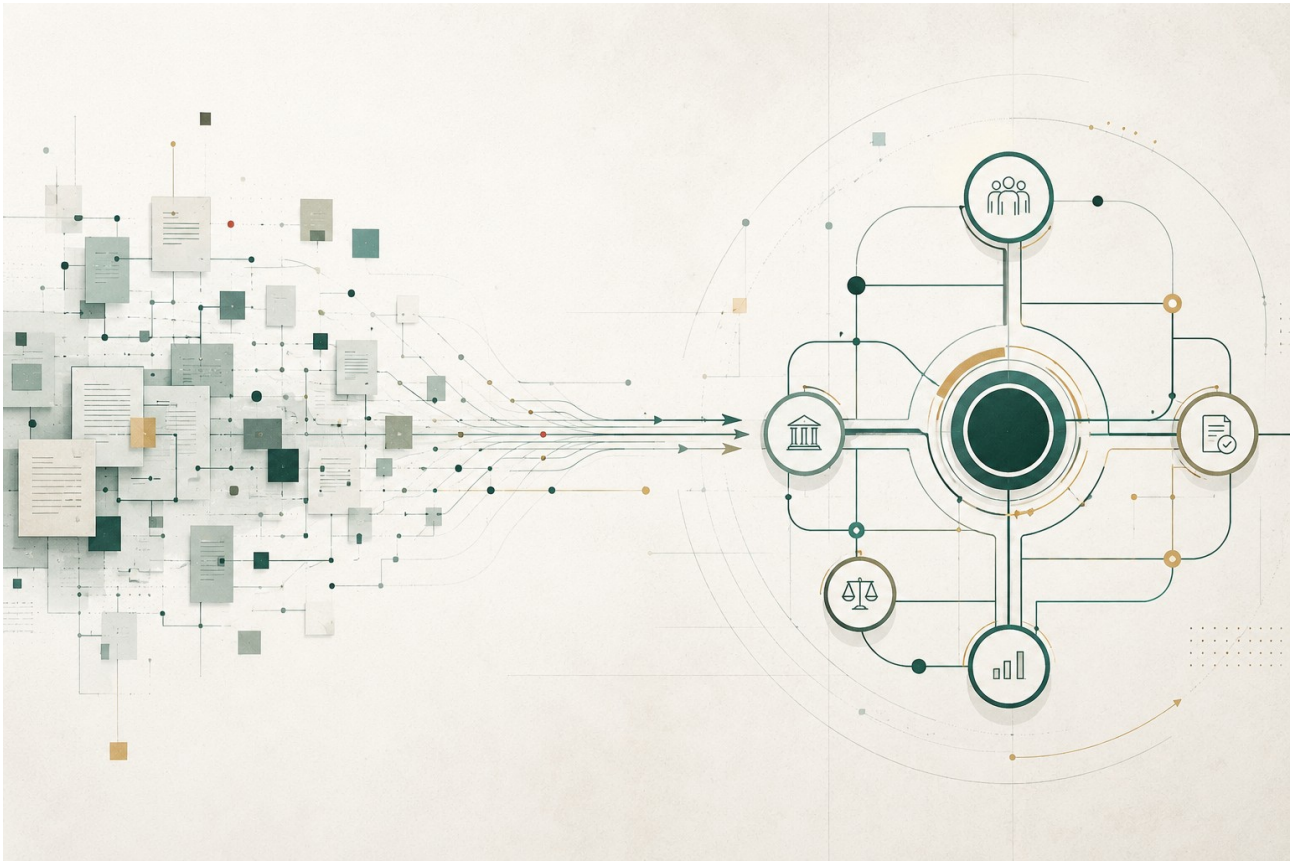
EXECUTIVE INSIGHT

Vietnam 2045: The State Must Transform Too

Turning Tô Lâm's Call for Execution into a Government Operating Model for Vietnam's Next Stage of Development



Executive Summary

Vietnam has entered a stage of development in which transformation of the economy increasingly requires transformation of the state itself.

In his 3 September 2026 address, General Secretary and President Tô Lâm placed implementation, time and responsibility at the centre of the reform agenda. His message was operational: objectives must be clear, responsibility identifiable, authority matched with resources, deadlines linked to outputs, and progress measured through verifiable results.

This matters beyond administrative reform. Vietnam's path towards high-income status requires higher productivity, stronger domestic capabilities and greater value creation. Many of the capabilities needed for that transition depend partly on the quality with which institutions operate.

Vietnam is already reforming extensively. The next challenge is therefore not simply to reform more, but to make reform produce faster, more consistent and measurable outcomes.

State Execution Productivity

VIET Transformation Advisors proposes State Execution Productivity as a management framework: how effectively the state converts authority and administrative resources into timely, predictable and legally robust outcomes while minimising unnecessary transaction costs imposed on citizens and businesses.

1. Tô Lâm Has Identified an Execution Question

The significance of Tô Lâm's 3 September address lies not primarily in another call for reform. Vietnam already has an extensive reform agenda.

How does political intent become observable result?

The speech repeatedly moves from policy content towards execution mechanics. Each task should have a clear objective, an accountable focal point, sufficient authority and

resources, a deadline, an identifiable product and verifiable data. Management should shift from reporting progress to managing results. Matters within delegated authority should be decided rather than passed upward. Problems beyond that authority should be escalated together with proposed solutions.

The same logic applies to decentralisation. Authority on paper is insufficient if people, finance, data, technology and control mechanisms do not move with it. Controlled pilots can allow new approaches to be tested, evaluated, improved and, where successful, scaled. Officials acting responsibly for the common interest require protection, while accountability remains intact.

“Time is a non-renewable development resource.”

That observation turns administrative performance into a development question. For companies, administrative time is not merely an inconvenience. Vietnam-specific firm-level research finds a positive relationship between provincial institutional quality and firm productivity. Among the institutional components examined, the time businesses spend dealing with government shows the strongest association with total factor productivity.

The implication should not be overstated: this does not mean that every administrative delay translates mechanically into a quantifiable productivity loss. It does mean that administrative time has an economic dimension.

Administrative time becomes economic time.

2. Why State Execution Matters to Vietnam’s Next Development Stage

Vietnam’s development model has been extraordinarily successful. Integration into global trade, foreign direct investment, manufacturing and competitive production costs helped turn the country into one of Asia’s major manufacturing locations. FDI remains central to Vietnam’s future.

The issue is not that this advantage suddenly disappears. The issue is that development changes the basis on which future value is created.

Vietnam seeks higher productivity, stronger domestic firms, deeper local value creation, more sophisticated manufacturing and services, and greater participation of Vietnamese

companies in global value chains. The OECD's 2026 FDI review concludes that the prevailing FDI model, centred heavily on assembly-based, lower-value-added manufacturing, has reached limits as a driver of further productivity growth.

The next stage requires more than competitive production cost. It requires technology absorption, skilled labour, capable local suppliers, innovation, professional services, financing capacity and stronger connections between foreign investment and Vietnamese companies. These capabilities take time to accumulate.

The old competitive advantage can erode faster than the new competitive advantage can be built.

That is not a prediction that Vietnam is losing its competitiveness today. Vietnam retains significant competitive advantages, and FDI remains indispensable. The strategic objective is therefore not less FDI. It is more productivity, capability and Vietnamese value creation from continued FDI while domestic firms strengthen alongside it.

Vietnam does not need to replace an FDI-driven economy with a domestic economy. It needs to transform both.

The proposition is not that institutions suddenly become important when an economy becomes more complex. Institutions matter at every stage of development. The more precise point is that many capabilities required for Vietnam's next stage, including investment, innovation, skills development, technology diffusion and efficient resource allocation, are themselves influenced by regulatory predictability, administrative quality and state capacity.

3. From Reform to Execution

Vietnam has already recognised much of the challenge. Recent reforms address administrative simplification, business conditions, decentralisation, public services, digital government, institutional restructuring and greater use of data and technology.

This matters because it changes the diagnosis. Vietnam does not face an absence of reform. It faces the harder question of whether formal reform consistently changes operational outcomes.

A responsibility can be decentralised without sufficient authority. Authority can move without resources or capability. A procedure can become digital while retaining

unnecessary steps. A regulation can be simplified centrally but applied differently in practice. An investment project can receive funding while remaining blocked by interfaces among planning, land, procurement, approvals and implementation.

Evidence from businesses, citizens, provinces and public investment points to the same broad pattern: substantial progress alongside persistent and uneven execution gaps.

The evidence does not describe a static or failing administration. Nor does it support reducing every problem to bureaucracy or regulation. Execution bottlenecks arise from combinations of law, process, coordination, capability, resources, leadership and accountability. Changing individual elements without changing their interaction can simply move the bottleneck.

Execution is systemic.

How does Vietnam make reform reliably produce outcomes?

4. Strong Government Is Not the Same as More Government

A high-income economy does not necessarily require a state that intervenes in more decisions. It requires a state capable of performing the functions for which it is responsible with greater quality, consistency and speed.

State capacity and state intervention are not the same thing.

The relevant measure is not how many rules are issued, how many approvals are required or how many institutions participate in a process. The question is what those activities produce.

Does a regulation address a material risk? Does an approval create necessary legal certainty? Does an inspection concentrate on the cases where failure matters? Does decentralisation result in decisions being made effectively closer to the issue? Does digitalisation reduce effort? Does public investment create the intended asset?

A strong state is not a state that decides more things. It is a state that decides the necessary things well, quickly, consistently and predictably.

5. State Execution Productivity

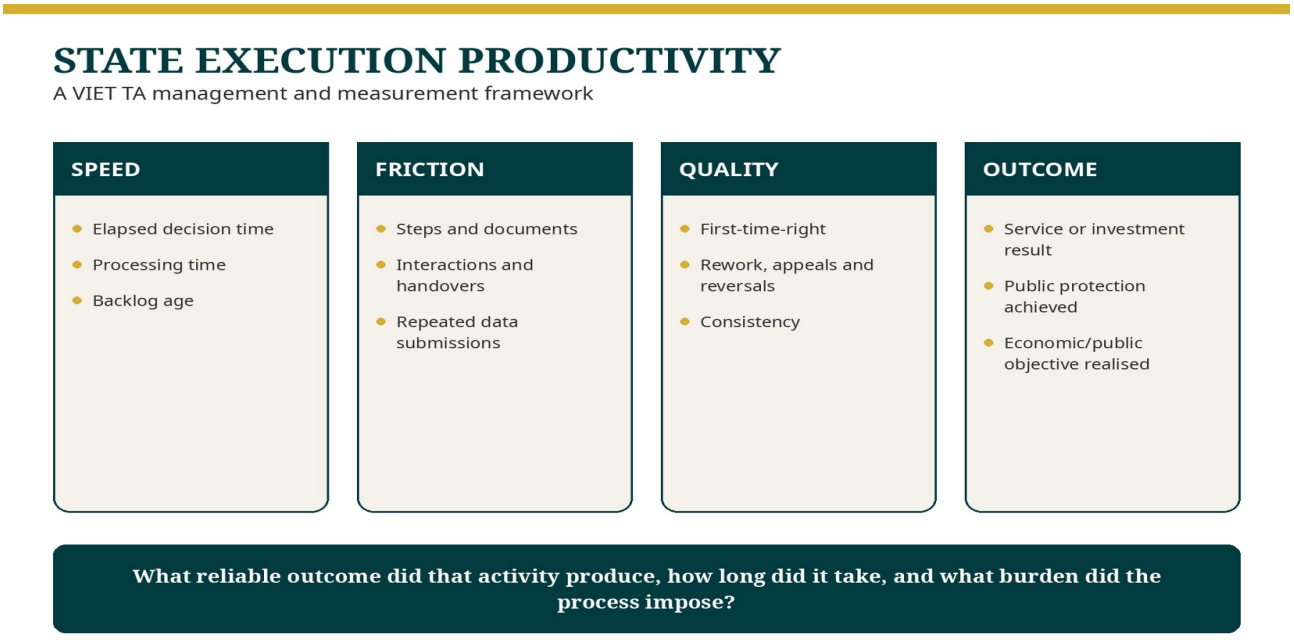
Traditional administrative reform understandably counts activities: procedures simplified, forms digitised, responsibilities decentralised, officials trained, services moved online. Those indicators matter. But none alone establishes that execution has improved.

Public-sector productivity is more difficult to measure than private-sector productivity. Government produces not only countable outputs but legal certainty, public protection, infrastructure, services and outcomes whose quality matters.

State Execution Productivity

VIET Transformation Advisors proposes State Execution Productivity as a management and measurement framework, not as a new macroeconomic productivity statistic.

State Execution Productivity assesses how effectively the state converts administrative resources and authority into timely, predictable and legally robust outcomes while minimising unnecessary transaction costs imposed on citizens and businesses.



6. The State Execution Operating Model

Vietnam is already pursuing many individual reforms that contribute to better execution. The next opportunity is to connect them into one operating logic. The sequence matters.

I. Remove Friction

The first task is not to accelerate every existing process. It is to determine which processes should exist. No purpose, no process. Regulation should be managed as a stock requiring continuous review. Transformation should begin with the end-to-end outcome rather than the organisational chart. Where government already lawfully holds trusted information, it should avoid asking citizens and businesses to provide it repeatedly. Data move, not citizens and businesses.

II. Allocate State Attention by Risk

Risk-based administration concentrates scrutiny and professional judgement where the potential consequences of failure are greatest, while allowing standard low-risk cases to move through simpler pathways. This is not weaker control. It is better allocation of control. Priority processes should have differentiated expectations for elapsed time from complete submission to legally effective outcome. Measure waiting, not only work.

III. Make Authority Executable

Decentralisation works only when responsibility moves together with the conditions required to exercise it: Responsibility → Authority → Resources → Capability → Accountability. Complex processes can still involve several institutions, but the citizen or company should not become the coordinator of government. One process. One accountable owner. Accountability must distinguish misconduct from reasonable good-faith decisions taken under uncertainty.

IV. Use Technology After Redesign

Once a process is necessary, simplified and sufficiently standardised, technology can transform its economics: Eliminate → Simplify → Standardise → Digitise → Automate → Augment. A bad process does not become a good process because the form is submitted online. For AI, standardised rules-based work offers the strongest automation opportunity; structured interpretation can be AI-supported with accountable human decisions; high-discretion, rights-sensitive or major economic cases require accountable human judgement.

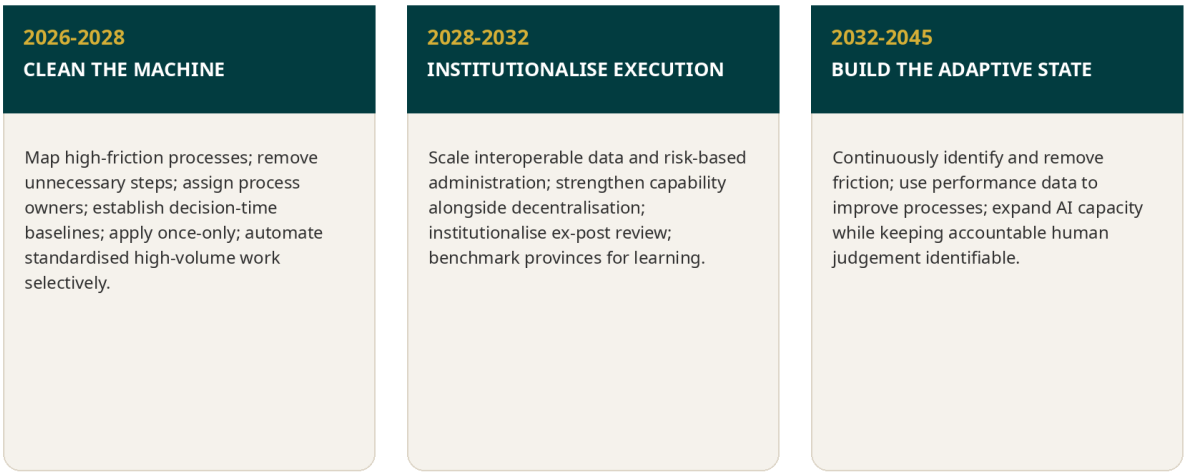
V. Create a Learning State

No administrative operating model remains optimal indefinitely. Controlled pilots are appropriate where uncertainty is genuinely high: experiment → measure → evaluate → improve → scale → institutionalise. Provincial variation should be used for learning rather than ranking alone: measure → identify outlier → diagnose cause → test transferability → replicate → measure again. A national execution-performance system should connect process indicators, provincial comparison, exception reporting and root-cause escalation.

7. From Reform Programme to Continuous State Transformation

Vietnam does not need to build this model from zero. Many components are already embedded in current policy. The challenge is integration and sequencing.

FROM REFORM PROGRAMME TO CONTINUOUS STATE TRANSFORMATION



8. The Strategic Test

Vietnam's 2045 ambition is usually framed as an economic objective. It is also an execution challenge. Higher productivity, stronger Vietnamese companies, sophisticated manufacturing and services, high-quality foreign investment, infrastructure and digital transformation all interact with the state.

Can the productivity of state execution rise alongside the productivity expected from the economy?

If companies become faster while administrative interfaces remain slow, friction grows. If economic activity becomes more sophisticated while regulation remains unpredictable, uncertainty grows. If authority is decentralised without capability, variation grows. If technology accelerates unnecessary processes, inefficiency becomes digital. If accountability discourages legitimate decisions, control becomes paralysis.

The reverse also holds. Faster, legally robust decisions release time and capital. Predictable regulation reduces uncertainty. Risk-based administration directs scarce capacity towards material risks. Once-only data removes duplicated effort. Automation releases professional capacity for higher-value work. Clear authority reduces escalation. Measurement reveals bottlenecks. Provincial variation creates learning.

The productivity of government becomes part of the productivity of the nation.

Conclusion

Tô Lâm's 3 September address identifies an issue that reaches beyond implementation of individual Party and state decisions. It identifies an operating challenge for Vietnam's next stage of development.

Vietnam has already initiated many of the necessary reforms. The question is increasingly whether administrative simplification, decentralisation, digitalisation, accountability and institutional reform operate together as a system capable of producing consistently better outcomes.

Vietnam has transformed its economy before. Its next development stage requires the state to retain one of the capabilities central to that success: the capacity to change before existing advantages are exhausted.

The objective is neither a smaller state nor a larger state. It is a more capable state: one that knows what only government can do, performs those functions well, measures whether they work and continuously removes friction that no longer serves a public purpose.

Vietnam's economy is transforming. The state must transform too.

Sources & Notes

External evidence is separated from VIET Transformation Advisors analysis and original management frameworks. State Execution Productivity and the operating-model formulations are VIET TA intellectual synthesis.

1. Tô Lâm, address to the national conference on implementation of Politburo resolutions and directives (3 September 2026). Primary source for the execution logic used in this Insight: clear objectives, accountable focal points, authority and resources, deadlines, verifiable outputs, decentralisation conditions, controlled pilots, responsibility and the statement that time is a non-renewable development resource.

2. Government of Vietnam, Resolution 66.18/2026/NQ-CP (18 May 2026). Primary source for administrative simplification, one-stop and interlinked one-stop mechanisms, geography-independent procedures, higher administrative productivity and the shift from pre-inspection towards post-inspection.

3. World Bank, Viet Nam 2045: Breaking Through - Institutions for a High-Income Future (2025). Institutional capacity, predictable regulation, accountable civil service and empowered local government. Source

4. World Bank, Viet Nam 2045: Trading Up in a Changing World. Higher-value manufacturing/services, foreign firms' export share, domestic GVC participation and skills constraints. Source

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7. Asia-Pacific Journal of Regional Science (2024), Total factor productivity and institutional quality in Vietnam. Vietnam firm-level evidence on institutional quality, time costs and TFP. Source

8. OECD, Reviewing the Stock of Regulation. Ex-post review and continuous regulatory stock management. Source

9. OECD, Regulatory Enforcement and Inspections Toolkit. Risk-based and proportionate enforcement. Source

10. OECD, Making Decentralisation Work. Responsibilities, resources, capability, coordination and performance monitoring. Source

11. OECD, Digital Government Outlook 2026. Once-only, user transaction costs and digital-government execution. Source

12. OECD, Improving the Performance of Sub-national Governments through Benchmarking and Performance Reporting. Subnational benchmarking, efficiency, effectiveness and performance reporting. Source

VIET TA Frameworks Used in This Insight

- State Execution Productivity
- Speed → Friction → Quality → Outcome
- Eliminate → Simplify → Standardise → Digitise → Automate → Augment
- Responsibility → Authority → Resources → Capability → Accountability
- One Process. One Accountable Owner.
- Green → Amber → Red AI accountability architecture
- Remove Friction → Allocate State Attention → Make Authority Executable → Use Technology After Redesign → Create a Learning State