

HO CHI MINH NATIONAL ACADEMY OF POLITICS

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**POLICIES TOWARDS
THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

**DOCTORAL DISSERTATION SUMMARY
MAJOR: ECONOMIC MANAGEMENT**

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**The dissertation can be found at the National Library
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INTRODUCTION

1. Rationale of the study

The informal economic sector (IES) has been recognized since the 1960s and formally defined by the ILO in 1972. Globally, it plays a vital role in employment and poverty reduction, with about 60% of the world's workforce engaged in informal activities in 2019. In developing countries, the IES accounts for over 70% of employment and nearly one-third of GDP. In Vietnam, the sector is particularly significant, comprising more than 5 million production and business establishments and employing around 55–68.5% of the labor force, equivalent to over 33 million people.

The period 2015–2024, especially during the COVID-19 pandemic, highlighted the dual role of the IES as both a buffer for the formal economy and a sector vulnerable to policy shortcomings. While the IES generates jobs much faster than the formal sector and contributes to poverty reduction, it is also associated with low productivity, limited access to credit, small-scale operations, weak budget contributions, and higher levels of inequality.

Globally, awareness of the IES increased after the ILO adopted Recommendation No. 204 in 2015 and updated statistical standards in 2023. In Vietnam, a legal framework has been gradually established through enterprise, commercial, and registration laws, along with regulations on unobserved economic activities. However, policies affecting the IES remain largely indirect, mainly through private sector development, and their effectiveness is limited.

The study emphasizes the need to systematize policies into regulatory, support, and formalization-encouraging groups, analyze influencing factors, and propose improvements aligned with sustainable development and Vietnam's 2030 goals.

2. Research Objectives and Tasks

2.1. Overall Objective

To study policies towards the IES in Vietnam during the period 2015-2023, proposing solutions to contribute to improving policies for this sector by 2030.

2.2. Specific Objectives

The dissertation clarifies the theoretical foundation, evaluates the IES situation during 2015-2023 through three policy groups: regulations on PBE activities, support policies, and formalization encouragement policies. It evaluates these policies according to criteria, identifies causes, analyzes experiences of countries worldwide, and proposes solutions for improving policies by 2030, promoting effective IES operations, directing formalization, and contributing to implementing development strategies.

3. Research Scope and Subject

3.1. Research Subject

The research subject of the dissertation is policies towards the informal economic sector in Vietnam.

3.2. Research Scope

3.2.1. Content Scope

The dissertation studies 03 policy groups: regulations on production and business activities, support policies, and formalization encouragement policies.

3.2.2. Time Scope

The dissertation focuses on studying policies towards the IES from 2015 (after the 2014 Enterprise Law took effect and the United Nations 2030 Agenda for Sustainable Development was adopted) to 2023. Proposed solutions extend to 2030, aligned with the country's socio-economic development strategy.

4. Research Approach and Methods

4.1. Approach

Systems approach: The dissertation views the IES as a component closely linked to the overall economy, therefore examining policies towards the IES in dialectical relationship with the formal economic sector, government, and consumers. Approach from the perspective of policy beneficiaries and policy implementers

4.2. Research Methods

4.2.1. Data collection methods: Collecting secondary data through VHLSS and published research while supplementing gaps in secondary data with primary data through surveys of policy beneficiaries; in-depth interviews with policy implementers regarding policy implementation processes and experts to clearly define the legal scope of the IES and preliminary policy evaluation.

4.2.2. Information and data analysis methods: The dissertation uses descriptive statistics, analysis and synthesis, comparison, and contrast between impact groups to evaluate policies towards the IES during 2015-2023.

5. New Contributions of the Dissertation

Theoretical contributions: Clarifying concepts, roles, and factors affecting policies towards the IES; determining criteria for evaluating policies for this sector.

Practical contributions: The dissertation conducted surveys of informal PBEs and policy implementers to evaluate policies towards the IES in Vietnam, proposing 8 viewpoints and 4 solution groups for improving policies towards the IES.

6. Content Structure

Besides the introduction, conclusion, and appendices, the dissertation content includes 4 chapters, specifically:

Chapter 1: Overview of research works related to the dissertation topic

Chapter 2: Theoretical foundation and practical experience regarding policies towards the informal economic sector

Chapter 3: Current status of policies towards the IES in Vietnam

Chapter 4: Solutions for improving policies towards the IES in Vietnam

CHAPTER 1

OVERVIEW OF RESEARCH WORKS RELATED TO THE DISSERTATION TOPIC

1.1. Overview of Research Works and Research Gaps

1.1.1. Overview of research works clarifying the nature and role of the informal economic sector

Recent research has increasingly clarified the informal economic sector (IES) through standardized concepts and measurements. ILO (2002-2024) developed internationally comparable frameworks applied across over 100 countries. UN-DESA (2024) and Gesendorfer (2024) define the IES as legitimate economic activities outside formal arrangements, excluding illegal activities, linked to Sustainable Development Goals and National Accounts.

Benjamin and Mbaye (2014), IMF (2021), World Bank (2022), and WEF (2024) show the IES accounts for approximately 35% of GDP in developing countries and employs nearly 60% of the global workforce. IIED (2010), Becker (2004), Bacchetta (2009), World Bank (2021), and Sultana (2024) emphasize characteristics of small scale, vulnerability, and growth consequences.

WEF (2024), Durokifa (2024), Cling (2010), Le Duy Binh (2022), and ILO (2021) confirm the sector's crucial role during COVID-19. However, WB (2022) and OECD/ILO (2023) note challenges: limited policy access, low productivity, tax losses, and vulnerability to shocks.

1.1.2. Overview of research on policies towards the informal economic sector

Research on IES policies encompasses three areas: regulations, support, and formalization incentives.

Regarding regulations, Bruhn and McKenzie (2014), Bruhn and Loeprick (2016), and Moore (2023) show simplified procedures increase registration mainly among SMEs, with limited IES impact. Wei (2024) warns against "bunching" behavior. Djankov (2002) and ILO (2024) find complex regulations increase costs and corruption. Grwambi (2019) and Kuboka (2024) criticize enforcement-heavy approaches. ILO (2013) proposes clarity-focused evaluation criteria.

On support policies, ILO (2023), Joshi (2014), and Richard (2019) emphasize consistency, coordination, and simplified regimes. Richard (2019), Oloyede (2021), and Appiah (2024) identify sanctions awareness as

crucial. Cling (2010), Le Duy Binh (2021), and T. Ha (2022) note Vietnamese policy gaps.

For formalization, Rudi Rocha et al. (2018) find short-term effects from tax reductions. Elbahnasawy (2021) and UN (2024) highlight e-government benefits, while UNDP (2022, 2024) and Lv (2024) caution about digital divides. ILO (2013) and WB (2022) recommend transition-focused evaluation.

1.1.3. Overview of research on factors affecting policies towards the informal economic sector

Research highlights key factors shaping IES policies, emphasizing the link between informality and institutional quality. ILO (2012) identifies legal environment, labor regulations, measurement methods, and policy access as central to formalization. WB (2016) points to inefficient public investment caused by fragmented authority, weak management, and corruption. WB (2022) groups informality causes into three categories: institutional barriers (complex procedures, high costs, non-transparent taxes), productivity and skill constraints (small-scale activities, low-skilled labor), and lack of state trust due to unclear taxation and social protection benefits. Informality is both cause and result of weak institutions.

In Vietnam, Tran Tho Dat (2024) emphasizes absent coherent legal frameworks, fragmented policies, limited resource access, and livelihood-urban management conflicts, calling for flexible coordination. Tuan Nguyen-Anh (2023), Mai Thi Huong Giang (2019), and Vu Trong Nghia (2021) stress government orientation, worker awareness, culture, technology, and education. Abos (2024) and Marume (2016) underline government commitment, stakeholder cooperation, and dynamic policymaking.

1.1.4. General assessment of literature review and research gaps

Research clarified IES concepts, characteristics (limited capital, low productivity, vulnerability), and roles (job creation, economic buffer). Three policy groups identified: regulations, support policies, formalization incentives. ILO, WB, UNDP proposed evaluation criteria.

Gaps: International suggestions lack Vietnam-specific context; data outdated (Cling 2010) or lacks post-COVID-19 updates; missing bidirectional evaluation from beneficiaries and implementers (2015-2023); individual impact studies insufficient for comprehensive policy systems.

Dissertation direction: Clarify theoretical foundation; build analytical framework; survey informal establishments and officials nationwide (2022-2024); compare international policies (China, Thailand, USA, Singapore); propose solutions.

CHAPTER 2

THEORETICAL FOUNDATION AND PRACTICAL EXPERIENCE REGARDING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR

2.1. Theoretical foundation on the informal economic sector

2.1.1. Concept of the informal economic sector

The dissertation uses the concept of the informal economic sector according to Official Letter No. 1127/TCTK-TKQG dated September 13, 2019, from the General Statistics Office. Accordingly, the informal economic sector includes non-agricultural, forestry, and aquaculture production and business establishments that create physical products and services for sale or exchange but are not registered for business. The research focuses on the informal economic sector, not considering informal employment.

2.1.2. Characteristics of the informal economic sector

The informal economic sector is formed from many causes, characterized by non-fixed business locations, self-financing, small scale, and self-employment. This sector is easy to enter and exit but vulnerable to market fluctuations, has low labor qualifications, limited legal compliance, and difficulty accessing policies.

2.1.3. Role of the informal economic sector

The informal economic sector is an important component of the economy, especially in developing countries like Vietnam, contributing to livelihoods, employment, providing low-cost goods, and supporting growth. However, this sector also causes inequality, tax revenue losses, limits macro management, has low productivity, and faces management difficulties.

2.2. Theoretical foundation on policies towards the informal economic sector

2.2.1. Concept of policies towards the informal economic sector

Policies towards the IES are the State's orientations and solutions to solve informal economic sector issues to achieve specific objectives.

2.2.2. Role of policies towards the informal economic sector

Policies guide and regulate the informal economic sector through encouraging compliance, supporting information, training, insurance, and formalization, thereby promoting development, transparency in management, and reducing tax revenue losses.

2.2.3. Content of policies towards the informal economic sector

Policies towards the IES are divided into 3 groups:

Group of regulations on production and business: Regulations on taxes, fees, and business location regulations.

Group of support policies: Support for raising awareness of policies and laws; market information support, resource access information support;

social insurance support; support in emergency situations (specifically COVID-19 pandemic).

Group of formalization encouragement policies: Simplifying business registration procedures, diversifying registration forms; communicating about benefits between registering and not registering business; preferential policies, post-registration support for Enterprises, small and medium enterprises, business households.

2.2.4. Criteria for evaluating policies towards the informal economic sector

Through the literature review process, the author inherits research in establishing evaluation criteria for each policy group, including:

Criteria used to evaluate regulations for production and business activities are (ILO, 2013): i) Regulations are clearly presented in understandable language; ii) Ease of access to legal/tax information; iii) Degree to which procedures, fees, and licenses increase costs; iv) Whether procedures, fees, and licenses restrict the activities of individual businesses; v) Comparison of compliance costs with benefits received.

For the group of support policies, the evaluation criteria are (ILO, 2013), OECD (2009): i) Level of policy access; ii) Degree of policy comprehensibility; iii) Level of policy support.

For the group of formalization incentive policies, the evaluation criteria are ILO (2013), WB (2022): i) Assessing the level of access to policy information; ii) Assessing the degree of policy encouragement for formalization.

2.2.5. Factors affecting policies towards the informal economic sector

2.2.5.1. State viewpoints and orientations on the informal economic sector

2.2.5.2. Culture and tradition

2.2.5.3. Resources for policy implementation

2.2.5.4. Characteristics of the informal economic sector

2.3. Experience of some countries on policies towards the informal economic sector and lessons for Vietnam

2.3.1. Experience of some countries worldwide: Thailand, China, Singapore, United States

2.3.2. Lessons learned for Vietnam

Lessons on policies regulating production and business activities

Lessons on support policies

Lessons on formalization encouragement policies

CHAPTER 3

CURRENT STATUS OF POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM

3.1. Current status of the informal economic sector in Vietnam

3.1.1. Scale of the informal economic sector in Vietnam

The scheme for statistics on the non-observed economy (NOE) approved in 2019 created a turning point in statistics for the informal economic sector. Previously, data was fragmented. VHLSS results for the period 2010-2020 show that the proportion of non-agricultural establishments not registered for business tends to gradually decrease.

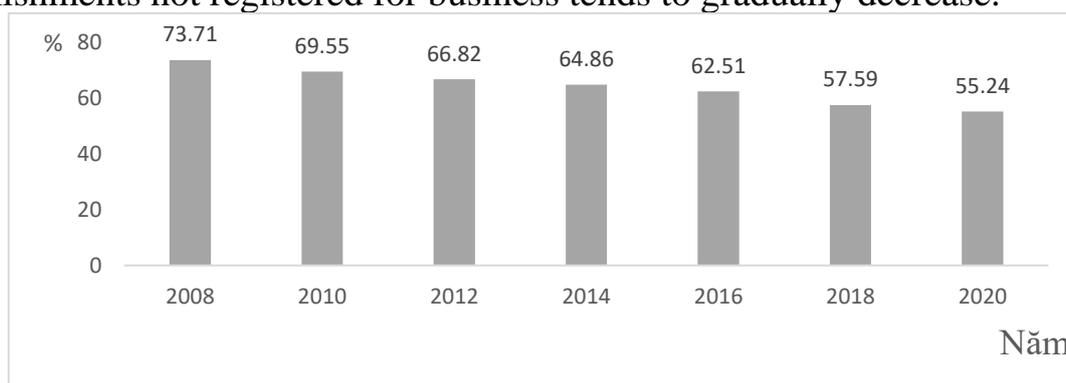


Chart 3.1. Proportion of unregistered PBEs compared to non-agricultural PBEs

Source: VHLSS from 2010 to 2020.

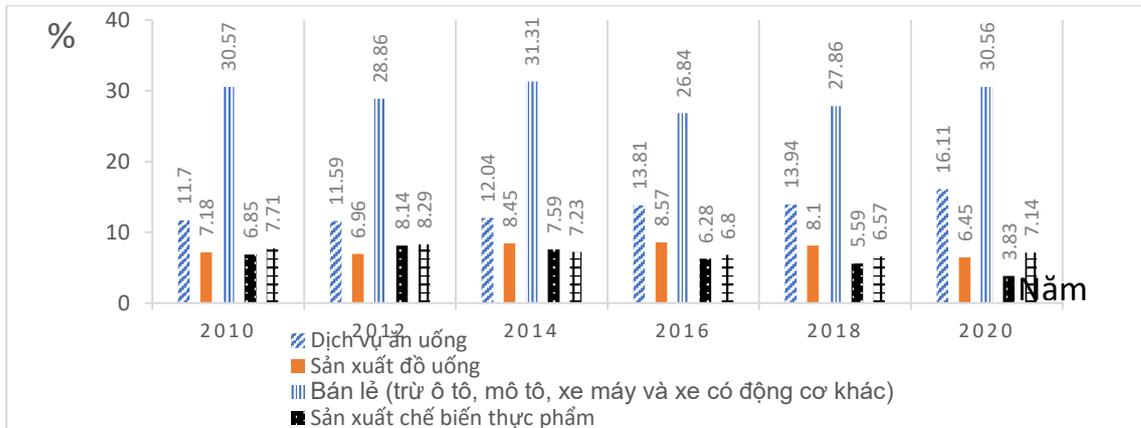
During the COVID-19 pandemic, when the outbreak occurred and social distancing regulations were implemented, the number of informal PBEs decreased by 3.2% (in 2020); after the pandemic, many units operating in the formal sector had to close, and the IES scale increased again (in 2021 increased by 2.3%, in 2022 increased by 2.21% compared to the same period the previous year).

Number of informal production and business establishments by economic sector

The IES operates across many different sectors and fields. According to VHLSS statistics, the trend of operational sectors of informal production

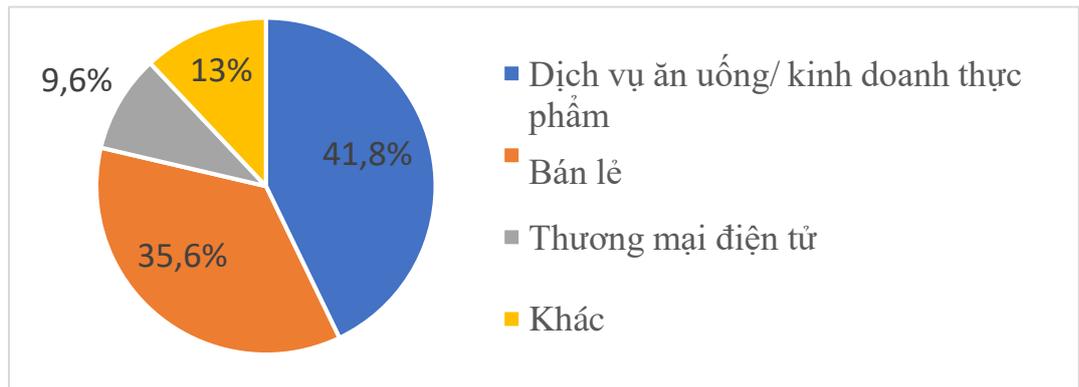
establishments has gradually narrowed from 67 sectors in 2008 to 57 sectors in 2020, mostly concentrated in retail and food service.

Chart 3.3 describes sectors with high proportions of non-agricultural



Source: VHLSS from 2010 to 2020

Biểu đồ 3.2. Các ngành có tỷ trọng cao trong nhóm các CSSX KD phi nông nghiệp, không đăng ký kinh doanh



Biểu đồ 3.3. Các ngành có tỷ trọng cao trong KVKTPCT

Nguồn: Kết quả khảo sát của tác giả năm 2023-2024

PBE activities not registering business, from 2010 to 2020. Most IES subjects operate in retail (accounting for nearly 1/3 of non-agricultural PBEs not registering business), followed by food services. E-commerce was not included in the VHLSS survey activity list from 2010 to 2020. COVID-19 increased demand for buying and selling goods on digital technology platforms, along with the strong development of the 4th industrial revolution, e-commerce has become popular.

According to World Economics reports, Vietnam's informal economy in 2023 was approximately 393 billion USD (GDP PPP), accounting for about 20.3% of GDP.

The average revenue of an informal PBE at current prices in 2010 was 174 million VND/year; by 2019 it reached 382 million VND/year; in 2020 it reached 356 million VND/year. The average growth rate for the period 2011-2020 reached 7.41%/year.

Revenue at current prices in 2022 reached 2,130 trillion VND, increasing 45.16% compared to the same period in 2021 (1,467 trillion VND). Individual PBEs not required to register business accounted for 10.68%, increasing 0.39% compared to 2021 (10.29%, equivalent to about 151 trillion VND). In value terms, 2022 revenue of units not required to register business increased 50.7% compared to the same period in 2021.

Number of informal production and business establishments by locality

The IES is mainly concentrated in provinces and cities with large economic scale, dense population, and easy market access. According to the National Accounts Department (TKQG) 2022 report, the 10 provinces and cities with the largest proportion of informal PBEs account for about 36.85% of the total informal establishments nationwide, while the 10 provinces with the smallest proportion of informal PBEs nationwide account for only about 3.9% of establishments, concentrated in provinces with small economic scale, sparse population, where labor often moves to other localities to work.

Table 3.1. Provinces with the largest IES scale by economic region

Province with largest scale by economic region	2021		2022	
	IES contribution to GDP value (trillion VND)	Proportion compared to national IES scale (%)	IES contribution to GDP value (trillion VND)	Proportion compared to national IES scale (%)
Hanoi (Red River Delta)	27,20	7,74	52	10,51
Bac Giang (Midlands and Northern Mountains)	5,48	1,56	6,7	1,37
Thanh Hoa (North Central Coast and Central Coast)	14,44	4,11	15,5	3,12
Lam Dong (Central Highlands)	5,13	1,46	6,6	1,33
Ho Chi Minh City (Southeast)	21,22	6,04	53	10,71

An Giang (Mekong Delta)	7,13	2,03	9,3	1,87
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Source: Author's calculation based on General Statistics Office data 2024

The IES in the two major cities increased strongly in 2021 and 2022 due to the strong impact of the COVID-19 pandemic; many businesses had to close production, and workers joined the IES to find livelihoods.

Capital scale and revenue of the IES

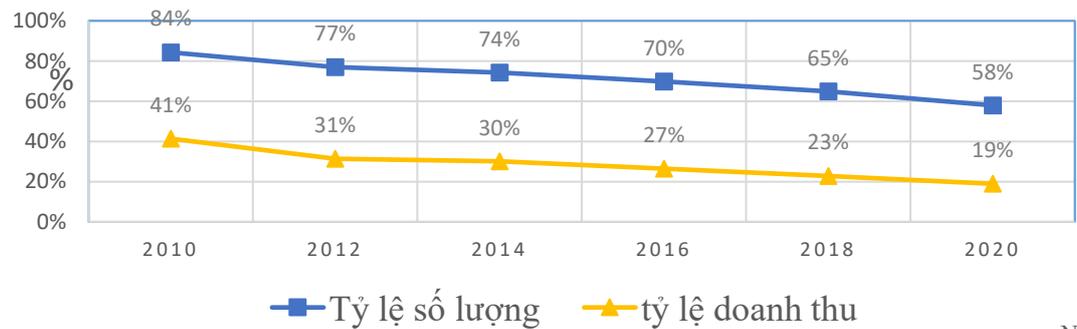


Chart 3.4. Proportion of quantity and revenue of informal PBEs with revenue below 100 million

Source: VHLSS from 2010 to 2020.

Chart 3.4 shows that the revenue trend of PBEs is gradually increasing. The number of informal PBEs with revenue below 100 million accounts for an increasingly decreasing proportion (from 2010 to 2020, establishments in this group decreased from 84% to 58%; the contribution to revenue decreased from 41% to 19%). This means that theoretically, the number of IES establishments required to pay taxes is increasing, and tax revenue is also increasing.

Table 3.2. Average capital and revenue of informal business households

Amount	Capital scale		Revenue	
	Quantity	Proportion	Quantity	Proportion
Below 100 million	146	32,44%	107	23,8%
100-300 million	119	26,44%	143	31,8%
300 -500	87	19,33%	54	12%
500-1 billion	98	21,78%	51	11,3%
Above 1 billion	-	-	95	21,1%
Total	450	100%	450	100%

Source: Author's survey results 2023-2024

3.1.2. Characteristics of the informal economic sector in Vietnam

Motivation and reasons for participating in the IES

Table 3.3. Reasons for choosing not to register business

1. Avoid State regulations: taxes, fees and business conditions.
2. New startup.
3. Afraid of complex administrative procedures after registration
4. Spontaneous, acting on instinct, tradition, not thinking they need to register.
5. Limited capital.
6. Satisfied with current activities.
7. Fear of harassment by policy implementers
8. Don't want to be bound by responsibility for products they produce/trade.
9. Don't know registration process and procedures.
10. Working temporarily while waiting for formal employment.
11. Unable to find formal employment, working to maintain minimum living standards.
12. Main activity in formal sector, working in IES seasonally for extra income/or to satisfy business passion.
13. Activities in IES as backyard of formal sector.

(Source: Author's survey results 2023-2024)

Education level of informal PBE subjects

Table 3.2. Proportion of education levels of informal PBE subjects over the years

	Unit: %					
Highest degree	2010	2012	2014	2016	2018	2020
No degree	17.64	18.69	23.43	17.31	21.23	23.29
Primary	33.52	31.81	27.48	29.14	48.46	25.22
Lower secondary	31.25	30.77	27.54	34.13	29.37	27.21
Upper secondary	14.07	15.3	17.21	15.03	16.77	20.14
College	0.65	0.83	1.33	1.25	1.66	3.83
University	2.73	2.39	2.83	3.09	3.53	0.28
Master's or higher	0.14	0.21	0.17	0.05	0.21	0.03

Source: VHLSS years: 2010, 2012, 2014, 2016, 2018, 2020

HLSS data results show that most people participating full-time in IES activities have low education, the proportion without upper secondary graduation (over 80%), the number of college graduates and above accounts for only about 3-5%.

Table 3.3. Education level and work nature of informal subjects

Education level	Quantity	Proportion	Non-fixed time	Full time	Second job
No degree	156	34.8%	52	104	0

Primary	102	22.7%	10	85	7
Lower secondary	35	7.7%	0	35	0
Upper secondary	107	23.8%	0	32	75
College	50	11.0%	0	0	50
Total	450	100%	62	256	132

(Source: Author's survey results 2023-2024)

People with low education levels tend to work full-time in the IES, conversely, people with high education levels usually only view the IES as a second job, besides work in the formal sector.

Business location: A prominent feature of the IES is quite diverse business locations, but mainly without fixed locations.

Table 3.18. Business space choices

Business location	Quantity	Proportion
1. At residence	92	17,3%
2. Rented location	98	18,42%
3. Encroachment	137	25,75%
4. Non-fixed	117	21,99%
5. Online (including combination with other forms)	88	16.54%
Total	532	100%

Source: Author's survey results 2023-2024

Payment instruments: Currently, goods exchange and transaction execution use many different payment forms (cash, ATM/credit cards, payment through third parties (like Momo, Viettel money...), bank transfer via application software on electronic devices,...). However, IES transactions mainly use two basic forms: cash and bank transfer via software, with payment form usage priorities also differing by age.

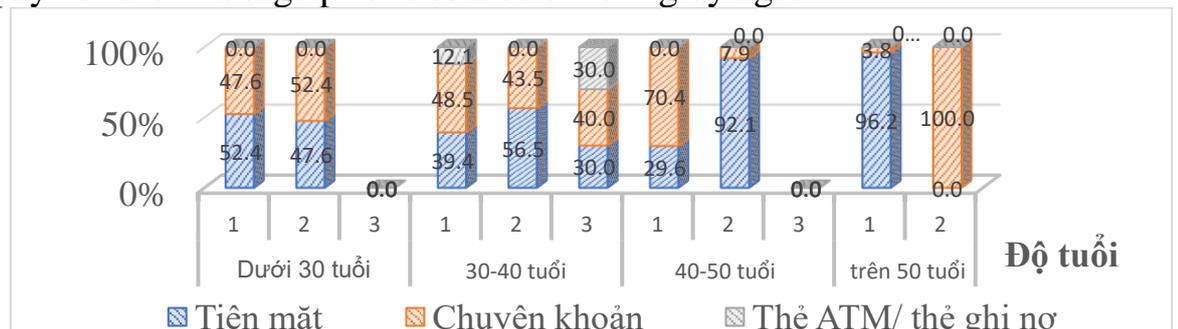


Chart 3.5. Payment instruments by priority level and age

Source: Author's survey results 2023-2024

Chart 3.5 describes the priority order when using payment forms by informal PBE subjects classified by age. The horizontal axis describes age (under 30, 30 to 40 years old, 40 to 50 years old, over 50 years old) and priority decreases from 1 to 3. The vertical axis describes the proportion (calculated as % of respondents).

3.2. Current status of policies towards the informal economic sector

3.2.1. Determining the legal position of the informal economic sector

The basis for determining the legal position of the IES is:

Decision No. 146/QĐ-TTg dated February 1, 2019 of the Prime Minister on "Approving the Project on Statistics of the Non-Observed Economic Sector", Official Letter No. 1127/TCTK-TKQG dated September 13, 2019 on guidance on using the concept of the informal sector and self-production, self-consumption activities of households; Decree 39/2007/ND-CP on independent commercial activities not required to register business; Decree 78/2015/ND-CP on business registration (determining the IES from 2015 to 2021) and Decree 01/2021/ND-CP on business registration (determining the IES scope from 2021 to present).

3.2.2. Policies regulating production and business activities

IES subjects currently have 3 main taxes and fees to pay: business license fee, value-added tax, and personal income tax. According to Clause 2, Article 4 of Decree 139/2016/ND-CP and Point c, Clause 1, Article 1 of Decree 22/2020/ND-CP, the business license fee collection level for individual business households is calculated based on average annual revenue. Specifically as follows:

Table 3.4. Cases for paying business license fees

CASE	Annual business license fee
Revenue over 500 million VND/year	1.000.000 VND/year
Revenue over 300 to 500 million VND/year	500.000 VND/year
Revenue over 100 to 300 million VND/year	300.000 VND/year
Revenue from 100 million VND/year or below; Individuals, households doing non-regular business without fixed location;	Exempt from business license fee

Source: Decree 22/2020/ND-CP

Evaluation from the perspective of policy beneficiaries

The dissertation surveyed 450 production and business units on tax, fee, and business location regulation policies, with evaluations on a Likert scale from 1 to 5, where level 1: Completely disagree, 2: Partially agree, 3: Normal, 4: Agree, 5: Completely agree

Table 3.5. PBE subjects' evaluation of policies

No	Criteria	Tax registration	Business license fee	VAT, Personal income tax	Business location regulations
1	Regulations are presented clearly, language easy to understand;	2.76	2.96	2.65	3.57
2	Easy information reception ability + policy implementation time is fast	4.4	4.39	4.35	2.69
3	Procedures, fees, licenses increase costs significantly	3.7	3.7	3.63	3.08
4	Procedures, fees, licenses do not restrict individual business activities	3.02	2.95	2.28	2.56
5	Compliance costs are low compared to benefits received	3.7	3.7	3.63	3.08

Source: Author's survey 2023-2024

Evaluation from policy implementers' perspective

Decree 39/2007 defines unregistered business management; 2024 survey shows rural tracking complete, urban partial, tax collection difficult due to density.

3.2.3. Support policies

3.2.3.1. Evaluation of policy access level

IES PBE subjects consider their activities spontaneous, not registered, so they are not entitled to State support policies.

Table 3.9. Policy access level of informal production and business subjects

No.	Support policy	Proportion of subjects who accessed (%)
1	Support for understanding legal policies	12,1
2	Training support, market information support, resource access information support	9,7

3	Voluntary social insurance support	22,4
4	Support during natural disasters, epidemics	8,5

Source: Author's survey 2023-2024

During COVID-19, only 8.5% accessed support; lack of information, procedures, and unpreparedness limited policy access. The IES has little access to other policies mainly due to the needs of subjects in this sector; 90.3% self-learn business skills or do business by instinct; 87.9% do not need market information support or legal policy understanding support.

3.2.3.2. Evaluation of policy comprehensibility level

To evaluate policy comprehensibility level, the dissertation surveyed beneficiaries' opinions. Table 3.10 summarizes the agreement level of unregistered PBE subjects on policy comprehensibility and fast implementation time.

Table 3.10. IES evaluation of policy being easy to understand and fast implementation time

Unit: %

Policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree
Not required to register business	48.6	10.5	17.1	12.7	6.1	5.0
Market information support	54.1	3.9	1.7	13.8	18.2	8.3
Training support	53.0	4.4	4.4	14.4	20.4	3.3
Support/guidance for implementing State policies	55.2	2.2	7.2	19.9	12.7	2.8
Voluntary insurance	51.4	9.9	19.3	9.4	6.1	3.9

Source: Author's survey 2023-2024

Most respondents see businesses as self-run, over 50% ignore support; mixed views on voluntary insurance procedures and speed.

3.2.3.3. Evaluation of policy support level

IES find support insufficient; half uninterested. Registration policy favored (69%); other supports low, especially market information and training.

Table 3.11. Business households' opinions on policies helping PBE operations run more smoothly

Support policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree
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Not required to register business	48.62	15.47	0.00	1.66	16.02	18.23
Market information support	54.14	37.57	2.21	0.00	6.08	0.00
Training support	53.04	39.78	0.00	0.00	6.08	1.10
Support/guidance for implementing State policies	55.25	33.70	2.21	1.66	6.08	1.10
Voluntary insurance	51.38	37.57	2.21	1.66	6.08	1.10
Support for damages from natural disasters/epidemics	49.17	41.44	0.00	2.21	6.08	1.10

Unit: %

*Source: Author's survey 2023-2024***Table 3.12. Policies adequately meeting PBE activity needs**

Support policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree	Average
Not required to register business	219	8	12	96	58	57	3.62
Market information support	245	138	42	14	5	6	1.53
Training support	240	45	72	83	3	7	2.31
Support/guidance for implementing State policies	249	39	55	69	21	17	2.61
Voluntary insurance	230	70	64	47	30	9	2.29
Support for damages from natural disasters/epidemics	357	18	61	14	0	0	1.96

Source: Author's survey 2023-2024

Respondents highly rate non-mandatory registration (3.62/5), reflecting fear of administration; other supports rated low, as COVID-19 losses far exceeded limited policy assistance.

3.2.4. Formalization encouragement policies

3.2.4.1. Evaluation of policy information access level

Survey shows age differences in policy access; younger IES explore formal options but mostly stay informal, while support policies gradually encourage formalization.

3.2.4.2. Evaluation of policy's formalization encouragement level

Vietnam has many policies to support post-business registration, however, according to OECD 2021 reports, corporate income tax exemption provisions for 2 years are not enough to encourage subjects to participate in the formal sector.

3.3. Factors Affecting Policies Towards the Informal Economic Sector in Vietnam

3.3.1. The Party and State's Orientation on the Informal Economic Sector

The documents of the 12th and 13th Party Congresses affirm the socialist-oriented market economy; although there has been no specific policy for 2015-2023, the orientation towards private economic development has indirectly improved the legal framework and promoted the formalization of the informal economic sector.

3.3.2. Cultural and Traditional Factors

The dissertation's survey results on the age of participation in the informal economic sector in Vietnam during the period from late 2023 to early 2024 are described in Chart 3.12.

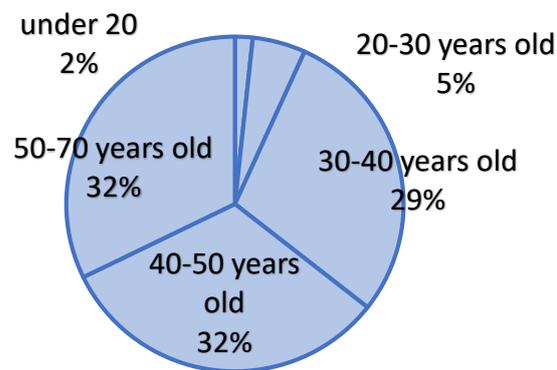


Chart 3.12. Rate of Participation in the Informal Economic Sector by Age

Source: Author's survey results from 2023-2024

Convenient consumption habits and traditional market culture sustain the informal economic sector; differences in age, education level, and the prevalence of informal costs reflect the profound impact of culture on economic behavior and policy approaches.

3.3.3. Resources for Policy Implementation

Resources for policy implementation include financial resources, technical infrastructure, and human resources. Assessing the current state of resources for policy implementation contributes to further clarifying the factors affecting policies towards the informal economic sector in Vietnam.

3.3.4. Characteristics of the Informal Economic Sector in Vietnam Today

The characteristics of the informal economic sector cause actors to avoid regulations and have limited access to social security; formalization is mainly driven by intrinsic motivations such as expanding scale and increasing credibility.

3.4. General Assessment

3.4.1. Achievements

During the period 2015-2023, the informal economic sector was recognized for its role in the economy, with policies gradually improving the legal framework, clear tax regulations, and acceptable compliance costs. Support measures, digital technology applications, and post-registration incentives have promoted the formalization process.

3.4.2. Inadequacies and Limitations

The legal scope of the informal economic sector is difficult to define due to overlapping documents and limited statistics; management and tax collection are ineffective; support policy coverage is low, and formalization incentives lack resources and face difficulties in changing habits.

3.4.3. Causes of Existing Inadequacies

Regarding the legal framework and taxation: (1) Lack of unity between the Ministry of Industry and Trade and the Ministry of Planning and Investment in policy development; (2) The tax threshold of 100 million VND/year is outdated, lower than the personal income tax threshold; (3) Lack of tools to measure revenue, mainly relying on officials' estimates as the informal economic sector uses cash and lacks accounting records.

Regarding management: (4) Regulations on business locations are difficult to implement due to failure to consider cultural factors, limited education levels, and capital; (5) Online business activities are not yet effectively controlled due to officials' limited IT skills and difficulties in managing urban areas.

Regarding support: (6) Financial resources are inadequate, support levels are insignificant; (7) Environmental fluctuations necessitate emergency policies, but data on the informal economic sector is lacking; (8) Voluntary social insurance procedures are cumbersome, benefits are not attractive, support is only 8%, and contribution period requirements are long; (9) Dissemination does not reach target groups, officials cause inconvenience.

Regarding formalization: (10) Policies do not differentiate target groups by motivation, education, and age; (11) Formal sector employment is not attractive; (12) Officials have limited capacity and attitudes, and sanctions are not strong enough.

CHAPTER 4

SOLUTIONS FOR IMPROVING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM

4.1. International and Domestic Contexts Related to Policies Towards the Informal Economic Sector in Vietnam

4.1.1. International and Domestic Contexts

4.1.1.1. International context: Changes in thinking about the informal economic sector, globalization, global value chains, inclusive development, and the 2030 Agenda

4.1.1.2. Domestic context: The Party and State's viewpoints, the Fourth Industrial Revolution, the intersection of economic activities, traditional and modern culture, the trend of market fluctuations due to the impact of natural factors is increasingly significant.

4.1.2. Requirements of the National Development Framework Related to Policies Towards the Informal Economic Sector

Policies towards the informal economic sector are within the national development framework towards becoming a developed country by 2045. The 2021-2030 planning with a vision to 2050 aims for a fair society, digital governance, sustainable social security, and protection of vulnerable people. The 2021-2025 plan promotes sustainable growth, productivity enhancement, and social security. The DWCP 2022-2026 with ILO emphasizes decent work and comprehensive social security. Resolution 42-NQ/TW proposes reducing informal employment, reforming voluntary social insurance, budget support, and promoting digital transformation. The Asia-Pacific conclusion 2022 promotes formalization.

4.2. Viewpoints on Improving Policies Towards the Informal Economic Sector by 2030

Principles for developing policies towards the informal economic sector include: (1) Alignment with the country's general development orientation and institutionalization of the Party's lines; (2) Clearly defining the scope of the informal economic sector and unifying legal documents, inter-sectoral coordination; (3) Ensuring equality in competition among

economic sectors; (4) Respecting traditional culture, avoiding haste; (5) Considering age and education level when issuing support policies; (6) Based on residents' living standards, updated according to socio-economic changes; (7) Ensuring the interests of implementing officials linked to responsibilities to limit negativity; (8) Learning from international experience combined with Vietnam's practice.

4.3. Solutions for Improving Policies Towards the Informal Economic Sector by 2030

4.3.1. Solutions for Unifying the Legal Scope of the Informal Economic Sector

Correctly identifying policy beneficiaries helps effective implementation. Measures to define the scope and statistics of the informal economic sector include: (1) Unifying legal documents on "not required to register business," the Ministry of Planning and Investment and the Ministry of Trade need close coordination; (2) Unifying the income threshold nationwide, mandatory declaration when production and business activities occur through digital applications or in person; (3) Urban areas should leverage the role of neighborhood groups, building management boards, security cameras, and coordinate with e-commerce platforms; (4) Having clear mechanisms, disseminating rights and obligations, applying digital technology to limit direct contact, and strong sanctions to prevent officials from causing inconvenience.

4.3.2. Solutions for Improving Policies Regulating Production and Business Activities

4.3.2.1. Tax and Fee Policies

Tax and fee policies need to ensure the informal economic sector's contribution without causing obstacles. Measures include: (1) Integrating tax identification numbers with personal identification codes, defaulting everyone to tax declaration, supporting declarations and scanning codes after transactions for traceability; (2) Applying digital technology to manage transactions, calculating statistics on the difference between goods sold and purchased as a basis for tax calculation; (3) Taxing profits instead of revenue, using average income per capita/year as a benchmark, requiring invoices to prove net income.

4.3.2.2. Policies Regulating Business Locations

Policies regulating the scope of activities under Decree 39/2007 face difficulties due to customs, rigid policies, and limited resources. Solutions include: (1) Establishing "street vendor centers" with management, issuing temporary permits following Singapore and Thailand's experience, initially voluntary, then mandatory with heavy sanctions; (2) Rotating officials to ensure objectivity; (3) Equipping tools, training skills, applying digital technology for continuous inspection; (4) Unifying safety regulations, simplifying certificates to avoid loopholes and inconvenience; (5) Understanding the causes of violations, timely dissemination with strong sanctions in cases where warnings are ineffective.

4.3.3. Solutions for Improving Support Policies

Support policies for the informal economic sector need to differentiate target groups. Solutions include: (1) Maintaining current policies for groups with fixed locations; (2) Supporting tax and fee-exempt locations for street vendors, planning "markets" with business culture regulations, each household registering one location and declaring daily; (3) Building markets as cultural tourism centers, promoting brands; (4) Disseminating voluntary social insurance, amending pension calculations based on the last 5 years, improving healthcare; (5) Digitizing data, widespread dissemination to not miss disaster-affected targets; (6) Supporting tax declaration for the elderly, digital transformation for those under 50; (7) Disseminating new business culture, preserving the nation's good traditions, while gradually eliminating backward, short-term production and business thinking. Supporting citizens to enhance self-discipline, creativity, flexibility, a culture of placing personal interests within societal and community interests, a culture of emphasizing social responsibility...

4.3.4. Solutions for Improving Formalization Incentive Policies

Formalization incentive policies need to maintain registration procedure support and improve: (1) Reducing administrative procedures after registration; (2) Switching to mandatory online procedures to reduce "informal" costs; (3) Investing in science, technology, and education to improve public knowledge; (4) Supporting free inspections for fire safety, food safety, and environment; (5) Promoting cashless transactions; (6) Managing by commodities, flexible registration via hotline/app; (7) Long-term, transparent, and fair stable policies; (8) Sustainable development limiting shocks; (9) Prioritizing education and training, creating formal employment, developing the macro-economy to narrow the informal economic sector.

CONCLUSION AND RECOMMENDATIONS

1. Conclusion

The dissertation "Policies towards the Informal Economic Sector in Vietnam" has been completed to propose scientific bases for solutions to improve State management of the informal economic sector in the context of globalization, meeting the needs of international economic integration, digital transformation, and sustainable development.

The dissertation identifies research gaps from the review of related works and builds a theoretical framework including: (i) proposing and clarifying the concept of policies towards the informal economic sector; (ii) identifying the contents of State management; (iii) outlining a system of indicators for evaluating policy results; (iv) proposing objective and subjective factors affecting policies.

Based on the theoretical framework, the dissertation analyzes the policy situation during the period 2010-2023 from three aspects: (1) regulations on production and business activities, (2) support policies for the informal economic sector, (3) formalization policies, pointing out achievements, limitations, and causes.

From the results of the situation analysis, international experience, and expert opinions, the dissertation proposes solutions for improving policies towards the informal economic sector in Vietnam.

2. Limitations

The informal economic sector has a wide scale, with many aspects not yet addressed, and limited resources make accessing policy implementation officials difficult. Therefore, the dissertation only evaluates from the perspective of policy promulgation, the level of policy access by main beneficiaries and policy implementation officials in some localities representative of the country. The dissertation uses mainly descriptive and comparative statistical methods, and has not yet used quantitative models to evaluate the contents of policies towards the informal economic sector.

3. Recommendations for Further Research

- Using the difference-in-differences (D.I.D) method to compare two groups of policy beneficiaries and non-beneficiaries, thereby observing the difference when policy impacts occur.

- Conducting quantitative research on the impact of each policy on the informal economic sector.
- Researching the impacts of policies towards the informal economic sector on sustainable development and vice versa.

LIST OF THE AUTHOR'S SCIENTIFIC PUBLICATIONS RELATED TO THE DISSERTATION TOPIC

1. Nguyen Thi Thanh Nga (2019), "For the informal economic sector to contribute more to socio-economic development," *Journal of Economics and Forecasting*, (17), pp. 49-51.
2. Nguyen Thi Thanh Nga (2019), "Factors affecting the informal economic sector and policy implications," *Asia-Pacific Journal*, (555), pp. 66-68.
3. Nguyen Thi Thanh Nga (2021), "Management of the informal economic sector in developing countries and lessons learned for Vietnam," *Asia-Pacific Journal*, (590), pp. 84-86.
4. Nguyen Thi Thanh Nga (2023), "Changes in policies towards the informal economic sector in Vietnam today," *Asia-Pacific Journal*, (639), pp. 37-39.
5. Nguyen Thi Thanh Nga (2024), "The current state of policies towards the informal economic sector in Vietnam," *Asia-Pacific Journal*, (657), pp. 25-27.