

SU/21/18

February 8, 2021

**The Acting Chair's Summing Up  
Vietnam—2020 Article IV Consultation  
Executive Board Meeting 21/14  
February 5, 2021**

Executive Directors agreed with the thrust of the staff appraisal. They noted that the COVID-19 pandemic disrupted a prolonged period of high growth and improvements in living standards. They commended the authorities for their decisive and comprehensive response to the pandemic, which, supported by strong fundamentals and policy buffers, has been instrumental in ensuring the economy's resilience. Directors noted that risks to the outlook are tilted to the downside and stressed the need for measures to limit permanent scarring and promote sustained, inclusive, and greener growth.

Directors underscored the need for fiscal measures geared towards protecting workers and vulnerable households, including through improved budgetary execution and enhanced targeting. They stressed that once the recovery is firmly underway, gradual fiscal adjustment should center on revenue mobilization to help create space for priority social and infrastructure spending and support greener and more inclusive growth. Directors noted the need for continued efforts to upgrade fiscal policy frameworks to safeguard fiscal sustainability.

Directors recommended maintaining an accommodative monetary policy stance, while remaining mindful of underlying banking sector vulnerabilities. They emphasized that corporate support for viable firms should be gradually phased out and regulatory forbearance normalized. Directors underscored that financial risks should be closely monitored and problem loans addressed in a timely manner. Medium term objectives include enhancing private debt restructuring frameworks and further strengthening banks' capital position in the context of adopting Basel II requirements.

Noting the staff's assessment that Vietnam's external position was substantially stronger than warranted by fundamentals and desirable policies, Directors called for steadfast reform efforts to remove the remaining barriers to private investment and enhance social safety nets. At the same time, some Directors urged caution in interpreting EBA model results, which may not adequately capture Vietnam-specific structural factors and measurement issues. In the context of reserve adequacy, Directors welcomed efforts to allow greater two-way exchange rate flexibility and modernize the monetary policy framework, which would help the economy to adjust to the changing external environment.

Directors stressed the importance of structural reforms to improve the business environment, enhance productivity, and boost post-pandemic potential growth. They concurred that priority should be given to reducing labor skill-mismatches, promoting digital transformation, and ensuring a level playing field, particularly for SMEs. Directors welcomed continued efforts to improve economic institutions and strengthen governance.

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