

- **IMPROVEMENT OF THE RESILIENCE,**
- **THE SELF-STRENGTH OF THE ECONOMY,**
- **PROMOTION OF SOCIO- ECONOMIC RESILIENCE AND DEVELOPMENT**

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# 1. Why should resilience and self-strength of the economy be cared?

- ❖ The context poses many new problems, increased risks and uncertainties; so it is necessary to have tendency to improve "internal force";
- ❖ Help to develop strategies and plans for socio-economic development in each period in a more scientific, reasonable and multi-dimensional manner;
- ❖ Proactively adapt to shocks, reduce negative impacts, take advantage of opportunities and overcome challenges better; facilitate the sustainable development.

## Identify the types of “shocks”

Recession or decline of **one or some** important industries of the economy

Recession or decline of the economy affects **all** activities of productions, trade and consumption

**Unusual and unpredictable** shocks (natural disaster, disease, war, conflict geopolitical conflicts,...)

**The combination** of shocks which happen concurrently and at the same time

# Some methods and criteria system

## Fitch Ratings (2019)

- Macro management of and legal system
- **Integration with the region**
- and world
- Integration of International Trade
- **Integration of International finance**
- Inflation risk
- **Exchange rate risk**

## Moody's (2019)

- Strength of the economy (GDP size, real GDP growth, GDP per capita)
- **Institutional strength and macro governance**
- Financial strength (public debt, debt repayment obligation of Government, credit size).

## World Bank (2020)

- Value-added ratio of Agriculture, Forestry, Fisheries/GDP
- **Government efficiency**
- Quality of national governance
- **Control corruption**
- External debt/GDP
- **CPI**
- Unemployment rate
- **Budget deficit**
- Human Development Index (HDI).

## FM Global Research (2020)

- Economic strength (productivity, political risk, energy security, urbanization rate, health spending)
- **Risk resistance (seismic risk, variable shock climate change, fire and explosion risks, cybersecurity, etc.)**
- Supply Chain

## ADB (2017)

- Criteria to assess the level of "vulnerability of the economy"
- **Group of criteria for assessing socio-political aspects**
- Group of criteria for environmental assessment.
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# Proposal of an Analytical Framework

❖ **Include groups of economic, political - social and environmental criteria; *with reasonable structure and weight.***

❖ **Ensure 3 principles**

(i) Apply and refer to the Global Indexes of prestigious international organizations;

(ii) In line with the new development trend of digital economy, green economy, circular economy, energy transition, climate change adaptation, increasing self-reliance and self-strength, but ensuring appropriateness with Vietnam's development level;

(iii) Mainly quantitative criteria (which can be calculated, measured and compared internationally)...etc

## Proposal of an Analytical Framework (continued)

### ❖ *Weight of component criteria and point scale:*

- (i) **Equal weights** for all component criteria, taking into account the perspective of sustainable development (ESG: environment - society - governance) and the equal importance of each factor to the overall resilience of the economy;
- (ii) **Use the World Bank's conversion scale from 0 – 1** to apply to both component and aggregate criteria (criteria with scores from 0 - 100 will be converted to 0–1 points ).

# Proposal of an Analytical Framework

- ❖ *Particularly, the criteria “Impact of a shock”* is measured in the form of an index (called “shock adjustment index”), converted from 0 - 1, on the basis of the following 3 main indexes:
  - ✓ (1) World uncertainty index (WUI),
  - ✓ (2) World pandemic uncertainty index (WPUI) and
  - ✓ (3) uncertainty spillover index from G7 countries and China to the world (WUSI).
- ❖ *An opening criteria system* is capable of adjusting, replacing and supplementing (if necessary) to suit the new development trend of the world and Vietnam.



## Set of criteria to assess the resilience and self-strength of Vietnam Economy (proposed)

Group of criteria	Number of component criteria	Weight (%)	Note
<b>Economic and financial strength</b>	<b>12</b>	<b>60</b>	The components of each group will have equal weight; However, the <b>total weight of the economic - financial sector will account for about 60% of the total weight.</b>
<b>Institutional strength and macro governance</b>	<b>5</b>	<b>20</b>	Total weight: <b>20%</b>
<b>Environment- society</b>	<b>5</b>	<b>20</b>	Total weight: <b>20%</b>

## Assessment criteria (continued)

Group of criteria	Component criteria
<b>Economic and financial strength</b>	<ol style="list-style-type: none"> <li>1. Size of the economy</li> <li>2. <b>Per capita income;</b></li> <li>3. Economic openness and concentration (international trade, FDI attraction, international tourism and remittances relative to GDP; concentration of these sectors...);</li> <li>4. <b>The weight of added value of agriculture - forestry - fishery in GDP;</b></li> <li>5. Food security (according to global index)</li> <li>6. <b>Energy Security (according to global index</b></li> <li>7. The stability of the consumer price index (CPI))</li> <li>8. <b>Growth quality: TFP's contribution to growth, labor productivity, investment efficiency (ICOR);</b></li> <li>9. Financial and monetary resilience (budget deficit, public debt, private debt/GDP, government debt repayment obligation; foreign exchange reserves and exchange rate stability; safety factor) capital - CAR);</li> <li>10. <b>Global value chain participation (GVC);</b></li> <li>11. Financial market development index; financial freedom index</li> <li>12. <b>Innovation Index.</b></li> </ol>

## Assessment criteria (continued)

Group of criteria	Component criteria
<b>Institutional strength and macro governance</b>	<ol style="list-style-type: none"> <li>1. Macro management quality index</li> <li>2. Institutions for the development of the digital economy, green economy, circular economy and energy transition;</li> <li>3. Effective coordination of fiscal, monetary and public investment policies</li> <li>4. Capacity and Responsibilities of Local Government (PAPI Index)</li> <li>5. Cybersecurity Index (Global Cybersecurity Index-ITU).</li> </ol>
<b>Environment-society</b>	<ol style="list-style-type: none"> <li>1. Human Development Index (HDI);</li> <li>2. Health Coverage Index</li> <li>3. Labor skills index</li> <li>4. CO2 emissions;</li> <li>5. Global Climate Risk Index.</li> </ol>

# Preliminary assessment results (according to the proposed Analytical Framework)

No.	Group of criteria	Point scale	Point	Weight (%)	Converted point
<b>I</b>	<b>Group 1: Economic- financial strength</b>			<b>60</b>	<b>0,5</b>
1	Size of the economy	0 – 1	0,75	5.0	0,0395
2	GDP Per capita income	0 – 1	0,46	5.0	0,0230
3	Weight of added value on Agriculture/ GDP	0 – 1	0,68	5.0	0,0340
4	Food security	0 – 1	0,75	5.0	0,0375
5	Energy Security	0 – 1	0,70	5.0	0,0350
6	Economic openness and concentration	0 – 1	0,75	5.0	0,0375
7	Growth quality	0 – 1	0,55	5.0	0,0275
8	Stability of CPI	0 – 1	0,72	5.0	0,0360
9	Resistance to financial and monetary risks	0 – 1	0,65	5.0	0,0325
10	Financial market development	0 – 1	0,55	5.0	0,0275
11	Level of participation in global value chains (GVC)	0 – 1	0,52	5.0	0,0260
12	Innovation Index	0 – 1	0,68	5.0	0,0340
	<b>Total point of group 1</b>				<b>0,33 / 0,50</b>

## Preliminary assessment results(continued)

No.	Group of criteria	Point scale	Point	Weight (%)	Converted point
<b>II</b>	<b>Group 2: Institutional strength and macro governance</b>			<b>20</b>	<b>0,25</b>
1	Macro management quality	0 – 1	0,65	4	0,0260
2	Institutional system for development of digital economy, green economy, circular economy and energy transition	0 – 1	0,55	4	0,0220
3	Effective coordination of monetary policy and fiscal policy and public investment	0 – 1	0,65	4	0,0260
4	Capacity and responsibilities of local government	0 – 1	0,62	4	0,0248
5	Safety index, network security	0 – 1	0,65	4	0,0260
	<b>Total point of Group 2</b>				<b>0,1248 / 0,20</b>

## Preliminary assessment results(continued)

No.	Group of criteria	Point scale	Point	Weight (%)	Converted point
<b>III</b>	<b>Group 3. Environment- Society</b>			<b>20</b>	<b>0,25</b>
1	Human Development Index (HDI);	0 – 1	0,71	4	0,0355
2	Health coverage index	0 – 1	0,66	4	0,0330
3	Labour skills	0 – 1	0,52	4	0,0260
4	CO2 Emissions (CO2)	0 – 1	0,42	4	0,0210
5	Global Climate Risk Index	0 – 1	0,55	4	0,0275
	<b>Total point of Group 3</b>				<b>0,1164 / 0,20</b>

## Summary of preliminary assessment results

No.	Group of criteria	Weigh (%)	Converted point
1	Group 1: Economic and financial strength	60	0,3300
2	Group 2: Institutional strength and macro governance	20	0,1248
3	Group 3. Environment - society	20	0,1164
	<b>Summary of Vietnam's resilience</b>	<b>100</b>	<b>0,5712 / 1,00</b>
	<i>Shock Adjustment Factor (WUI, WPUI, WSUI)</i>		<i>0,05</i>
	<b>Summary of points on resilience and self-strength of Vietnam economy (if the shock adjustment factor is calculated)</b>		<b><u>0,5212 / 1,00</u></b>

## Preliminary conclusions on resilience and self – strength of the Vietnamese economy

- ❖ According to point scale of 0-1, the resilience and self- strength of the Vietnamese economy are at the **AVERAGE - GOOD** level, the impact of shocks is not too large (only about 0.05 points) and Vietnam has many advantages for sustainable development.
- ❖ Because of complicated developments of external factors, **the economic-financial criteria with medium endurance always have the potential to shift to a higher-risk state** if timely and effective measures are not taken effectively.



## 4. Some proposals

**Build and operate a system of criteria to access and measure the resilience and self-strength of the economy.**

**Strengthen to coordinate policies in order to stabilize the macro economy,** focusing on the quality of growth and sustainable development.

**Perfect institutions; create a more favorable environment** for the development of the digital economy, green economy and circular economy.

## Some proposals

Have **specific strategies and solutions** to improve the resilience, self-reliance and self-strength of the economy, sectors, fields and enterprises in Vietnam, focusing on current weaknesses.

Have a **specific plan to mobilize resources** to realize the goals and targets set out in terms of resilience, self-reliance and self-strength of the economy.

Improve the effectiveness of **education and communication** on "circular economy culture, green culture, culture of sustainable development" in all industries, fields, localities and businesses.