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The Role of Political Institutions in Promoting Sustainable Economic Growth in Vietnam

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ABSTRACT
This paper looks at how political institutions help promote sustainable economic growth in Vietnam. It focuses on areas like planning, fairness in society, protecting the environment, and working with other countries. Political institutions have helped Vietnam grow its economy and reduce poverty, but there are still problems like corruption, poor management, and not enough openness. The paper suggests changes to the system, focusing on a green economy, better education, and more involvement from the public to make better policies. It also says that joining international trade deals is important for staying competitive. Having a political system that is open, fair, and can change as needed is key to long-term economic success and fairness in Vietnam.

Keywords: political institutions, sustainable economic growth, transparency, international integration, green economy.

I. INTRODUCTION

Sustainable economic growth has become a major goal for countries as they deal with global changes and problems related to the environment, society, and the economy.

The United Nations' Sustainable Development Goals Report (2020) says that sustainable growth means not only having high economic growth but also keeping balance between economic progress, environmental care, and social fairness. In this context, political institutions are essential because they guide economic decisions, create a stable law system, and make sure different groups are involved. In Vietnam, with its system led by the Communist Party, political institutions are more than just part of government—they are key to making long-term development plans work.

Institutions, as explained by Douglass North, are "the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction.

" Effective political institutions, as Acemoglu and Robinson (2012) point out, are important for economic success through fair, open, and equal ways. In Vietnam, these institutions have helped keep the country stable, which is important for getting foreign investment and growing the economy. Since the Doi Moi (Renovation) reforms in 1986, Vietnam has grown its GDP by about 6-7% each year, making it one of the fastest-growing economies in Southeast Asia. However, as the World Bank points out, issues like corruption, lack of openness, and weak management continue to block the path to sustainable growth.

Vietnam's economic growth over the last forty years shows how important political institutions are in making economic policies work. The Doi Moi reforms changed Vietnam from a system where the government made all the big economic decisions to one that mixes socialist values with market-based practices. This shift allowed Vietnam to join international groups like the World Trade Organization in 2007, the CPTPP in 2018, and the EVFTA in 2020. These changes helped reduce poverty a lot. In the 1990s, more than half of the population lived in poverty, but by 2020, that number dropped below 5% (General Statistics Office of Vietnam, 2021). However, as Acemoglu and Robinson (2012) point out, for economic growth to last, political systems need to be able to change and handle new problems like climate change, inequality, and economic pressures from around the world. In Vietnam, there are issues like environmental problems, uneven development across regions, and not enough good governance. These show the need for more flexible, open, and effective political systems. This paper looks at how political institutions help Vietnam achieve sustainable economic growth by studying policies

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on planning, fairness, protecting the environment, and working with other countries.

It also looks at the challenges these institutions face, such as corruption and lack of openness, and suggests ways to improve how the government works. Using ideas from North (1990) and Acemoglu and Robinson (2012), the paper argues that strong and fair political systems are essential for Vietnam to reach long-term growth, fairness, and sustainability.

II. CONTENTS

2.1. Concepts and theoretical framework

Sustainable economic growth means developing the economy in a way that keeps it growing over the long term, while protecting the environment and making sure everyone has fair opportunities (United Nations, 2020).

The United Nations Sustainable Development Goals Report says sustainable growth is about meeting the needs of today without taking away the chance for future generations to do the same (United Nations, 2020). Political institutions, which include the way a country is governed, its laws, and how the government works, are key in creating and carrying out development plans. Douglass North (1990) says institutions are "the rules of the game in a society," which helps decide how resources are used and how people behave economically (North, 1990, p. 3). Acemoglu and Robinson (2012) say that inclusive, open, and fair institutions help create sustainable growth, while systems that are not fair can stop development from happening (Acemoglu & Robinson, 2012). In Vietnam, the communist party-led system controls the country's long-term economic plans. These theories help explain how political institutions in Vietnam affect sustainable growth, especially when dealing with international cooperation and environmental and social challenges.

2.2. The current state of political institutions in Vietnam

Vietnam's political system is run by the Communist Party of Vietnam, which has a lot of control over the country's government and economy.

In 1986, the country started a major change called Doi Moi, which moved Vietnam from a system where the government made all the economic decisions to a more market-based system, while still keeping socialism as the main goal. This shift helped the economy grow a lot. According to the World Bank, Vietnam's economy grew by an average of 6. 5% every year from 2000 to 2020, making it one of the fastest-growing economies in Southeast Asia (World Bank, 2023). Vietnam has also joined important international groups like the WTO (2007), CPTPP (2018), and EVFTA (2020), which helped it sell more goods abroad and bring in more foreign investments. Up to 2023, the total amount of foreign money invested in Vietnam has been over 400 billion dollars (General Statistics Office of Vietnam, 2021). These successes show that political institutions are important in creating a stable and encouraging environment for the country's development.

But there are also challenges. Corruption is still a big problem. Vietnam ranks 83rd out of 180 countries in the 2023 Corruption Perceptions Index, which shows that things aren't transparent enough (Transparency International, 2023). Poor management in some parts of the government makes it harder to use resources wisely. The World Bank (2023) says that bureaucracy and lack of transparency are making both investors and the public less confident. Also, the government's ability to handle new problems, like climate change and digital changes, is not strong enough. For example, environmental rules are not being followed well because there isn't enough money or strong monitoring systems. These issues show that Vietnam needs to improve its political institutions to support its economy as it continues to grow in a connected world.

2.3. The Role of political institutions in promoting sustainable economic growth

Political institutions in Vietnam are important in helping the country grow its economy in a way that lasts over time.

There are four main areas where they help. First, they set long-term plans for the country's future, like the Socio-Economic Development Strategy 2021–2030, which focuses on green industries and high-tech areas (General Statistics Office of Vietnam, 2021). These plans provide a safe and fair legal system that makes it easier to attract foreign investment and grow the economy. Second, political institutions help make the society fairer by running programs that reduce poverty. For example, Program 135 helped lower the poverty rate from 14. 2% in 2010 to 4. 8% in 2020 (World Bank, 2023). Other programs support groups that have more difficulty, such as women and people with disabilities, and these have been actively put in place.

Third, political institutions support environmental protection by creating policies like

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the National Strategy on Green Growth 2021–2030. This strategy encourages the use of renewable energy and helps reduce greenhouse gas emissions (United Nations, 2020). However, there are challenges in making sure these policies are properly carried out because there isn't enough monitoring. Fourth, political institutions help Vietnam connect with other countries economically. This has allowed Vietnam to make trade agreements and boost its exports from USD 72 billion in 2010 to over USD 330 billion in 2023 (General Statistics Office of Vietnam, 2021). Acemoglu and Robinson (2012) say that inclusive institutions help the economy grow in a way that is fair and innovative. In Vietnam, political institutions have played a key role in balancing economic growth with social and environmental goals, but more reforms are needed to tackle problems like corruption and weak governance.

2.4. Challenges and limitations of political institutions

Although political institutions have helped Vietnam grow economically, they face major challenges that stop sustainable development.

Corruption is a big issue because it weakens governance and hurts investor confidence. Vietnam is ranked 83rd out of 180 countries in the 2023 Corruption Perceptions Index, showing that there are still big problems with transparency and accountability (Transparency International, 2023). Chand et al. (2001) say that corruption and poor governance have made it harder to use public resources efficiently, especially in big infrastructure projects. For example, many large construction projects have faced delays or lost money because there isn't enough oversight, according to the World Bank (2023).

Another big problem is how slow and complicated the bureaucratic system. Gray (2018) points out that Vietnam's centralized system ensures political stability but also makes administrative procedures too complex, which increases costs for businesses (Gray, 2018). This especially affects small and medium-sized businesses, which are important for sustainable economic growth. Also, the ability of institutions to respond to global challenges like climate change and digital transformation is limited. Nong et al. (2020) say that the National Strategy on Green Growth, which aims to promote sustainable energy, has not been fully implemented because there are not enough resources and poor coordination between different government agencies (Nong et al. , 2020). There is also a conflict between short-term economic growth and long-term sustainability. Irvin (1996) argues that focusing too much on industries like coal mining has led to environmental problems, making it harder for sustainable development to happen (Irvin, 1996). Finally, not enough involvement from the public and private sectors in decision-making reduces support for policies and makes them less effective, as noted by Joachim (2019). These challenges require major reforms to make sure Vietnam's institutions meet the needs of sustainable economic growth in a globalized world.

2.5. Solutions and recommendations

To deal with these issues and help the economy grow in a sustainable way, Vietnam needs to make big changes in its systems.

First, making things more open and honest is very important. According to Transparency International (2023), using digital tools like e-governance platforms can help stop corruption and make government work better. Vietnam should make the National Public Service Portal bigger and set up independent groups to watch over public projects. Chand et al. (2001) say that improving how the government works is key to building trust with both investors and the public (Chand et al. , 2001).

Second, it's important to focus on policies that support the green economy.

Nong et al. (2020) suggest increasing money for renewable energy like solar and wind through tax breaks and financial help (Nong et al. , 2020). Lam (2019) recommends creating green industrial areas and using eco-friendly technology to keep the economy growing while protecting the environment (Lam, 2019). Also, training people to have the skills needed for a digital and green economy is very important. Nguyễn and Phan (2025) note that investing in education is key to staying competitive in the global market (Nguyễn & Phan, 2025).

Third, Vietnam needs to get better at joining the global economy.

Thao (2025) says that following the rules of trade deals like CPTPP and EVFTA needs legal changes and help for local businesses (Thao, 2025). The government should give financial and tech support to small and medium businesses to help them take part in international markets, as mentioned by the General Statistics Office of Vietnam (2021). Cai and Le (2023) suggest that encouraging companies to act responsibly in society will help the economy grow in a green and sustainable way (Cai & Le, 2023).

Finally, it's really important to get both public and private groups involved in making policies. Joachim (2019) says that having regular talks between public and private groups can help collect ideas from different people, which makes policies more useful (Joachim, 2019). Tri and Thanh (2024) suggest teaching people more about sustainable development so they understand better and take action to protect the environment (Tri & Thanh, 2024). North (1990) believes that when institutions include everyone and let people have a say, it helps people agree more and makes policies work better (North, 1990). In short, changing political institutions to be more open, inclusive, and able to change is important for Vietnam's long-term economic growth. By stopping corruption, focusing on green growth, working with other countries, and getting more people involved, Vietnam can build a strong foundation for a wealthy, fair, and environmentally friendly future.

III. CONCLUSION

Political institutions are the key to Vietnam's efforts to grow the economy in a way that's sustainable. They help shape big plans, make sure everyone has a fair chance, protect the environment, and help the country work with others. Vietnam has already made progress, like growing the economy, reducing poverty, and increasing exports, which shows how well these institutions are working in managing the economy. But there are still problems like corruption, slow decision-making, and not being able to handle environmental changes. To keep growing, Vietnam needs to build institutions that are open, flexible, and include people from all walks of life. It also needs to focus on green policies and get more public help. These actions will help deal with current problems and create a balance between economic growth, fairness, and protecting nature. Good political institutions will be the base for Vietnam's progress towards a richer, greener, and more equal future, matching the goals of the world.

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