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Productivity Ecosystems
for Decent Work

► Review of key policies supporting private sector development in Viet Nam

Focusing on small and medium-sized enterprises



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Within the framework of the International Labour Organization's (ILO) Productivity Ecosystems for Decent Work Programme in Viet Nam, two policy reports were developed to review the legal framework and international best practices for supporting private sector development, with a particular focus on small and medium-sized enterprises (SMEs). The findings and recommendations presented in these reports have provided technical inputs to support Vietnamese government agencies in strengthening the policy framework for enhancing the growth and competitiveness of the private sector, particularly SMEs.

This report, in undertaking a comprehensive assessment of Viet Nam's policies aimed at driving the development of the private sector and particularly SMEs, delivers a set of policy recommendations with reference to the accompanying report *International Experiences in the Development of Viet Nam's Private Sector*. As such, the recommendations of these two reports are interlinked and should be considered concurrently.

This report was prepared by Phan Thi Thai Ha and Le Van Phuc, independent economic experts of the ILO. This report has benefited from the valuable guidance and comments provided by representatives of government agencies, including the Agency for Private Enterprise and Collective Economy Development (APED) under the Ministry of Finance, and feedback from business associations in Viet Nam. The authors gratefully acknowledge the guidance and insightful contributions of senior experts from the ILO. The authors also wish to express their sincere appreciation for the technical guidance and review provided by colleagues from the ILO Country Office for Viet Nam, including Felix Weidenkaff, Gulmira Asanbaeva, and Vu Thi Thu Hang, as well as from the ILO's Enabling Environment for Sustainable Enterprises team, including Eléonore D'Achon, Sandra Yu, Na Eun Mun, and Ngo Thu Huong, throughout the preparation of this report.

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► Abbreviations

ADB	Asian Development Bank
AI	Artificial Intelligence
APED	Agency for Private Enterprise and Collective Economy Development
ASEAN	Association of Southeast Asian Nations
BOI	Board of Investment
CIC	Credit Information Centre
CIEM	Central Institute for Economic Management
CIT	Corporate Income Tax
ELT	Enterprise Leadership for Transformation
ESG	Environmental, Social and Governance
EU	European Union
ETS	Emissions Trading System
FDI	Foreign Direct Investment
GHG	Greenhouse Gas
GII	Global Innovation Index
GLC	Large Local Company
GOV	Government of Viet Nam
GSO	General Statistics Office [National Statistics Office (NSO) since March 2025]
HTZ	High-Tech Zone
IFC	International Finance Corporation
ILO	International Labour Organization
IPO	Initial Public Offering
ITRI	Industrial Technology Research Institute
MNC	Multinational Corporation
MoF	Ministry of Finance
MoIT	Ministry of Industry and Trade
P2P	Peer-to-Peer
PACT	Partnerships for Capability Transformation
PCI	Provincial Competitiveness Index
PIT	Personal Income Tax
PPP	Public-Private Partnership
QCVN	National Technical Regulation
R&D	Research and Development
RIA	Regulatory Impact Assessment
ROA	Return on Assets
ROE	Return on Equity
SBV	State Bank of Viet Nam
SGD	Singapore Dollar

SME	Small and Medium-sized Enterprise
S&T	Science and Technology
STEM	Science, Technology, Engineering, and Mathematics
TIPS	Tech Incubator Programme for Startups
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
VAT	Value-Added Tax
VCCI	Viet Nam Chamber of Commerce and Industry
VND	Vietnamese Dong
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

► Executive summary

The private sector has emerged as a key pillar of Viet Nam's economy, with more than 940,000 active enterprises and approximately five million business households, contributing nearly half of GDP, more than 30 per cent of state budget revenue, and employing up to 82 per cent of the national workforce. Despite its significant role, the sector's performance remains constrained, particularly for small and medium-sized enterprises (SMEs). These limitations include lower labour productivity and returns on assets compared to State-owned and FDI enterprises, smaller scale, weak competitiveness and limited participation in global value chains. This reality primarily stems from an unfavourable business environment and limitations in accessing finance, skilled human resources, technology and governance capacity as well as linkages with foreign direct investment (FDI) enterprises.

To help address these shortcomings, this report was prepared with the objectives of reviewing key policies, identifying institutional barriers hindering private sector and SME development and providing practical policy recommendations. The report's analysis focused on key policy groups guided by Resolution No. 68-NQ/TW (2025) of the Politburo on private sector development, particularly policies on: (i) optimizing the business environment, (ii) access to credit, (iii) tax incentives, (iv) human resources, (v) science and technology (S&T), innovation and digital transformation, (vi) green transition, (vii) SME-FDI linkages and (viii) formalization of household businesses.

The Government of Viet Nam (GOV) has demonstrated a strong commitment to elevate the private sector, primarily through legal framework and institutional reforms. This concerted effort to optimize the business environment has resulted in more than 3,100 business regulations reviewed and simplified during 2021–24 and application of the breakthrough “one law amends many laws” mechanism to address legal obstacles. Concurrently, the push for digitalization of administrative procedures via the National Business Registration Portal has enhanced transparency and helped Viet Nam climb¹, reaching 71st out of 193 countries. Strategically, the private sector has been elevated to the “most important driver” of the economy, recognition formalized by 2025's Politburo Resolution No. 68-NQ/TW.

Despite a progressively enhanced legal framework to support private sector development, implementation remains fraught with challenges that place a significant compliance burden and costs on SMEs. The business environment remains hampered by conflicting and overlapping regulations that have resulted in bottlenecks, particularly with respect to tax and land procedures. This reality is compounded by the slow issuance of guiding documents for new laws and resolutions as well as weak enforcement at grassroots level that erodes business confidence. Access to credit remains a major barrier, with the effectiveness of support mechanisms, like the Credit Guarantee Fund and SME Development Fund, blunted by stringent lending conditions and complex procedures. This is further compounded by the absence of a clear legal framework and progressive new financial models. Fiscal policy is characterized by a fragmented tax incentive system and complex VAT refund process, while the full potential of human resources to meet market demands remains unlocked due to low investment in education and training. In the key arena of science, technology and innovation policy, State support for R&D and public-private partnerships is fragmented. This leaves the majority of SMEs lacking capacity to adopt new technologies or realize product innovation, while startup and innovation investment funds operate ineffectively due to regulatory constraints. In relation to the green transition, SMEs struggle to meet environmental standards, lack investment capital for green solutions and have limited access to green financial tools. In terms of linkages with FDI, SMEs lack capacity to participate in global supply chains, while binding mechanisms to require FDI firms to support domestic businesses remain absent. Finally, the formalization of household businesses is impeded by high compliance costs, conflicting regulations and limited post-transition incentives.

¹ Data Center, <https://publicadministration.un.org/egovkb/en-us/Data-Center>

Based on these findings, this report proposes recommendations in eight key policy groups to overcome barriers and promote sustainable private sector development.

Business environment reforms: To realize a pro-business regulatory environment, there is a critical need to repeal conflicting and rigid regulations, improve the quality of Regulatory Impact Assessments (RIA) with genuine inputs from businesses, conduct a comprehensive review and abolish all redundant and opaque business conditions, replacing them with clear, measurable and verifiable criteria, with a shift towards a post-audit mechanism based on risk management.

Access to credit: Establish a national SME credit rating system to unlock access to credit. This means reforming SME guarantee and development funds to adopt a venture capital approach, allowing them to accept portfolio-based risk. Concurrently, develop alternative funding channels like peer-to-peer lending, crowdfunding and a separate stock exchange for high-potential SMEs and startups.

Tax policy: It is necessary to consolidate tax incentive policies into the Corporate Income Tax Law and ensure their accessibility, simplify procedures and reform the VAT refund process based on a “refund-first, inspect-later” principle.

Human resources: There is a critical need to increase public investment in higher education and vocational training, promote school-business partnerships through tax incentives and introduce a “training voucher” scheme to support SMEs in upgrading employee skills. Additionally, a National Employment Exchange should be established to enhance labour market transparency as well as matching supply and demand between firms and job-seekers.

Science, technology, innovation and digital transformation: Increased State budget support for R&D and establishment of a national applied research institute to act as an “outsourcing R&D department” for SMEs are key steps. Similarly, legal obstacles related to the operation of the Science and Technology Development Fund and venture capital funds must be removed.

Green transition: There is an urgent need to issue a National Green Taxonomy and finalize a legal framework for the carbon market. Additionally, green credit packages tailored to SMEs, green public procurement and integration of environmental criteria into SME support programmes for global supply chain participation are necessary.

SME-FDI linkages: Adoption of performance-based incentives linked to localization and technology transfer commitments is crucial, as is improving the effectiveness of operating the existing Ministry of Industry and Trade-managed database on Viet Nam’s processing, manufacturing, and supporting industries.

Formalization of household businesses: A clear transition roadmap accompanied by comprehensive support for taxes, technology costs and accounting software is essential. As an incentive for household businesses to formalize their status, it is essential to ease the tax burden by raising the VAT taxable turnover threshold and revising regulations to permit apartment use as business premises for certain types of activities.

Crucially, private sector and SME development must be viewed through a long-term lens, with a focus on transforming the State’s role from a controller to facilitator. As such, the GOV is encouraged to not only design a transparent, stable and consistent institutional framework, but also lead the reform process, connect public and private resources and mitigate risks for firms investing in priority sectors such as technology, digital transformation, greening and value chain upgrades. This means policies must be designed to be easily accessible, simple to implement, and capable of generating a widespread ripple effect across SMEs.

The comprehensive implementation of these recommendations across the eight policy groups will not only help remove barriers, but also unlock development opportunities for SMEs and the private sector to fulfill their role as a crucial growth driver to realize inclusive and sustainable development and enhance national competitiveness.

► Introduction

Viet Nam's private sector has undergone a profound transformation since the "Doi Moi" or "renovation" reforms in 1986, particularly following enactment of the 1999 Enterprise Law, to become a pillar of the national economy. Today, the sector contributes nearly half of GDP, more than 30 per cent of State budget revenue, and employs up to 82 per cent of the national workforce. It has played a critical role in poverty reduction and facilitating the shift of labour from low-income jobs to higher productivity and income sectors.

However, despite these steps forward, the sector remains constrained in a number of critical areas. Despite accounting for the vast majority (96.6 per cent) of all enterprises in Viet Nam, the private sector contributes only 57.5 per cent of total revenue, while its return on assets (ROA) in 2022 reached just 1.7 per cent, significantly lower than the state-owned (3 per cent) and foreign-invested sectors (4.9 per cent). These constraints stem from numerous structural challenges: a business environment still perceived as risky, regulatory and legal barriers, limited access to credit, shortages of skilled human resources, weak linkages with the FDI sector, and slow adaptation to emerging trends, such as the green transition. To enable the private sector, particularly SMEs, to truly serve as a driver of sustainable national growth, it is imperative to address and overcome these barriers.

To realize these solutions, this report was commissioned to deliver a set of impactful recommendations to strengthen Viet Nam's private sector, with SMEs at its heart, based on the study's analysis of key policies to identify institutional barriers as well as a complementary analysis that reviews international practices and policies, titled "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam."

Research objectives

The specific objectives of this study are to:

1. Assess key policies supporting private sector development, with a focus on SMEs, through a review and analysis of relevant legal documents, regulations and policies.
2. Identify key policy gaps and barriers hindering private sector development, with a focus on SMEs.
3. Propose recommendations for the GOV to facilitate future development of the private sector, focused on SMEs.

Scope of the study

This study is focused on assessing key policies that support private sector development in Viet Nam, focused on SMEs. The concepts of the private sector, SMEs and other related terms are defined as follows:

Private sector: Defined in Circular No. 07/2025/TT-BKHĐT,² issued by the Ministry of Planning and Investment, specifically: "The private sector includes: (i) organizations with 100 per cent private ownership, (ii) organizations with 50 per cent to less than 100 per cent private ownership, (iii) organizations with less than 50 per cent private ownership where the private share is the largest, (v) household businesses and (vi) other private organizations."

SMEs: Defined according to Article 5, Decree No. 80/2021/NĐ-CP³ by the GOV on guiding the Law on Support for SMEs, as follows:

Note on Government and Administrative Restructuring of Viet Nam: It is important to note that the content of this report reflects the institutional, administrative and provincial structures in place prior to government restructuring that took effect from 1 March 2025 and subsequent provincial restructuring from July 2025. The consolidation of government ministries saw the Ministry of Planning and Investment merged into the Ministry of Finance and the Ministry of Labour, Invalids and Social

² Circular No. 07/2025/TT-BKHĐT (13 February 2025), on regulations on statistical classifications by economic type.

³ Decree No. 80/2021/NĐ-CP (26 August 2021) guiding the Law on Support for SMEs.

Affairs merged with the Ministry of Home Affairs in March 2025. Administrative reforms also saw 63 provinces and cities streamlined into 34 provincial level units (28 provinces and six centrally-governed cities). In parallel, the district level layer of administration was eliminated and a two-tier system introduced to create direct links between provincial and commune/ward administrations to optimize efficiency and development.

► **Table 1. Criteria for determining SMEs in Viet Nam**

Enterprise Classification	Agriculture, Industry & Construction	Trade & Services
Micro-enterprise	Up to 10 employees, annual revenue ≤ VND3 billion OR total assets ≤ VND3 billion	Up to 10 employees, annual revenue ≤ VND10 billion OR total assets ≤ VND3 billion
Small enterprise	Up to 100 employees, annual revenue ≤ VND50 billion OR total assets ≤ VND20 billion	Up to 50 employees, annual revenue ≤ VND100 billion OR total assets ≤ VND50 billion
Medium enterprise	Up to 200 employees, annual revenue ≤ VND200 billion OR total assets ≤ VND100 billion	Up to 100 employees, annual revenue ≤ VND300 billion OR total assets ≤ VND100 billion

Source: Decree No. 80/2021/NĐ-CP on guiding the Law on Support for SMEs

A household business: Defined in Article 82, Decree No. 168/2025/NĐ-CP⁴: “A household business is an entity established by an individual or members of a household, who bear unlimited liability for the business’s activities with all their assets. In cases where a household business is established by household members, they must provide written authorization for one member to act as the legal representative of the business during its operations”.

In addition, Resolution No. 10-NQ/TW (2017) and Resolution No. 68-NQ/TW (2025) stand as pivotal strategic documents to foster private sector growth. The former is viewed as a landmark move, being the first time the Politburo officially recognized the private sector as a critical driver of the economy. Building on eight years of implementation, the Politburo on 4 May 2025 issued another resolution to elevate the private sector’s status as the most crucial engine of the national economy. It lays out five core principles and eight groups of groundbreaking solutions, with the GOV and ministries tasked with institutionalizing these key policies into legal documents and kick-starting further initiatives to develop the private sector and SMEs.

As such, this study analyzes the legal framework and regulations that support private sector and SME development, in alignment with policy groups outlined in Resolution No. 68, encompassing: the business environment, (ii) access to credit, (iii) tax incentives, (iv) human resources, (v) science and technology, innovation and digital transformation, (vi) green transition, (vii) SME-FDI linkages and (viii) the “formalization” of household businesses.

Research Methodology

This study employed a combination of research methods:

- **Desk review of published materials:** This includes primary sources, such as legal documents, regulations, government policies and programmes, as well as secondary sources like reports from international organizations (ILO and ADB, World Bank, UNDP). Available data on the private sector, SMEs and household businesses were collected from official sources published by the National Statistics Office and other State agencies, as well as from previous private sector studies.

⁴ Decree No. 168/2025/NĐ-CP (30 June 2025) on enterprise registration.

- ***In-depth interviews with key stakeholders:*** Representatives from various ministries, agencies, associations and business support organizations were interviewed, focused on policy implementation challenges, identification of policy gaps and recommendations for private sector development, with an emphasis on SMEs.

It is important to note that the content of this report reflects the institutional, administrative and provincial structures in place prior to government restructuring that took effect from 1 March 2025 and subsequent provincial restructuring from July 2025. The consolidation of government ministries saw the Ministry of Planning and Investment merged into the Ministry of Finance and the Ministry of Labour, Invalids and Social Affairs merged with the Ministry of Home Affairs in March 2025. Administrative reforms also saw 63 provinces and cities streamlined into 34 provincial level units (28 provinces and six centrally-governed cities). In parallel, the district level layer of administration was eliminated and a two-tier system introduced to create direct links between provincial and commune/ward administrations to optimize efficiency and development.



Development journey of the private sector and SMEs

1. Development journey of the private sector and SMEs

Viet Nam has realized significant socio-economic development over nearly four decades since implementing the *Doi Moi* reforms. Following a rapid development trajectory, Viet Nam's GDP per capita increased eight-fold in almost 40 years, from less than US\$600 per person in 1986 to nearly US\$4,700 in 2024, ranking 120th globally.⁵ By 2024, the size of its economy exceeded US\$460 billion, to become the fourth largest in ASEAN, after Indonesia, Singapore, and Thailand. Trade and FDI have emerged as key drivers of Viet Nam's rapid structural transformation and remarkable growth, transforming itself into a global export hub attracting significant FDI capital. With the ratio of total trade turnover to GDP including exports and imports hitting 200 per cent, Viet Nam is one of the most open economies in the world. Currently, domestic value-added content in exports accounts for half of GDP, with Viet Nam now the world's second-largest exporter of smartphones.⁶ With ambitious goals to become a high middle-income country by 2030 and a high-income nation by 2045, Viet Nam is striving for 8 per cent growth in 2025 and accelerating to double-digit growth during 2026–30.⁷ Achieving these targets will be determined by whether the private sector can unlock its full potential.

The private sector in Viet Nam has undergone a remarkable transformation. From no official status in the former centrally-planned economy, it has become an integral component of the socialist-oriented market economy. This pivotal shift occurred after the *Doi Moi* reforms and was cemented by the landmark introduction of the Enterprise Law in 1999, which created a legal basis and spurred strong development of domestic private firms. Since then, the legal and policy framework underpinning the private sector and SMEs has been optimized to solidify their increasingly central role.

Dominated by SMEs and household businesses, the private sector has helped propel national socio-economic development. This sector is comprised of more than 940,000 enterprises, with SMEs making up 98 per cent, and more than five million active household businesses. It contributes around half of GDP, more than 30 per cent of State budget revenue and employs more than 40 million people, 82 per cent of the nation's workforce.⁸ This sector has played a significant role in shifting labour from low-income jobs to higher-productivity and paying industries, thereby promoting poverty reduction and improving livelihoods.

Despite this progress and its significant footprint on the business landscape, the private sector remains constrained. Major challenges include a business environment characterized by risk from unpredictable changes in policies and business laws, an inability to access credit, shortages of skilled human resources, weak SME-FDI linkages and inertia in adapting to global trends, notably the green transition. Given that the private sector is largely dominated by SMEs and household businesses, often characterized by weak governance, limited market discipline and R&D, the challenges confronting the sector are pronounced.

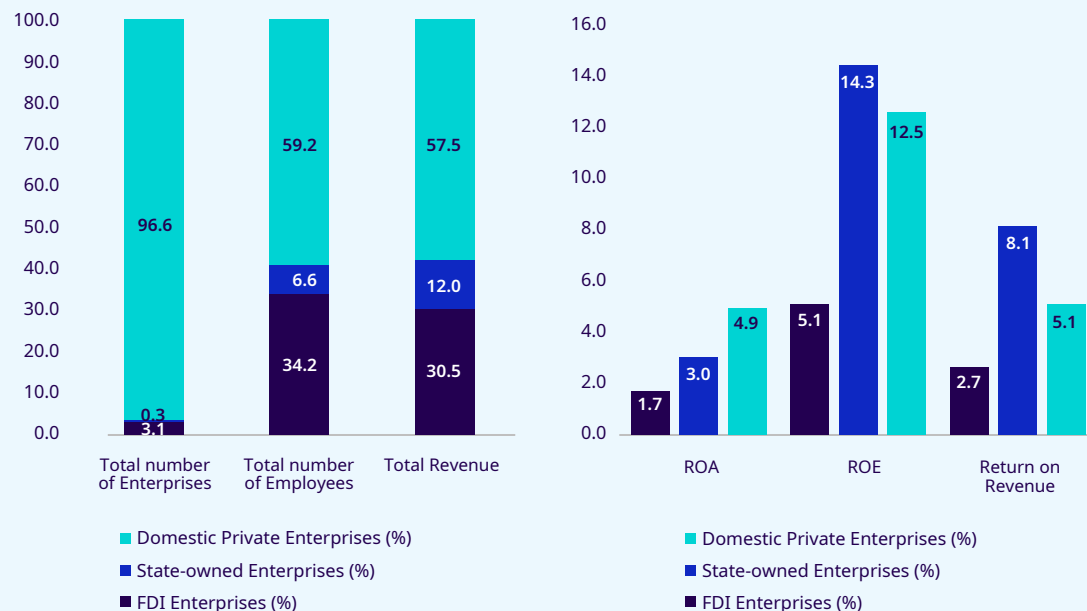
⁵ <https://www.imf.org/external/datamapper/NGDPDPC@WEO/THA/IDN/PHL/VNM/MYS>

⁶ <https://vneconomy.vn/xuat-khau-dien-thoi-cua-viet-nam-dung-thu-2-tren-ban-do-the-gioi.htm> [Vietnamese].

⁷ Resolution No. 25/NQ-CP (5 February 2025) on targets to ensure nationwide growth of at least 8 per cent in 2025.

⁸ Resolution No. 68-NQ/TW, of the Politburo, on private sector development.

► Figure 1. Situation of Vietnamese enterprises (2022)



Source: Ministry of Planning and Investment. 2024. "White Book on Vietnamese Enterprises 2024."

With SMEs dominating the landscape in Viet Nam, a lack of large-scale enterprises to drive the economy is apparent. With nearly 98 per cent of all businesses being micro, small or medium-sized and around two-thirds micro-sized,⁹ their competitiveness, operational efficiency and management skills are often limited, characterized by a short-term, seasonal business mindset that lacks strategic vision (APED, 2025). While some medium and large-sized enterprises have emerged, they have yet to become a driving force of the economy, with investment in cutting-edge sectors such as clean energy production, chips, microchips and semiconductors, remaining low. As a result, there are limited projects of sufficient scale to create breakthrough momentum to elevate the economy's competitiveness.

A rising number of enterprises have exited the market in recent years. During 2016–23 the exit rate remained at double-digit levels, except in 2019 when it was 5 per cent (13.9, 17.8, 19.5 and 20.5 per cent in 2020, 2021, 2022 and 2023, respectively). The ratio of private sector enterprises exiting the market to those entering or re-entering has also risen rapidly, from 50.3 per cent in 2019 to 84.8 per cent in 2024.¹⁰ This reflects severe difficulties faced by enterprises as a result of the COVID-19 pandemic and adverse global and domestic economic fluctuations.

SMEs face significant challenges in accessing resources, particularly financing. Despite comprising the vast majority of all businesses, SMEs access less than 20 per cent of the total outstanding credit from the banking system. The 2024 Provincial Competitiveness Index Report stated that 54 per cent of firms struggled to access credit,¹¹ with complex loan procedures and strict collateral requirements cited as major obstacles as SMEs commonly have limited fixed assets. Furthermore, capital mobilization through the stock market remains low, with private sector SMEs accounting for less than 10 per cent of total market capitalization.¹²

⁹ Ministry of Planning and Investment. 2024. "White Book on Vietnamese Enterprises 2024."

¹⁰ Data from the Enterprise, Collective Economy, and Household Business Information Center, under the APED, MOF

¹¹ VCCI. 2025. "Provincial Competitiveness Index Report 2024."

¹² <https://diendandoanhnghiep.vn/von-va-co-che-chia-se-rui-ro-voi-doanh-nghiep-nho-va-vua-viet-nam-10156047.html>

Low labour productivity hinders private sector development. According to the Asian Productivity Organization, Viet Nam's labour productivity in 2022 was only one-eighth of Singapore's, one-quarter of Republic of Korea's and one-third of Malaysia's, while Cambodia, Lao PDR and Myanmar were some ASEAN countries with lower productivity than Viet Nam (Figure 3). A 2023 World Bank study (World Bank, 2023a) also pointed out that Viet Nam's rapid growth was primarily driven by FDI, with few spillover effects on domestic SMEs. Although the number of domestic private firms has increased sharply over the past decade, these firms tend to be smaller, less productive and innovative than FDI ones, with most micro and small enterprises operating in low-productivity service and manufacturing activities, primarily targeting the domestic market rather than exports. FDI firms are nearly five times more productive and have significantly higher ROAs and profits than domestically-owned firms (Figure 1). Additionally, SMEs have not deeply integrated into global value chains.

Linkages between FDI and domestic private sector enterprises remain weak, which limits the potential for technology spillovers and productivity gains. Data from OECD in 2024 indicated foreign-owned firms (affiliates of multinational enterprises) produce 73 per cent of Viet Nam's exports and drive its integration into world trade. Despite government incentives for FDI firms to purchase from local suppliers, their share of imports – primarily parts and components, remains high at 56 per cent. This high reliance on imported parts highlights the limited backward linkages with the domestic economy (OECD, 2025). The World Bank's 2023 "Global Multinational Enterprises Pulse Survey" also indicated that the rate of domestic inputs use by MNCs in Viet Nam was among the lowest in the East Asia and Pacific region (World Bank, 2025a). Notably, even domestic manufacturing firms have lower rates of domestic input usage compared to regional counterparts, reflecting the limitations of domestic production capacity. While weak linkages are not a problem unique to Viet Nam, barriers such as skills shortages, limited management capacity and information on domestic suppliers impede local firms from effectively participating in global value chains.

► **Figure 2. Labour productivity of Viet Nam and selected countries in 2022**



Source: Asian Productivity Organization (2024)

Inequality exists between the domestic private sector and FDI enterprises. This is clearly reflected in preferential tax policies and the imbalance between profits earned and contributions made to the State budget. Specifically, a study by the National Economics University (2025)¹³ indicated that the effective tax rate for many FDI enterprises was only 3–10 per cent, significantly lower than the standard rate of 20 per cent. This creates a paradox: in 2022, the FDI sector accounted for 38.1 per cent of total pre-tax enterprise sector profits, yet its budget contribution was only 79 per cent that of the private enterprise sector. Conversely, the domestic private sector, despite generating a similar share of pre-tax profits (38 per cent), shouldered the largest proportion of tax and fee contributions to the economy (42.4 per cent).¹⁴ This indicates a significant disparity in tax burdens between the two sectors.

The household business sector has historically been fragmented and seasonal. In 2022, only 29 per cent of household businesses had a business registration certificate.¹⁵ Similarly, General Department of Taxation data reveals that around 2.15 million out of nearly 5.2 million business establishments recorded tax payments in 2024.¹⁶ Furthermore, household business non-compliance with regulations on fire prevention, food safety and environmental sanitation, amongst others, is commonplace. In response to these challenges, there is significant scope for State policies to deliver solutions to ensure the private sector and SMEs realize their full potential as engines of growth to drive Viet Nam towards its ambitious development goals.

¹³ National Economics University. 2025. “Removing Bottlenecks in Private Sector Development to Achieve Double-Digit Growth Targets”.

¹⁴ Data on pre-tax profits for 2022 from the Viet Nam White Book on Enterprises 2024. Data on state budget revenue for 2022 from the Ministry of Finance’s State Budget Disclosure Portal.

¹⁵ Information provided by APED via in-depth interviews for the research.

¹⁶ Ministry of Finance. 2025. Official Letter No. 7960/BTC-CT (6 June 2025) regarding the Law on Tax Administration (amended). See: <https://byvn.net/Mkwu>



2

**Review of key policies
supporting private
sector development,
with a focus on SMEs**

2. Review of key policies supporting private sector development, with a focus on SMEs

The past decade has witnessed proactive government efforts to create an equitable and transparent business environment to facilitate private sector and SME development. This resulted in the issuance and amendment of a wide range of business-related laws, headlined by the Enterprise, Bidding, Investment, Corporate Income Tax, Land as well as Science, Technology, and Innovation laws, in step with specialized resolutions to remove barriers and promote breakthrough growth.

With the landmark Resolution No. 10-NQ/TW, issued by the Party Central Committee on 3 June 2017, the first document to emphasize the private sector's role as a driving force behind economic development, the Politburo's Resolution No. 68-NQ/TW on 4 May 2025 further built on this platform with the private sector heralded as the most important national economic engine. To realize this goal, a series of key policy groups were announced encompassing: (i) optimizing the business environment, (ii) access to credit, (iii) tax incentives, (iv) human resources, (v) science and technology (S&T), innovation and digital transformation, (vi) green transition, (vii) SME-FDI linkages and (viii) formalization of household businesses.

To capitalize on these policy advancements, there is a need to optimize implementation, as real-world application of previous initiatives has not been as effective as expected, resulting in SMEs facing barriers to accessing resources and financing, heavy compliance cost burdens, inconsistent policy enforcement and bottlenecks in specialized support mechanisms.

Therefore, this section will systematically analyze the specific policy groups that directly impact private sector and SME development. For each policy group, the report will spotlight two core aspects: (1) current legal framework and (2) identified barriers for removal. This analysis will act as a platform to propose policy solutions to clear these bottlenecks and fully unlock the sector's potential.

2.1. Policies improving the business environment

2.1.1. Legal framework

A series of annual resolutions have underpinned government efforts to optimize Viet Nam's business environment. They are headlined by Resolution No. 02/NQ-CP, issued on 8 January 2025, as the most recent step to drive reforms of the investment and business environment. Its core objective is to substantively improve business environment indicators and increase the number of newly established businesses and reverse the trend of enterprises exiting the market. To achieve this, the resolution emphasizes removing barriers to investment and business activities caused by overlapping and conflicting legal regulations. In requiring ministries and localities to proactively review and address issues within their respective authorities, it also strengthens the role of the Prime Minister's Task Forces to tackle complex and systemic challenges.

Viet Nam's business environment is governed by a comprehensive legal system. In 2024 alone, the National Assembly passed 31 laws, the GOV issued 182 decrees, and ministries promulgated 629 circulars related to the business sector. According to VCCI's 2024 Report on the Flow of Business Law, this number of laws and decrees in 2024 nearly doubled 2023's total.¹⁷ Table 2 lists important laws that directly regulate the business environment for SMEs and the private sector.

¹⁷ VCCI. 2025. "Business Law Flow Report 2024." See: <https://vibonline.com.vn/41820.html>

► Table 2. Summary of key laws directly regulating the business environment for the private sector and SMEs

Law	Description
Law on Enterprise (2020) (amended in 2025)	This is a core legal document that governs the establishment, management, restructuring, dissolution, and related activities of enterprises. For the private sector and SMEs, it has simplified administrative procedures and created more favourable conditions for market entry, while protecting the legal rights and interests of owners.
Law on Support for SMEs (2017)	This specialized law provides specific support policies for SMEs in key areas, including: access to credit, tax reductions, human resource development, market expansion and legal advice.
Law on Commerce (2005)	It regulates common commercial activities such as the sale and purchase of goods, provision of services, promotions and advertising to create a general legal corridor for daily business transactions of enterprises.
Law on Competition (2018)	This law plays a role in protecting a healthy competitive environment by combating monopolies, abuses of market dominance and anti-competitive agreements. It ensures that SMEs have an equal opportunity to compete with larger firms.
Law on Tax Administration (2019)	It governs administrative tax procedures such as registration, declarations, payments, refunds and inspections of taxes.
Law on Corporate Income Tax (2025)	This law regulates tax calculations on business profits and provides preferential tax policies, exemptions and reductions during initial periods for newly established firms, especially SMEs, to encourage startups and investment.
Law on Value-Added Tax (2024)	It governs administrative procedures for VAT, impacting the prices of goods, services and cash flows of SMEs and the private sector through the declaration, payment and deduction of VAT.
Labour Code (2019), Law on Social Insurance (2024), Law on Employment (2025)	These laws regulate labour relations and the responsibilities of businesses towards their employees.
Law on Land (2024), Law on Housing (2023)	These laws govern the rights and obligations of businesses regarding land allocation, land leases and recognition of land use rights by the State. The new Land Law includes provisions that impact land valuations and methods for paying land rents, which impact business costs.
Law on Construction (2025)	This law regulates investment activities for construction of factories, offices and business premises, ensuring that construction complies with planning and technical standards.
Law on Investment Law (amended in 2025)	It regulates business investment activities in Viet Nam. It specifies sectors and trades that are prohibited or subject to conditions, as well as preferential and support policies for investment (tax, land). For the private sector, this law opens opportunities to access projects and benefit from State incentives, thereby promoting capital investment in production and business.
Law on Bidding (2023) (amended in 2025), Law on Public-Private Partnership Investment (2020) (amended in 2025), Law on Public Investment (2024) (amended in 2025)	These laws regulate public investment, bidding and cooperation between the State and private sector.

Source: Author

A new trend emerging in recent years to streamline the business environment is use of omnibus laws to amend multiple laws. This approach allows for the quick and synchronized resolution of legal bottlenecks without the time-consuming process of amending multiple laws through traditional means. For the business community, this fast-tracked approach ensures timely and consistent resolution of impediments, while minimizing opportunity costs for enterprises compared to traditional processes to help accelerate business decisions and investment projects.

► Table 3. Summary of Omnibus Laws amending and supplementing multiple laws during 2022–2025

Year	Document	Date of Issuance
2022	Omnibus Law 2022 amending the Laws on Public Investment, Public-Private Partnership Investment, Investment, Housing, Bidding, Electricity, Enterprise, Special Consumption Tax and Civil Judgment Enforcement.	11 January 2022
2024	Omnibus Law 2024 amending the Laws on Land, Housing, Real Estate Business and Credit Institutions.	29 June 2024
	Omnibus Law 2024 amending the Laws on Securities, Accounting, Independent Auditing, State Budget, Management and Use of Public Property, Tax Administration, Personal Income Tax, National Reserves and Handling Administrative Violations.	29 November 2024
	Omnibus Law 2024 amending the Laws on Planning, Investment, Public-Private Partnership Investment and Bidding.	29 November 2024
2025	Omnibus Law 2-25 amending the Civil Procedure Code and the Laws on Administrative Procedure, Juvenile Justice, Bankruptcy and Conciliation and Dialogue at Court.	25 June 2025

Source: Author

Administrative reforms are viewed as a key pillar to buttress the investment and business environment. As the foundational legal document that underpins all comprehensive administrative reform activities, encompassing public finance and e-government development, Resolution No. 76/NQ-CP was issued on 15 July 2021 to launch the Programme for State Administrative Reform for 2021–30. To further realize gains, Resolution No. 66/NQ-CP was issued on 26 March 2025 to streamline administrative procedures related to production and business activities in 2025 and 2026.

► **Box 1: Government accelerates business regulation and administrative procedure reforms**

Over the past decade, the GOV has undertaken several rounds of reviews to streamline regulations for enterprises to operate in a more business-friendly environment.

In 2016, hundreds of business conditions were abolished or simplified, with conditions previously stipulated in Circulars elevated to Decrees. The list of conditional business lines in the Law on Investment was narrowed between 2014, 2016, and 2020. Cumulatively, from 2021 to the end of 2024, more than 3,100 business regulations were cut or simplified across 272 legal documents.¹⁸

In 2025, Resolution No. 66/NQ-CP was issued to streamline administrative procedures related to business activities for 2025 and 2026. It aims “by 2026, to cut and simplify 100 per cent of unnecessary, contradictory, overlapping, or vague and unclear business investment conditions and abolish 100 per cent of investment conditions for sectors not on the list of conditional business lines under the Law on Investment.” In response, all ministries, sectors and localities have issued plans to realize these goals.

Administrative procedure reforms have contributed to increased transparency and reduced compliance costs for firms. Digital platforms like the National Business Registration Portal have made it easier for businesses to access information on policies, procedures and the status of applications. This not only increases transparency but also enhances business confidence in the public administration system. The United Nations E-Government Survey 2024 noted that Viet Nam moved up fifteen spots to rank 71st out of 193 countries,¹⁹ with a score exceeding the regional average, as clear evidence of progress in modernizing public services.

2.1.2. Identifying barriers

Viet Nam has witnessed a recent strong push for institutional reforms. A comprehensive swathe of business regulations has been either removed or streamlined, making administrative procedures more transparent, clear and convenient for enterprises. This, in turn, has created a more conducive environment for business activities. However, despite these advancements, a significant number of obstacles impede private sector and SME operations, highlighting the need for further reform efforts to bridge the gap between policy and practice.

Legal bottlenecks and regulatory obstacles persist, hindering private sector production, business, and investment activities. A review of legal documents reveals a significant number of regulations create unnecessary compliance burdens for businesses. This often stems from conflicting and overlapping regulations within a single legal document or between various legal instruments. In some cases, problems arise from legal provisions that are vague, open to interpretation, impractical or difficult to implement.

¹⁸ Ministry of Home Affairs. 2024. “Report on the Implementation of Administrative Reform in 2024.” Viet Nam.

¹⁹ <https://publicadministration.un.org/egovkb/en-us/Data-Center>

► **Box 2. Legal obstacles hindering private sector and SME operations**

Obstacles related to regulations on food fortification with micronutrients. Article 6, Decree No. 09/2016/ND-CP on food fortification with micronutrients, stipulates that salt used in food processing must be fortified with iodine, and flour must be fortified with iron and zinc. However, this regulation is inconsistent with international practices and creates a significant barrier for export businesses. China, Japan, Republic of Korea, and Taiwan (China) do not permit the import of products with added iodine or have strict regulations on the addition of iron and zinc. As a result, food production and export companies are forced to invest in new, dedicated production lines for export goods. Other SMEs choose to produce export and domestic goods on the same line, which requires ensuring prevention of cross-contamination if importers do not require micronutrient fortification, leading to significant time and cost expenditures. Acecook Viet Nam Joint Stock Company incurs an additional VND14 billion annually in costs due to this issue.²⁰

Fishery regulation on minimum catch sizes is inconsistent. Appendix V, of Decree 37/2024/ND-CP amending Decree No. 26/2019/ND-CP guiding the Law on Fisheries (4 April 2024), stipulates that caught skipjack tuna must have a minimum size of 50cm, but fish of this size accounts for only a small percentage (5 per cent) of each catch, while the global standard commercial size for international imports-exports is 15-40cm.²¹ This regulation has significant negative consequences, as Vietnamese fishermen cannot catch skipjack tuna at an internationally required size, while businesses cannot process export orders. In other countries, stocks are managed through quotas to conserve fishery resources instead of a minimum catch size.

Challenges for cashew importers sourcing from Africa. Raw and processed cashew products are subject to food safety inspections, as per Article 15, Decree No. 15/2018/ND-CP guiding the Law on Food Safety (2 February 2018). However, because African nations are not on the “list of countries registered to export plant-based food products to Viet Nam” published on the website of the Plant Protection Department, Ministry of Agriculture and Environment, Decree 15 only permits African raw cashews to be exported and not sold on the domestic market, despite meeting import quality standards in Viet Nam. This means local companies cannot unload unsold export stock to local buyers. This leads to inventory and financial losses for local companies, while banks are unable to liquidate cashews pledged as collateral domestically to recover debts without violating the law.

Corporate promotional activities are entangled in red tape. Businesses are currently required to submit reports to state authorities (Trade Promotion Agency, under the Ministry of Industry and Trade, or the provincial Department of Industry and Trade) after marketing promotions, a common activity in business, which places financial cost and administrative burdens on firms. This is a result of Decree No. 128/2024/ND-CP amending Decree No. 81/2018/ND-CP (10 October 2024), which amends Decree No. 81/2018/ND-CP. The business community has advocated for this reporting procedure to be abolished.

Conflicting provisions on land use right auctions. The 2024 Land Law stipulates that land use right auctions only apply in cases where the State allocates land with land use fees or leases land with a one-off payment for the entire lease term. The law does not mention cases where the State leases land with annual rental payments. However Decree No. 103/2024/ND-CP, which provides guidance on land rental unit prices, states that: “in cases of land use right auctions, the land rental unit price shall be the winning auction price corresponding to the form of annual rental payment or one-off payment for the entire lease term.” This provision implies that land use right auctions may also apply to cases of annual rental payments — a matter not covered by the 2024 Land Law. The inconsistency between the law and decree has caused confusion for local authorities, particularly in determining the appropriate form and legal basis for organizing land use right auctions for annual rental payments.

²⁰ <https://byvn.net/ts0s>

¹⁹ <https://byvn.net/1oEp>

In addition, a wide range of technical regulations have created obstacles and caused substantial losses for SMEs. VCCI statistics²² from 2025 indicate that Viet Nam has more than 800 national technical regulations known as QCVN, with many of concern to enterprises due to inconsistencies in application. Viet Nam's technical regulations are based on the Law on Standards and Technical Regulations, which aim to enhance the legal framework and remove technical barriers to trade in step with World Trade Organization (WTO) and bilateral and multilateral free trade agreements. To iron out these inconsistencies, the amended Law on Standards and Technical Regulations (Law No. 70/2025/QH15), effective from 1 January 2026, will streamline several procedures, address overlaps and abolish some administrative requirements to reduce costs for enterprises.

However, it is important to note that key QCVN challenges stem from line ministry drafting, appraisal and promulgation processes. The VCCI 2025 study highlighted several specific QCVN shortcomings, including overly stringent or lenient criteria leading to costly inspection procedures, inclusion of business and investment conditions within QCVN, adoption of foreign standards, overlapping management responsibilities among ministries for the same products and short implementation timelines without adequate transitional provisions.

► **Box 3. QCVN causes significant SME and private sector damage**

Stainless steel: The Ministry of Science and Technology's stainless steel Group 2²³ classification and application of technical regulation QCVN 20:2019/BKHCN have negatively impacted the domestic manufacturing industry. While stainless steel is a raw or semi-finished material, it is currently regulated as a finished product subject to safety regulations. In reality, any risks only arise in a final products, such as food-contact utensils or vehicle parts, and these products are already managed by their own specific technical regulations. This is inconsistent with the spirit of Article 3.4 of the Law on Product and Goods Quality. This regulation also creates a "reverse protectionism" effect by making it difficult for businesses to import raw materials for production, while finished goods can be imported normally. As a result, some domestic stainless-steel manufacturers have had to cease operations due to an inability to import raw materials for production.

Fire safety for buildings: A key issue with QCVN 06:2022/BXD on fire safety for buildings is smaller enterprises are commonly unable to meet high fire resistance requirements due to high costs, complex designs, hard-to-find materials and quality assurance standards. This compliance burden is not commensurate with the small-scale nature of many SMEs.

Stakeholder consultations prior to adoption of legal documents remains limited. A number of ministerial-level regulations issued or updated per government directives have triggered strong reactions from enterprises due to mismatches with the business environment. By including enterprises in consultations with decision-makers, there is an opportunity to fine-tune regulations prior to their issuance. This would avoid course corrections by authorities due to ineffective regulations, such as the State Bank of Viet Nam (SBV) promulgating Circular No. 10/2023/TT-NHNN on 23 August 2023 to

²² VCCI. 2025. "Assessment of Quality and Recommendations for the Development of Standards and Technical Regulations in Viet Nam." See: <https://vibonline.com.vn/bao-cao-danh-gia-chat-luong-va-khuyen-nghi-cho-viec-xay-dung-tieu-chuan-va-quy-chuan-ky-thuat-cua-viet-nam.html>

²³ According to Article 3, Clause 4 of the Law on Product and Goods Quality, Group 2 goods are products with the potential to be unsafe. This means that under reasonable and proper conditions of transport, storage, preservation, and use, they still pose a potential risk of harm to humans, animals, plants, property, or the environment. Point b, Clause 1, Article 5 of the same Law stipulates that the quality of Group 2 goods is managed based on corresponding technical regulations issued by competent state management agencies. Therefore, any good that has a corresponding technical regulation is considered a Group 2 good, and vice versa.

postpone implementation of lending restrictions under Circular No. 06/2023/TT-NHNN scheduled to take effect on 1 September 2023,²⁴ while the Ministry of Construction was compelled to urgently issue a revised National Technical Regulation on Fire Safety for Buildings and Structures, replacing QCVN 06:2022/BXD which had only come into force earlier in 2023.

► **Box 4. Enterprises struggle to digest micronutrient fortification in food regulations**

A long-standing policy issue impeding the food industry is the mandatory micronutrient fortification requirement in Decree 09/2016/ND-CP. Specifically, it requires that salt used in food processing be fortified with iodine and wheat flour be fortified with iron and zinc. The business community claims this is out of step with production realities, increasing costs and creating barriers to business operations.

With businesses and industry associations petitioning for this requirement to be addressed since the decree's issuance in 2016, the government issued Resolution No. 19/NQ-CP on 15 May 2018, directing the Ministry of Health to shift the requirement from mandatory to voluntary.

Despite this, implementation was slow. In 2023 and early 2024, Deputy Prime Minister Tran Hong Ha issued multiple official dispatches urging the Ministry of Health to expedite the task, setting a submission deadline of 2024's third quarter. Mid-2024, industry associations²⁵ again requested the abolition of requirement. However, the latest draft of amending the decree in November 2024²⁶ retained mandatory fortification clauses, highlighting an inability to resolve a policy bottleneck that has existed for more than eight years.

Delays in promulgation of implementing regulations for laws and resolutions create difficulties for SMEs and the private sector. To highlight the trend, it was reported²⁷ that 38 articles and clauses from five laws and three resolutions that took effect in 2025's second quarter lacked necessary implementing regulations from the government and 15 ministries and agencies. Moreover, 22 implementing documents were issued behind schedule, representing 28 per cent of detailed regulations issued during this period. Notably, some laws and resolutions were passed by the National Assembly through an expedited procedure to address urgent issues arising in practice. However, the lack of timely issuance of detailed guiding documents impedes private sector and SMEs' production and business operations, with many caught in a state of limbo until the issuance of implementing regulations.

²⁴ The business community reported that Clauses 8, 9 and 10 of Article 8 of Circular No. 39/2016/TT-NHNN (supplemented by Clause 2, Article 1 of Circular No. 06/2023/TT-NHNN) would create significant barriers for real estate businesses, homebuyers, and investors in accessing bank credit.

²⁵ Including the Food and Foodstuff Association of Ho Chi Minh City, Viet Nam Association of Seafood Exporters and Producers, Viet Nam Cashew Association, Phu Quoc Fish Sauce Association, Association of Food Transparency and the High-Quality Vietnamese Goods Business Association.

²⁶ See: <https://www.moj.gov.vn/qt/tintuc/Pages/chi-dao-dieu-hanh.aspx?ItemID=4575>

²⁷ People's Petition and Supervision Committee. 2025. "Report on Supervision Results of Legal Documents by the National Assembly's Ethnic Council and Committees."

► **Box 5. Technology firms in a holding pattern waiting for guiding documents**

Private sector high-tech enterprises and innovative start-ups remain hamstrung by delays in issuances of key regulations. These sought-after industry guidelines, under Resolution No. 198/2025/QH15 of the National Assembly that took effect on 17 May 2025, mandates support measures for high-tech enterprises. However, by the end of July 2025, the government had yet to issue detailed regulations for key support policies, including reduced land rental fees in industrial parks (Article 7, Clause 6), support for renting public-owned houses and land (Article 8, Clause 2), 200 per cent of R&D costs deducted when calculating CIT (Article 12, Clause 2) and free access to common digital platforms and accounting software for small, micro-sized businesses, and individual business households (Article 12, Clause 3).

Rigid business conditions create significant compliance burdens for SMEs. Since 2014, the list of conditional business sectors defined in Appendix IV encompassed 267 sectors (Investment Law 2014), subsequently amended to 243 sectors (Law No. 03/2016/QH143), and later to 227 sectors (Investment Law 2020). In principle, when classifying a business sector as a conditional one, it is essential to identify specific public interests – such as national security and public health – that a sector impacts and that the State intends to control. However, when drafting policies, policymakers commonly omit this element of justification and unnecessarily constrain businesses.

► **Box 6. Bottlenecks constrain business operations**

Regulatory inconsistencies persist even when certain business lines are removed from the conditional list. For example, while the Law on Investment 2020 removed “franchise activities” from the list of conditional businesses, conditions under Decree No. 35/2006/ND-CP on franchising and Decree No. 08/2018/ND-CP amending certain business conditions remained in force. Similarly, “logistics services” were also removed, but continued to apply under Decree No. 163/2017/ND-CP.

Ambiguous conditions further create compliance challenges. For instance, key guidance on implementation of the Law on Fisheries (Clause 1, Article 27, Decree No. 26/2019/ND-CP), stipulates that aquaculture feed producers must have “facilities and equipment suitable to each type of product”, but it does not define what constitutes “suitability”. Without specific criteria or technical standards, enterprises face an uncertain operating environment.

Ineffective execution of procedures can also leave SMEs entangled in red tape. As such, businesses continue to report that additional requests for documents not stipulated by regulations or prolonging processing times are common outcomes from in-person encounters with officials executing administrative procedures. The 2024 PCI report pinpointed business registration, taxation, labour, social insurance, land, construction, fire prevention and control, and market management as key areas where bureaucratic obstacles were encountered. These practices not only waste time and resources of enterprises, but also undermine confidence in the transparency and effectiveness of the public administration system.

Overall, these challenges highlight the need to further streamline and sharpen institutional and business environment reforms to create a level playing field for all market participants. As such, it is incumbent upon the government to advance reforms and remove barriers to investment and business activities, with clear implementation roadmaps and appropriate transitional provisions accompanying new regulations to ensure regulatory certainty and minimize compliance costs for SMEs and the private sector more broadly.

2.2. Policies supporting access to credit

2.2.1. Legal framework

Viet Nam's financial services sector landscape is dominated by three main actors: credit institutions, the securities market and insurance sector. Viet Nam's financial system remains bank-based. As of the end of September 2022, the size of Viet Nam's financial market, measured by international standards, was equivalent to 295 per cent of GDP in 2022. Within this structure, the banking system as measured by total assets of banking and non-banking credit institutions plays a dominant role, accounting for 64.7 per cent. The securities sector (including stock and bond markets) accounts for 34.6 per cent, while the insurance market represents 0.7 per cent of total financial system assets.²⁸

Initial banking sector policy reforms commenced in 1995 with the separation of the central bank from commercial banks, followed by development of state-owned commercial banks to serve the entire economy, rather than exclusively focusing on state-owned enterprises. New licenses were also granted to joint-stock commercial banks and wholly foreign-owned banks in the early 2000s. Additionally, interest rate interventions were reduced, while international standards such as Basel I for safe banking operations were adopted. The policy outlook of maintaining positive real interest rates resulted in the credit-to-GDP ratio climbing from 28 per cent in 1995 to 134 per cent by 2024.²⁹ In the capital market, equity market capitalization reached 71 per cent of GDP in July 2025,³⁰ while the insurance market and particularly the life insurance segment, emerged as a major channel for long-term capital mobilization. More recently, the explosive growth in financial technology startups (FinTech) has become a new force driving development of Viet Nam's financial system. This FinTech market has witnessed remarkable expansion in recent years, demonstrated by both its scale and value of transactions. According to the SBV, the number of FinTech companies rapidly increased from 40 at the end of 2016 to more than 200 in 2024. Furthermore, the value of FinTech transactions has surged significantly, from US\$4.4 billion in 2017 to US\$7.8 billion in 2020.³¹ This upward trend has continued aggressively, reaching US\$27.2 billion in 2023, with a projected US\$31.6 billion in 2024.³²

With access to credit vital for the health and survival of SMEs, the legal framework has evolved, especially in the last decade, to ensure the private sector has the financing it needs to fuel business operations and rapid development. The following section highlights a number of policies orientated towards supporting SMEs to access credit.

- **Law on SME Support (2017).** It outlines the government's role in supporting credit institutions to provide loans to SMEs based on enterprise credit ratings, while promoting the establishment of independent consulting organizations to rate SME creditworthiness and allow SMEs to receive loan guarantees from the SME Credit Guarantee Fund at credit institutions. Moreover, innovative startups and SMEs participating in industry clusters and value chains are eligible for preferential loans from the SME Development Fund. Provisions of this law serve as the highest legal basis for credit support to SMEs.

²⁸ Nguyen Thi Hien and Nguyen Ngan Giang. 2023. "The Recent Situation of Viet Nam's Financial Market." Industry and Trade Magazine – Scientific Research and Technology Application Results. No. 8, April 2023.

²⁹ <https://byvn.net/A92p>

³⁰ <https://byvn.net/UkD8>

³¹ <https://byvn.net/fjQM>

³² <https://byvn.net/Lzaz>

- **SME Credit Guarantee Fund (Decree No. 34/2018/ND-CP, 8 March 2018).** This non-budgetary State financial fund, established by the People's Committees of provinces and centrally-run cities, operates on a non-profit basis to preserve and develop capital. It provides credit guarantees for SMEs and operates under a one-member limited liability company model, with the State holding 100 per cent of charter capital provided by local budgets, with a minimum of VND100 billion. To be granted a credit guarantee, SMEs must meet specific conditions as stipulated in Article 15, of the decree.³³

SME Development Fund (Decree No. 39/2019/ND-CP). According to the decree, SMEs can access capital through direct loans since late 2021 and indirectly through selected commercial banks, with a preferential interest rate equal to 80 per cent of the lowest commercial lending rate.³⁴ However, only innovative startups or SMEs in industry clusters and value chains are considered eligible for loans.³⁵ Additionally, SMEs can receive financial support, not loans, for specific investment items like purchases of machinery for business operations. This financial support, however, is capped at VND1 billion per project or business plan and cannot exceed 50 per cent of total investment capital for workshop construction and equipment purchases.³⁶

- **Investment in Innovative Startups (Decree No. 38/2018/ND-CP).** To foster development of a vibrant and sustainable venture capital market for startups, the government has implemented a number of support policies. The Law on SME Support established the legal status of startups, and subsequently, Decree No. 38/2018/ND-CP marked the first legal document to codify specific regulations for venture capital funds. This decree is expected to create a legal corridor that encourages the establishment of investment funds to support startup development. Before its issuance, Viet Nam had no specific regulations for establishing investment funds dedicated to innovative startups. Entities wishing to create such funds had to comply with provisions of the Laws on Securities, Investment, and Enterprises. By the end of 2017, more than 40 venture capital funds were active in Viet Nam, mostly FDI-backed or with representative offices in Viet Nam (CyberAgent Ventures, 500 Startups, ESP Capital). In addition, a few large corporations invested in startups through investment companies, such as FPT Ventures and Seedcom. Among them, DFJ VinaCapital was established under the Law on Securities, possessing strong financial capacity through collaboration with world-leading venture capital fund Draper Fisher Jurvetson and VinaCapital.
- **Preferential credit policies for SMEs.** Credit policies also focused on the critical agriculture and rural-focused sectors. They included Decrees No. 55/2015/ND-CP and No. 116/2018/ND-CP, loan policies for development of supporting industries as per Decree No. 111/2015/ND-CP (3 November 2015) and loan programmes for the forestry and fisheries sectors (interest rates 1–2 per cent lower than average commercial lending rates). A joint loan programme to implement the landmark “1-million-hectare high-quality, low-emission rice” project in the Mekong Delta (1 per cent lower interest rate) and for social housing are notable.

The State Bank of Viet Nam has also actively worked to facilitate SME access to bank capital. Specifically, it imposed an interest rate ceiling on priority sectors, allowing SMEs to benefit from short-term VND loans with maximum annual interest rates 1–2 per cent lower than for regular business sectors (Decision No. 1425/QĐ-NHNN, 7 July 2017) and Circular No. 39/2016/TT-NHNN (30 December 2016). The SBV also directed credit institutions to enhance appraisal processes and customer credit ratings to provide unsecured loans and simplify lending procedures. Notably, during the pandemic, the SBV issued mechanisms on debt restructuring, interest and fee reductions, and maintaining debt groups, all of which helped enterprises access preferential bank loans.

³³ Article 15, Decree No. 34/2018/ND-CP outlines key conditions for SMEs to be granted a credit guarantee. To qualify, an enterprise must have an effective investment project or business plan that demonstrates the ability to repay the loan. It must be appraised and approved by the Credit Guarantee Fund in accordance with the decree. Furthermore, the SME is required to contribute a minimum of 20 per cent equity to the project or business plan at the time of fund's appraisal. At the time of guarantee request, the enterprise must not have outstanding tax debts one year or older

³⁴ Article 17, Decree No. 39/2019/ND-CP.

³⁵ Articles 16 and 23, Decree No. 39/2019/ND-CP.

³⁶ Article 29, Decree No. 39/2019/ND-CP.

2.2.2. Identifying barriers

Access to credit remains a serious challenge for Viet Nam's SMEs and private sector. The VCCI's 2024 PCI Index Report revealed that more than half (54 per cent) of enterprises reported difficulties accessing loans— the largest barrier for the private sector. While a slight decrease from 57 per cent in 2023, it remains significantly higher than the 41 per cent in 2020. This situation is particularly severe for micro and small enterprises, which often lack collateral, standardized credit profiles, and transparent banking transaction history. According to VCCI, “credit channels still strongly favour large and state-owned enterprises, while the domestic private sector is often discriminated against”.

The SME community also reported difficulties accessing credit through the SME Credit Guarantee Fund. Key reasons include complex loan procedures and requirements for collateral, while SMEs are often constrained by small capital, limited equity and financial capacity, inadequate corporate governance, lack of feasible business plans and inaccurate data that leave commercial bank loans out of reach.

► Box 7. SME credit guarantee fund blockages

Issues with collateral. Article 16, Decree No. 34/2018/ND-CP stipulates that a credit guarantee from the SME Credit Guarantee Fund must be secured by collateral. This fundamentally undermines the “guarantee” role of the fund, as the guarantee mechanism is supposed to help SMEs that lack collateral to access credit. Many small businesses and particularly startups, technology firms and women-owned enterprises do not have sufficient fixed assets or legal documents to use as collateral. As a result, they cannot meet guarantee requirements, rendering the fund unable to fulfill its intended support role effectively.

Potential risks from a 100 per cent guarantee cap. Article 17, Decree No. 34/2018/ND-CP allows the SME Credit Guarantee Fund to guarantee up to 100 per cent of a loan's value, which may create a moral hazard. This full-coverage guarantee could disincentivize commercial banks from conducting thorough appraisals of projects and borrowers, as they face little to no risk. Since the fund assumes full responsibility, banks may become less diligent in their due diligence, undermining the principles of sound lending and shared risk. This structure ultimately fails to encourage a collaborative risk-sharing environment between the banks and fund.

Lack of effective capital mobilization mechanisms. Currently, Credit Guarantee Fund capital is sourced from local budgets and other channels, such as aid, assistance and managed funds from localities. However, Decree No. 34 does not contain provisions for credit institutions, businesses, professional associations, or individuals to contribute capital to the fund. This has resulted in the modest scale of the SME Credit Guarantee Fund,³⁷ which is not genuinely meeting the demand for loan guarantees to support production and business activities.

Only a modest number of enterprises have accessed capital from the SME Development Fund compared to expectations. By December 2024, the SME Development Fund had signed capital allocation agreements with eight commercial banks (Bac A Bank, BIDV, HDBank, MBBank, OCB, Sacombank, SHB and VPBank). Total capital approved for lending was VND846 billion. The fund disbursed loans for 44 projects, totaling VND716.2 billion, leaving an outstanding balance of VND475.4 billion.³⁸ This figure is low compared to the capital needs of more than 800,000 SMEs in the market. Collateral and regulations concerning preservation of State investment capital remain key obstacles.

³⁷ By the end of 2022, only 40 per cent of funds in localities had allocated capital of VND100 billion or more. The remaining funds had low capital, with some as little as VND4 billion. Capital sources of these funds are limited, primarily relying on local budget support (initial charter and supplementary capital).

³⁸ Ministry of Planning and Investment. 2025. “Report on the Implementation of the Law on SME Support in 2024.”

► **Box 8. SME development fund challenges**

Collateral-related challenges. Similar to the SME Credit Guarantee Fund, collateral remains a critical factor for the SME Development Fund when appraising and approving loan applications from SMEs. However, collateral is also one of the most significant constraints for SMEs. In addition, many enterprises lack transparency in accounting data, with financial reporting often not meeting standard accounting practices, as SMEs typically do not prioritize establishing robust data systems. As a result, they face difficulties accessing bank credit and continue to encounter challenges when seeking loans from the SME Development Fund.

Challenges related to eligible borrowers. Under Article 20, Law on SME Support, the fund is only permitted to provide capital to two specific groups of SMEs: innovative startups and enterprises participating in industry clusters or value chains. While these groups have high potential to generate value, the regulation inadvertently excludes many thousands of other SMEs operating in different sectors of the economy. The direct consequence is that the fund's capital cannot reach the majority of enterprises that truly need it, limiting the policy's broader impact.

Lending modality challenges. Although the SME Development Fund is authorized to lend directly to eligible SMEs, as stipulated in Article 15 of Decree 39/2019/ND-CP, in practice direct lending is constrained by several factors, including the fund's small size, lack of branch networks, and limited staffing. Currently, the fund primarily provides loans through on-lending arrangements and indirect lending mechanisms.

Challenges related to preservation of State capital. The SME Development Fund operates as a non-budgetary State financial fund modeled as a limited liability company, with the State holding 100 per cent of its charter capital. Meanwhile, the Law on Management and Use of State Capital Invested in Enterprise Production and Business (2014) requires preservation and development of State capital. This regulation creates difficulties and liability risks for the fund's leadership and staff. Providing support to SMEs through loans or capital grants inherently carries the risk of capital loss, especially when lending to innovative startups.

Enterprises generally seek loans at low interest rates, but face significant difficulties accessing government support programmes. Specifically, disbursement of interest rate support packages remain low. For example, the VND40 trillion package offering a 2 per cent interest rate subsidy through the commercial banking system under Resolution No. 43/2022/QH15 only disbursed 3 per cent of its total value after nearly two years of implementation. Similarly, the VND140 trillion social housing package has only disbursed VND1.344 trillion, less than 1 per cent of its total size by July 2024. Few businesses have accessed the 1-2 per cent interest rate support package for forestry and fisheries sectors, implemented under a Prime Minister's directive. These challenges are primarily due to complex application procedures, regulations that complicate identification of eligible beneficiaries and enterprises' concerns about post-loan inspections, audits or monitoring (Box 9).

► **Box 9. Ineffective implementation of interest rate support programme for enterprises**

To provide interest rate support for enterprise, cooperative and business household loans to help overcome post-pandemic difficulties, Decree No. 31/2022/ND-CP was issued on 20 May 2022 to implement National Assembly Resolution No. 43/2022/QH15. This support package was designed to reduce loan interest rates by 2 per cent, funded by the State budget. However, by 31 December 2023, just VND1,218 billion was disbursed for nearly 2,300 clients, amounting to just 3.05 per cent of the total package.³⁹

Key reasons for these struggles include identifying which SMEs were “capable of recovery” as stipulated in Resolution No. 43, given that guiding documents did not provide specific criteria and eligible SMEs choosing not to receive support to avoid potential inspections and audits, as well as incurred costs of compliance.

The Vietnamese stock market has yet to evolve into an effective capital mobilization channel for private sector. Most private firms, especially SMEs, lack conditions or incentives to publicly list or issue securities. Meanwhile, large and financially strong private enterprises with potential to issue public shares or bonds are limited, partly due to legal barriers and scarce policy-based incentives and guidance. Additionally, the financial ecosystem, including issuance advisory services, credit rating agencies and underwriting services remains weak, making it difficult for SMEs to access professional services needed for market participation (Box 10).

The legal framework to unlock non-traditional capital access channels for the private sector and SMEs remains incomplete. While international experience highlights the necessity of these channels beyond traditional bank credit – such as peer-to-peer lending, crowdfunding and venture capital – their full potential cannot be realized without a complete legal framework. Viet Nam lacks a specific legal document to govern these activities, creating a regulatory gap and inherent risks for both borrowers and lenders. Although the government issued Decree No. 94/2025/ND-CP on a controlled testing mechanism in the banking sector, this “sandbox” is limited to specific areas, including credit scoring, data sharing via open Application Programming Interfaces, and peer-to-peer lending. Given that the decree has only just been enacted, its impact still needs to be evaluated.

► **Box 10. Barriers to initial public offerings**

A joint-stock company can conduct an Initial Public Offerings (IPO) if it meets all specified conditions, according to Article 15, the Law on Securities (2019). One of these conditions is the company must have been profitable for two consecutive years immediately preceding the year of registration and not have accumulated losses.

This regulation presents a significant barrier for SMEs, particularly for technology startups, as the initial investment phase often involves temporary losses due to high costs for R&D. Consequently, this profitability requirement restricts them from accessing a crucial channel for capital mobilization through the public market.

³⁹ See: <https://byvn.net/M1ie>

Innovative startup investment funds lack a progressive regulatory environment to create incentives for investors. After more than six years' implementation, venture capital activities under the Law on SME Support and Decree No. 38/2018/ND-CP face numerous barriers to attracting private investors, particularly around rules on numbers of investors, loan contributions to funds, portfolio regulations and State involvement in private funds. To tackle these challenges, Decree No. 210/2025/ND-CP was issued on 21 July 2025 to amend Decree No. 38. However, to completely address regulatory bottlenecks, comprehensive amendment of the Law on SME Support is necessary to genuinely create an attractive venture capital market for SMEs and startups.

By the end of 2024, some 33 investment funds had been established nationwide under Decree No. 38/2018/ND-CP, with total charter capital of VND413 billion, accounting for less than 5 per cent of innovative startup investment in Viet Nam. Funds established under the decree primarily focus on lower-risk, stable-return investment areas such as information technology, education, healthcare, and e-commerce. In terms of market share, individual investors accounted for less than 10 per cent and corporate venture capital accounts (5 per cent), while venture capital funds held the remainder.⁴⁰

► **Box 11. Bottlenecks in the establishment and operation of innovative startup investment funds**

Limitations on capital mobilization due to investor caps. This is among the most rigid legal barriers. Decree No. 38 stipulates that a venture capital fund for innovative startups may have a maximum of 30 investors. This limit is far below international practice (for example, the United States allows up to 100 investors) and poses a significant obstacle to fundraising. With such a restriction, fund managers find it difficult to raise sufficiently large funds to invest professionally and diversify their portfolios. As a result, domestic funds are often small, fragmented, and unable to compete or participate in major funding rounds for high-potential startups.

Lack of regulations for cross-border investment and foreign participation. There are no clear procedures for venture capital funds to invest abroad or for foreign investors to contribute to Vietnamese startup funds. Meanwhile, most high-potential startups choose to register overseas to facilitate easier access to foreign capital.

Funds lack legal entity status. This regulation creates numerous operational challenges. Funds cannot independently sign contracts, hold equity in startups or engage in legal transactions. All activities must be conducted through the fund management company, adding complexity and potential legal liability risks.

Household businesses still run into difficulties accessing credit, including from microfinance institutions (MFIs). Commercial bank requirements for collateral, accounting records and lending procedures are often out of reach for household businesses, which are typically small-scale and have rudimentary finance and accounting systems. To bridge this gap, MFIs are viewed as an effective alternative for SMEs to access formal financial services. However, development of this credit channel through MFIs⁴¹ has been constrained, primarily due to legal and regulatory obstacles (Box 12). Addressing these challenges will also be a strategic driver to realize the potential of the household economic sector, contributing to more holistic and sustainable development.

⁴⁰ Ministry of Finance. 2025. "Report on Assessment of Implementation of Decree No. 38/2018/ND-CP". Hanoi.

⁴¹ According to SBV data, Viet Nam currently has four MFIs and 79 licensed and registered microfinance programmes and projects. The four official MFIs (CEP, TYM, Thanh Hoa - MFI and M7 - MFI) have reached 500,000 clients, with total assets of VND10,380 billion, charter capital of VND1,060 billion, and owners' equity of VND2,444 billion. See: <https://byvn.net/hxgp>

► **Box 12. MFIs encounter numerous obstacles**

While Circular No. 03/2018/TT-NHNN was issued by the SBV in 2018 it held high promise to regulate the licensing, organization and operation of MFIs. But, after more than seven years in operation, several obstacles have significantly limited the operational effectiveness of MFIs to meet client needs for credit. Low lending limits remains challenging for clients with higher capital needs, with the total loan balance for a single client capped at VND50 million. The lack of support for preferential loans is also apparent, with no financial mechanism to encourage MFIs to develop policy credit products. Without government support to provide low-interest loans to poor and near-poor households, it is difficult for these institutions to balance social responsibility with financial sustainability, thereby hindering their ability to maintain or increase the ratio of preferential lending.

To address these previous shortcomings, the SBV issued Circular No. 33/2024/TT-NHNN, which raises the lending limit for a single client to VND100 million, creating better access to capital.

However, this document fails to introduce policies that encourage MFIs to develop policy credit products. Furthermore, it creates a new barrier. The regulation on maximum client income (VND9 million/month in urban areas, VND7 million/month in rural areas) inadvertently excludes individuals in need of capital, such as industrial park workers whose incomes are slightly above this threshold, but who still struggle with high living costs.

2.3. Policies optimizing tax incentives

2.3.1. Legal framework

Tax incentives are a crucial component of Viet Nam's business-related policy toolbox. Most taxes – direct ones such as Corporate Income Tax (CIT) and Personal Income Tax (PIT) as well as indirect taxes ones such as Value-Added Tax (VAT) and export-import related ones – have provisions for incentives. The primary objective is to encourage investment in geographical areas or specific sectors that align with government investment priorities. Among these forms, preferential CIT rates and time-bound tax exemptions and reductions within the scope of CIT are most common.

CIT incentive policies have undergone numerous rounds of fine-tuning to realize impacts. Before 2004, CIT incentive policies displayed a high degree of discrimination between domestic and foreign investment. To attract external capital, a level playing field was created, with discriminatory tax incentive policies progressively abolished. According to the CIT Law (2003), CIT incentives from 1 January 2004 were applied equally to enterprises from all economic sectors in terms of eligibility and CIT incentive levels.

Viet Nam has also gradually reduced its standard CIT rate through amendments to the CIT Law. Since 1 January 2016, the standard CIT rate has sat at 20 per cent, with small-scale enterprises benefiting from this rate since 2013. Compared to ASEAN peers, Viet Nam's standard CIT rate (20 per cent) is on par with Cambodia, Lao PDR and Thailand, yet lower than the Philippines (30 per cent), Malaysia (24 per cent) and Indonesia (22 per cent). Maintaining the 20 per cent rate has ensured competitiveness with other countries in the region and remains consistent with current practices.

Several tax support policies to promote private sector development were ushered in. Specifically Resolution No. 198/2025/QH15 provided for two-year CIT exemptions and 50 per cent reductions in the following four years on income from startup activities. This applies to innovative startup enterprises and investment fund management companies, while SMEs are CIT-exempt for three years from the date first granted a certificate of enterprise registration.

The 2025 amended CIT Law is expected to create a more transparent legal framework to boost private sector development. Accordingly, preferential tax rates for businesses have been set at 10, 15, and 17 per cent, with the first of the three rates for 15 years applied to new investment projects in specific sectors such as high-tech, venture capital, software production, cybersecurity, supporting industries, renewable and clean energy production as well as new investment projects in economic zones already enjoying tax incentives.

A key provision in the CIT Law relates to reduced tax rates for small and micro-enterprises. While the general CIT rate applicable to the majority of businesses is 20 per cent, exceptions are stipulated in Clauses 2, 3 and 4 or those eligible for a preferential rates under Article 13. This means a 15 per cent tax rate applies to enterprises with annual revenue not exceeding VND3 billion, while a 17 per cent rate applies to those with revenues ranging from VND3 billion to VND50 billion.

VAT policies have undergone multiple revisions to trim administrative procedures for taxpayers and authorities. These intensive revisions saw the VAT Law No. 13/2008/QH12 amended four times from 2013 to 2024 since it was passed on 3 June 2008. These amendments have rationalized goods and services subject to 5 and 10 per cent tax rates, enhanced policy transparency and optimized management efficiency for tax authorities and taxpayers. Additionally, the VAT Law sets a revenue threshold of VND1 billion for applying the input-output method, in line with international practice, and simplifies tax calculations for taxpayers with revenue below this threshold. This has helped reduce administrative procedures for small and micro enterprises, as well as reduced taxpayers' costs and time required for VAT declarations and payment, while also easing administrative burdens on tax authorities.

Agile government tax incentive and policy responses helped businesses overcome post-pandemic challenges. Tax incentives include exemptions, reductions and extensions for CIT, VAT, land rent, import duties on goods, fees and charges. Notable legal documents included Decree No. 12/2023/ND-CP extending deadlines for paying VAT, CIT, PIT and land rent in 2023, No. Decree 26/2023/ND-CP regarding preferential export and import tariffs and Circular No. 43/2024/TT-BTC, effective from July to December 2024 on reducing 36 types of fees and charges to help cut costs for businesses throughout 2024.

2.3.2. Identifying barriers

Despite encouraging development, Viet Nam's CIT incentive framework is considered complex due to its broad coverage. Under the Law on Investment 2020, with investment projects operating across multiple sectors or regions, it can be challenging to determine precise levels of available incentives. The complexity of CIT regulations requires enterprises to undertake multiple procedures to calculate revenue, costs and the timing of loss carry-forwards to qualify for tax benefits. Delays and inconsistencies in guidance from authorities further complicates compliance, with some SMEs reporting receiving incorrect information. These challenges increase compliance costs for businesses and create difficulties for tax authorities in effectively administering policy.

► **Box 13. Highlighting overlapping CIT incentive policies**

CIT incentive policies – including preferential rates, tax exemptions and reductions – are primarily governed by Chapter III, CIT Law 2020, across Articles 13 to 18. However, these policies are also integrated into specialized laws such as on Investment, Technology Transfer, Railways, SME Support and several decrees like Decree No. 111/2015/ND-CP on development of supporting industries.

The inclusion of tax policies in these specialized legal documents affects the consistency and uniformity of the legal system. Although Article 18, of the CIT Law, allows enterprises to choose the most beneficial incentive rate when eligible for multiple ones, this provision also increases compliance burdens for SMEs. It makes it challenging for tax authorities to cross-reference and determine the “most beneficial incentive rate” in complex cases where differences are not clear-cut.

Enterprises have an expectation of further tax policy and administrative procedure improvements to drive production and business activities. A 2025 National Statistics Office survey showed that “adjusting tax and fee policies” was the second most common recommendation from enterprises (31.2 per cent), only behind “reduced lending interest rates” (40.5 per cent).⁴² While the VAT rate has reduced from 10 to 8 per cent, implementation obstacles required businesses to expend additional resources on compliance and raised concerns about potential legal risks during application (Box 14).

► **Box 14. Challenges in implementation of the VAT reduction policy**

Introduced to support businesses amid post-pandemic economic headwinds, implementation of this VAT policy initiative has not been smooth to date. Decrees No. 15/2022/ND-CP and No. 44/2023/ND-CP, implemented from 2022 and extended to 31 December 2026 as per National Assembly Resolution 204/2025/QH15, have caused confusion among businesses and government agencies regarding eligibility of goods and services. Instead of uniformly reducing VAT, a list of goods and services ineligible for reductions spanned dozens of pages.

As a result, to determine if goods or services are eligible for VAT reductions, businesses must first look up business sector and HS codes for imported goods and materials according to the Prime Minister’s Decision No. 43/2018/QĐ-TTg, then cross-reference against the exclusion lists in Decrees 15 and 44. In many cases, even after checking the appendices, businesses could not determine the correct VAT rates, heightening risks associated with business activities.

Bottlenecks in the VAT refund process. In addition, the VAT refund process remains a major bottleneck, directly impacting the cash flows and financial health of businesses, particularly exporters. This stems from overlapping legal documents, a lack of clarity in scope, and the tax authority’s continued reliance on manual procedures and inconsistent application of risk management. For instance, timber industry enterprises struggle to verify the origin of their materials, due to inconsistencies between regulations from the General Department of Taxation and Ministry of Agriculture and Rural Development’s Circular No. 27/2018/TT-BNNPTNT, as well as a lack of uniform implementation across localities. Specifically, General Department of Taxation documents (Official Letters No. 2124, No. 2928, No. 4569 and No. 429/TCT-TTKT) classified domestically grown timber and timber products as high tax and risk items. These documents instruct local tax departments to intensify inspections and coordinate with police, customs, and local authorities to verify the wood’s origin. Meanwhile, the VAT refund bottleneck for rubber exporters stems from Official Letter No. 633/TCT-TTKT, issued by the General Department of Taxation on 7 March 2022. This letter requires VAT refund verification to trace through all intermediate stages to the final step—a process that is nearly impossible to implement in practice.

⁴² To assess business production on the ground in the first quarter of 2025, the National Statistics Office surveyed 30,426 enterprises, including 6,330 in processing and manufacturing, 6,239 in construction and 17,857 in trade and services.

► **Box 15. Challenges in VAT refund process**

Agricultural product exporters have been encountering difficulties in VAT refund processes since 1 July 2025, following a request that all invoices be issued with 5 per cent VAT then refunds are applied for post-export.

While processed agricultural products such as peeled coffee, rice, pepper and cashews were once exempt, under Article 19 of Decree 181/2025/ND-CP exporters must first advance funds to domestic suppliers to pay the 5 per cent VAT. After goods are shipped, the exporter submits a refund application to be reimbursed for this tax amount. However, this process has created numerous risks for exporters.

First, risk of non-refunds due to supplier non-compliance. If a supplier fails to pay the tax, the exporter will not receive the VAT refund. There have been past cases where exporters transferred funds to suppliers for VAT payment, but the suppliers failed to fulfill their tax obligations. Some suppliers even declared bankruptcy or ceased operations, making it impossible for tax authorities to collect the VAT. Under the new regulations, if the State cannot collect VAT from the supplier, it will not refund the amount to the exporter, even though the goods were originally non-taxable. This places a direct and significant risk on the exporter.

Second, risk of “trapped” capital. Businesses are only eligible for a VAT refund after they receive payment from their foreign customers. For deferred payment contracts, businesses must advance the VAT payment, with some even borrowing from banks for this, then wait for months or even years. This creates enormous pressure from capital costs. If the foreign customer fails to pay, the business ambitious both its capital and the VAT it has paid.

Third, sudden implementation of the policy. The application of the 5 per cent VAT under Decree No. 181, which came into effect immediately upon its issuance on July 1, 2025, left no time for a transition. As export contracts were signed beforehand with fixed prices, businesses could not adjust selling prices to compensate for the additional tax cost. This not only impacts profitability, it also pushes businesses towards potential contract disputes.

2.4. Policies boosting the quality of human resources

2.4.1. Legal framework

Realizing a high-quality pool of human resources to drive national development remains a government focus. To realize this overarching goal, numerous legal documents have been issued since the Resolution of the 13th National Party Congress in 2021.⁴³ Subsequently, the National Strategy for Attracting and Leveraging Talent until 2030, with a vision to 2050 was realized through Decision No. 899/QĐ-TTg (31 July 2023) of the Prime Minister. This landmark step prioritized development of legal frameworks and the issuance of policies to attract and leverage talent in various fields including leadership and management, S&T, education and training and healthcare. This serves as a crucial legal foundation for Viet Nam to realize high-quality human resources to accelerate progress towards ambitious development goals.

⁴³ It emphasized: “Creating a breakthrough in fundamental and comprehensive reform of education and training, developing high-quality human resources, and attracting and leveraging talent. It also promotes strong research, technology transfer, and application of the achievements of the Fourth Industrial Revolution in all fields of social life, focusing on key sectors with potential and advantages to serve as a growth driver, with the aim of catching up, advancing alongside, and even surpassing the region and the world in some fields”.

Policies to develop the SME labour pool have taken shape. The Law on SME Support (2017), Article 14 outlines government-supported business startup, corporate governance, and vocational training for employees. This is further elaborated by Decree No. 80/2021/ND-CP, with Chapter IV (Articles 16 to 18), including 100 per cent support of tuition fees for business startups, corporate governance training for women-owned SMEs and enterprises in disadvantaged areas. It also provides vocational training support for SME employees based on local needs. This training support is guided by Circular No. 06/2022/TT-BKHĐT (10 May 2022), which specifies the beneficiaries, conditions, procedures, and application requirements for SMEs to participate in State-supported training programmes. Additionally, Circular No. 52/2023/TT-BTC (8 August 2023) guides use of recurrent State budget funds to support SMEs as regulated by Decree No. 80/2021/ND-CP.

Policies on vocational training and skills development for SME employees have also been realized. Decree No. 145/2020/ND-CP guides provisions of the 2019 Labour Code and permits businesses to collaborate with vocational education institutions to conduct on-site training or commission programmes tailored to specific needs. Additionally, Circular No. 28/2017/TT-BLDTBXH regulates implementation of continuous training programmes within vocational education institutions, providing a legal basis for businesses to organize short-term training and retraining of employees.

A strong emphasis has been placed on optimizing human resources for the high-potential semiconductor industry. Ambitious goals are set out in Decision No. 1017/QĐ-TTg, issued in 2024, approving the Human Resource Development for the Semiconductor Industry until 2030 with an Orientation towards 2050 programme. Specific targets include training at least 50,000 personnel with university-level qualifications or higher, at least 42,000 engineers and bachelors, 7,500 master's and 500 doctoral students, 15,000 design personnel, 35,000 production, packaging and testing specialists related to the semiconductor industry and 5,000 specialists in artificial intelligence.

Ministries have also been tasked with boosting the human resources talent pool available to the private sector. As outlined in 2025's Resolution No. 138/NQ-CP, the Ministry of Education and Training is tasked with reviewing curricula at all education levels to incorporate creative skills, STEM (Science, Technology, Engineering, and Mathematics), foreign languages and digital skills. Moreover, it must introduce mechanisms for human resources training based on business needs and support educational institutions to establish partnerships with foreign institutions. This will be complemented by the Ministry of Finance implementing a targeted programme to train 10,000 executives for the private sector.

2.4.2. Identifying barriers

While Viet Nam's participation in global value chains has largely relied on its cost advantages and abundant labour supply, the majority of its workforce possess limited skills. This has enabled Viet Nam to attract FDI into labour intensive manufacturing sectors, resulting in a concentration in low-value-added stages, primarily final assembly. This pattern is also reflected in the current labour demand structure. Over the past 15 years, the processing and manufacturing sector has generated nearly five million additional jobs. By 2021, 90 per cent of 11.2 million jobs in this sector were low-skill positions (World Bank, 2025a). In contrast, high-skill roles such as electrical engineers, programmers, specialized technicians or managers account for less than 6 per cent of manufacturing jobs, less than half the share observed in Thailand.

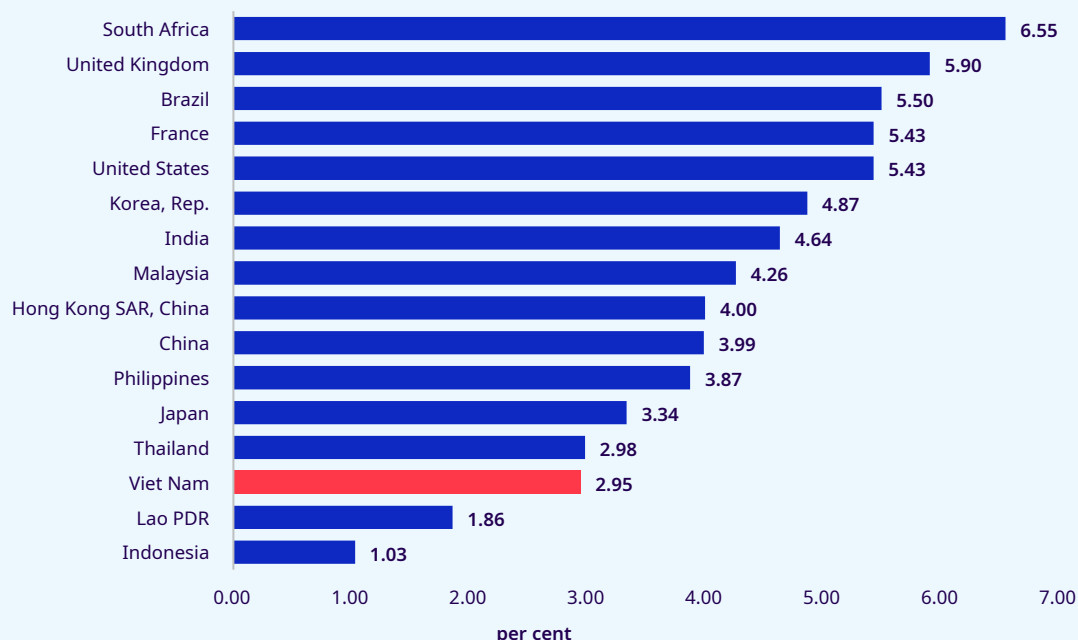
The supply of high-skilled labour for SMEs and the private sector remains limited. Although the country has achieved notable results in basic education, these outcomes have not fully translated into equivalent achievements at post-secondary level, which is critical for meeting the demand for high-quality human resources in science, technology, and management. According to World Bank 2023 estimates, to develop an appropriately skilled workforce aligned with Viet Nam's high-growth objectives through 2035, 430,000 workers with college or university qualifications need to enter the labour market each year—more than twice the current projected rate of 200,000 per year (World Bank, 2023b). This represents a key constraint to skills-driven growth and broader, more inclusive participation in global value chains.

The shortage of skilled labour remains a major barrier to upgrading toward higher tech and value-added activities. About one-third of hiring units reported difficulties in finding suitable candidates for open positions, while 22 per cent of managers identify recruiting adequately qualified personnel as their greatest challenge (World Bank, 2025a). This issue is particularly pronounced in the processing and manufacturing sector, where nearly 80 per cent of enterprises reported difficulties in hiring skilled workers, according to the 2020 Enterprise & Innovation Survey. The semiconductor sector—considered one of Viet Nam’s strategic industries—provides a striking example of this risk: it requires 10,000 engineers annually, yet the current labour supply meets less than 20 per cent of this demand.⁴⁴

With the proportion of untrained workers in Viet Nam remaining high, while training quality is low, the labour market’s structure is still poorly aligned with economic needs. The country’s shortage of skilled workers across multiple sectors has become a major constraint on private sector development. Despite multiple rounds of reforms, higher education programmes remain largely theoretical in nature, with limited practical relevance and weak alignment with market and enterprise needs. The system is slow to adapt and lacks innovation, with public universities facing significant challenges due to limited autonomy in designing or adjusting curricula, mobilizing funding, and developing high-quality faculties.

State financial resources have yet to fully flow into human resource development. While Resolution No. 29-NQ/TW (2013) and the Law on Education (2019) both stipulate that the State education and training budget should comprise 20 per cent of total public expenditure, in reality it averaged 17.8 per cent during 2013–23 and peaked at 19.08 per cent in 2019.⁴⁵ Furthermore, the proportion of public spending allocated to higher and tertiary education remains among the lowest in the region. In 2019, Viet Nam’s higher education sector received 0.23 per cent of GDP, significantly lower than peers such as Malaysia, Singapore and Thailand (Figure 3).

► Figure 3. Government expenditure on education in 2021 (% of GDP)



Source: World Bank

⁴⁴ Duong, T. 2023. “Semiconductor Workforce Training: Fear of Shortage, Not Surplus”. See: <https://byvn.net/M353>

⁴⁵ See: <https://byvn.net/zZQC>

Vocational training has yet to meet evolving labour market demands. Although the country has a broad network of technical and vocational education and training (TVET) institutions with high potential to meet employer demands, higher education peers have posted faster growth.⁴⁶ Currently, public TVET institutions offer outdated curricula not synergized with industry needs and lack resources, qualified teachers, certification, accreditation and quality assurance standards. While Viet Nam has encouraged provision of non-public TVET since 1998, with many private providers entering the market and some employers investing in third-party TVET facilities in return for preferential selection of students, programmes do not accurately reflect market needs. Most new TVET programmes are initiated through government initiatives and have weak ties to industry, preventing them from providing a curriculum that meets industry demands.

Policies aimed at channeling quality human resources towards SMEs have yet to gain traction. While the Law on SME Support became effective from January 2018, guiding decrees and circulars were not issued until 2019 and 2020. Moreover, a key document guiding use of recurrent State budget to support SMEs (Circular No. 52/2023/TT-BTC) was only issued in August 2023, causing significant delays in delivering SME support policies. In addition, businesses and localities reported numerous implementation obstacles, particularly low spending caps, with outdated cost norms compared to current market rates making it difficult to engage experts to participate in training programmes. Moreover, a limited field of service providers is apparent, with supported activities commonly requiring a significant co-contribution from businesses. Finally, enterprises are also often hesitant to register for support policies due to concerns about complex and time-consuming procedures, while others are not even aware of the policies.

► **Box 16. Bottlenecks in implementation of human resource development policies for SMEs**

While policies supporting human resource development for SMEs are encouraging, implementation has faced bottlenecks.

Issues with enterprise co-financing. Article 14, Decree 80/2021/ND-CP stipulates a maximum 70 per cent support from the State budget for the cost of a corporate governance training course for SMEs. However, most SMEs are micro (67.1 per cent) or small (26.4 per cent) enterprises, with common capital sizes under VND10 billion and limited resources.⁴⁷ As a result, these SMEs are not ready to contribute co-financing to participate in support programmes.

Furthermore, Clause 4, Article 3, Decree 80/2021/ND-CP states that: “SME support agencies and organizations are those assigned by competent authorities to organize implementation of SME support activities”. In practice, SMEs commonly report an inability to find a list of such support agencies, where to register for support programmes or whether they are suitable for their businesses. Instead, SMEs need a mechanism to publicly list qualified organizations that provide training services for access.

Low-cost norms in support policies. These cost norms, detailed in Articles 8-10 of Circular No. 06/2022/TT-BKHDT, must comply with long-standing State budget regulations (Circulars No. 36/2018/TT-BTC, No. 194/2012/TT-BTC and No. 40/2017/TT-BTC). As such, cost norms are outdated compared to actual market costs, support policies are unattractive and lack resources to develop high-quality training programmes for SMEs.

⁴⁶ By May 2023, the country had 1,888 vocational education institutions, including 397 colleges, 433 intermediate schools and 1,058 vocational education centres. Of these, public vocational institutions accounted for 64 per cent, while non-public institutions made up 36 per cent.

⁴⁷ See: <https://quochoi.vn/hoatdongdbqh/Pages/home.aspx?ItemID=85313>

Public employment service centres⁴⁸ do not operate effectively and are overly dependent on the Unemployment Insurance Fund. While these centres are legally mandated to provide employment services to all workers, in practice the majority of their workload is focused on unemployment insurance recipients. The task of disbursing unemployment benefits is prioritized over general employment services, which adversely affects their capacity to meet counseling and job placement needs of insurance claimants and the public.

A direct consequence of this imbalance is a decline in the quality of counseling and job placement services. This is also evident in the quality of their databases, as a World Bank study (Stienon et al, 2020) pointed out. Due to the lack of a national standard, employment data is fragmented across different centres. More importantly, the data primarily pertains to unemployment insurance beneficiaries, many of whom are not actively seeking work, rather than general job-seekers. This shortage and distortion of supply-and-demand information makes it difficult for counselors to effectively match workers with jobs and provide career guidance, especially for new and high-demand occupations.

2.5. Policies promoting science and technology, innovation and digital transformation

2.5.1. Legal framework

In the critical area of science and technology, innovation and digital transformation, the government has proactively enacted several key legal documents to support private enterprises and SMEs in playing impactful roles in these high potential sectors.

Decree No. 80/2021/ND-CP details a number of policies to support innovative startups and digital transformation for SMEs, as outlined in the Law on SME Support 2017. Specifically, to deliver financial support for digital transformation the decree provides support of up to half of the value of a digital transformation consulting contracts or the cost of leasing and purchasing digital solutions. The maximum support is VND50 million per contract per year for small enterprises and VND100 million for medium-sized enterprises (Article 11). To boost innovative startups, there is support for technical facilities, incubation centres, and co-working spaces. From 2022 to 2024, the central government allocated close to VND140 billion to ministries as targeted support to localities for technology and digital transformation initiatives. Approximately half of this funding was for training, consulting, and supporting application of digital solutions.

The National Assembly also issued Resolution No. 193/2025/QH15 in 2025 to pilot special mechanisms to create breakthroughs in science, technology, innovation, and national digital transformation. The resolution focuses on removing bottlenecks by granting autonomy in the use of research funds, accepting risk in scientific research, granting exemptions to individuals and organizations from civil liability and enabling the State to provide research funding through a tailored mechanism. Furthermore, to promote commercialization of outcomes, the resolution pilots the application of S&T breakthroughs immediately upon completion of research. It also pilots allowing corporate sponsorships and expenditures for S&T to be considered as valid, deductible expenses when calculating CIT. These policies were subsequently detailed in Decree No. 88/2025/ND-CP.

As a further step forward in 2025, the Law on Science, Technology, and Innovation No. 93/2025/QH15 introduced a series of policies to promote development of science, technology, and innovation, such as exempting PIT on income from salaries and wages for performing science, technology and innovation tasks (Clause 3, Article 71), establishing national and local venture capital funds (Article 40), organizing a specialized stock exchange for innovative startups (Article 41) and (iv) providing incentives in public procurement for products and goods from businesses operating in the field of science, technology, and innovation (Article 67). However, these policies were awaiting detailed implementing decrees and circulars at the time of this report.

⁴⁸ By the end of 2024, there were 52 public employment service centres nationwide, 42 of which were managed by the Department of Home Affairs and 10 are under unions and other organizations.

The Politburo issued two Resolutions⁴⁹ to enhance the effectiveness of foreign investment cooperation, and develop national industrial policy to support private sector investment in R&D and application of advanced technologies. The National Assembly also passed the Law on Technology Transfer 2017, which includes policies to support businesses in technology application and innovation.

The government has taken action on a number of fronts (Resolution No. 58/NQ-CP and Resolution No. 124/NQ-CP),⁵⁰ Decree No. 76/2018/ND-CP providing detailed regulations for implementing the Law on Technology Transfer and Decree No. 94/2020/ND-CP stipulates preferential policies for the National Innovation Centre. Decision No. 844/QĐ-TTg approves the Scheme for Supporting the National Innovative Startup Ecosystem until 2025. Circular No. 05/2022/TT-BKHCN on use of the Enterprise Science and Technology Development Fund specifies applicable activities. Furthermore, 2025's Decree No. 180/2025/ND-CP regulates public-private partnership (PPP) mechanisms and policies in S&T and digital transformation. One of the breakthroughs of this new policy is that the State can contribute up to 70 per cent of the total investment for certain PPP projects. This is a strong commitment that demonstrates the government's "catalytic capital" role in attracting private investors to strategic fields.

The National Innovation Centre (NIC) is a key organization driving innovation and growth momentum for the private sector. With a "business-centric" philosophy, the NIC is not just a government body, but a strategic partner and crucial bridge fostering a favourable environment for private enterprises, from large corporations to startups, to develop within the science, technology, and innovation ecosystem. The NIC stands out as the only innovation centre with a government-issued dedicated decree granting it superior legal status to operate and develop effectively. As such, the NIC has partnered with global technology giants like Google to implement the "Building the Future of AI in Viet Nam" programme providing AI startups with expertise and resources. It has also supplied advanced microchip design software packages and offered intensive training courses, paving the way for Viet Nam's private enterprises to enter into the semiconductor industry.

Development of high-tech zones, high-tech incubators and S&T enterprises is prioritized. During 2017–20, the government issued two decrees⁵¹ and the Prime Minister three decisions⁵² regulating high technology. Decrees were also issued on S&T enterprises,⁵³ as well as on management and use of assets generated from State-funded S&T initiatives. The government approved the overall master plan for development of high-tech zones (HTZs) to 2020 and 2030, along with supplementary documents⁵⁴ to realize synchronized and modern infrastructure for national HTZs.⁵⁵

To date, the Prime Minister has elected to establish three high-tech parks nationwide (Hoa Lac, Ho Chi Minh City, Danang) and the Dong Nai High-Tech Biotechnology Park. The three national high-tech parks have attracted nearly 300 active investment projects, with more than a quarter sourced from FDI, with total registered investment capital of more than US\$17 billion, including from reputable global corporations⁵⁶ and large Vietnamese corporations.⁵⁷ The total production value of the three national high-tech parks has steadily increased annually.⁵⁸ By 31 December 2022, 712 enterprises had been granted S&T Enterprise Certificates.

⁴⁹ Resolution No. 50-NQ/TW (20 August 2019) on foreign investment cooperation until 2030, Resolution No. 23-NQ/TW (22 March 2018) on national industrial development policy until 2030, with a vision to 2045.

⁵⁰ Resolution No. 58/NQ-CP (27 April 2020) on implementing Resolution No. 50-NQ/TW. Resolution No. 124/NQ-CP (3 September 2020), on implementing Resolution No. 23-NQ/TW.

⁵¹ Decree No. 74/2017/ND-CP on Hoa Lac High-Tech Park, while Decree No. 04/2018/ND-CP regulates preferential policies for Danang High-Tech Park.

⁵² Decision No. 1068/QĐ-TTg approved the Intellectual Property Strategy through 2030, Decision No. 2205/QĐ-TTg approved the Intellectual Property Development Programme through 2030 and Decision No. regulates the operational framework for Dong Nai Biotechnology Park.

⁵³ Decree No. 13/2019/ND-CP replaced Decree No. 80/2007/ND-CP, Decree No. 96/2010/ND-CP, and Article 20 of Decree No. 95/2014/ND-CP concerning science and technology enterprises.

⁵⁴ Additional documents include Official Letter No. 52/TTg-KGVX on including Can Tho High-Tech Park in the overall master plan for HTZ development through 2020 with orientation toward 2030, and Decision No. 2098/QĐ-TTg on adding Ha Nam High-Tech Park to the same master plan.

⁵⁵ The current high-tech parks, along with the establishment of several new ones: Hanoi Biotechnology HTZ (Hanoi), Ascendas-Protrade HTZ (Binh Duong province), Can Tho HTZ (Can Tho province), and Ha Nam HTZ (Ha Nam province)/

⁵⁶ Datalogic, Hanwha, Intel, Jabil, Nidec, Samsung, Sanofi and Sonion.

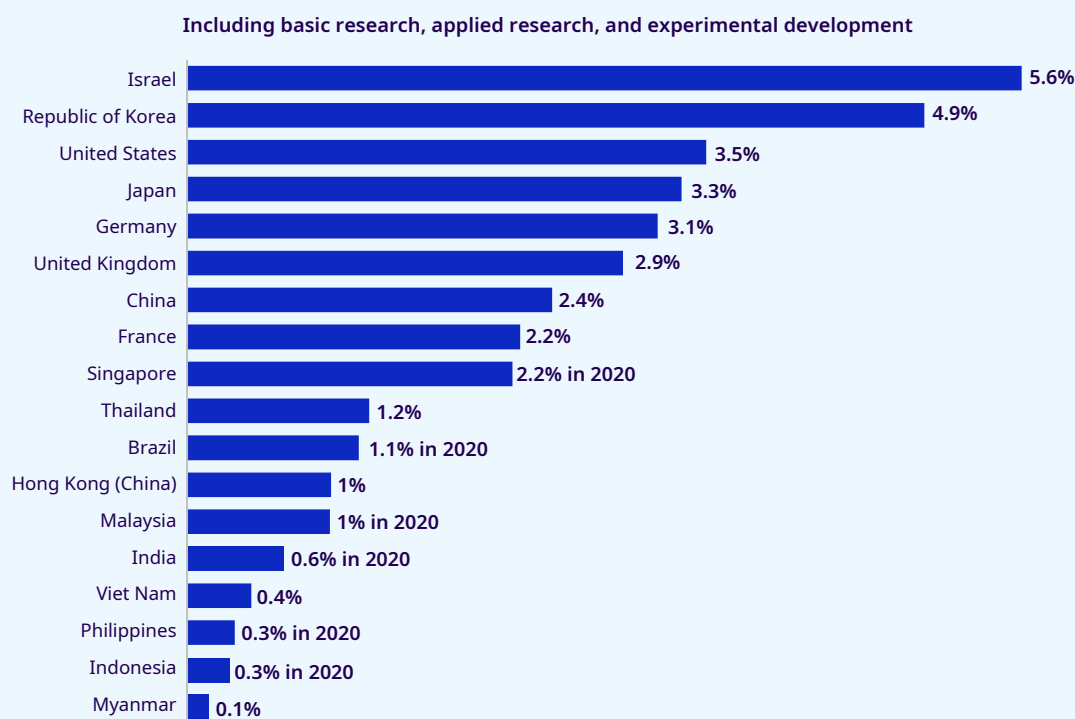
⁵⁷ FPT, Viettel, Vingroup and VNPT.

⁵⁸ Total production value reached nearly US\$20 billion in 2019, US\$21 billion in 2020, US\$23.35 billion in 2021 and US\$27 billion in 2022.

2.5.2. Identifying barriers

Highly ambitious breakthrough developments in science, technology, innovation, and digital transformation are targeted by Resolution No. 57-NQ/TW (22 December 2024) issued by the Party Central Committee. This means by 2030, Viet Nam aims to be developing nation with modern industries and high middle-income status, with science, technology and innovation the primary drivers of socio-economic development. Moreover, a top 30 Global Innovation Index (GII) ranking is targeted, along with the digital economy to account for 30 per cent of GDP and labour productivity to increase by 7.5 per cent annually. However, barriers in national innovation capacity, particularly within the private sector, make achievement of these targets highly challenging.

► Figure 4. R&D development spending as a share of GDP, 2021



Source: : UNESCO Institute for Statistics (UIS), via World Bank (2025)

Viet Nam's investment in R&D remains tepid. While the government targeted R&D expenditure to reach 2 per cent of GDP by 2020, as outlined in the 2011–20 Science and Technology Development Strategy, by 2021 it sat at just 0.4 per cent, significantly lower than most ASEAN peers. This underperformance in R&D is also reflected in Viet Nam's low ratio of R&D specialists, equivalent to 20 per cent of the EU average, 7.6 per cent of Republic of Korea's, 29.8 per cent of Malaysia's and 58 per cent of Thailand's. Furthermore, Viet Nam's R&D workforce is predominantly in the public sector (84.13 per cent) (CSIRO, 2021).

Constrained resources have resulted in less than compelling R&D outcomes for Viet Nam. As a result, Viet Nam's number of patents and scientific publications remains low compared to regional and global peers (Le, 2025). According to the World Intellectual Property Organization (WIPO), in 2023 Viet Nam recorded 10 domestic patent applications per million inhabitants, ranking 67th globally, lower than Thailand (10.5, 66th), Malaysia (24.6, 52nd), Singapore (274, 15th), and far behind the Republic of Korea (3,696, 1st).⁵⁹

Private sector science and technology enterprises have yet to become a common feature of the business landscape. While the Science and Technology Development Strategy for 2011–20 targeted 5,000 S&T enterprises by 2020, just 700 were registered by 2022. Despite specific incentive mechanisms for S&T enterprises stipulated in Decree No. 13/2019/ND-CP, a 2023 Viet Nam Association of Science and Technology Enterprises survey involving 167 member companies revealed that only six received incentives, totaling VND91 billion.⁶⁰ Moreover, private sector S&T research institutes remain scarce due to limited policy support and State funding for R&D.

Cooperation between universities and the private sector to build a fit-for-purpose talent pool for enterprises remains limited. A 2021 survey conducted by the Department of Higher Education, Ministry of Education and Training (MoET),⁶¹ found that less than half (40.7 per cent) of 135 surveyed higher education institutions reported collaboration with enterprises across information technology and other fields, while 6.7 per cent had no cooperation with businesses at all. Common forms of engagement included student internships and scholarships, whereas around one-third of surveyed enterprises participated in curriculum design or teaching. These findings highlight that enterprises have yet to fully recognize their role in the human capital development process.

Corporate Science and Technology Development Fund encounters constraints. To date, the business community has faced numerous issues in using the Science and Technology Development Fund, since the Ministry of Science and Technology issued Circular No. 05/2022/TT-BKHCHN (31 May 2022) and the Ministry of Finance rolled out Circular No. 67/2022/TT-BTC (7 November 2022) on the fund's implementation.

► Box 17. Bottlenecks in use of the corporate science and technology development fund

There is scope to optimize regulations on usage of funds to boost long-term research projects. According to regulations, if a fund is not used or less than 70 per cent is used after five years, the remaining amount must be transferred to a national, a ministerial or a provincial-level fund where the enterprise is registered for tax. It will then be re-supported when the enterprise requests its use for S&T tasks, with the supported amount equal to or higher than the amount the enterprise transferred. However, to use the transferred funds, businesses must follow strict and time-consuming procedures. For non-state enterprises, the remaining fund balance is subject to CIT, with a late payment penalty if applicable. While the remaining amount after fulfilling tax obligations is essentially the enterprise's income and could be refunded to the business, current legal provisions prevent it.

Regulations do not match reality. The Ministry of Finance's Circular No. 67/2022/TT-BTC was issued based on National Assembly's Resolution 43 to alleviate businesses difficulties amid the post-pandemic economic recovery. While the Corporate Science and Technology Development Fund could only previously be used for research activities, the circular permitted use of the fund to purchase machinery and equipment for technology innovation during 2022 and 2023. In reality, the process for a business to invest in new machinery for production was a rigorous, multi-stage process that took years, from the initial idea and technology selection to implementation and putting it into operation. As a result, Resolution No. 43's two-year timeframe was insufficient for businesses to execute such investments.

⁵⁹ <https://www.wipo.int/web/ip-statistics/country-profiles>

⁶⁰ Trung Thanh & Hai Ngan. 2024. "Science and Technology Enterprises Face Challenges Accessing Incentive Policies." See: <https://diendandoanhnghep.vn/doanh-nghep-khoa-hoc-cong-nghe-kho-tiep-can-chinh-sach-uu-dai-10130451.html>

⁶¹ Department of Higher Education, Ministry of Education and Training. 2021. "Report on University-Enterprise Collaboration in the Information Technology Sector."

Burdensome administrative procedures prevent SMEs from accessing State S&T and innovation support policies. According to the 2019 Enterprise Innovation Survey,⁶² 30 per cent of respondent businesses were unaware of government support options, while 22.9 and 28.9 per cent of medium- and small-sized enterprises, respectively cited “complex application review procedures” as reasons why they could not receive government support. Furthermore, a CIEM (2024) study indicated that businesses were hesitant to participate in State-funded support programmes due to small budgets and conditions, such as complex payment and compliance procedures.⁶³

2.6. Policies supporting the green transition

2.6.1. Legal framework

Viet Nam has set ambitious goals to become a high-income country by 2045, enhance climate change resilience, and achieve net-zero emissions by 2050. Integrating climate mitigation and adaptation strategies into socio-economic development planning is essential to ensure resilient growth, reduce vulnerability, and foster long-term prosperity. In turn, as incomes rise, the private sector and especially SMEs and business households will enhance capacity to prepare, respond and recover from climate-related impacts. As such, robust economic development is essential to strengthen climate resilience in step with the economy’s transition towards greener and more resilient development to unlock new drivers of growth and employment.

Industrial and export centres are particularly vulnerable to climate change. Just under two-thirds (70 per cent) of Viet Nam’s population lives in densely populated coastal and urban areas, also home to the majority of the nation’s 433 industrial parks⁶⁴ that supply 90 per cent of processed and manufactured exports. According to a 2024 World Bank study (World Bank, 2024), 71 and 74 per cent of garment and electronics businesses, respectively operate in areas at high risk from heat stress, leaving 1.3 million workers vulnerable, 70 per cent of whom are women. More frequent natural disasters can cause physical damage, disrupt supply chains and factory operations. For example, Haiphong city as a key industrial and export hub and home to one of the nation’s major ports, suffered VND11,000 billion in damage from Typhoon Yagi⁶⁵ in 2024, with supply chains disrupted by power and communication outages.

The government has begun laying the groundwork for a greener, more resilient future. At the macro level, it established the Mekong Delta Regional Coordination Council, which brings together government authorities, local communities, and the private sector to harmonize investments and actions to address climate change risks throughout the delta region. The government also issued a plan for sustainable use of coastal resources to transform coastal areas into hubs of cultural development, economic opportunity, and sustainability. Concurrently, Viet Nam is accelerating its energy transition. From 2019 to 2023, the nation’s installed solar power capacity surged from 4.5GW to over 17GW, driven by private investment and incentives. Following this, the Eighth National Power Development Plan sets ambitious targets of 73GW of solar power by 2030—a more than five-fold increase from the previous 12.8GW target—while the wind power goal nearly doubled from 21 to 38GW. At the same time, Viet Nam is promoting formation of an Emissions Trading System (ETS), with pilot programmes projected to begin in 2025 and full implementation expected in 2028 (World Bank, 2025b).

Policies to promote the green transition of SMEs and the private sector are reflected in various resolutions and decisions, including: Decision No. 1362/QĐ-TTg (11 October 2019) approving the Private Sector Sustainable Development Plan, Resolution No. 01/NQ-CP (1 January 2020) on private enterprises adopting sustainable and inclusive business models, Resolution No. 136/NQ-CP (25 September 2020) on sustainable development, Decision No. 167/QĐ-TTg (8 February 2022) approving the Programme on Sustainable Business Practices. Also notable are Resolution No. 138/NQ-CP on private sector development, Decree No. 205/2025/ND-CP (14 July 2025) on support policies for environmental protection and Decree No. 205/2025/ND-CP (July 14, 2025) that adds environmental protection support policies.

⁶² National Agency for Science and Technology Information. 2019. “Viet Nam’s Enterprise Innovation Report – An Analysis from a Statistical Survey.” Hanoi.

⁶³ CIEM. 2024. “Report on Promoting Green Innovation in SMEs in Viet Nam.”

⁶⁴ <https://delco-construction.com/danh-sach-cac-khu-cong-nghiep-viet-nam/>

⁶⁵ <https://vnexpress.net/hai-phong-thiet-hai-gan-11-000-ty-dong-vi-bao-yagi-4792944.html>

Financial policies are also driving enterprises' green transition. To boost green credit growth and manage environmental and social risks, the SBV issued Directive No. 03/CT-NHNN in 2015, while Decision No. 1604/QĐ-NHNN approved the Green Banking Development Scheme in 2018 and Circular No. 17/2022/TT-NHNN outlined environmental risk management of credit institutions and foreign bank branch lending activities. In addition, during 2018–19, the SBV collaborated with International Finance Corporation (IFC) to issue a Handbook on Environmental and Social Risk Assessment in lending for 15 economic sectors to guide credit institutions to proactively manage environmental and social risks that could impact repayment capacity.

As a result, green credit is on a positive trajectory in Viet Nam.⁶⁶ In the key area of green bonds, Decree No. 163/2018/ND-CP created a potential channel to mobilize capital for private sector green projects and lays the foundation for a green derivatives market in Viet Nam. In the financial sector, the Ministry of Finance in 2015 implemented a national strategy for green growth until 2020 per Decision No. 2183/QĐ-BTC, which specifies developing the green capital market and financial products. This framework covers green finance for capital market activities, including listing conditions, reporting requirements and monitoring based on green finance criteria. It also facilitates mobilizing investment capital through the capital market for green enterprises, projects and products, including listing and issuing green bonds.

Tax incentive policies are also an effective tool to promote the green transition. In recent years, numerous tax and fee policies encouraging businesses to produce and consume environmentally friendly products have been rolled out, including policies on VAT exemptions and reductions for environmentally friendly products, tax exemptions and reductions for use of renewable resources and import-export tax exemptions for green products.

State awareness raising and technical support are driving the private sector green transition. This means the Ministry of Industry and Trade delivers trade promotion activities, such as monthly thematic meetings with provinces, businesses and overseas trade offices to facilitate information exchanges and provide updates on international regulations and national import policies, especially regarding greenhouse gas (GHG) emissions reductions and green product standards. Meanwhile, the Ministry of Finance works with the private sector to build green transition roadmaps, and link enterprises with technology and financial partners. Each year, hundreds of SMEs benefit from digital transformation and innovation support programmes, with an increasingly integrated emphasis on sustainability and green elements.

2.6.2. Identifying barriers

Accelerating the green transition is an imperative for Viet Nam's private sector to enhance market competitiveness and achieve sustainable development, despite emerging obstacles on this journey.

The majority of SMEs and industry associations remain lack of information on how to implement green transition activities. As such, a green transition survey by the Private Sector Development Research Board in 2024 with 2,734 enterprises revealed that 64 per cent of respondents were unprepared for emissions reductions and green transition.⁶⁷ The survey also found that half of businesses could not access information about green transition requirements, 34.7 per cent struggled to access information and policies, and 46.8 per cent lacked specialized personnel in these areas. Notably, many businesses required to conduct a GHG inventor- as per Prime Minister's Decision No. 01/2022/QĐ-TTg- were unaware they were on the mandatory list. This decision requires entities in six high-emission sectors⁶⁸ with annual GHG emissions exceeding 3,000 tons of CO₂e to submit a bi-annual inventory report from 2024.

⁶⁶ Energy, transportation, construction, industrial production, agriculture, forestry, land use and waste.

⁶⁷ According to the SBV's Department of Sectoral Credit, outstanding credit serving environmental protection purposes exceeded VND4.28 million billion in 31 December 2024, accounting for 27.4 per cent of total credit in the economy. A total of 48 credit institutions provided green credit, with outstanding loans reaching nearly VND680 trillion, up 9.5 per cent compared to the end of 2023, primarily concentrated in renewable and clean energy sectors (41 per cent) and green agriculture (29 per cent). The average annual growth rate of green credit outstanding reached 21.2 per cent annually during 2017–24, exceeding the economy's credit growth rate.

⁶⁸ Dan Thanh. 2024. "Enterprises Still Face Challenges in Making the Green Transition." See: <https://daibieunhandan.vn/doanh-nghiep-van-kho-chuyen-doi-xanh-10347778.html>

Adoption of green technology innovations has yet to gain traction. According to the 2023 Provincial Green Index,⁶⁹ the nationwide average proportion of enterprises implementing green activities during 2022–23 was 38.7 per cent, while 17.7 per cent had applied green practices. SMEs commonly reported that their top priority was maintaining stable production and business operations, creating jobs, and ensuring income for employees. Therefore, while enterprises recognized the need for innovation and a green transition, they were unable to make substantial investments in green transformation.

Development of a green and circular economy is hindered by an incomplete legal system. Specifically, Viet Nam lacks a carbon credit market, a set of criteria to classify a green economic system and standards to identify projects eligible for green credit and green bond issuances. Furthermore, there is a lack of specific guidance from ministries and government agencies on conducting GHG inventories. Perfecting the policy system with specific guidelines, clear criteria, and regulations is a prerequisite for Viet Nam to make significant progress in developing a green and circular economy.

► **Box 18. Legal barriers hinder the private sector’s green transition**

Incomplete legal framework for the carbon market. The scheme to establish and develop a carbon market in Viet Nam⁷⁰ sets a goal of building a legal framework, piloting a carbon exchange from 2025 to 2028, and officially operating it in 2029. However, an incomplete legal framework may make the ambition of piloting the carbon exchange from 2025 unfeasible. One of the biggest barriers is Viet Nam has not issued a specific legal document governing the establishment, organization, operation, and management of the carbon exchange, including rules for trading, a trading platform, supervision, clearing, settlement, and dispute resolution.

Challenges in identifying projects for green credit and green bond issuances. Currently, Viet Nam has a foundational legal basis for green credit in the Law on Environmental Protection 2020 and Decree No. 08/2022/ND-CP. Article 154 of Decree No. 08/2022/ND-CP stipulates that projects receiving green credit or issuing green bonds must meet the criteria of a Green Classification List.

However, the delayed issuance of the Green Classification List has left many credit institutions, SMEs, and regulatory agencies without a clear basis for identifying projects that qualify as “green,” thereby hindering their access to preferential financial resources. In reality, many SMEs have invested in clean production, circular models, and renewable energy, but they cannot access green credit due to a lack of a basis for certifying their projects as “green.” Additionally, the absence of a national classification list for green economic sectors complicates the implementation of green transition support policies for SMEs and the private sector, particularly in identifying which sectors are “green” and eligible for incentives.

To address this issue, the Prime Minister issued Decision No. 21/2025/QĐ-TTg on 4 July 2025, stipulating environmental criteria and procedures for certifying investment projects under the Green Classification List.

SMEs face difficulties in conducting GHG inventories. Decree No. 06/2022/ND-CP, issued in 2022, is the first document to mandate GHG inventories for large emitters and to regulate emissions reductions and ozone layer protection. Viet Nam has 2,166 facilities required to submit GHG inventory reports, with the industry and trade sector accounting for 1,805, transportation (75), construction (229), and natural resources and environment (57), according to Decision No. 13/2024/QĐ-TTg of 2024.

⁶⁹ VCCI. 2024. “Report on PCI & PGI 2023.” See: <https://pcivietnam.vn/en/publications/2023-pgipci-full-report-ct227>

⁷⁰ Decision No. 232/QĐ-TTg (24 January 2025), approving the Project on Establishment and Development of a Carbon Market in Viet Nam.

However, by mid-2025, VCCI and several associations reported slow progress in the inventory process. While sectors like electricity, steel, cement, and chemicals have received specific implementation guidance from the Ministry of Industry and Trade through Circular No. 38/2023/TT-BCT, other sectors like construction and transportation are still awaiting detailed guidance. Many SMEs on the inventory list remain unclear on the procedures, lack technical personnel, and have difficulty accessing appropriate software. This creates a significant compliance risk for SMEs.⁷¹

The ability of SMEs and the private sector to access and absorb green credit remains limited. The business community, especially SMEs, is often unaware of available green credit channels or lacks the knowledge and capacity to build a “green” profile that meets bank criteria. SMEs also frequently struggle to demonstrate the environmental effectiveness of projects due to a lack of appropriate indicators, technical data or professional certifications. Furthermore, collateral continues to be a major barrier for businesses. Many green projects – such as those for energy savings, process improvements or circular models – do not have tangible assets and only generate future cash flows, making them difficult to use as collateral under traditional credit standards. Some international funds even require bank or State guarantees, beyond the capacity of many private enterprises.

2.7. Policies strengthening linkages between SMEs and FDI firms

2.7.1. Legal framework

To underscore Viet Nam’s commitment to solidify links between FDI enterprises and domestic SMEs, a series of policies have been deployed. Key goals include increasing the localization rate, developing domestic supply chains and facilitating technology transfers. Landmark ones included Resolution No. 50-NQ/TW (20 August 2019) of the Politburo that orientated FDI towards high-tech projects with commitments to spillover effects and linkages with domestic enterprises. Subsequently, Resolution No. 115/NQ-CP (6 August 2020) targeted 1,000 domestic enterprises to supply directly to FDI enterprises by 2025, increasing to 2,000 enterprises by 2030, to boost the FDI supply chain. Resolution No. 15/NQ-CP assigned the Ministry of Industry and Trade to develop a centralized information system on Vietnamese supporting industry enterprises, enabling buyers to seamlessly access information. In addition, the Prime Minister issued Decision No. 29/2021/QĐ-TTg in 2021 to attract large-scale, high-tech projects with spillover effects and linkages to domestic enterprises, specifying special investment incentives.⁷² Moreover, Decision No. 667/QĐ-TTg (2 June 2022) approved the Foreign Investment Cooperation Strategy for 2021–30,⁷³ outlining four objectives and nine groups of solutions to enhance foreign investment cooperation.⁷⁴

⁷¹ If SMEs delay submitting GHG inventory reports, they face fines ranging from VND5 million to VND50 million, and up to VND300 million for severe violations, according to provisions of Decree 45/2022/ND-CP. Additionally, they risk having orders from EU partners rejected due to a lack of carbon transparency.

⁷² Eligible subjects included: (i) the National Innovation Centre established by the Prime Minister, (ii) innovation, research and development centres with capital of VND3 trillion and minimum disbursement of VND1 trillion within three years, (iii) projects with special incentives and investment of VND30 trillion or more and minimum disbursement of VND10 trillion within three years, while also meeting key technology criteria.

⁷³ Decision No. 308/QĐ-TTg (28 March 2023) approved the Action Programme for implementing the Foreign Investment Cooperation Strategy for 2021–30.

⁷⁴ This includes: (i) implementing activities, (ii) improving the business investment environment, (iii) developing a ecosystem for science, technology, and innovation, (iv) attracting foreign investment, (v) developing supporting industries and promoting linkages and spillovers, (vi) leveraging advantages to boost foreign investment cooperation, (vii) enhancing international economic integration, (viii) modernizing investment promotion and (ix) improving State management of foreign investment.

To accelerate development of supporting industries, Decree No. 111/2015/ND-CP (3 November 2015) first introduced preferential policies for firms supporting manufacturers, with a particular focus on CIT incentives,⁷⁵ then Decree No. 205/2025/ND-CP was issued in 2025 adding several further incentive programmes. They included covering up to half of costs for product testing, inspections, quality certification, branding, copyright registration, intellectual property and barcode issuances. Moreover, 70 per cent of consulting fees for mergers and acquisitions and activities building the capacity of technology experts were also covered, along with funding for training technology-focused students, researchers and workers in the production of supporting industrial products. While taking effect on 1 September 2025, it still requires a guiding circular from relevant ministries for implementation.

Key support measures have helped domestic SMEs engage in industry clusters and value chains. Specifically, the Law on SME Support 2017 and implementing documents, such as Decree No. 80/2021/ND-CP, have built SMEs' production and linkages capacity through brand development, market connections and training to technical production standards. Most recently, Politburo Resolution No. 68-NQ/TW in May 2025 further emphasized the need to strengthen private sector connections with state-owned and FDI enterprises through localization rates and requiring large FDI firms to utilize domestic supply chains.

2.7.2. Identifying barriers

Viet Nam's current economic structure reveals several systemic weaknesses, with the bulk of export value generated by FDI firms contrasting with limited participation by domestic enterprises. Despite accounting for only 3 per cent of nearly 900,000 active enterprises, FDI firms employ up to 17.8 million workers- equivalent to 35 per cent of the formal workforce as of 2020. This group plays a key role in exports, especially in high-tech sectors such as electronics and telecommunications, while domestic enterprises mainly operate in traditional fields that serve the domestic market (World Bank, 2020). As a result, the FDI sector operates in isolation instead of acting as a driving force for the entire economy. The spillover effects of FDI to the domestic private sector remains limited to indirect impacts like increased demand for inputs, technology sharing, improved management skills, demonstration and clustering effects.

Limited domestic private sector capacity prevents full participation in FDI enterprise value chains. Although Viet Nam is on the international "map" for production of key industrial goods like electronics, textiles and footwear, the value content of exports remains low as domestic enterprises only participate in the assembly and processing stages. The ability of Vietnamese enterprises to connect with global supply chains is limited: just 18 per cent have such connections, with large enterprises accounting for the majority (62 per cent) compared to SMEs.⁷⁶ This underlines Viet Nam's heavy reliance on FDI inflows to drive its manufacturing and processing industries. Despite State policies to encourage FDI enterprises to form joint ventures with domestic firms and transfer technology, they remain insufficient to realize domestic SMEs' participation in the high-value stages of regional and global value chains.

⁷⁵ Enterprises with investment projects to manufacture supporting industrial products on the priority list are entitled to a preferential CIT rate (10 per cent for 15 years), a tax exemption for four years, and a 50 per cent reduction in tax payable for the following nine years. Enterprises with investment projects to manufacture supporting industrial products on the priority list are entitled to a preferential CIT rate (10 per cent for 15 years), a tax exemption for four years, and a 50 per cent reduction in tax payable for the following nine years.

⁷⁶ <https://byvn.net/ITdM>

FDI has left a significant footprint on Viet Nam's electronics industry without positive spill-over effects for local players. While giant global corporations such as Intel, LG and Samsung have turned Viet Nam into a major electronics production hub, the majority of FDI firms still import the bulk of their components, with domestic enterprises primarily participating in low-value stages like packaging, printing and logistics. In the textile and garment industry, another key export sector, more than 60 per cent of input materials are imported from China and elsewhere as Vietnamese enterprises have not formed a closed supply chain and lack capital to invest in technology to process fabrics that meet the green standards of demanding markets. This is a result of limited technological capacity, long-term capital for equipment upgrades, skilled labour, and weak management capacity to meet stringent MNC technical, social, and environmental demands. This situation necessitates strong and clearly targeted support policies to upgrade the domestic private sector's capacity if Viet Nam is to effectively leverage FDI capital. Achieving this will also require addressing bottlenecks in Decree No. 111/2015/ND-CP that aims to support SMEs in enhancing their competitiveness, meeting MNC requirements and attracting investment into the support industry.

Viet Nam lacks mechanisms to obligate FDI enterprises to transfer technology, utilize domestic supply chains and support local SMEs. Policies currently focus on encouraging linkages between FDI and domestic enterprises, but do not impose concrete obligations on FDI firms to assist the local business ecosystem through technology transfers or ensuring localization rates. This highlights a gap in binding policies and underscores the need for stronger measures to better integrate FDI with the domestic private sector.

► **Box 19. Challenges in defining beneficiaries of industry development incentives**

The inability to define and identify eligible firms to receive supporting industry incentives remains a drag on SME competitiveness. Currently, Article 11 of Decree 111/2015/ND-CP states that eligible projects include "new investment projects, expanded projects, and technology renovation projects with the application of new equipment and production processes that increase production capacity by at least 20 per cent". However, the term "new investment project" is not clearly defined. In reality, most domestic supporting industry businesses are SMEs with limited resources, making it challenging to undertake a completely new investment project, with most initiatives simply expansions or capacity upgrades. Furthermore, it does not define the criteria for a "20 per cent increase in production capacity". These ambiguities have significantly limited the policy's reach and impact on supporting industry businesses.

Although Decree 205/2025/ND-CP, issued in July 2025, has amended some of these problematic provisions and added several specific industry support policies, guiding circulars are required to ensure effective implementation.

2.8. Policies promoting the formalization of household businesses

2.8.1. Legal framework

The concept of “formalization” refers to the process of transforming informal or unregistered production and business activities into officially recognized entities operating within the formal economy through business registration and tax declarations. Accordingly, in the context of Viet Nam, the “formalization” of household businesses is understood as the process of converting them into enterprises and registering with the Enterprise Law.

Viet Nam has issued multiple policies to drive “formalization” of household businesses. In a landmark move, the Law on Enterprises in 1999 took a first step towards transforming eligible household businesses into enterprises, followed up by the Law on Enterprises in 2005 that stated: “Household businesses regularly employing 10 or more workers must register as enterprises in accordance with this law,” a provision maintained in the Law on Enterprises (2014). While the Law on Enterprises (2020) does not regulate household businesses nor set labour thresholds requiring conversion into enterprises, its guiding document (Decree No. 01/2021/ND-CP) includes provisions adjusting household business operations. Conversion is regulated under Article 27 of Decree No. 01/2021/ND-CP. The Law on SME Support (2017) also provides for assistance to SMEs converted from household businesses (Article 16), including free consultations on conversion, exemption from enterprise registration and the business license tax for three years, CIT exemptions or reductions in accordance with the CIT Law and temporary exemption or reduction of land use fees according to the Land Law. Decrees No. 39/2018/ND-CP and No. 80/2021/ND-CP provide detailed regulations on support for SMEs converted from household businesses.

The government has taken recent further steps to formalize the business landscape. Specifically, a three-year CIT exemption for newly established SMEs under Resolution 198/2025/QH15 was introduced to encourage hesitant household businesses to convert, while the abolition of the fixed tax regime for household businesses from 1 January 2026, according to Resolution 68-NQ/TW 2025, requires household businesses to declare taxes based on actual revenue. Meanwhile, to ensure transparency in tax declarations and management, household and individual businesses with annual revenues of VND1 billion or more are required to use electronic invoices issued from cash registers and declare revenue based on actual turnover, as stipulated in Decree 70/2025/ND-CP (1 June 2025).

2.8.2. Identifying barriers

The number of household businesses converting into enterprises remains low. According to the Ministry of Planning and Investment (2024),⁷⁷ since adoption of Law on SME Support (2017) policies, more than 5,200 household businesses have transformed into enterprises, a modest figure compared to the nearly 5.2 million registered household businesses currently in operation.

Household businesses face increased compliance costs if converting into enterprises. These costs arise from regulations on business registrations, premises, accounting standards, financial reporting, taxes, labour and social insurance. In practice, tax obligations for household businesses, before abolition of the presumptive tax (scheduled for 1 January 2026), are also much lower than for enterprises. For example, household businesses only pay a licensing tax ranging from VND300,000 to VND1,000,000 per year depending on revenue, with PIT sitting at 0.5 per cent and VAT at 1 per cent. In contrast, enterprises are subject to a 20 per cent CIT rate if they make a profit.

The regulation on revenue thresholds for VAT liability presents challenges for household businesses. According to the amended Law on VAT (2024), from 1 July 2025, household businesses with annual revenues of VND200 million or more must pay VAT. However, the rule has several shortcomings as the threshold is viewed as too low, as the less than VND17 million per month is easily exceeded by many small businesses such as market vendors, convenience stores or family-run eateries. Moreover, as gross revenue, it does not include deductions for materials, rent or labour. As such, the minimum annual revenue threshold is currently being reviewed.

⁷⁷ Ministry of Planning and Investment. 2024. “Draft Proposal on the Legal Framework for Household Businesses.”

► **Box 20. Electronic invoices burden small or non-tech savvy household businesses**

Technological cost burden. Installing cash registers, electronic invoice software and digital signatures can cost VND10–15 million initially, not including system maintenance and periodic invoice issuance fees. For households earning VND2 million per day with thin profit margins, this investment is out of reach for enterprises.

Gaps in technological capacity among household businesses. Not all operators have IT skills or can hire accountants. Many are middle-aged or older vendors unfamiliar with computers, software, or electronic declaration procedures. Being forced to switch to electronic invoicing may prevent them from complying, risking business closure. Policies without adequate support can inadvertently exclude the most vulnerable households from the formal economy.

Challenges related to input VAT invoices. Small-scale traders or those operating in local markets often buy goods from wholesalers or traders who do not issue VAT invoices. Under the new electronic invoice system for outputs, these households lack input invoices to claim costs, potentially leading to higher assessed taxes. This asymmetry between tax obligations and benefits can create a sense of unfairness, as businesses spend more on electronic invoicing, while possibly losing out on allowable deductions.

Prohibiting the use of apartments for commercial activities hinders formalization of household businesses. While the Law on Housing 2014 (amended 2023) and guiding documents (Decrees No. 99/2015/ND-CP and 30/2021/ND-CP) aims to ensure safety, security, fire prevention and residential environmental standards, in practice it creates significant obstacles for formalizing household businesses, especially in large urban areas where condominium living is common. Instead, individual businesses operating in apartments – such as hairdressing, online sales and handicraft production – remain informal as they cannot register as companies due to their locations nor are they of sufficient scale to afford separate commercial premises.



3

**Challenges in development
of the private sector and
SMEs in Viet Nam**

3. Challenges in development of the private sector and SMEs in Viet Nam

3.1. Geopolitical fluctuations, global conflicts, and rising protectionism

Aside from challenges in the policy arena, private sector enterprises are also exposed to other dynamically evolving risks. SMEs, especially those deeply integrated into global supply chains, are particularly exposed.

Supply chain disruptions and rising costs. Conflicts can disrupt critical maritime and air transport routes. A notable example is Red Sea tensions, which began in late 2023 and extended into 2024, causing high increases in logistics and insurance costs, and prolonging shipping times from Viet Nam to Europe. This increases production costs, reduces competitiveness of goods and leads to inventory accumulation and shortages of production inputs for import-reliant businesses.

Protectionism and potential “trade wars”. A wave of protectionism is increasing across the global economy, with major players such as the United States increasingly prioritizing domestic production through tariff and non-tariff barriers, heightening risks of a “trade war”. As a result, Vietnamese businesses may face anti-dumping and countervailing duties on key export products such as wood, steel, textiles and seafood. This not only reduces export value, but also forces enterprises to find alternative markets within a short timeframe, creating major disruptions and uncertainty in business planning.

Investment relocation and “friend-shoring”. An emerging trend is “friend-shoring”, where developed countries prioritize relocating supply chains and investments to politically trusted partner nations. While Viet Nam enjoys a favourable geopolitical position, this trend also intensifies competition from other regional players such as Indonesia, India and Mexico. To capitalize on these opportunities, Vietnamese private enterprises must demonstrate capacity, transparency, and resilience against external shocks.

3.2. Stringent entry standards require agile responses

Markets are increasingly adopting complex technical regulations and environmental, social, and governance (ESG) standards. This could potentially reshape the entire value chain of Viet Nam’s key export industries.

EU Carbon Border Adjustment Mechanism. From 2026, importers into the EU will be required to report and purchase emission certificates corresponding to the carbon content of imported products in sectors such as steel, cement, aluminum, fertilizers, electricity and hydrogen. This directly affects Vietnamese exporters. Companies unable to transition to “green” production or measure and verify low carbon emissions will lose competitiveness and even be barred from the EU market. The costs of investing in clean technology and GHG accounting systems are significant, particularly for Viet Nam’s SMEs.

Sustainable supply chain regulations. The EU and United States are increasingly enacting laws requiring businesses to maintain accountability across their entire supply chains. These include anti-deforestation regulations and bans on products made with forced labour, among others. Vietnamese exporters must not only ensure their final products meet these standards but also demonstrate that the entire process from raw materials to production is “clean” and “responsible.” Implementing traceability and transparent governance systems is complex in terms of technology and costs.

ESG standards in investment and finance. Beyond export markets, domestic and international investors and banks are increasingly integrating ESG criteria into lending and investment decisions. Private enterprises that fail to meet ESG standards will find it increasingly difficult to access favourable financing, especially “green” capital for sustainable development.

3.3. Pressure for green economic transition and climate change impacts

Viet Nam’s commitment to achieving net-zero emissions by 2050, announced at the 26th UN Climate Change Conference (COP26) in 2021, is placing substantial pressure on the private sector to accelerate its green transition.

Cost of green transition. Transitioning to a green economy requires significant investment in technology, machinery, production processes, and renewable energy. Enterprises face the difficult question of how to balance upfront investment costs with long-term benefits. In a challenging economic context with tight cash flows, mobilizing capital for the green transition is a major hurdle. Government “green” financing mechanisms and support from financial institutions remain opaque and largely inaccessible for most businesses.

Climate change and food security. Viet Nam is one of the most vulnerable countries to climate change impacts (World Bank, 2025b). Extreme weather events such as droughts, saltwater intrusion, storms and floods directly damage key economic sectors like agriculture, fisheries and tourism. Private enterprises in these sectors face risks of crop failure, reduced productivity, and infrastructure damage. Threats to food security also create social and macroeconomic instability, indirectly affecting the overall business environment.

Changing consumer behaviour. Consumers, especially younger generations in urban areas and in export markets, increasingly prefer environmentally friendly products. Businesses that fail to grasp sustainable consumption patterns or build a “green” brand risk losing market shares.

3.4. Impacts of the global minimum tax

Implementation of the Global Minimum Tax from 2024 is reshaping Viet Nam’s FDI landscape and indirectly affecting the domestic private sector ecosystem.

Reduced attractiveness of tax incentives. For decades, low CIT rates have been a key tool for Viet Nam to attract MNEs. With the 15 per cent minimum tax rate now applied, MNEs enjoying preferential rates below 15 per cent in Viet Nam must pay the difference to their home country. This undermines the effectiveness of Viet Nam’s tax incentive policies. For instance, several major technology firms have reconsidered or abandoned Viet Nam for projects requiring substantial government support. Examples include LG Chemical, which opted for Indonesia for a battery project after requesting 30 per cent production cost support in cash, while Intel decided to invest in Poland instead of its proposed US\$3.3 billion chip project due to unmet cash reimbursement requests. AT&S invested in Malaysia due to inadequate financial and skilled labour support in Viet Nam.⁷⁸ Other major companies including Foxconn, LG, Samsung and SMC are either relocating or awaiting policy signals.

⁷⁸ See: <https://vietnamnet.vn/vi-sao-intel-lg-khong-chon-viet-nam-de-dau-tu-tiep-du-an-ty-usd-2298724.html>

New competitive pressures. With tax incentives no longer a decisive advantage, Viet Nam must compete with other countries through substantive factors such as workforce quality, logistics infrastructure, institutional transparency, and the strength of supporting industries. This heightens the importance of domestic private enterprises. However, Vietnamese private firms remain weak in technology, management and supply chain integration, making it challenging to meet stringent MNE requirements. In response, the government will need to develop new non-tax support policies, but the design and roll-out of such measures may not keep pace with the rapidly changing investment environment.

3.5. Rapid development of new technologies

Breakthrough technologies such as Artificial Intelligence (AI), big data and Internet of Things (IoT) are driving a new industrial revolution. Viet Nam's private sector stands at a crossroads: either adapt or be left behind.

Risk of falling behind, particularly SMEs and micro-businesses. While large corporations with financial and technological capacity are quickly deploying AI to optimize operations, SMEs and micro-businesses struggle to access capital, tech talent, and a coherent digital transformation strategy. The digital gap between enterprises is widening, resulting in significant polarization in competitive capabilities.

Challenges in human resources and data security. Implementing new technologies requires a workforce with different skill sets. Viet Nam's education and training system has yet to meet this demand, creating a severe shortage of talent. This means companies now compete aggressively to attract and retain skilled personnel or incur high costs to retrain staff. Moreover, as digitalization deepens, businesses face increasing risks of cyberattacks, customer data leaks, and trade secret exposure. Investing in advanced cybersecurity systems is costly, but ignoring it could result in severe losses.



4

**Recommendations
for improving key policies
to develop the private sector,
focusing on SMEs**

4. Recommendations for improving key policies to develop the private sector, focusing on SMEs

Based on this deep-dive analysis of SMEs and the private sector's development journey in Viet Nam viewed through a policy lens, particularly legal barriers and bottlenecks encountered on this pathway, as well as lessons drawn from international models, the final section of this report focuses on systematic and targeted policy improvements.

These recommendations are built upon a core principle: the State must shift from a passive, fragmented support role to a proactive and strategic one. This requires the State to play an agile role in guiding priority sectors and creating a level playing field for all market players. The goal is not only to resolve immediate challenges, but also address structural issues, unlock resources and enhance the intrinsic capacity of the private sector, especially SMEs.

The following policy proposals are presented systematically, corresponding to the eight key areas analyzed earlier. These solutions aim to establish a comprehensive support framework from improving the business environment, removing financial barriers and enhancing workforce quality, to promoting S&T, innovation and the green transition for SMEs, in step with formalizing household businesses as a key component of Viet Nam's economy. The ultimate objective is to turn policies and strategies into concrete actions with broad impacts, enabling the private sector and SMEs to enhance productivity and become a central engine of national economic growth.

Such efforts must be underpinned by development of SMEs and the private sector, with a focus on transforming the role of the State from a controller to a creator. The government is not only encouraged to design a transparent, stable and consistent institutional framework, it also needs to lead the reform process, connect public-private resources and minimize risks for businesses that invest in priority areas such as technology, digital transformation, greening and value chain upgrading. Policies should be designed to match the capacity of SMEs, be easily accessible, simple to implement, and capable of generating widespread momentum.

The synchronized implementation of recommendations against these eight policy groups will not only help remove barriers, but also open a new development space for SMEs and the private sector. This will be key to leveraging their potential as a vital growth engine, contributing to inclusive, sustainable development and enhancing national competitiveness.

► Table 4. Recommendations for improving key policies to develop the private sector, with a focus on SMEs

Challenges/Obstacles	Recommendations	Timeline	Note
1. Business Environment			
Numerous regulations are viewed by the business community as inconsistent, overlapping and impractical, resulting in high compliance costs. Long-standing reported issues not adequately addressed include requirements to enhance micronutrient content in food (Decree No. 09/2016/ND-CP), minimum size regulations for fisheries (Annex V, Decree No. 37/2024/ND-CP), difficulties in importing raw materials from Africa (Decree No. 15/2018/ND-CP), and shortcomings in business promotion activities (Decree No. 128/2024/ND-CP), among others.	Quickly remove legal obstacles and enforcement barriers that hinder business production and operations. Maximize the use of the “Omnibus Law” mechanism to address identified obstacles and bottlenecks, accompanied by streamlined procedures for drafting, approval and enactment to ensure immediate implementation. Strengthen the role and quality of Regulatory Impact Assessments (RIA) to ensure meaningful and comprehensive consultations with all affected stakeholders (businesses, associations) from the drafting stage. Proposals for specific regulations: ► Cashew imports: Amend Decree No. 15/2018/ND-CP or related regulations of the Plant Production and Protection Department to recognize or establish a separate inspection and licensing mechanism for raw materials imported from countries not yet on the approved export list to Viet Nam. Give businesses flexibility to redirect products for domestic consumption when necessary. ► Promotional activities: Amend Decree No. 128/2024/ND-CP to completely remove post-implementation reporting requirements for all types of marketing promotions, replacing it with a post-audit mechanism triggered only by complaints or signs of violations. ► Fortification of food with micronutrients: Amend Article 6, Decree No. 09/2016/ND-CP to change the requirement from mandatory to voluntary. Exempt goods produced for export from this regulation, allowing compliance with standards of the importing country. This approach will help remove barriers for exporters, while still achieving public health objectives in a flexible and effective manner. ► Minimum size regulation for skipjack tuna harvesting: Amend Annex V, Decree No. 37/2024/ND-CP to adjust the minimum harvest size of skipjack tuna from 50cm to a level consistent with practical conditions and international trade standards. Alternatively, adopt quota-based management in line with international practices.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
A series of technical regulations act as a barrier and cause significant losses for businesses. For example: QCVN 20:2019/BKHCN on stainless steel, with technical requirements inconsistent with international practices, has restricted the ability to import and use raw materials, thereby increasing input costs for manufacturing enterprises. QCVN 06:2022/BXD on Fire Safety for Buildings has shortcomings in appraisal procedures and overly rigid requirements that fail to differentiate between types and scales of projects. This has led to delays in projects and generated substantial compliance costs.	To enhance the quality and feasibility of technical regulations, a core solution is making RIA reports a mandatory component of drafting dossiers. Because technical regulations represent minimum conditions for products, it requires the drafting process to be meticulously evaluated. Therefore, during the public consultation phase, the publicly posted dossier must include the full RIA report alongside the draft regulation and explanatory statement. This will enable stakeholders to provide more relevant feedback. In addition to mandating the RIA report, it is crucial to build a more centralized and effective platform for consulting the business community. Currently, consultations are conducted separately by ministries and agencies, making it difficult for businesses and citizens to track, access and provide timely feedback. A strategic solution is establishing a single national portal dedicated to the publication and consultation of all draft technical regulations. This platform will serve as a public, transparent hub that helps businesses easily search for and access complete draft dossiers (including the RIA report) and submit feedback through a standardized process. This will not only simplify procedures, but also encourage broader and more substantive public participation in the policymaking process.	Short-term/ Medium-term	
Applying excessive business conditions, or imposing opaque business requirements, creates a compliance cost burden for SMEs.	Conduct a comprehensive review and abolish all redundant business conditions. Review and repeal decrees or specific provisions that impose business conditions on sectors and industries already removed from the “conditional business list” under the 2020 Law on Investment (franchising, logistics services). Remove unnecessary business conditions in certain industries (such as jewelry trading). Eliminate vague and non-transparent business conditions (requirements in aquafeed production and trading) and replace them with clear, measurable, and verifiable criteria. Continue reviewing and reducing the list of conditional business sectors. A shift is needed from the current “Positive List” to a “Negative List” approach. Viet Nam already has experience applying a “Negative List” when issuing the List of Market Access Restrictions for foreign investors. Therefore, this principle should be applied to develop the list of prohibited or restricted business sectors. For industries not included in this list, enterprises should be free to operate without requiring additional business licenses, thereby significantly lowering market entry barriers and enhancing predictability for investors.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
Delays in issuing guiding documents for implementation of laws and resolutions remains common, resulting in policies not being immediately enforceable to support SMEs and the private sector.	Clearly stipulate responsibilities and sanctions for delays in issuing guiding documents. Establish mandatory deadlines (such as no later than three to six months after a law takes effect) for ministries and agencies to issue all necessary implementing regulations. Hold heads of ministries and agencies accountable for timeliness of issuances, which may be considered a criterion in annual performance evaluations. Give priority to the immediate issuance of guiding documents for Resolution No. 198/2025/QH15 to ensure support policies for SMEs and the private sector are promptly implemented.	Short-term	
Policy implementation at the local level remains weak, with harassment and unnecessary burdens on enterprises still common. Businesses continue to report cases of officials deliberately creating obstacles, requesting documents beyond those required by regulations, or unduly prolonging processing of administrative procedures. Areas most frequently cited include business registration, taxation, labour, land administration, construction, fire prevention and control, and market management.	Promote the full digitalization of all administrative procedures with high levels of business interactions, ensuring transparency and public disclosure of processes and processing times on e-government service portals. Strengthen ad-hoc inspections and supervision of civil service performance, and strictly sanction officials and civil servants who engage in harassment or create unnecessary obstacles for enterprises. Establish effective online feedback channels and make them publicly accessible, enabling businesses to report misconduct and ensuring that such cases are addressed in a timely manner.	Short-term	
2. Access to Credit			
SMEs and the private sector face significant challenges in accessing bank credit, primarily due to limitations in collateral.	Develop and operate a state-managed SME credit scoring and rating system. Viet Nam can learn from Republic of Korea's experiences in building a credit scoring and rating system for SMEs. This system would score SMEs based on a diverse set of criteria, moving beyond tangible assets to include non-financial factors such as business history (taxes, social insurance), management capacity, and brand assets. Management of this credit rating system could be undertaken by either the Ministry of Finance or SBV. To achieve this, Viet Nam needs to quickly complete its data infrastructure for SMEs by connecting inter-agency data and establishing the necessary foundational legal frameworks.	Short-term/ medium-term	For more details, please refer to the Report "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam"

Challenges/Obstacles	Recommendations	Timeline	Note
SME Credit Guarantee Funds and the SME Development Fund operate inefficiently. The main reasons are the funds' small capital size, an excessive focus on tangible assets as collateral (real estate, goods, or machinery and equipment), and bottlenecks related to State capital preservation regulations.	A comprehensive reform of the SME Credit Guarantee Fund operating mechanism is needed. The government should quickly review and amend the Law on SME Support and Decree No. 34/2018/ND-CP to: (i) innovate the organizational model and enhance operational efficiency, accepting risks from conditions or <i>force majeure</i> events in guarantee activities, (ii) stipulate a reasonable level for the financial contingency fund, (iii) relax guarantee conditions compared to bank loan conditions and add a guarantee mechanism based on intangible assets, project feasibility and SME credit ratings, (iv) create a mechanism to supplement fund resources from large enterprises and financial institutions and (v) establish a reasonable reinsurance policy and reduce the maximum guarantee rate from 100 per cent to a lower level (80-85 per cent) to ensure system safety. Comprehensively reform the SME Development Fund operational mechanism. Review and amend the Law on SME Support, Decree No. 39/2019/NĐ-CP and Decree No. 45/2024/NĐ-CP supplementing Decree No. 39/2019/NĐ-CP, with a focus on: (i) expanding the scope of eligible beneficiaries, (ii) simplifying the conditions, processes, and procedures for application, appraisal, lending, and disbursement, (iii) adding functions to invest in local investment funds and private equity funds to increase the supply of capital for SMEs and innovative start-ups, (iv) providing seed funding for start-up projects, start-up lending, building incubators, and supporting entrepreneurship, (v) diversifying the fund's capital sources through contributions from domestic and foreign enterprises, organizations, and individuals and (vi) studying and proposing co-financing models involving central, local, private funds and financial and credit institutions to share risks and enhance incentives for loans to SMEs. Amend legal provisions related to the management of State capital (Law No. 69/2014/QH13) to enable the fund to adopt a portfolio approach to investment. Accordingly, the fund should be allowed to operate under a venture capital model, accepting risks at the portfolio level. Its performance would be assessed based on overall returns of the entire investment portfolio, rather than on individual investments. This approach would allow the fund to accept certain unsuccessful investments, as long as the successful ones compensate and generate overall profit, in line with international practice.	Short-term	
Difficulties in the operation of venture capital funds under Decree No. 38/2018/ND-CP (amended by Decree No. 210/2025/ND-CP), particularly regarding the cap on investors allowed to contribute capital to establish a fund, as well as the absence of regulations governing outbound investments by venture capital funds and capital contributions by foreign investors.	Amend regulations to increase the cap on investors contributing capital to venture capital funds for innovative startups from 30 to at least 100 investors. Consider introducing the concept of "professional investors." For example, funds could be allowed to have an unlimited number of investors provided all are "professional investors" (such as financial institutions, securities companies, or individuals with significant assets or high expertise). This would both enhance fundraising efficiency and ensure that participating investors are capable of assessing risks independently. Additionally, supplement regulations governing procedures for overseas investments by venture capital funds for innovative startups, as well as procedures for foreign investors contributing capital to such funds.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
Viet Nam's stock market has yet to become an effective capital mobilization channel for the private sector. The 2019 Securities Law requires companies to be profitable for two consecutive years prior to an IPO, which constitutes a barrier for most technology firms and startups still in the investment stage and burning capital to drive growth.	Amend Article 15 of the 2019 Securities Law by relaxing profitability requirements for technology firms and innovative startups seeking to IPO, including the option of establishing a dedicated exchange with more flexible listing criteria. Establish a separate exchange for startups, drawing lessons from models such as Republic of Korea's KOSDAQ, where listing conditions are not solely based on profitability, but also on other indicators such as revenue growth rate, market size, user base or market capitalization. This would create an important public capital mobilization channel for high-potential SMEs. Implement solutions to upgrade Viet Nam's stock market from a frontier to an emerging market as soon as possible to attract foreign investment.	Short-term/ medium-term	For more details, please refer to the report "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam"
SMEs and the private sector struggle to access government credit support packages due to complicated application procedures, restrictive regulations that make it difficult to identify eligible beneficiaries and business concerns about potential inspections, audits and post-loan reviews.	Credit support packages should be designed with simplified procedures, clear criteria and be easily accessible. For example, eligibility conditions should not rely on vague notions such as "having recovery potential." Instead, they should be based on well-defined quantitative criteria, such as: (i) enterprises operating in specific struggling sectors, (ii) annual revenue/profits from the previous year falling below a certain threshold and (iii) maintaining a minimum percentage of employees (verified using Social Insurance data). The approval process should be highly automated through the banking system, minimizing paperwork required from enterprises. Apply a "risk-based post-audit mechanism" instead of blanket inspections. Rather than conducting widespread checks, authorities should leverage technology and big data analytics to identify transactions and records with unusually high risks for inspections. As interest rate subsidy policies are relatively complex, in urgent situations the government should consider direct support measures through the tax system, such as tax refunds or credits or one-time subsidies. These approaches deliver quicker impacts and are easier to implement.	Short-term	
The legal framework for new capital mobilization channels (venture capital, peer-to-peer (P2P) lending, and crowdfunding) is lacking, hindering SMEs from accessing non-bank capital sources.	Improve and diversify capital mobilization channels for SMEs. Urgently implement regulatory sandboxes and issue an official legal framework for P2P lending and crowdfunding, in order to establish a safe legal corridor for investors and enterprises.	Short-term/ medium-term	

Challenges/Obstacles	Recommendations	Timeline	Note
3. Tax policies			
Current CIT incentive policies are scattered across various legal documents such as the Laws on Investment, Technology Transfers, and SME Support. This makes it difficult for SMEs, which commonly lack legal departments, to apply for suitable incentives.	Consolidate the tax incentive system into a single law. International experience shows that to ensure transparency and predictability, all tax incentive policies should be centralized in tax-related laws. Therefore, the Ministry of Finance should lead the review and propose repealing tax incentive clauses in other specialized laws, merging them into a dedicated chapter within the Law on CIT. Following this, an online tool should be developed. After consolidation, SMEs could simply input basic information such as business sector, location and size for the system to automatically outline eligible tax incentives.	Short-term/ medium-term	
Administrative tax procedures hinder SME business operations. Specifically: ► Short-term support policies, such as the VAT reduction from 10 to 8 per cent, are overly complex with exclusion lists spanning dozens of pages, causing confusion for businesses and tax authorities during implementation. The costs of compliance and risks of errors may outweigh the benefits. ► Businesses, particularly in export sectors (wood, rubber, agricultural products), face significant difficulties and delays in receiving VAT refunds due to overly complex and unfeasible regulations on multi-level supplier verification (F1, F2). ► Policy implementation is abrupt. The policy to apply a 5 per cent VAT rate on many exported agricultural products, as per Decree 181/2025/ND-CP, took effect upon issuance. Without a transition period, businesses had no time to adapt.	The VAT reduction policy should be streamlined. The government should consider applying a broad VAT reduction for all goods and services. Applying a single, uniform reduction rate would save businesses time and costs of researching and updating accounting and sales systems. The benefits from the policy would far outweigh efforts to protect a small portion of revenue from excluded items. Reform VAT refund procedures, specifically: (i) eliminate unnecessary and unfeasible multi-tier supplier verification requirements, such as those in Official Letter 633/TCT-TTKT and (ii) shift towards a risk-management mechanism for refunds. This means a “refund first, audit later” approach for businesses with a good compliance history and only conduct pre-refund audits for high-risk businesses. Clearly define the maximum timeframe for each step in the refund process. Consider deferring the application of the 5 per cent VAT rate on some agricultural products for a period to give businesses time to adjust contracts and prepare financially. Maintaining a 0 per cent VAT rate throughout 2025 is also recommended to stabilize the export market, especially amid a global economic downturn.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
4. Human Resources			
The supply of skilled labour for SMEs and the private sector remains limited.	An “Advanced Skills Training Voucher” initiative should be launched. Learning from Singapore’s SkillsFuture model and Republic of Korea’s Export Voucher, the government would provide SMEs with electronic “vouchers” up to a certain budget limit. SMEs could use these vouchers to cover 70-80 per cent of costs for high-tech skills training courses for employees. The list of eligible courses and training providers would be vetted and announced by the Ministry of Science and Technology, focusing on strategic skills such as microchip design, AI and biotechnology. This would ensure that the budget is spent on high-quality and strategically focused training activities.	Short-term	For more details, please refer to the report “International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam”
Universities and TVETs lack strong links with businesses.	Issue a policy that allows businesses to deduct expenses from CIT when investing in laboratories, equipment, providing scholarships or participating in curriculum development and teaching at universities and TVET institutions. This policy would help foster stronger ties between businesses and educational programmes at these institutions.	Short-term/ medium-term	
Some policies to improve the quality of SME human resources face numerous obstacles. Administrative procedures are complex, State support limits for SMEs are low compared to actual market costs, and capacity-building training programmes are outdated.	Revise the Law on SME Support, Decree 80/2021/ND-CP, Circular No. 06/2022/TT-BKHĐT, and Circular No. 52/2023/TT-BTC to: (i) increase support cost limits for activities aimed at improving SME human resources, (ii) simplify application procedures for receiving support, (iii) publicize the list of eligible SME support organizations on the National Business Information Portal (business.gov.vn) to ensure businesses access information and (iv) develop a training programme for 10,000 SME executives using an innovative approach, moving beyond traditional SME training methods currently in use (referencing Singapore’s Enterprise Leadership for Transformation model). ⁷⁹	Short-term	For more details, please refer to the report “International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam”
Public employment service centres are often ineffective at matching business needs with the available labour pool.	A National Employment Exchange (NEX) should be established in Viet Nam, learning from Republic of Korea’s successful “Work-Net” model, to modernize the labour market. This centralized, State-managed digital platform would integrate data from the national population database, social security and education systems to create a single digital labour profile for each citizen. On this platform, workers would receive smart, AI-powered job recommendations, while businesses could post vacancies and access a pool of verified candidates. The model also encourages public-private partnerships, allowing integration with private job platforms to enrich the data pool. The ultimate goal is to reduce transaction costs for workers and employers, while providing policymakers with a tool for real-time, big-data-driven policy planning.	Medium-term/ long-term	For more details, please refer to the report “International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam”

⁷⁹ This is a joint initiative between Enterprise Singapore and SkillsFuture Singapore. The programme specifically supports high-growth potential businesses, with conditions that the company must be headquartered in Singapore, have an annual revenue of SGD5 million or more, and be willing to invest in innovation, digital transformation, or market expansion. The Singapore Government provides support to cover up to 90 per cent of tuition fees through the SkillsFuture Enterprise Credit fund, while also offering business mentoring to assist with applying knowledge to practical operations and business growth.

Challenges/Obstacles	Recommendations	Timeline	Note
5. Science, Technology, Innovation, and Digital Transformation			
The private sector's R&D capacity remains limited. The majority of SMEs lack capacity to establish their own R&D departments or institutes, or access core technologies. As a result, the private sector is a small contributor to the country's R&D workforce.	Learning from Taiwan (China)'s Industrial Technology Research Institute (ITRI) model, the government should establish a national applied research institute (or consider upgrading core research institutes from key universities like Viet Nam National University, Hanoi, and Viet Nam National University, Ho Chi Minh City). This institute would function as an "outsourced R&D department" for the entire economy. Its mission would be to research and master core technologies and then transfer them to SMEs at a reasonable cost, or even spin-off into new technology companies, in the same way that ITRI created TSMC. Introduce a policy to support SMEs and startups during their initial investment phase in science, technology, and innovation. Accordingly, in addition to the policy allowing businesses to deduct 200 per cent of R&D expenses when calculating CIT as per Resolution No. 198/2025/QH15, SMEs and startups in priority sectors yet to make a profit should have the option to receive a cash rebate equivalent to a certain percentage (15-20 per cent) of total eligible annual R&D expenses, instead of a tax deduction. This solution would provide direct working capital, helping to sustain R&D activities during this crucial investment period.	Medium-term/ long-term	For more details, please refer to the report "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam"
Collaboration and connections between universities and the private sector remain weak.	To promote the mobility of R&D personnel between the public and private sectors, a clear legal framework is needed to encourage scientists and lecturers at public institutes and universities to work part-time or take on projects at private companies. Conversely, there should be attractive incentive policies (PIT reductions) to encourage skilled engineers and experts from businesses to participate in teaching and guiding research projects at universities. Develop a matching fund mechanism for collaborative projects. The government should launch funding programmes where the State provides matching capital contributions for R&D projects that involve substantive collaboration between an SME and a university/research institute. A mandatory condition for these projects would be a clear objective for product commercialization. This model is similar to the public-private matching principle of Republic of Korea's TIPS programme.	Short-term/ medium-term	For more details, please refer to the report "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam"
The establishment and use of corporate Science and Technology Development Funds face numerous obstacles. The regulation that requires the transfer of unused or unspent funds (70 per cent after five years of allocation) to national, ministerial or provincial funds where the business is registered for tax does not encourage companies to invest in long-term R&D projects. Although businesses can reclaim transferred funds for S&T tasks upon request, the procedures are complex and time-consuming.	To resolve issues with corporate Science and Technology Development Funds, amend Circular 05/2022/TT-BKHCN and Circular 67/2022/TT-BTC. This means abolishing the regulation regarding the transfer of funds if a business has not used up to 70 per cent of the fund within five years. Businesses should be allowed to flexibly accumulate and use these funds without a time limit, as long as the expenditures are proven to serve science, technology, and innovation activities. Concurrently, the maximum percentage that businesses can allocate from their taxable income to establish the S&T development fund (currently 10 per cent) should be increased.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
6. Green Transition			
The legal framework for developing a green economy, circular economy, and carbon market is incomplete.	Complete the legal framework for the carbon market, including urgently issuing a decree detailing the establishment and operation of the exchange, a mechanism for determining emission quotas, and rules for trading carbon credits. Once the market is operational, emission reductions will become an economic activity where businesses can sell surplus carbon credits, turning environmental protection efforts into a new source of revenue.	Short-term/ medium-term	
Most SMEs lack necessary information and technical capacity to conduct mandatory GHG inventories, while some sectors still do not have specific guidelines.	Enact detailed technical guidelines for GHG inventories. Relevant ministries (Industry and Trade and Construction) need to immediately issue specific and easy-to-understand technical circulars tailored to the size and characteristics of SMEs in each sector, helping them to accurately meet their GHG inventory obligations. The government should establish a support programme that provides funding or free expert consultations to assist SMEs in conducting first-time GHG inventories.	Short-term	
The number of SMEs undertaking a green transition remains limited. SMEs' top priority is commonly maintaining business stability rather than investing in a green transition, which may not yield direct short-term profits.	Implement a Tax Deduction Mechanism for Green Investments. Learning from Indonesia, which allows up to a 300 per cent deduction for R&D expenses, Viet Nam needs to issue a strong CIT incentive policy that allows businesses to deduct 200 per cent of the value of investments in "green-certified" machinery, equipment and technology, as well as energy saving solutions. Utilize "Green Public Procurement" to leverage the market as a powerful tool the State can employ. The government should research and issue a regulation on a mandatory minimum percentage (20–30 per cent) of the annual public procurement budget that must be allocated to green-certified products and services, such as recycled products and energy saving equipment. This would immediately create a stable and valuable output market for businesses pioneering the green transition. Connect "greening" with participation in global supply chains. The government should integrate "green" criteria into support programmes that link SMEs with FDI enterprises. Accordingly, SMEs that obtain sustainability certifications would be prioritized for introductions and connections to MNC and FDI value chains. This would transform green certification into a "passport" that helps SMEs access major clients. Expedite the issuance of a decree guiding private sector and household business owners to receive a 2 per cent per annum interest rate subsidy on loans for green and circular projects, and for adopting ESG standards (as outlined in Resolution No. 198/2025/QH15).	Short-term	For more details, please refer to the report "International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam"
SMEs and the private sector face limitations in accessing and absorbing green credit.	Design preferential green credit packages linked to a National Green Taxonomy. After the taxonomy is issued, the SBV should direct commercial banks to create credit packages with preferential interest rates at 1–2 per cent lower than standard rates, specifically for projects that fall under this taxonomy.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
7. Linkages between SMEs and FDI firms			
The capacity of domestic SMEs remains limited, making it challenging to meet FDI supply chain requirements.	Viet Nam can draw on international experiences⁸⁰ to develop a roadmap for strengthening the capacity of SMEs to meet FDI supply chain requirements. A national-level Vendor Development Programme should be designed and implemented with the following roadmap: ► Identify “lead enterprises”: Select major FDI corporations (such as Bosch, Intel and Samsung) and leading Vietnamese private groups (like Thaco, VinFast) to act as “buyers.” ► Select SMEs: The “lead enterprises,” in coordination with the government, will identify a group of promising SMEs to participate in their supply chains. ► Provide “3-in-1 support”: The government will deliver a comprehensive support package to selected SMEs, including: (i) <i>financial support</i>: concessional loans or co-financing to enable SMEs to invest in machinery and technology that meet requirements of “anchor enterprises”, (ii) <i>technical assistance</i>: experts dispatched to provide on-site consulting and training on quality management (ISO, IATF), production optimization (Lean, 5S), and standards related to environment and labour and (iii) <i>guaranteed market access</i>: “lead enterprises” commit to signing purchasing contracts with SMEs upon completion of an upgrading process and compliance. Develop policies and programmes to support domestic businesses in evaluating, selecting and receiving technology transferred from FDI enterprises to ensure compatibility, synchrony and alignment with national technology development goals in each period.	Short-term/ medium-term	For more details, please refer to the report “International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam”
Current policies lack binding regulations to compel FDI firms to transfer technology or increase localization rates.	Move to “performance-based incentives.” When negotiating large FDI projects, instead of granting low CIT incentives for numerous years, the government should link the highest incentives to specific localization commitments. For example, a project might receive the standard tax rate, but would be eligible for a preferential 10 per cent tax rate for five years if it achieved a 30 per cent localization rate after five years of operation. Require a mandatory “Localization Roadmap” in project applications. For projects in priority sectors, FDI investors should be required to submit a detailed “Localization Roadmap” as part of their licensing application. This roadmap must clearly outline their plan for sourcing, evaluating and developing cooperation with Vietnamese suppliers in each phase, as well as their committed localization rate for each stage.	Short-term/ medium-term	

⁸⁰ Singapore has been highly successful with its PACT (Partnerships for Capability Transformation) programme. Under this initiative, the government co-funds a portion of the costs when a MNC or a large local company proactively collaborates with, and transfers technology and management processes to, its SME suppliers to help them build capabilities. Thailand also has investment promotion policies designed by its Board of Investment that encourage FDI firms to use local components, materials, and services while also transferring technology to domestic businesses.

Challenges/Obstacles	Recommendations	Timeline	Note
An information asymmetry exists between SMEs and FDI enterprises. FDI firms struggle to identify capable Vietnamese suppliers, while SMEs are unaware of FDI firms' specific needs.	While Viet Nam has developed a database on processing, manufacturing, and supporting industries managed by the Ministry of Industry and Trade, its operation remains ineffective due to outdated data, low enterprise participation, inconsistent data standards, a limited interface and search functions. Moreover, the coordination mechanism for information updates among the ministry, provincial Departments of Industry and Trade, and industry associations is opaque, resulting in fragmented data that does not fully reflect the capabilities of enterprises across the supply chain. To enhance its operating mechanism, there is a need to designate the ministry as the lead agency with full responsibility, issuing mandatory coordination regulations for provincial departments and associations, linking enterprise data-update requirements to access government support programmes, standardizing the dataset according to international practices and upgrading the technological platform by integrating business registration and tax systems, while enhancing the user interface. This approach optimizes resources, increases data transparency and strengthens supply-demand linkages within industrial value chains.	Short-term	
Obstacles are apparent in support industry policies (Decree No. 111/2015/ND-CP and Decree No. 205/2025/ND-CP).	Although these two decrees added specific support industry policies, it is incumbent upon ministries and sectors to issue circulars and guiding documents for enforcement.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
8. Formalization of Household Businesses			
Household businesses are hesitant to formalize as enterprises due to concerns about increased compliance costs (taxes, accounting, insurance). For example, the new policy on electronic invoices (Decree No. 70/2025/ND-CP) creates an additional compliance burden for household businesses, as they must invest in new equipment like cash registers and invoicing software.	The government is encouraged to develop a phased conversion roadmap, linked to business sectors, revenue size, and number of employees. For example, it could be divided into three phases: (i) a voluntary encouragement phase, focusing on high-revenue households already with basic accounting records, (ii) a conditional conversion phase, requiring household businesses in certain sectors or of a specific size to register as enterprises, accompanied by technical and financial support and (iii) a mandatory phase, which would apply after a certain period to household businesses that meet conditions, but intentionally remain informal. This roadmap must be publicly and transparently announced and accompanied by specific support policies such as tax reductions, accounting assistance, access to credit and social insurance. To streamline conversion procedures, Viet Nam needs to establish a single, national Household Business Conversion Registration Portal, allowing the entire process to be efficiently completed online and free of charge. To ease the cost burdens of digital transformation, the government can subsidize household businesses in purchasing cash registers and e-invoicing software, as required by Decree 70/2025/ND-CP. It can also implement a mechanism to encourage technology companies to provide simple accounting and sales software to household businesses free of charge. Offer exclusive credit incentives for household businesses that formalize into enterprises. The government could implement such a programme through the Viet Nam Bank for Social Policies. When a household business completes the conversion procedure on the National Household Business Conversion Registration Portal, this information would be automatically transferred to the Credit Information Centre and the Viet Nam Bank for Social Policies. This new enterprise would be immediately placed on a “pre-qualified” list. The core of this programme is provision of small loans (for example, VND50–200 million) with below market interest rates without requiring collateral. Instead, credit appraisals would be based on transparent and reliable alternative data, such as: (i) a new enterprise’s business registration certificate, (ii) a household business’s previous tax payment history and (iii) initial revenue data from the electronic invoicing system.	Short-term/ medium-term	For more details, please refer to the report “International Experiences in the Development of the Private Sector - Lessons for Small and Medium-sized Enterprises in Viet Nam”
The VAT taxable revenue threshold of VND200 million per year, under the 2024 VAT Law, is not aligned with costs across regions and places a significant burden on household businesses.	Adjust the VAT taxable threshold to a more suitable level. The National Assembly should consider amending the 2024 VAT Law to raise the VAT taxable revenue threshold for household businesses to a more reasonable level (VND300–500 million per year). Consideration should also be given to applying different thresholds for urban and rural areas to reflect differences in costs.	Short-term	

Challenges/Obstacles	Recommendations	Timeline	Note
The regulation prohibiting use of apartment units for commercial purposes significantly hinders the formalization process of household businesses.	Consider amending the Law on Housing and related decrees to: (i) allow household businesses and micro-enterprises to register head office addresses at apartment buildings provided operations do not affect security, order, the building's structure or common living activities, (ii) issue a clear list of business types not permitted to operate in apartments, prioritizing service-based activities, remote work and online sales, (iii) establish a decentralized mechanism for building management boards or ward People's Committees to verify business operations. This is a necessary step to encourage formalization of household businesses, aligning with the trend of home-based businesses in the digital age.	Short-term	

*Note on timeframes: Short-term (1-2 years), Medium-term (3-5 years) and Long-term (over 5 years).

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► Appendix: List of reviewed legal documents

Document Title	Issuing Authority	Year
Resolution No. 68-NQ/TW on private economic development	The Politburo	2025
Resolution No. 57-NQ/TW on breakthroughs in science, technology, innovation, and national digital transformation	The Politburo	2024
Resolution No. 10-NQ/TW on developing the private economic sector into an important driving force of the socialist-oriented market economy	The Party Central Committee	2017
Law on Science, Technology, and Innovation	National Assembly	2025
Law Amending and Supplementing a Number of Articles of the Law on Enterprises	National Assembly	2025
Law on Standards and Technical Regulations	National Assembly	2025
Law on Corporate Income Tax	National Assembly	2025
Law on Employment	National Assembly	2025
Law on Social Insurance	National Assembly	2024
Law on Land	National Assembly	2024
Law Amending the Law on Land, Law on Housing, Law on Real Estate Business, and Law on Credit Institutions	National Assembly	2024
Law on Value Added Tax	National Assembly	2024
Law on Housing	National Assembly	2023
Law on Environmental Protection	National Assembly	2020
Law on Investment	National Assembly	2020
Law on Securities	National Assembly	2019
Law on Labour	National Assembly	2019
Law on Tax Administration	National Assembly	2019
Law on Support for SMEs	National Assembly	2017
Law on Commerce	National Assembly	2015
Law on Quality of Products and Goods	National Assembly	2007
Resolution No. 193/2025/QH15 on piloting special mechanisms and policies for breakthroughs in science, technology, innovation, and national digital transformation	National Assembly	2025
Resolution No. 198/2025/QH15 on a number of special mechanisms and policies for private economic development	National Assembly	2025
Resolution No. 204/2025/QH15 on reducing VAT	National Assembly	2025

Document Title	Issuing Authority	Year
Resolution No. 43/2022/QH15 on fiscal and monetary policies to support the Program for socio-economic recovery and development	National Assembly	2022
Resolution 136/NQ-CP on sustainable development	Government	2020
Resolution 138/NQ-CP on the Action Plan to implement Resolution 68-NQ/TW on private economic development	Government	2025
Resolution No. 02/NQ-CP on key tasks and solutions to improve the business environment and enhance national competitiveness in 2025	Government	2025
Resolution No. 25/NQ-CP on growth targets for sectors, fields, and localities to ensure the national growth target of 8 per cent or higher in 2025	Government	2025
Resolution No. 66/NQ-CP on the program for reducing and simplifying administrative procedures related to business activities in 2025 and 2026	Government	2025
Resolution No. 76/NQ-CP promulgating the Master Program on State Administration Reform for the 2021–2030 period	Government	2021
Decree 168/2025/ND-CP on Enterprise Registration	Government	2025
Decree 205/2025/ND-CP amending and supplementing Decree No. 111/2015/ND-CP on the development of supporting industries	Government	2025
Decree 210/2025/ND-CP amending and supplementing Decree 38/2018/ND-CP on investment for innovative start-up SMEs	Government	2025
Decree 70/2025/ND-CP amending Decree 123/2020/ND-CP on invoices and vouchers	Government	2025
Decree No. 180/2025/ND-CP on mechanisms and policies for public-private partnership in science, technology, innovation, and digital transformation	Government	2025
Decree No. 181/2025/ND-CP detailing a number of articles of the Law on Value Added Tax	Government	2025
Decree No. 88/2025/ND-CP detailing and guiding a number of articles of Resolution No. 193/2025/QH15	Government	2025
Decree No. 94/2025/ND-CP on the Regulatory Sandbox for the banking sector	Government	2025
Decree 37/2024/ND-CP amending and supplementing Decree 26/2019/ND-CP guiding the Law on Fisheries	Government	2024
Decree No. 128/2024/ND-CP amending and supplementing Decree No. 81/2018/ND-CP on trade promotion activities	Government	2024
Decree No. 26/2023/ND-CP on the export tariff, preferential import tariff, list of goods and their absolute, compound, and out-of-quota import duty rates	Government	2023
Decree 06/2022/ND-CP on GHG emission mitigation and ozone layer protection	Government	2022
Decree 08/2022/ND-CP detailing a number of articles of the Law on Environmental Protection	Government	2022
Decree No. 30/2021/ND-CP amending and supplementing Decree No. 99/2015/ND-CP on detailing the Law on Housing	Government	2021

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Decree No. 80/2021/ND-CP detailing and guiding the implementation of the Law on Support for SMEs	Government	2021
Decree No. 145/2020/ND-CP guiding the implementation of a number of articles of the 2019 Labour Code	Government	2020
Decree 13/2019/ND-CP on science and technology enterprises	Government	2019
Decree No. 26/2019/ND-CP detailing a number of articles and measures for implementing the Law on Fisheries	Government	2019
Decree No. 39/2019/ND-CP on the SME Development Fund	Government	2019
Decree 116/2018/ND-CP amending Decree 55/2015/ND-CP on credit policies for agricultural and rural development	Government	2018
Decree No. 15/2018/ND-CP guiding the Law on Food Safety	Government	2018
Decree No. 163/2018/ND-CP on the issuance of corporate bonds	Government	2018
Decree No. 34/2018/ND-CP on the Credit Guarantee Fund for SMEs	Government	2018
Decree No. 38/2018/ND-CP detailing investment for innovative start-up SMEs	Government	2018
Decree 163/2017/ND-CP on logistics services business	Government	2017
Decree No. 09/2016/ND-CP on micronutrient fortification in food	Government	2016
Decree No. 24/2012/ND-CP on the management of gold business activities	Government	2012
Decree No. 35/2006/ND-CP detailing the Law on Commerce regarding franchising activities	Government	2006
Decision No. 1017/QĐ-TTg approving the Program “Development of human resources for the semiconductor industry until 2030, with a vision to 2050”	Prime Minister	2024
Decision No. 13/2024/QĐ-TTg promulgating the list of sectors and facilities that must conduct GHG inventories	Prime Minister	2024
Decision No. 899/QĐ-TTg approving the National Strategy on attracting and utilizing talent until 2030, with a vision to 2050	Prime Minister	2023
Decision No. 167/QĐ-TTg approving the Program to support private sector enterprises in sustainable business for the 2022-2025 period	Prime Minister	2022
Decision No. 667/QĐ-TTg approving the Foreign Investment Cooperation Strategy for the 2021-2030 period	Prime Minister	2022
Decision No. 29/2021/QĐ-TTg on special investment incentives	Prime Minister	2021
Decision 1362/QĐ-TTg approving the Plan for sustainable development of private sector enterprises until 2025, with a vision to 2030	Prime Minister	2019
Circular No. 07/2025/TT-BKHDT on the Regulation for Statistical Classification by economic type	Ministry of Planning and Investment	2025
Circular 33/2024/TT-NHNN regulating the licensing and operation of MFIs	State Bank of Viet Nam	2024

Document Title	Issuing Authority	Year
Circular No. 52/2023/TT-BTC guiding the mechanism for using state budget for recurrent expenditures to support SMEs under Decree No. 80/2021/ND-CP	Ministry of Finance	2023
Circular No. 05/2022/TT-BKHCN guiding the use of the Enterprise Science and Technology Development Fund	Ministry of Science and Technology	2022
Circular No. 06/2022/TT-BKHDT regulating the subjects, conditions, procedures, and dossiers for SMEs to participate in state-supported training programs	Ministry of Planning and Investment	2022
Circular No. 06/2022/TT-BXD promulgating QCVN 06:2022/BXD National Technical Regulation on Fire Safety for Buildings and Constructions	Ministry of Construction	2022
Circular No. 67/2022/TT-BTC guiding tax obligations when enterprises establish and use the Enterprise Science and Technology Development Fund	Ministry of Finance	2022
Circular No. 09/2021/TT-BKHCN: Amendment 1:2021 to QCVN 20:2019/BKHCN National Technical Regulation on Stainless Steel	Ministry of Science and Technology	2021
Circular 28/2017/TT-BLDTBXH regulating the quality assurance system in vocational education institutions	Ministry of Labour, Invalids and Social Affairs	2017
Circular 39/2016/TT-NHNN regulating lending activities of credit institutions and foreign bank branches to customers	State Bank of Viet Nam	2016

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