

SU/23/131

August 31, 2023

**The Acting Chair's Summing Up
Vietnam—2023 Article IV Consultation
Executive Board Meeting 23/68
August 30, 2023**

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' swift actions to maintain macro-financial stability as the economic recovery from the pandemic faced domestic and external headwinds. They noted that risks remain elevated, and that further efforts are required to safeguard macro-financial stability and deepen reforms to address vulnerabilities and ensure robust, green, and inclusive growth over the medium term. Continued capacity development will be important to support reforms.

Directors noted that, given ample fiscal space and limited room for monetary policy loosening, fiscal policy should take the lead in supporting economic activity if needed. In this context, Directors welcomed the authorities' plans to speed up the implementation of public investment, which will require tackling bottlenecks, and stressed the importance of expanding social safety nets to support the most vulnerable. Directors recommended strengthening the fiscal framework and budget process and increasing revenue mobilization over the medium term to support the ambitious development agenda.

Directors commended the authorities for effectively containing inflation risks but stressed that monetary policy should continue to be cautious under a complex environment and limited policy space. They welcomed steps toward greater exchange rate flexibility and encouraged continued progress in this area, along with modernizing the monetary policy framework.

Directors underscored the importance of strengthening the resilience of the financial system by bolstering capital buffers, phasing out regulatory forbearance, and addressing rising non-performing loans. They also stressed the need to enhance the authorities' toolkit to prevent and manage banking crises by strengthening the resolution and emergency liquidity frameworks, and welcomed the ongoing revision of the law on credit institutions. Efforts to strengthen bank regulation and supervision should continue.

Directors acknowledged the authorities' swift actions to contain risks in the real estate and corporate bond market. They urged decisive steps to address remaining risks, including by strengthening the insolvency framework, bolstering institutions, and increasing transparency in the corporate bond market.

Directors stressed the importance of structural and climate reforms to achieve sustainable, green, and inclusive growth. Accelerating the transition to upper-middle income status will require further efforts to improve the business environment, step-up critical infrastructure, and invest in human capital. Directors welcomed the latest Power Development Plan and the planned Emissions Trading System to help achieve Vietnam's climate goals and promote energy security. They emphasized the importance of moving ahead with implementation of the strategy and developing the appropriate regulatory framework to promote investment in renewable energy and secure funding for the green transition. Conducting a Climate-Public Investment Management Assessment would be useful.

Directors welcomed the authorities' anti-corruption efforts and emphasized the need to continue strengthening governance, improving the AML/CFT framework, and simplifying regulatory frameworks. Greater efforts in closing data gaps will be important.

The next Article IV Consultation with Vietnam is expected to be held on the standard 12-month cycle.