

PRIME MINISTER

SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

No. 707/QĐ-TTg

Hanoi, May 25, 2017

DECISION

APPROVING PROGRAM “RESTRUCTURING STATE ENTERPRISES WITH PARTICULAR ATTENTION PAID TO STATE-OWNED ECONOMIC GROUPS AND CORPORATIONS FOR THE 2016 - 2020 PERIOD”

THE PRIME MINISTER

Pursuant to the Law on Government Organization dated June 19, 2015;

Pursuant to the Resolution No. 24/2016/QH14 dated November 8, 2016 of the National Assembly regarding the plan for restructuring of the national economy during the 2016 – 2020 period;

Upon the request of the Minister of Finance,

HEREBY DECIDES

Article 1. To approve the program titled “restructuring state enterprises with particular attention paid to state-owned economic groups and incorporations for the 2016 - 2020 period”, including the following contents:

1. Objectives

a) Carry out reorganization, equitization and divestment of state capital in order for state enterprises to be of more logical structures and focus on key sectors and fields; provide public products and services meeting the needs of society, national defence and security, natural monopoly fields; apply high technologies, put huge investments and motivate the socio-economic development without investments received from other economic classes. Ensure public availability and transparency according to the market mechanism and legislative regulations regarding equitization and state capital divestment, and avoid misconduct, group interests, capital and property losses.

b) Channel investments from state enterprises to science and technology fields; other sectors and fields of the strategic degree leading and guiding the building of the intellectual economy with high technological contents to contribute to improving competitiveness of the entire economy. Enhance the operational and business efficiency, boost competitiveness and increase the return on equity of state enterprises; consolidate and elevate management and administration capabilities to reach international standards; ensure that management and monitoring of

operations of state enterprises are strict, public, transparent and are imposed at the same level as those enterprises of different economic classes.

c) Concentrate on radically dealing with issues and weaknesses arising within state-owned enterprises and state-invested enterprises in accordance with laws and principles of public disclosure, transparency and the market mechanism.

d) Establish models of management and surveillance of state enterprises, state capital and assets invested in such state enterprises. Distinguish assigned duties to represent owners of state capital at state-owned enterprises and state-invested enterprises from assigned state management duties of ministries, sectoral administrations and local jurisdictions as soon as possible.

2. Duties

a) Keep up with completing institution and legal framework regarding management and business structures of state-owned enterprises according to positions, roles and objectives of restructuring of state-owned enterprises for the 2016 - 2020 period; facilitate improvement of business efficiency and perform assigned duties; meet the needs of regulatory authority over the socialist-oriented market economy.

b) Finish the equitization process for 137 enterprises; by end of 2020, strive to have only 103 enterprises whose charter capital is wholly owned by the State (excluding agriculture and forestry companies, national defence and security services enterprises, State Capital Investment and Trading Corporations, Vietnam Debt and Asset Trading Companies and Asset Management Companies under the control of Vietnamese credit institutions, irrigation and drainage companies subject to reorganization under the regulations adopted by the Government and Prime Minister) according to the List of state-owned enterprises subject to the corporate reorganization during the 2016 - 2020 period as prescribed in the Prime Minister's Decision No. 58/2016/QD-TTg dated December 28, 2016.

Schedule and carry out the redemption of state capital shares at joint stock companies and multiple-member limited liability companies according to criteria specified in the Prime Minister's Decision No. 58/2016/QD-TTg.

Comply with plans and schedules of reorganization, equitization and state capital divestment already approved by authorized entities, and provide at least 250,000 billion dong as the minimum funding requirement to finance mid-term public investment plans to be implemented during the 2016 – 2020 period under the National Assembly's Resolution No. 26/2016/QH14 dated November 10, 2016.

c) Ensure the ongoing comprehensive restructuring of state-owned enterprises, including the following activities: Corporate reorganization; financial capability enhancement; administration and technological reforms; human resource organization and management reforms; structuring of products, business sectors and growth strategies aimed at improving business performance.

d) Review and radically deal with issues and weaknesses of state-owned enterprises and state-invested enterprises; show strong determination to deal with enterprises reporting losses, carrying out investment projects in an ineffective or less effective manner according to the market mechanism, and then clearly determine responsibilities of each concerned unit and individual. Focus on eradicating unsolved issues and weaknesses of 12 projects behind schedule and enterprises reporting ineffective business results in the industry and trade sector, and continue to review other projects and enterprises.

dd) Ministers, Heads of Ministry-level agencies, Governmental bodies, and Chairpersons of People's Committees of centrally-affiliated cities and provinces shall have duties to direct Chairpersons of Members' Boards of state-owned economic groups, corporations and enterprises to: Formulate plans for restructuring of enterprises and submit them to seek approval from authorized entities; finish carrying out equitization and capital divestment plans; radically deal with unsolved issues and improve business efficiency of state-owned enterprises and state-invested enterprises.

e) Efficaciously and effectively implement rights, obligations and responsibilities of owners having the state ownership of state-owned enterprises and state capital contribution to enterprises. Establish entities specialized in carrying out rights and responsibilities of representatives of owners of state-owned enterprises and state-invested enterprises.

3. Solutions

a) Have a deep insight into viewpoints, objectives, tasks and solutions regarding reorganization, reform, development and enhancement of effectiveness of state-owned enterprises according to Resolutions of the Party and National Assembly, earn unanimous opinions from the entire political system so as to further improve awareness and take vigorous and practical actions during the process of implementation thereof.

b) Finalize the regulatory framework as legal bases for the process of restructuring of state-owned enterprises:

- Review relevant laws such as Corporate Law; Law on Management and Use of State Capital Invested in Business and Production Activities of Enterprises; Law on Public Officers and Servants; Law on Cadres and Public Officers; Law on Bankruptcy; Labor Code; and other relevant regulations, before recommending any amendment or revision to authorized entities to ensure they are consistent with the corporate restructuring process, roles and positions of state-owned enterprises in the upcoming time.

- Regarding the corporate equitization and reorganization of state-owned enterprises:

+ Amend and supplement regulations regarding equitization, capital divestment, sale, dissolution and bankruptcy of enterprises to ensure that they are in line with newly promulgated legislation. This involves the following activities:

. Research regulations on improvement of quality and responsibilities of consulting bodies concerning valuation of state capital and assets invested in enterprises for the purposes of equitization and state capital divestment;

. Charge enterprises subject to the equitization process with reviewing all of land under their management and ownership to serve the purpose of developing and finish approval land use plans under laws on land and other relevant ones prior to the time of grant of the decision on equitization; strictly comply with land lease policies prescribed in the 2013 Law on Land.

. Add criteria associated with responsibilities and sanctions to ensure compliance with commitments to strategic shareholders; state-owned enterprises under equitization that register their transactions and listing on stock exchanges after initial public offerings under laws; strengthen inspections, assessments and audits in order to prevent any loss of state capital and assets during the period of restructuring and equitization of state-owned enterprises; reduce the state ownership ratio to a required adequate level to conduct the reform of corporate administration in a substantial manner.

. Research and regulate methods for divestment of state capital to adapt to market situations and actual conditions of business activities of enterprises, including: Conduct auctions to sell blocks of state capital shares; formulate additional regulations on determination of the starting price of state capital shares sold in the form of matching on stock exchanges.

+ Concentrate on addressing difficulties and conflicts arising from the reorganization and equitization process.

+ Develop financial markets, especially those markets where stocks are exchanged and debts are traded, so as to promote equitization and enable enterprises to have access to and pool capital available in these markets.

- Regarding policies on management of state-owned enterprises:

+ Continue to build the complete legal framework in order for state-owned enterprises to do business in the general legal context and equally compete against enterprises in other economic classes, and use available resources in an effective manner. Enterprises manufacturing and supplying public, national defence and security products and services shall be obliged to carry out their assigned duties.

+ Make ongoing efforts to establish complete legal and regulatory frameworks to increase transparency of financial statements, financial, business and corporate administration-related data and information at state-owned enterprises; increase responsibilities of Members' Boards and Executive Committees; charge any violating collective or individual with failure to fulfill their responsibilities. Intensify the oversight and inspection of persons having the state ownership of state-owned enterprises.

+ Uphold the stricter management and oversight of borrowing of funds and use of such borrowed funds by state-owned enterprises, especially borrowing of foreign funds; optimally limit Government guarantees for new loans.

+ Set up the complete financial mechanism applied to enterprises manufacturing and supplying public, national defence and security products and services. Such mechanism must make sure that workers earn reasonable income; enterprises gain profits and attract available social resources. Expand the regime of commissioning for and procurement of manufacturing and supply of public products and services. Clearly distinguish production and supply of public, national defence and security products and services from for-profit business activities of enterprises.

+ Continue to reform policies on management of salaries and bonuses so that enterprises can, of their own accord, really decide on salaries and bonuses associated with labor productivity and business effectiveness; ensure the comparability between interests amongst the State, enterprises and employees; attract employees having high qualification.

- Regarding managerial policies of persons having the state management of state-owned enterprises:

Finish assigning and delegating rights, obligations and responsibilities of owners having the state ownership of state-owned enterprises and state capital contributions to enterprises. Deprive of powers delegated to ministries, sectoral administrations and local jurisdictions to act as owner's representatives of state capital and assets invested in enterprises as soon as possible. Simultaneously, propose mechanisms and sanctions in order for persons and entities to implement accorded or decentralized rights, responsibilities and obligations in an effective manner.

- In the course of restructuring of state-owned enterprises, ministries, sectoral administrations and local jurisdictions, Members' Boards of state-owned economic groups, corporations and enterprises shall, at their discretion, research measures to resolve any issues and others needing adjustments related to institutions, mechanisms and policies and submit them to authorized entities to seek their approval.

c) Pay particular attention to finish carrying out plans for equitization and divestment of state capital according to criteria for classification of state-owned enterprises and state-invested enterprises, which is considered as a key mission for the 2016 – 2020 period. Take serious actions to comply with laws and market mechanisms during the process of equitization and state capital divestment; avoid any misconduct, group interests, capital and asset losses.

d) With a view to improving business effectiveness and effectiveness in use of state capital, each state-owned economic group, corporation and enterprise shall need to take the following steps:

- Develop plans to restructure enterprises for the 2016 – 2020 period and submit them to authorized entities according to the following guidelines:

- + Formulate the strategy for development by 2025 with vision towards 2030 to correspond to the sectoral development strategy, meet market needs and funding capabilities as well as solutions regarding investment capital, managerial capability and qualification.
- + Review and identify tasks with emphasis on main business sectors and those directly supporting main business sectors.
- + Draw up production and business organization plans and carry out the restructuring of member enterprises with the aim of specialization, task assignment, cooperation, avoidance of the overspreading of state investments and dispersion of available resources; avoid intra-company competitions by merging and consolidating member enterprises operating in the same industry.
- + Continue to renovate the corporate administration system in all aspects to meet international standards in order to improve independence, self-regulation and self-accountability during the process of performing production and business activities with particular attention to enhancing effective use of state capital, capabilities of competition and sustainable development. Establish the complete internal control and audit system.
- + Strengthen the managerial machinery and organize more training classes and sessions for improvement of professional qualification of leaders and managers of enterprises to meet corporate administration requirements imposed under the market mechanism. Assign leaders, managers and representatives of state capital shares that meet moral and professional qualification requirements to be good at fulfilling their roles in representing state ownership interests at enterprises.
- + Reorganize and improve quality of employees working for enterprises, especially technical staff, to ensure the reasonable personnel, the optimized structure of industries and sectors and technical qualification levels with respect to specific technologies, technological lines or workloads, based on which personal and collective labor productivity of each employee and enterprise, respectively, are improved.
- + Actively conduct researches into application of and investment in technology, product and service reforms; step-by-step increase the value added of products and services to meet environmental standards; gradually replace devices and technologies consuming a lot of energy and raw materials; step-by-step remove environmentally unfriendly products to maintain sustainable development.
- + Supplement or issue economic - technical norms for operations of enterprises that serve as a basis to manage, inspect and oversee enterprises.
- + Schedule and carry out the divestment of state capital from enterprises to which the State has its capital contributions, ensure public disclosure, transparency and the State's optimum interests.
- + Set the schedule for equitization of member enterprises according to criteria and list of classification of state-owned enterprises approved by the Prime Minister and other regulations currently in force.

- Review, formulate and carry out the mechanism for inspecting, overseeing and show strong determination to take proper actions against enterprises reporting losses, running ineffective or less effective investment projects according to the market mechanism. Strengthen strict management and oversight of borrowing of funds and use of such funds, especially borrowing of foreign funds.

State-owned parent companies – economic groups/corporations must carry out the regular and periodic oversight and inspection of compliance with laws and fulfillment of objectives, strategies, plans and assigned duties, and the assessment of performance of subsidiary companies and managerial officers; promptly correct any mistake or violation. Seize sufficient information about business performance of associate companies and get involved in resolutions of General Meetings and Managing Boards through their representatives acting as shareholders in accordance with relevant regulations in force.

- Ensure public access and transparency for such activities as investment, financial management, procurement, income distribution and personnel; conclusion and implementation of contracts with persons related to persons in charge of managing enterprises in accordance with existing laws.

dd) Radically address enterprises reporting losses, running ineffective or less effective investment projects according to the market mechanism; consider declaring bankruptcy for state-owned enterprises under laws.

e) Equitized enterprises shall strictly comply with regulations on registration of securities depositories, stock trades and listing on stock exchanges. Entities representing owners of state capital shares at equitized enterprises shall strictly comply with regulations on transfer of representation rights to State Capital Investment and Trading Corporations.

g) State-owned enterprises shall strictly comply with regulations on public disclosure and visibility of information about their business operations. Strengthen management, supervision, inspection and assessment of performance of state-owned enterprises.

h) Ministers, Heads of Ministry-level agencies, Governmental bodies, Chairpersons of provincial People's Committees, Presidents of Members' Board of state-owned economic groups, corporations and enterprises shall be held accountable to the Government and Prime Minister for finalization of plans for reorganization, restructuring, equitization, state capital divestment and radical handling of unsolved issues for improvement of operational effectiveness, which is considered as an important political mission that needs the centralized direction to be fulfilled. Impose severe punishments on heads of state-owned enterprises or representatives of state capital shares at enterprises who fail to duly implement and fulfill plans for reorganization, restructuring, equitization and state capital divestment as well as assigned duties regarding management and administration of enterprises, or fail to make reports on progress of restructuring activities as prescribed herein.

i) Continue to uphold the roles of the Party's organizations, unions or associations during the process of restructuring of state-owned enterprises, including provision of guidelines and

direction for thorough understanding of intentions and Resolutions of the Party and legislation system of the State, and leading and oversight of restructuring according to the plans approved by authorized entities.

4. Implementation duties

c) Ministry of Finance

- Lead and cooperate with related entities in researches into preparation of proposals and submission thereof to the Government and Prime Minister to:
 - + Prepare the review and assessment report on implementation of the Law on Management and Use of State Capital Invested in Production and Business Activities of Enterprises for submission to the National Assembly to seek its ratification of amendments or supplements to such Law to meet the needs of corporate restructuring in the upcoming stage.
 - + Promulgate the Decree on amendments and supplements to the Decree No. 91/2015/ND-CP dated October 13, 2015 on investment of state capital in enterprises, management and use of state capital and assets at enterprises.
 - + Promulgate the Decree on manufacturing and supply of public products and services (replacing the Decree No. 130/2013/ND-CP dated October 16, 2013).
 - + Promulgate the Decree on the financial mechanism of Vietnam National Oil and Gas Group (replacing the Decree No. 06/2015/ND-CP dated January 13, 2015).
 - + Promulgate the Decision on Regulations for management of Corporate Reorganization and Development Fund (replacing the Decision No. 21/2012/QD-TTg dated May 10, 2012).
- Cooperate with the Steering Committee for Corporate Renovation and Development to foster the active involvement of ministries, sectoral administrations, local jurisdictions, state-owned economic groups, corporations and enterprises in implementation of this Decision.
- By June 15 and January 15 each year, submit periodic reports to the Prime Minister and the Steering Committee for Corporate Reform and Development on implementation of this Decision and take timely actions to deal with any issue that may arise.

b) Ministry of Planning and Investment shall lead and cooperate with related entities in:

- Preparation of review and assessment reports on implementation of the Law on Enterprises regarding matters relating to state enterprises and submission thereof to the Government for representation thereof made to the National Assembly to seek its approval of amendments or supplements to such Law to meet the needs of corporate restructuring in the upcoming stage.
- By June 25, 2017, submit the list of state-invested enterprises subject to the state capital divestment procedures for the 2016-2020 period to the Prime Minister to seek his approval.

- Appeal to the Government to consider promulgating the Decree on business activities of state-owned enterprises (replacing the Decree No. 172/2013/ND-CP on establishment, restructuring and dissolution of single-member limited liability companies under the state ownership and those ones which are subsidiaries of the former;

the Decree No. 69/2014/ND-CP on state-owned economic groups and corporations; the Decision No. 35/2013/QD-TTg issuing Regulations on operations of auditors of single-member limited liability companies of which charter capital is wholly owned by the State; the Decree No. 128/2014/ND-CP on sale, transfer and transfer of wholly-state-owned enterprises).

c) Ministry of Labor, War Invalids and Social Affairs:

- Prepare review and assessment reports on implementation of the Labor Code regarding matters relating to state enterprises for submission to the Government for representation thereof made to the National Assembly to seek its approval of amendments or supplements to such Code to meet the needs of corporate restructuring in the upcoming stage.

- Review and finalize policies applied to employees becoming redundant after the restructuring process.

- Review and finalize policies on recruitment and management of labor, salaries and bonuses for employees and managers of state-owned enterprises under terms and conditions of employment contracts.

d) Ministry of Home Affairs:

- Make a review and assessment report on implementation of the Law on Cadres and Public Officers regarding matters relating to cadres and public officers participating in management of and representation for state capital shares at enterprises for submission to the Government that makes representations to the National Assembly to seek its approval of amendments or supplements to such Law to meet the needs of corporate restructuring in the upcoming stage.

- Review and finalize policies applied to redundant employees who are cadres and public officers assigned to get involved in management of and representation for state capital shares at enterprises during the process of corporate restructuring of state-owned enterprises.

- Review and finalize policies on recruitment, appointment and management of representatives of state capital shares at enterprises.

dd) Ministry of Justice:

- Prepare the review and assessment report on implementation of the Law on Bankruptcy regarding matters relating to state enterprises for submission to the Government for representation thereof made to the National Assembly to seek its approval of amendments or supplements to such Law to meet the needs of corporate restructuring in the upcoming stage.

- Conduct evaluations of legal and regulatory frameworks relating to restructuring of state-owned enterprises under relevant regulations in force.

e) Ministries, Ministry-level agencies, Governmental bodies, and People's Committees of centrally-affiliated cities and provinces:

- Ministers, Heads of Ministry-level agencies, Governmental bodies, and Chairpersons of People's Committees of centrally-affiliated cities and provinces shall directly take charge of:

+ Compiling the list of state-owned enterprises carrying out reorganization and equitization in each year of the 2016 – 2020 period under their jurisdiction (including economic groups) by June 10, 2017 and submitting such list to the Prime Minister to seek his approval;

+ Compiling the list of state-invested enterprises carrying out the state capital divestment by June 10, 2017 for submission to the Ministry of Planning and Investment for compiling purpose or representation made to the Prime Minister to seek his approval.

+ Seriously carrying out equitization and state capital divestment according to the market mechanism and laws, avoid any misconduct, group interests and losses of capital and assets, and ensure conformance to the approved plan.

- By August 31, 2017, approve the plans for restructuring of state-owned corporations and enterprises for the 2016 – 2020 period under their jurisdiction. Evaluate the plans for restructuring of economic groups and State Capital Investment and Trading Corporation for the 2016 – 2020 period by August 31, 2017 before submitting them to the Prime Minister to seek his approval.

- Take control over and get state-owned economic groups, corporations and enterprises under their jurisdiction actively involved in implementation of the restructuring plan approved and regulated herein.

- Give authorization for or promptly report to authorized entities on handling of difficulties arising from the process of restructuring of enterprises, equitization and state capital divestment. The divestment of state capital invested by state-invested enterprises in credit institutions and banks shall be consistent with the program for restructuring of commercial banks.

- Direct or promptly report authorized entities on actions to radically address enterprises reporting losses and running ineffective investment projects according to the market mechanism.

- On a periodic manner, by May 25 and December 25 each year, send a report to the Ministry of Finance for compiling a general report to the Prime Minister and the Steering Committee for Corporate Reform and Development on actual conditions and results of restructuring, state capital divestment and equitization of state-owned economic groups, corporations and enterprises as prescribed herein.

- Submit the Charter of organization and operation and Regulations on financial management of enterprises under their assigned duties and delegated authority to the Government to seek its approval or promulgate them.

- Based on assigned duties and delegated powers, research and issue, under their accorded authority, or petition authorized entities to issue, policies necessary for restructuring of state-owned enterprises.

g) Members' Boards of state-owned economic groups and enterprises

- By July 31, 2017, submit corporate restructuring plans to be carried out during the period of 2016 – 2020 to authorized entities as prescribed herein; take charge of carrying out the approved corporate restructuring plan.

- Formulate and submit authorized entities to seek their approval of the corporate restructuring schedule and plan at enterprises to which the State makes its capital contributions. Duly carry out activities related to equitization of member enterprises and divestment of state capital invested in enterprises with state capital contributions according to plans, criteria and list of classification of state-owned enterprises and other provisions of relevant laws in force.

- Make the public disclosure of corporate restructuring plans for the 2016 – 2020 period, corporate restructuring schedules and plans for divestment of state capital from enterprises with state capital contributions and plans for equitization of member enterprises on the Government's Portal and send them to the Ministry of Finance and the Steering Committee for Corporate Reform and Development for the purpose of monitoring and acceleration thereof.

- Promptly report to authorized entities on handling of difficulties arising from the process of restructuring of enterprises, equitization and state capital divestment.

- Deal with or radically address enterprises under their direct control reporting losses, running ineffective investment projects according to the market mechanism; consider carrying out bankruptcy procedures prescribed in laws.

- On a periodic basis, by May 15 and December 15 each year, report to ministries, sectoral administrations, local jurisdictions, Ministry of Finance and Steering Committee for Corporate Reform and Development on result of implementation of corporate restructuring plans, state capital divestment and equitization under the provisions hereof.

h) The Steering Committee for Corporate Reform and Development shall act as a liaison entity assisting the Prime Minister in directing and expediting implementation of this Decision.

i) Ministry of Information and Communications shall be charged with communication about and visibility of this Decision.

Article 2. This Decision shall enter into force from the signature date.

Article 3. Ministers, Heads of Ministry-level agencies, Governmental bodies, Chairpersons of People's Committees of centrally-affiliated cities and provinces, Head of the Steering Committee for Corporate Reform and Development, Presidents of Members' Boards of state-owned economic groups, corporations and enterprises shall be responsible for enforcing this Decision./.

PRIME MINISTER

Nguyen Xuan Phuc

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