

**FOR  
AGENDA**

SM/10/183  
Supplement 2

July 8, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Vietnam—Staff Report for the 2010 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2010 Article IV consultation with Vietnam (SM/10/183, 7/8/10), which will be brought to the agenda for discussion on **a date to be announced**. At the time of circulation of this paper to the Board, the authorities of Vietnam have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Ms. Bi, APD (ext. 39353).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, July 16, 2010; and to the Asian Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above

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INTERNATIONAL MONETARY FUND

VIETNAM

**Staff Report for the 2010 Article IV Consultation—Informational Annex**

Prepared by the Asia and Pacific Department  
(In Consultation with Other Departments)

July 7, 2010

|      | Contents  | Page |
|------|---|------|
| I.   | Fund Relations .....                            | 2    |
| II.  | Relations with the World Bank Group .....       | 4    |
| III. | Relations with the Asian Development Bank ..... | 9    |
| IV.  | Statistical Issues .....                        | 13   |

**ANNEX I. VIETNAM: FUND RELATIONS**  
(As of May 31, 2010)

**I. Membership Status:** Joined: September 21, 1956; Article VIII

| <b>II. General Resources Account:</b> | <u>SDR Million</u> | <u>Percent Quota</u> |
|---------------------------------------|--------------------|----------------------|
| Quota                                 | 329.10             | 100.00               |
| Fund holdings of currency             | 329.10             | 100.00               |
| Reserve position in Fund              | 0.01               | 0.00                 |

| <b>III. SDR Department:</b> | <u>SDR Million</u> | <u>Percent Allocation</u> |
|-----------------------------|--------------------|---------------------------|
| Net cumulative allocation   | 314.79             | 100.00                    |
| Holdings                    | 267.67             | 85.03                     |

| <b>IV. Outstanding Purchases and Loans:</b>              | <u>SDR Million</u> | <u>Percent Quota</u> |
|--|--------------------|----------------------|
| Extended Credit Facility (ECF) <sup>1</sup> arrangements | 45.54              | 13.84                |

**V. Latest Financial Arrangements:**

| <u>Type</u> | <u>Arrangement</u> | <u>Date</u>   | <u>Amount Approved<br/>(SDR Million)</u> | <u>Amount Drawn<br/>(SDR Million)</u> |
|-------------|--------------------|---------------|--|---------------------------------------|
| ECF         | Apr. 13, 2001      | Apr. 12, 2004 | 290.00                                   | 124.20                                |
| ECF         | Nov. 11, 1994      | Nov. 10, 1997 | 362.40                                   | 241.60                                |
| Stand-By    | Oct. 6, 1993       | Nov. 11, 1994 | 145.00                                   | 108.80                                |

**VI. Projected Payments to Fund:** (SDR million; based on existing use of resources and present holdings of SDRs)

|                  | <u>Forthcoming</u> |             |             |             |             |
|------------------|--------------------|-------------|-------------|-------------|-------------|
|                  | <u>2010</u>        | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Principal        | 16.56              | 20.70       | 8.28        | 0.00        | 0.00        |
| Charges/interest | 0.07               | 0.12        | 0.13        | 0.12        | 0.12        |
| Total            | 16.63              | 20.82       | 8.41        | 0.12        | 0.12        |

**VII. Exchange Arrangement:**

Vietnam's exchange rate system is currently classified as "stabilized." Effective November 26, 2009, the State Bank of Vietnam (SBV) reverted to its previous policy of a  $\pm 3$  percent dollar-dong trading band around the rate quoted by the SBV with a

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<sup>1</sup> Formerly PRGF.

one step devaluation of about 5½ percent in the central rate. Previously the trading band was widened to  $\pm 5\%$  on March 24, 2009. The dong stabilized at the most depreciated edge of the band in January 2009, which was devalued several times since then. Therefore the exchange rate arrangement has been reclassified to “stabilized” against the U.S. dollar from “other managed” effective January 1, 2009. In 2008, the SBV increased exchange rate flexibility substantially by widening the dong-U.S. dollar trading band from  $\pm 0.75$  to  $\pm 3$  percent on three separate occasions.

Vietnam maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions, except for those exchange restrictions imposed for security reasons of which Vietnam has notified the IMF pursuant to Executive Board Decision No. 144-(52/51), 8/14/52.

#### **VIII. Article IV Consultations:**

Vietnam is on a 12-month consultation cycle. The last Article IV consultation was held in Hanoi during December 3–18, 2008 and was concluded by the Executive Board on February 27, 2009 (IMF Country Report No. 09/110). In addition, staff visits took place in April and October 2009. The current Article IV consultation was postponed as per the authorities’ request.

#### **IX. Technical Assistance:**

Technical assistance is currently focused on balance of payment, monetary and financial statistics, banking supervision, tax policy and administration, and AML/CFT. A long-term resident advisor in banking supervision based in Hanoi began assisting the SBV in December 2008 and will continue in the role until January 2011. In June 2010, additional technical assistance was requested for compiling balance of payments, monetary statistics, and the “green GDP” indicator.

#### **X. Resident Representative:**

Mr. Benedict Bingham assumed the Senior Resident Representative post for Vietnam and Lao P.D.R., based in Hanoi, on October 17, 2007.

## ANNEX II. VIETNAM: RELATIONS WITH THE WORLD BANK GROUP<sup>2</sup>

### A. Partnership in Vietnam's Development Strategy

A new Country Partnership Strategy (CPS) was presented to the World Bank Board in February 2007. The CPS is fully aligned to Vietnam's Socio-Economic Development Plan (SEDP) 2006–10 and sets out the World Bank's planned support between FY07 and FY11. The objectives of the SEDP are mapped into four broad pillars that are the organizing principles of the CPS: (i) improving the business environment; (ii) strengthening social inclusion; (iii) strengthening environmental and natural resource management; and (iv) improving governance.

A common theme underlining the four pillars is the need to complete the remaining first-generation structural reforms, while moving forward on a set of ambitious second-generation reforms. The former group relates to the transition to a market economy and the restructuring of the state sector. The latter group focuses on the institutional underpinnings for the operation of a more complex economy, as Vietnam becomes a middle-income country. Through these reforms, the role of the Government will be transformed from direct producer of goods and services to regulator and provider of the foundations for a well-functioning, equitable, modern market economy.

*Improving the business environment:* Support for this theme focuses on banking reform and overall financial sector development; improved competitiveness with fuller integration with the world economy, including through improved quality, efficiency, and equity of the higher education system; a more level playing field for enterprises; a better foundation for knowledge-based growth and enhancing agricultural competitiveness; and investment in more efficient and reliable infrastructure.

*Strengthening social inclusion:* Priorities for World Bank Group support are better understanding of poverty and piloting new instruments to reach the poor; mainstreaming gender issues across the portfolio and including people with disabilities in the development process; increasing access to and quality of basic infrastructure services for the rural poor; increasing access to affordable and better quality education and health care services; including and empowering ethnic minorities in the development process; improving policies and services to address the needs of urban poor and migrants; and reducing vulnerability to adverse shocks, including natural disasters and climatic hazards.

*Strengthening environmental and natural resource management:* Rapid economic growth is putting the environment under increasing stress. The livelihoods of poor people in Vietnam

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<sup>2</sup> Questions may be referred to Ms. Myla Taylor Williams (202-473-6997).

still depend overwhelmingly on natural resources. The World Bank's activities will focus on livelihood-supporting roles and public benefits of better management of the environment and natural resources. In practice, this will raise a range of challenges related to regional planning; land, forestry, water resources, and integrated river basin management; and the introduction of modern tools for environmental protection.

*Improving governance:* Progress across the first three pillars will require institutions with enhanced transparency, accountability, and stakeholder voice and participation. World Bank support under this pillar will focus on strengthening public financial management, simplifying administrative procedures, and modernizing the planning process through more participatory approaches and greater accountability of public service providers for achievement of development outcomes.

## **B. World Bank Group Strategy and Lending**

The World Bank Group is employing a broad range of instruments, elaborated in the CPS, to support the objectives laid out in the SEDP 2006–10 and other key strategies of the Government. These instruments include the World Bank's Poverty Reduction Support Credits (PRSCs), other development policy and investment operations, and analytical and advisory activities; the IFC's equity, loan, and technical assistance (TA) participations and the Mekong Private Sector Development Facility (MPDF); Multilateral Investment Guarantee Agency (MIGA) activities; and donor partnerships and ODA coordination.

*Scale of the World Bank Group program:* Vietnam's IDA allocations depend on its performance relative to other eligible IDA recipients and on the overall IDA resource envelope. During FY09–FY11 (the IDA 15 replenishment period), Vietnam's IDA commitments will likely average more than US\$1 billion equivalent annually. In FY10, the World Bank (IBRD) processed its first two IBRD operations for Vietnam, totaling US\$700 million. At more than US\$2.1 billion equivalent for IDA and IBRD combined, the FY10 program significantly surpassed that of prior years, and Vietnam is the World Bank's eighth largest borrower in FY10. World Bank operations in FY11 will likely continue to exceed US\$2 billion. Thereafter, World Bank lending volume will depend inter alia on the outcome of the IDA 16 replenishment discussions. There are currently 43 active IDA credits totaling US\$5.7 billion equivalent of which US\$1.8 billion has been disbursed, and one IBRD loan in the amount of US\$200 million, approved but not yet effective. The IFC and MIGA programs are also expected to grow in the coming years.

*Lending program:* The ongoing second series of five Poverty Reduction Support Credits (PRSCs 6–10) is the centerpiece of the World Bank's policy lending program during the CPS period. These operations support the reforms envisaged chiefly in the SEDP 2006–10, which also serves as the Poverty Reduction Strategy (PRS) for Vietnam. PRSC 9 (US\$150 million equivalent) is expected to be approved by the World Bank's Board in June 2010. The five PRSC operations in the first series mainly supported implementation of the

Government's Comprehensive Poverty Reduction and Growth Strategy. PRSC 1 was approved by the World Bank's Board in June 2001, in parallel with a PRGF operation by the IMF. It focused on structural reforms in trade liberalization, the financial sector, state-owned enterprises (SOEs), and private sector development. Subsequent PRSCs have had significantly broader scope and supported policy actions in areas such as health, social protection, education, and environmental protection and natural resource management. They have also included actions to build modern governance systems in Vietnam, such as those aimed at public financial management and public administration reform, and fighting corruption. The number of PRSC co-financiers increased from 4 under PRSC 1 to 12 under PRSC 7. In addition to providing resources, PRSCs serve as a donor coordination device as well as a single, unified platform for policy dialogue between Vietnam's partners and the Government on a broad range of issues.

The World Bank's operational program also includes sector development and investment operations aligned with the four pillars of the CPS. A sector development policy lending program supported poverty reduction, another one higher education reform, and a third one power sector reform. Vietnam's first IBRD operation, approved in FY10, launched a development policy loan series supporting public investment reforms and aligned with the governance pillar of the CPS. Well over half of sector investment commitments have financed infrastructure projects, with the balance focused on the health and education sectors, rural development, and public administration reform. More than 75 percent of the FY11 lending program is expected to finance infrastructure investments. Thereafter, it is expected that infrastructure would continue to dominate the lending program, especially Vietnam's IBRD borrowing.

*Knowledge program:* The World Bank supports the Government's efforts to strengthen institutional capacity through its knowledge program of analytical and advisory services. The annual Vietnam Development Reports (VDRs), written in coordination with a large number of donors and submitted to the annual year-end Consultative Group meeting, summarize the accumulated knowledge in a specific policy area of Vietnam's reform agenda. Recent VDRs have focused on tackling the challenges to attainment of SEDP objectives (2007) as well as thematic areas such as social protection (2008), business development (2009), and modern institutions (2010). The next VDR will focus on the management of Vietnam's natural resources.

Other reports during this period included Infrastructure Finance, Higher Education and Skills for Growth, Country Financial Accountability Assessment, Policy Agenda for Health Sector Transition, Health Financing, Financial Sector Strategy, and a series on Vietnam's Infrastructure Challenges. Forthcoming reports include High Quality Education for All, Infrastructure Regulatory and Policy Reform; Regional Development and Urbanization; Science, Innovation, and Technology Review, Poverty Analysis, Social Safety Net Technical Assistance, Gender Assessment, Prioritizing Climate Change Investments, and Support to National Development Strategy and SEDP 2011–15. In addition, the World Bank continues



to provide advisory services in areas such as tax policy, social security, and public financial management reform.

### **C. IMF-World Bank Collaboration in Specific Areas**

Since the expiration of the PRGF in April 2004, the two institutions have closely collaborated in the discussions of PRSC triggers and benchmarks in the policy areas that used to be covered by the PRGF agreement. The IMF has provided Letters of Assessment in support of PRSC operations. In the area of public financial management, the World Bank has an investment credit to support the introduction of a modern Treasury and Budget Management Information System, and coordinates technical inputs on a large multi-donor trust fund for public financial management reform. The World Bank is also following up on the technical assistance provided by the IMF in relation to tax reform and revenue management. An investment credit for tax administration reform has been set up to this effect. Joint work is also under way in support of the establishment of a modern central bank, with the IMF providing technical assistance on monetary policy and operations, and both the World Bank and IMF providing technical assistance on banking supervision. The World Bank has also set up an investment credit to reorganize the State Bank of Vietnam and to develop appropriate information management systems.

Since 2005, the World Bank and the IMF have jointly prepared an annual Debt Sustainability Assessment. The Asian Development Bank has joined since 2009. The IMF and the World Bank also collaborate in the development and timely dissemination of reliable economic and financial statistics. The IMF focuses on improving balance of payments, and national accounts, and price statistics, while the World Bank provides assistance on issues related to the production of high-quality household and enterprise surveys.

The two institutions have coordinated closely on the recent macroeconomic turbulence faced by Vietnam. Their joint inputs to government were instrumental in the adoption of the stabilization package of March 2008 and its subsequent implementation. The World Bank and the IMF have also coordinated their policy dialogue with the government in relation to the stimulus policies adopted between late 2008 and early 2009 and, more recently, they jointly supported the rebalancing of the government policy stance toward a greater focus on macroeconomic stability.

Table 1. Vietnam: FY05–08 Commitments

| <b>Fiscal Year</b> | <b>Project Name</b>                                      | <b>IDA Amount<br/>(US\$ million equivalent)</b> |
|--------------------|--|---|
| <b>2005</b>        | PRSC IV  | 100   |
|                    | HIV/AIDS Prevention                                      | 35  |
|                    | Targeted Budget Support for Education for All            | 50  |
|                    | Road Safety  | 32  |
|                    | Urban Water Supply Development                           | 113   |
|                    | Second Rural Energy                                      | 220   |
|                    | Forest Sector Development                                | 40  |
|                    | Avian Influenza Emergency Recovery                       | 5   |
|                    | Second Payment System and Bank Modernization             | 105   |
|                    | <b>Total</b>   | <b>700</b>                                      |
| <b>2006</b>        | PRSC V   | 100   |
|                    | ICT Development  | 94  |
|                    | Mekong Health Support                                    | 70  |
|                    | Customs Modernization                                    | 66  |
|                    | Red River Delta Rural Water Supply and Sanitation        | 46  |
|                    | Second Transmission and Distribution                     | 200   |
|                    | Third Rural Transport                                    | 106   |
|                    | Natural Disaster Risk Management                         | 86  |
|                    | <b>Total</b>   | <b>768</b>                                      |
| <b>2007</b>        | PRSC VI  | 175   |
|                    | Second Higher Education                                  | 60  |
|                    | Program 135 Phase 2 (DPL)                                | 50  |
|                    | Avian and Human Influenza Control                        | 20  |
|                    | Mekong Transport Infrastructure Development              | 207   |
|                    | Mekong Transport/Flood Protection (Additional Financing) | 25  |
|                    | Ho Chi Minh City Infrastructure Fund (HIFU)              | 50  |
|                    | Coastal Cities Environment and Sanitation                | 125   |
|                    | <b>Total</b>   | <b>712</b>                                      |
| <b>2008</b>        | PRSC VII   | 150   |
|                    | Tax Administration Modernization                         | 80  |
|                    | Northern Upland Health Support                           | 60  |
|                    | Land Administration                                      | 75  |
|                    | Third Rural Finance                                      | 200   |
|                    | Hanoi Urban Transport Development                        | 155   |
|                    | Northern Delta Transport Development                     | 170   |
|                    | Da Nang Priority Infrastructure Investment               | 152   |
|                    | Rural Distribution                                       | 150   |
|                    | <b>Total</b>   | <b>1,192</b>                                    |
|                    | <b>Total FY05–FY08 Commitments</b>                       | <b>3,372</b>                                    |

Source: World Bank.

### ANNEX III. VIETNAM: RELATIONS WITH THE ASIAN DEVELOPMENT BANK

The Asian Development Bank (AsDB) resumed its operations in Vietnam in October 1993. The Country Strategy and Program (CSP) 2007–10 was endorsed in October 2006 and was fully aligned with and designed to support implementation of the Government’s Socio-Economic Development Plan (SEDP) 2006–10. The goals of the CSP were to help the Government reduce poverty incidence to 10–11 percent of households by 2010, achieve the Millennium Development Goals/Vietnam Development Goals and exit from low-income country status. Recognizing Vietnam has actually achieved poverty reduction through rapid economic growth, the CSP was also growth-oriented with focuses on: (i) *Business-led, Pro-poor Economic Growth*: AsDB support aimed to help the Government develop the foundations for increased private sector investment and employment; (ii) *Social equity and balanced development*: in addition to supporting education, health, targeted poverty reduction, and rural infrastructure, the CSP addressed communicable diseases such as avian influenza and HIV/AIDS; gender and other equity issues were mainstreamed in AsDB projects; (iii) *Environment*: the CSP supported natural resources management, emphasizing the link between resources depletion and persistent poverty, through assistance on biodiversity, water, and coastal resources management and livelihood improvement. *Governance* has been addressed through all AsDB operations and *regional cooperation* has also been strongly supported through a number of projects. As Vietnam is now preparing the new Socio-Economic Development Strategy for 2011–20 and Socio-Economic Development Plan 2011–15, the AsDB is also preparing a new Country Partnership Strategy (CPS) for 2011–15 to further supporting Vietnam’s continuing rapid growth as a new middle-income country in line with AsDB’s Strategy 2020.

From October 1993 until April 2010, the AsDB approved 91 sovereign loans and guarantee<sup>3</sup> totaling over US\$8.5 billion, comprising US\$4.6 billion from highly concessional Asian Development Fund (ADF) and US\$3.9 billion from less concessional Ordinary Capital Resources (OCR). The contract awards achievement in 2009 was US\$1,781.77 million as compared with US\$390.4 million in 2008. Disbursement in 2009 attained US\$1,093.4 million as compared with US\$264.4 million in 2008. The AsDB has also extended technical assistance grants amounting to \$192 million for 237 projects. In addition to public sector operations, the AsDB has provided US\$193.5 million for seven nonsovereign projects, as well as US\$60 million in guarantees under two projects. Vietnam also receives substantial support under the Greater Mekong Subregion (GMS) initiatives, involving Cambodia, China, Lao P.D.R, Myanmar, Thailand, and Vietnam.

Support for policy and structural reforms to improve public sector efficiency and to

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<sup>3</sup> Guarantee to commercial banks for a loan in connection with the Investment Support Program for Vietnam Electricity of US\$325 million.

encourage the development of the private sector is a vital component of AsDB operations in Vietnam. So far, the AsDB has approved 15 policy-based programs (19 loans) in the agricultural sector, the financial sector, SOE reform and corporate governance, public administration reform, SME development, secondary education, and in support of the multi-donor supported Poverty Reduction Support Credit (PRSC). The AsDB's policy dialogue included support for increased efficiency of state-owned utilities through reforming their rate structure and other measures to increase cost recovery and to strengthen financial management, policy analysis, and planning. The AsDB is also the key supporter of public administration reform particularly through civil service reform. A high-level capacity building program is also in place under the Japan Fund for Public Policy Training (JFPPT) funded by the Government of Japan.

Following a reorganization of the AsDB's regional departments in May 2006, Vietnam is covered by the Southeast Asia Department, along with Cambodia, Brunei Darussalam, Lao P.D.R., Myanmar, Thailand, Malaysia, Philippines, Indonesia, and Singapore. The resident mission has been gradually strengthened and is responsible for country economic monitoring, programming and donor coordination functions, in addition to administration of 36 percent of the ongoing loan portfolio. The resident mission has helped the government prepare the results-based SEDP 2006–10, through a broad, consultative process, including preparing the results framework for monitoring SEDP outcomes, and such efforts are continuing for the development of SEDP 2011–15. To implement the principles of the Paris Declaration on Aid Effectiveness, the resident mission actively participates in the Partnership Group on Aid Effectiveness with the Government and other development partners (which was reorganized to be Aid Effectiveness Forum in 2010), taking a lead in harmonizing social safeguard policies and procurement rules and procedures between the Government and donors. The AsDB also actively participates in the “Six Banks Initiative,” with Agence Française de Développement (Afd), KfW Development Bank, Korea Eximbank, Japan International Cooperation Agency and the World Bank, to harmonize project preparation, implementation, monitoring and evaluation practices, and improve the quality and effectiveness of investment projects.

The AsDB and IMF staffs work closely together to support the process of economic reforms in Vietnam. The AsDB staff interacts with IMF missions, exchange information, and regularly consult on policy matters. The resident missions of the two institutions cooperate closely. The AsDB has taken part in the 2008 Vietnam debt sustainability analysis for the first time with the IMF and the World Bank.

**Table 1. Vietnam: Public Sector Lending, by Sector, October 1993–April 2010**  
(In millions of U.S. dollars)

| <b>Sector</b>   | <b>Number</b> | <b>Approved Amount</b> |
|---|---------------|------------------------|
| Lending   | 91            | 8,186.9                |
| Agriculture and natural resources                     | 19            | 1,150.1                |
| Education   | 9             | 383.0                  |
| Energy  | 8             | 1,937.7                |
| Finance   | 7             | 410.0                  |
| Health and Social Protection                          | 5             | 231.2                  |
| Industry and Trade                                    | 4             | 98.5                   |
| Public Sector Management                              | 7             | 776.4                  |
| Transportation and ICT                                | 18            | 2,502.7                |
| Water and Other Municipal Infrastructure and Services | 10            | 546.8                  |
| Multisector   | 4             | 150.0                  |
| Guarantee   | 1             | 325.0                  |
| Energy  | 1             | 325.0                  |
| Technical assistance                                  | 237           | 191.5                  |
| Advisory and operational purposes                     | 146           | 109.9                  |
| Project preparation                                   | 88            | 75.5                   |
| Capacity and Development                              | 4             | 4.6                    |
| Policy and Advisory                                   | 1             | 1.5                    |

Source: Asian Development Bank.

**Table 2. Vietnam: Sovereign Loan Approvals and Disbursements, 1997–2010**

(In millions of U.S. dollars)

|  | 1997   | 1998   | 1999     | 2000     | 2001     | 2002     | 2003     | 2004     | 2005     | 2006   | 2007     | 2008     | 2009     | 2010 1/ |
|--|--------|--------|----------|----------|----------|----------|----------|----------|----------|--------|----------|----------|----------|---------|
| Loan approvals   | 359.60 | 284.00 | 220.00   | 188.50   | 243.10   | 233.50   | 179.00   | 296.40   | 577.70   | 308.19 | 1,438.86 | 764.70   | 1,925.85 | 230.00  |
| Loan disbursements                                     | 149.3  | 127.8  | 191.2    | 218.9    | 176.2    | 231.7    | 233.2    | 182.4    | 223.7    | 184.07 | 229.88   | 264.56   | 1,093.36 | 112.74  |
| Undisbursed balance at the<br>beginning of the year 2/ | 842.42 | 997.48 | 1,191.56 | 1,190.38 | 1,086.15 | 1,118.80 | 1,198.10 | 1,191.59 | 1,313.69 | 970.63 | 1,316.67 | 1,456.84 | 1,533.3  | 3,208.7 |
| Memorandum item:                                       |        |        |          |          |          |          |          |          |          |        |          |          |          |         |
| Technical assistance approvals                         | 9.51   | 5.93   | 10.34    | 9.12     | 8.42     | 9.28     | 8.61     | 7.68     | 12.25    | 16.07  | 13.12    | 26.86    | 10.64    | 4.18    |

Source: Asian Development Bank.

1/ As of April 2010.

2/ Excludes approved loans that are not yet effective.

## ANNEX IV. VIETNAM: STATISTICAL ISSUES

As of June 16, 2010

**I. Assessment of Data Adequacy for Surveillance**

**General:** Data provision has some shortcomings, but broadly adequate for surveillance. Most affected areas are: national accounts, government finance and external sector statistics.

**National Accounts:** The General Statistics Office (GSO) provides quarterly (cumulative) and annual data on GDP by type of economic activity and annual data by expenditure (both in current and constant prices), and monthly and annual data on external trade, industrial output, retail sales, and prices. The annual constant price GDP estimates have 1994 as the base year and are in need of updating. While the national accounts methodologies are broadly consistent with the *SN493*, the compilation process suffers from poor data collection practices and a lack of coordination and communication between data collection agencies.

**Prices statistics:** The CPI methodology is largely in line with international standards. However, there is only a notional inclusion of owner-occupied and rental housing. Also, there is a need to adopt a geometric mean of price relatives at the lower level of aggregation, instead of the upward biased arithmetic mean. Trade price indices are also compiled, but not used in the national accounts.

**Government finance statistics:** Government operations data reflect the consolidated operations of the state budget, which cover all four levels of government (central, provincial, district, and commune). However, they exclude data on off-budget investment expenditure, onlending, quasi-fiscal activities of the central bank (and state-owned enterprises (SOEs)), and extrabudgetary funds, among which are the Social Security Fund, Enterprise Restructuring Fund, Development Assistance Fund, Export Support Fund, local development funds, and the Sinking Fund (for repayment of on-lent funds), for which data are not compiled/disseminated on a regular basis. Compilation is on a cash basis for final annual data, but varies for provisional data depending on their source. As a result, government financing data, in particular domestic bank financing, cannot be reconciled as reported in the fiscal and monetary accounts. The World Bank and the IMF have recommended improving the coverage of fiscal data and aligning definitions with the *GFSM 2001*. A new budget law, expected to become effective 2013, is likely to significantly enhance the quality of fiscal reporting.

**Monetary statistics:** A key shortcoming is insufficient sectorization of bank credit. The IMF's Statistics Department (STA) has encouraged the SBV to develop a reporting scheme for a comprehensive breakdown of banks' credit to the economy by borrowing sectors, subsectors, and ownership of enterprises. In addition, STA has recommended that: (a) a list of SOEs that have been privatized and therefore should be classified as private enterprises should be distributed to banks in order to guide their data reporting on enterprises; (b) funds for onlending should be reclassified out of banks' "unclassified liabilities" to "other deposits." Further cooperation from the authorities is needed to resolve data discrepancies involving credit data for a state-owned bank. These discrepancies may reflect possible noncoverage and/or omission of certain loans and financial leases, offset by lower deposits and other liabilities.

**External sector statistics:** Monthly and annual trade data have been compiled using customs reports, but the coverage and accuracy of these data need to be improved. In particular, the commodity breakdown of a large share of reported exports and imports (approximately 22 percent and 16 percent respectively in 2006) is unknown. Data on invisibles continue to be based largely on banking records, which provide incomplete coverage and identification of the types of transactions. Improvements are particularly needed for data on tourism revenue and workers' remittances. STA has recommended that the Government Statistical Office, Ministry of Planning and Investment, and State Bank of Vietnam work jointly to improve FDI questionnaires and processes, including collecting data on both stocks and flows. Overlapping responsibility for debt statistics has at times resulted in some deficiencies in coverage, including the lack of monitoring certain leasing arrangements (e.g., for aircraft).

| II. Data Standards and Quality  |                            |
|---|----------------------------|
| Participant in the General Data Dissemination System (GDDS) since September 2003.   | No data ROSC is available. |
| III. Reporting to STA   |                            |
| Annual government finance statistics (GFS) data through 2004, excluding extrabudgetary funds and social security funds, have been reported for publication in the <i>GFS Yearbook</i> , using the 1986 GFS format. No sub-annual fiscal data have been reported for publication in <i>IFS</i> since 2001. |                            |

**Vietnam: Table of Common Indicators Required for Surveillance**  
As of June 16, 2010

|  | Date of Latest Observation | Date Received | Frequency of Data <sup>1</sup> | Frequency of Reporting <sup>1</sup> | Frequency of Publication <sup>1</sup> |
|--|----------------------------|---------------|--------------------------------|-------------------------------------|---------------------------------------|
| Exchange Rates   | June 2010                  | 06/07/10      | D                              | M                                   | W                                     |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>2</sup>            | 4/31/10                    | 5/13/10       | M                              | I                                   | NA                                    |
| Reserve/Base Money   | Feb. 2010                  | 5/4/10        | M                              | I                                   | NA                                    |
| Broad Money  | Feb. 2010                  | 5/4/10        | M                              | I                                   | NA                                    |
| Central Bank Balance Sheet   | Feb. 2010                  | 5/19/10       | M                              | I                                   | NA                                    |
| Consolidated Balance Sheet of the Banking System   | Feb. 2010                  | 5/19/10       | M                              | I                                   | NA                                    |
| Interest Rates <sup>3</sup>  | Mar. 2010                  | 4/21/10       | M                              | I                                   | NA                                    |
| Consumer Price Index   | May 2010                   | 5/24/10       | M                              | M                                   | M                                     |
| Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> —General Government <sup>5</sup> | ...                        | ...           | ...                            | ...                                 | NA                                    |
| Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> —Central Government              | 12/31/09                   | 4/20/10       | Q                              | Q                                   | A                                     |
| Stocks of Central Government and Central Government-Guaranteed Debt <sup>6</sup>                         | 2009                       | 5/12/10       | I                              | I                                   | NA                                    |
| External Current Account Balance   | Q1 2010                    | May 2010      | A                              | A                                   | A                                     |
| Exports and Imports of Goods and Services <sup>7</sup>   | Q1 2010                    | May 2010      | M                              | M                                   | M                                     |
| GDP/GNP  | Q1 2010                    | 3/30/10       | Q                              | Q                                   | Q                                     |
| Gross External Debt  | 2009                       | 5/7/10        | I                              | A                                   | NA                                    |
| International Investment Position <sup>8</sup>   | ...                        | ...           | NA                             | NA                                  | NA                                    |

<sup>1</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); and Not Available (N/A).

<sup>2</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency, but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>3</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>4</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>5</sup> The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.

<sup>6</sup> Including currency and maturity composition.

<sup>7</sup> Services data available on an annual basis.

<sup>8</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.