



## THE ROLE OF THE DEVELOPMENTAL STATE IN THE DOCUMENTS OF THE 14TH NATIONAL PARTY CONGRESS

Tran Anh Cong<sup>i</sup>

PhD Student,

Hanoi University of Social Sciences and Humanities,

Vietnam

### Abstract:

As Vietnam enters a new stage of development marked by the imperative to shift toward a more intensive growth model and to enhance productivity, competitiveness, and strategic economic autonomy, the role of the State is increasingly framed not merely as a regulator and administrator, but as a developmental state. The 14th National Party Congress is expected to further elaborate and refine this line of thinking by shaping an institutional framework and a model of national governance aligned with Vietnam's development goals toward 2030 and its long-term vision to 2045. This article examines the theoretical foundations of the developmental state model, traces the evolution of this concept in Party documents during the *Đổi mới* period, and provides an in-depth analysis of the role, substance, and core pillars of the developmental state as articulated in the documents of the 14th National Party Congress, drawing on perspectives from institutional economics and development political economy. On this basis, the paper proposes policy implications to strengthen the Vietnamese State's developmental capacity in the coming period.

**Keywords:** developmental state; 14th National Party Congress; development institutions; national governance; political economy; Vietnam

### 1. Introduction

Throughout the history of global economic development, the role of the State has remained one of the most intensely debated issues. Different schools of economic thought have offered divergent perspectives, ranging from the "*night-watchman*" state in classical liberal economics to the deeply interventionist state in centrally planned economic models. However, the development experience of countries that have successfully achieved industrialization and modernization suggests that the core issue lies not in the

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<sup>i</sup> Correspondence: email [konganh1986@gmail.com](mailto:konganh1986@gmail.com)

extent of state intervention per se, but in the quality of that intervention and the State's institutional capacity.

For developing and transition economies such as Vietnam, the central question is therefore not whether the State should play a significant role, but rather what role the State should assume in order to simultaneously promote economic growth, ensure sustainable development, and uphold social equity. In this context, the developmental state model has emerged as an approach that reconciles the roles of the market and the State. Under this model, the State does not replace the market, but instead creates the institutional conditions necessary for the market to function effectively while steering development toward long-term strategic objectives (Evans, 1995).

In Vietnam, more than three decades of *Đổi mới* have been closely associated with the redefinition of the State's role in the economy. From a centrally planned and subsidy-based model characterized by direct state control over production and distribution, Vietnam has gradually transitioned toward a model in which the State governs through laws, strategies, planning, and policy instruments within the framework of a socialist-oriented market economy. In recent years, the concept of the developmental state has been increasingly emphasized in Party documents, reflecting the need to reform the national governance model to address emerging development challenges (Communist Party of Vietnam, 2021).

The 14th National Party Congress takes place at a critical juncture, as Vietnam confronts a set of structural and transformative challenges: the traditional growth space based on low-cost labor and extensive investment is narrowing; labor productivity and total factor productivity growth remain sluggish; the imperatives of digital transformation, green transition, and climate change adaptation have become increasingly urgent; and the international environment is rapidly evolving, complex, and highly uncertain. In this context, clarifying the role and substance of the developmental state as articulated in the documents of the 14th National Party Congress is not only of academic significance but also of profound practical value for shaping Vietnam's development policy agenda in the period ahead.

## **2. Theoretical Foundations of the Developmental State from the Perspectives of Institutional Economics and Development Political Economy**

### **2.1 The Developmental State in Institutional Economics: From “*Interventionist State*” to “*Rule-Making State*”**

In new institutional economics, economic development is explained not primarily by the accumulation of production factors, but by the quality of the institutional system, that is, the set of formal and informal rules governing the behavior of economic actors (North, 1990). From this perspective, the role of the State does not lie in direct participation in production and business activities, but in its capacity to design, maintain, and adjust the “*rules of the game*” of the economy.

Viewed institutionally, the developmental state is one that possesses the capacity to establish a stable, transparent, and predictable institutional environment, thereby reducing transaction costs, limiting uncertainty, and encouraging long-term investment decisions. Unlike administrative interventionism, which often leads to market distortions and inefficient resource allocation, the developmental state exerts an indirect yet decisive influence by shaping legal frameworks, enforcement mechanisms, and institutions that safeguard property rights.

A central emphasis of institutional economics concerns the relationship between property rights and development incentives. When property rights are not reliably protected, economic actors tend to prioritize short-term strategies, avoid risk, and limit investment in innovation. Consequently, within the developmental state framework, the protection of property rights and effective contract enforcement are not merely legal issues, but foundational conditions for long-term economic growth (North, 1990).

In the context of developing economies, institutional economics also highlights that markets are often imperfect and subject to various forms of market failure, particularly in sectors characterized by high risk, significant externalities, or long-term investment requirements. Accordingly, the developmental state does not stand apart from the market, but instead plays a role in institutional design aimed at correcting market failures and enabling the emergence and growth of high value-added economic activities.

## **2.2 Inclusive Institutions and the State's Developmental Capacity**

A major contribution by Acemoglu and Robinson (2012) lies in their distinction between inclusive and extractive institutions. Inclusive institutions are those that protect property rights, encourage competition, expand access to markets, and generate innovation incentives for a broad range of economic actors. In contrast, extractive institutions concentrate benefits among a narrow group, weaken investment incentives, and hinder long-term growth.

From this perspective, the developmental capacity of the State cannot be assessed solely by the scale of its intervention, but rather by the degree of inclusiveness embedded in the institutional system it creates. A State with strong developmental capacity is one that can construct inclusive institutions, limit the influence of vested interests, and sustain a level playing field through fair competition.

This issue is particularly salient for transition economies, where institutional reforms often proceed unevenly and are vulnerable to capture by narrow interest groups. In such contexts, the developmental state must simultaneously address two key tasks: (i) promoting economic growth and structural upgrading; and (ii) controlling power and mitigating the risk of state capture by economic and political elites.

## **2.3 The Developmental State from the Perspective of Development Political Economy**

While institutional economics focuses on the "*rules of the game*," development political economy probes deeper into questions of who designs these rules, in whose interests, and

under what configurations of power. From this angle, the developmental state is not merely a matter of technical capacity, but the outcome of dynamic interactions among the State, the market, and societal interest groups.

Evans (1995) introduces the concept of embedded autonomy to characterize the developmental state. According to this concept, the State must possess sufficient autonomy to avoid domination by narrow interests, while remaining embedded in dense networks of interaction with businesses and society in order to gather information, learn, and adjust development strategies. This embedded autonomy constitutes a fundamental distinction between the developmental state and a closed, insulated bureaucratic state.

From a political economy perspective, the developmental role of the State can be sustained only if it can establish and enforce market discipline. This implies that while the State may support enterprises, such support must be conditional upon performance criteria, competitiveness, and accountability. In the absence of market discipline, developmental policies risk degenerating into rent-seeking mechanisms or systems of privilege, thereby eroding institutional foundations.

## **2.4 The Developmental State, Policy Learning, and Adaptive Capacity**

Another defining characteristic of the developmental state is its capacity for policy learning and adaptation. Rodrik (2007) emphasizes that under conditions of high uncertainty and rapid global economic change, there are no fixed policy formulas for development. Consequently, a developmental state must be capable of policy experimentation, systematic evaluation, and timely adjustment.

From this standpoint, the developmental role of the State is closely linked to evidence-based governance, data utilization, and systematic policy evaluation. This is particularly critical for developing economies such as Vietnam, where the margin for policy error is narrowing as the economy approaches upper-middle-income thresholds.

## **3. The Evolution of Developmental State Thinking in Party Documents**

Thinking on the role of the State in Vietnam's socio-economic development has not been static, but rather the result of a continuous process of adjustment and evolution closely linked to the country's reform experience and international integration. From a historical-institutional perspective, the emergence and development of developmental state thinking in Party documents can be understood as a gradual transition from a model of direct state intervention toward a State that creates, orients, and leads development.

### **3.1 The Early Reform Period: from Central Planning to Governance through Law**

Prior to *Đổi mới*, the role of the State in Vietnam was closely associated with a centrally planned economic model, under which the State directly determined most production, distribution, and circulation activities. In this model, the State simultaneously acted as regulator and producer, resulting in prolonged subsidization, weakened market incentives, and the marginalization of non-state economic sectors.

The 6th National Party Congress (1986) marked a critical turning point by acknowledging the limitations of central planning and initiating a comprehensive reform agenda. Party documents during this period reflect a shift in thinking from the State “replacing the market” to governing the economy through laws, plans, and policies, while gradually recognizing the objective existence of the market and non-state economic sectors. Nevertheless, during this phase, the State was still primarily conceived as a manager and regulator, and a fully articulated conception of the developmental state had yet to emerge (Communist Party of Vietnam, 2006).

### **3.2 Consolidating the Socialist-oriented Market Economy: State–market Relations**

From the 9th Party Congress (2001) to the 11th Party Congress (2011), the concept of a socialist-oriented market economy was formed and progressively refined. Party documents in this period more clearly affirmed the decisive role of the market in resource allocation, while emphasizing the State’s macroeconomic management functions to ensure stability, guide development, and promote social progress and equity.

During this stage, the State was increasingly defined as a development-managing State, with a focus on institution-building, law-making, and the formulation of strategies and plans. Although the term “*developmental state*” was not yet explicitly employed, its substantive elements gradually took shape through an emphasis on creating a favorable business environment, developing infrastructure, and supporting priority sectors and industries. This period can thus be regarded as a “*pre-developmental*” phase that laid the groundwork for deeper conceptual transformation in subsequent Party Congresses (Communist Party of Vietnam, 2011).

### **3.3 From the 12th to the 13th Party Congress: The Clear Articulation of Developmental State Thinking**

A significant advancement in thinking about the role of the State became evident at the 12th Party Congress (2016), particularly at the 13th Party Congress (2021). Party documents during this period moved beyond an exclusive emphasis on management and regulation to explicitly highlight the need to build a developmental state capable of proactively creating a favorable environment for mobilizing and leveraging all social resources for development.

The documents of the 13th Party Congress identified the task of building a “*modern, effective, and efficient socialist rule-of-law State,*” while emphasizing the State’s role in “*creating a development-conducive environment and inspiring aspirations for a prosperous and happy nation*” (Communist Party of Vietnam, 2021). This approach reflects a major shift from a “*management and control*” paradigm toward a State that “*creates, serves, and accompanies development.*”

This transformation is also consistent with contemporary theoretical perspectives on the developmental state in institutional economics and development political economy, which emphasize that the State’s role lies not in substituting for the market,

but in designing institutions, providing strategic orientation, and enhancing the overall development capacity of the economy (Evans, 1995; Rodrik, 2007).

### **3.4 The 14th National Party Congress in the Trajectory of Developmental State Thinking**

The 14th National Party Congress is situated within this continuous trajectory of developmental state thinking, yet it unfolds in a new context characterized by heightened demands for growth quality, productivity, and sustainability. Unlike earlier stages, when reform priorities focused primarily on “*opening up*” and “*completing market institutions*,” the 14th Party Congress is expected to shift emphasis toward upgrading the quality of development institutions and strengthening the State’s developmental capacity.

As Vietnam approaches the upper-middle-income threshold, the scope for relatively “*easy*” institutional reforms has narrowed considerably. Consequently, developmental state thinking at the 14th Party Congress should be understood not merely as continued administrative reform or incremental improvements to the business environment, but as a fundamental restructuring of the State’s role in the economy — one that emphasizes enhanced strategic planning capacity, cross-sectoral policy coordination, and evidence-based policy implementation.

From this perspective, the 14th Party Congress may represent a transition from a “*State that creates a favorable environment*” to a “*State that builds development capacity*,” whereby the State not only facilitates market functioning but also actively leads the transformation of the growth model, promotes strategic sectors, and strengthens the economy’s resilience to external shocks.

### **3.5 Theoretical Contributions of Developmental State Thinking in Party Documents**

The evolution of developmental state thinking in Party documents reflects not only policy adaptation to practical development challenges, but also a significant contribution to the theoretical development of Vietnam’s socialist-oriented market economy model. Rather than viewing the State as a direct market intervener or controller, recent Party documents increasingly emphasize the State’s role in institution-building, strategic orientation, and the enhancement of societal development capacity.

This approach shares certain affinities with successful East Asian developmental state models, while being adapted to Vietnam’s specific political, social, and developmental context. It thus demonstrates that developmental state thinking in Party documents is not a mechanical transplantation of external models, but the outcome of a process of *endogenizing* modern development theories within Vietnam’s own institutional and historical conditions (Acemoglu & Robinson, 2012; Rodrik, 2007).

#### **4. The roles and pillars of the developmental state in the documents of the 14th National Party Congress**

Building upon the evolution of developmental state thinking reflected in Party documents during the Đổi mới period, the 14th National Party Congress is expected to mark a transition from an emphasis on creating a favorable environment toward building development capacity. In the context of Vietnam's need to shift toward an intensive growth model and to enhance productivity and national competitiveness, the role of the State can no longer be confined to merely "*facilitating conditions*," but must proactively shape, guide, and coordinate the development process through a modern, effective, and efficient institutional system.

From the perspectives of institutional economics and development political economy, the role of the developmental state as articulated in the documents of the 14th Party Congress can be analyzed through the following core pillars.

##### **4.1 Pillar 1: Building Development Institutions and Safeguarding Property Rights**

The foundational pillar of the developmental state lies in its capacity to build development-oriented institutions, in which the protection of property rights, freedom of enterprise, and fair competition are regarded as prerequisites for long-term investment and innovation. According to North (1990), stable and predictable institutions reduce transaction costs and uncertainty, thereby creating incentives for economic actors to invest in high-value-added activities.

In the documents of the 14th Party Congress, the State's role in institution-building is expected to be emphasized not only in completing the legal framework but also in improving the quality of policy implementation and ensuring institutional consistency. International experience suggests that implementation inconsistencies often cause greater harm to the investment climate than deficiencies in policy design (World Bank, 2020). Accordingly, the developmental state must prioritize strengthening implementation capacity, enhancing accountability, and limiting discretionary administrative interventions.

From the perspective of inclusive institutions, safeguarding property rights and ensuring equitable access to markets for the private sector are not only economic imperatives, but also critical political and social conditions for strengthening trust among enterprises and citizens in the State and the institutional system (Acemoglu & Robinson, 2012).

##### **4.2 Pillar 2: Formulating Development Strategies and Coordinating Growth Model Transformation**

Another central role of the developmental state in the documents of the 14th Party Congress is to articulate long-term development visions and strategies, particularly in the context of Vietnam's transformation of its growth model. Unlike earlier stages characterized by reliance on resource extraction, low-cost labor, and extensive

investment, the new development phase requires the State to coordinate the transition toward a growth model driven by productivity, innovation, and sustainability.

As Rodrik (2007) argues, in developing economies, markets alone are often unable to address structural failures stemming from information asymmetries, coordination problems, and risk in emerging sectors. The developmental state must therefore engage in a process of “*strategic discovery*,” working alongside the private sector to identify promising industries and design conditional support policies grounded in market discipline.

In the documents of the 14th Party Congress, this role may be reflected in the State’s proactive orientation toward key sectors, including high-technology industries, digital transformation, the green economy, energy transition, and high-quality human capital development. Such a strategic orientation is not intended to replace market decisions but rather to reduce risk, provide policy signals, and mobilize social resources toward national development priorities.

### **4.3 Pillar 3: Building State Capacity and Reforming National Governance**

The developmental state can function effectively only if the State itself possesses strong institutional and governance capacity. Accordingly, a critical pillar in the documents of the 14th Party Congress concerns national governance reform aimed at modernity, transparency, and evidence-based policymaking. Evans (1995) emphasizes that a professional, integrity-driven, and well-coordinated public administration is a core condition for the State to perform its developmental role.

In the current context, national governance reform must go beyond traditional administrative reform to encompass digital governance, including the application of big data and digital technologies in policy formulation, implementation, and monitoring. The World Bank (2020) highlights that data-driven and evidence-based governance improves policy quality, reduces compliance costs, and enhances trust among businesses and citizens.

For Vietnam, the documents of the 14th Party Congress may place particular emphasis on strengthening inter-ministerial and multi-level coordination and reducing “*institutional fragmentation*” across ministries, sectors, and localities—one of the major obstacles to effective developmental governance in practice.

### **4.4 Pillar 4: Building Partnerships among the State, the Market, and Society**

A defining characteristic of the developmental state is its capacity to establish cooperative partnerships among the State, the market, and society. Rather than relying on one-way, command-based administrative relations, the developmental state emphasizes policy dialogue, consultation, and accompaniment with enterprises and citizens throughout the development process.

According to Evans (1995), close but disciplined embeddedness between the State and the business sector enables policymakers to gather information, learn from practice, and adjust policies in a timely manner, while maintaining sufficient autonomy to avoid

capture by narrow interests. In Vietnam's context, institutionalizing substantive, transparent policy dialogue mechanisms is essential to improving policy quality and implementation effectiveness.

The documents of the 14th Party Congress are expected to underscore the State's role in creating institutional space for societal participation, professional associations, and the business community in policy formulation and oversight. This is not only a requirement of modern governance, but also a condition for sustaining the legitimacy and long-term effectiveness of the developmental state.

#### **4.5 Pillar 5: Enforcing Market Discipline and Controlling State Power**

A pillar that is often underemphasized yet decisive for the developmental state concerns the enforcement of market discipline and the control of state power. Acemoglu and Robinson (2012) caution that without effective checks on power and robust accountability mechanisms, developmental roles may degenerate into systems of privilege and rent-seeking, thereby undermining inclusive institutions.

In the documents of the 14th Party Congress, this role may be articulated through strengthened transparency, anti-corruption efforts, control of vested interests, and enhanced accountability of the state apparatus. Maintaining market discipline, whereby enterprises may receive support but are not granted unconditional protection, is essential to ensuring that developmental policies generate genuine and sustainable competitive incentives.

### **5. The Developmental State in the Documents of the 14th Party Congress as an Upgrade in Institutional Quality**

Taken together, these pillars indicate that the role of the developmental state in the documents of the 14th Party Congress represents not merely a continuation of earlier thinking, but a qualitative upgrade in institutional quality and national governance capacity. Whereas previous reform phases focused primarily on expanding market space and establishing basic legal frameworks, the new phase requires the developmental state to concentrate on strengthening the economy's endogenous capacities, leading growth model transformation, and ensuring sustainable development.

From this perspective, the documents of the 14th Party Congress may be viewed as an institutional manifesto reflecting the maturation of developmental state thinking in Vietnam, while simultaneously setting higher expectations for the State's capacity to design and implement policy in a new stage of development.

## **6. Conclusion**

This article has provided a systematic analysis of the role and substantive content of the developmental state as articulated in the documents of the 14th National Party Congress, situating this concept within the continuous evolution of theoretical thinking and

national governance practice in Vietnam during the *Đổi mới* period. Drawing on perspectives from institutional economics and development political economy, the study demonstrates that developmental state thinking does not represent a rupture with earlier stages of reform, but rather a qualitative advancement in the conceptualization and design of the State's role in response to new development challenges.

Unlike the early reform period, when the primary focus was on expanding market space and correcting distortions inherited from the centrally planned system, recent Party documents and particularly the orientations expected to be clarified at the 14th National Party Congress reflect a shift from a "*regulatory and managerial State*" toward a "*developmental and guiding State*." This transformation is closely associated with the need to enhance institutional quality, strategic planning capacity, and national governance effectiveness as Vietnam enters a development phase increasingly driven by productivity, innovation, and sustainability.

An examination of the core pillars of the developmental state in the documents of the 14th Party Congress indicates that the State's role extends beyond creating a favorable business environment to encompass the construction of development capacity across the entire economy. These pillars including the building of development-oriented institutions and the protection of property rights; the formulation of development strategies and coordination of growth model transformation; the strengthening of national governance capacity; the development of partnerships among the State, the market, and society; and the enforcement of market discipline alongside effective control of state power outline a model of the State that is proactive yet non-substitutive of the market, strategically oriented yet grounded in discipline and accountability.

From a theoretical perspective, the article contributes to clarifying that the developmental state as articulated in the documents of the 14th National Party Congress does not simply entail the adoption of an exogenous development model, but rather represents the outcome of an endogenous process through which modern development theories have been adapted to Vietnam's specific political, economic, and social context. This approach exhibits certain affinities with East Asian developmental state models, while simultaneously reflecting distinctive characteristics of Vietnam's socialist-oriented market economy.

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### **Conflict of Interest Statement**

The author declares no conflicts of interest.

### **About the Author(s)**

Tran Anh Cong, PhD student specializing in International Relations at the Hanoi University of Social Sciences and Humanities. Research interests focus on US-Japan relations, relations with major powers, and Vietnam's relations with other countries.

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