital transformation, despite its strong, youthful talent base in STEM fields.

Finally, Resolution 68 ignites momentum for investment funds to intensify investments in the private sector, supporting the Government's objectives. VinaCapital, with over 20 years of private equity expertise, has made strategic investments in numerous private enterprises in Vietnam, fostering leading conglomerates like Kido, Hoa Phat, etc. We continue to seek and expand private equity opportunities, providing capital to support innovation, scale operations, and drive growth.

Resolution 68 & Private Sector Development

Vietnam's domestic private sector faces persistent challenges such as limited access to finance, bureaucratic red tape, and inadequate technological adoption, all of which hinder the sector's full potential. Resolution 68 aims to cut at least 30% of the time, cost, and procedures associated with doing business by simplifying licensing, reducing compliance burdens, and moving from a pre-licensing/approval model to one based on declaration and post-audits for many activities.

The resolution also calls for reforms to the tax system to make it fairer and more supportive of business development. A specific measure includes abolishing the lump-sum tax regime for household businesses by 2026, aiming to encourage their formalization into registered enterprises with a more tailored tax approach. Next, localities are mandated to set aside dedicated land funds (including some portion of each industrial park's land area) for small and medium-sized enterprises (SMEs) and innovative startups. Additionally, private firms may benefit from a 30% reduction in land rental fees for the first five years of their lease.

Resolution 68 also calls for the establishment of dedicated credit channels and financial support mechanisms for SMEs, startups, newly registered firms, and enterprises operating in priority areas like digital transformation and green transition. This includes measures to provide support for lending rates and enhance the role of credit guarantee funds. On a related note, private sector firms will be able to allocate up to 20% of their annual earnings into dedicated R&D funds and deduct 200% of their R&D expenses from taxable income, a move designed to stimulate investment in innovation.

Finally, Resolution 68 addresses a long-standing challenge in Vietnam's economy: the preferential treatment of SOEs and FDI over private enterprises. The Government also plans to restructure SOEs across key sectors, including industry, agriculture, services, and the digital economy. This involves selling state shares to private investors and encouraging private companies to take on larger roles in these industries. The Prime Minister has emphasized "no limits" to private sector development, signalling a strong commitment to reducing state control.

Promoting Entrepreneurship as a National Identity

In addition to the points above, Resolution 68 also emphasizes the role of entrepreneurship as a key element of Vietnam's national identity. Entrepreneurs are recognized as "new warriors on the economic front" and the Government has committed to improving public perception of private enterprises in several ways, including:

- **National Campaign for Entrepreneurs:** A media campaign to promote the achievements of Vietnamese entrepreneurs, elevating their status in society and encouraging the next generation to pursue entrepreneurship.

- **Legal Protections for Entrepreneurs:** To protect business leaders, the government has introduced stronger safeguards against harassment and misinformation, ensuring that entrepreneurs are able to operate in a respectful and supportive environment. The Government plans to simplify bankruptcy processes, encouraging risk-taking and allowing businesses to recover more quickly from failure. At the same time, dispute resolution mechanisms will be made more accessible, ensuring that businesses have clear avenues for addressing conflicts.
- **Targeted Support Measures:** Micro and small businesses will receive dedicated support, including access to free legal advisory services, software tools, and training programs. The aim is to help these businesses become more competitive and efficient, ultimately enabling them to expand and create more jobs.

Summary

In our view, Resolution 68's importance cannot be overstated. It is a landmark directive aimed at significantly elevating Vietnam's private sector to become the "most important driving force of the national economy," outlining a clear vision for a rapidly developing, sustainable, and globally competitive private sector, with a key goal of fostering 20 large private companies by 2030, a chaebol-inspired model that will drive innovation and economic growth. Ultimately, it is expected to play a critical role in helping Vietnam avoid the middle-income trap and achieve developed nation status by 2045./.

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