

Vietnam: Selected Economic Indicators, 2019–2024

	2019	2020	2021	2022	Projections	
					2023	2024
Output						
Real GDP (percent change)	7.4	2.9	2.6	8.0	4.7	5.8
Output Gap (percent of GDP)	0.4	-0.4	-1.9	-0.1	-1.1	-1.1
Prices (percent change)						
CPI (period average)	2.8	3.2	1.8	3.2	3.7	3.5
Core inflation (period average)	2.0	2.3	0.9	2.7	4.2	3.4
Saving and investment (in percent of GDP)						
Gross national saving	35.6	36.3	31.3	33.1	32.4	32.4
Gross investment	32.0	31.9	33.5	33.4	32.1	31.8
Private	26.6	24.9	27.2	27.4	25.5	24.8
Public	5.3	7.0	6.2	6.0	6.6	7.0
State budget finances (in percent of GDP) 1/						
Revenue and grants	19.4	18.4	18.7	19.0	18.4	18.5
Expenditure	19.8	21.3	20.1	18.8	19.6	20.2
Expense	14.5	14.3	13.9	12.8	13.0	13.2
Net acquisition of nonfinancial assets	5.3	7.0	6.2	6.0	6.6	7.0
Net lending (+)/borrowing(-) 2/	-0.4	-2.9	-1.4	0.3	-1.3	-1.7
Public and publicly guaranteed debt (end of period)	40.8	41.1	39.1	35.3	33.6	32.3
Money and credit (percent change, end of period)						
Broad money (M2)	14.8	14.5	10.7	6.2	6.1	6.9
Credit to the economy	12.8	11.6	13.5	14.0	9.0	9.7
Balance of payments (in percent of GDP, unless otherwise indicated)						
Current account balance (including official transfers)	3.7	4.3	-2.2	-0.3	0.2	0.7
Exports f.o.b.	79.6	81.6	90.9	91.4	81.6	80.9
Imports f.o.b.	73.2	72.7	86.7	85.0	75.8	75.1
Capital and financial account 3/	5.7	2.4	8.3	2.3	2.5	1.8
Gross international reserves (in billions of U.S. dollars) 4/	78.5	95.2	109.4	86.7	98.7	110.5
In months of prospective GNFS imports	3.5	3.3	3.5	2.9	3.1	3.1
Total external debt (end of period)	37.0	37.6	37.9	36.2	36.6	36.5
Nominal exchange rate (dong/U.S. dollar, end of period)	23,173	23,098	22,826	23,633	...	...
Memorandum items (current prices):						
GDP (in billions of U.S. dollars)	331.8	346.3	369.7	406.5	438.2	476.9
Per capita GDP (in U.S. dollars)	3,439	3,549	3,753	4,087	4,365	4,707

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6-7 percent of GDP).

2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.

3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outflows).

4/ Excludes government deposits.



VIETNAM

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

July 25, 2023

KEY ISSUES

Context. After a strong post-pandemic recovery, the economy faces strong headwinds. A weaker external environment led to a sizable decline in exports. In addition, amidst high private debt and rising global interest rates, a liquidity crunch distressed highly leveraged sectors (in particular, real estate), the corporate bond came to a halt, and non-performing loans rose. As a result, economic activity decelerated sharply in the first half of 2023. While the government managed to stabilize the markets, risks remain elevated.

Recommendations. Addressing the multiple headwinds affecting the economy calls for a comprehensive, multi-pronged response by the government. In addition, Vietnam should implement far-reaching reforms to meet its ambitious medium- and long-term objectives of sustained high and green economic growth.

- **Monetary policy.** Monetary policy took the lead in responding to the economic deterioration, but there is very limited space for further monetary easing at present. The exchange rate regime should allow for greater flexibility and accompany a modernization of the monetary policy framework to equip it with more market-based tools.
- **Fiscal policy.** Given ample fiscal space, the budget is better placed to take the lead to provide additional support if economic activity proves weaker than expected. The government could scale up social safety nets that would boost growth and protect the most vulnerable households. Over the medium term, further revenue mobilization efforts would bolster social spending and infrastructure investment.
- **Financial sector.** The resilience of the banking system and domestic capital markets should be strengthened, including enhancing the authorities' ability to prevent and manage crises. Upgrading the effectiveness of the debt enforcement and insolvency framework would help deal with corporate debt overhang and reduce risks to the economy and the financial sector.
- **Climate and structural policies.** Achieving the ambitious medium-term growth and climate goals will require accelerating reforms to improve the business environment, critical infrastructure, and human capital.

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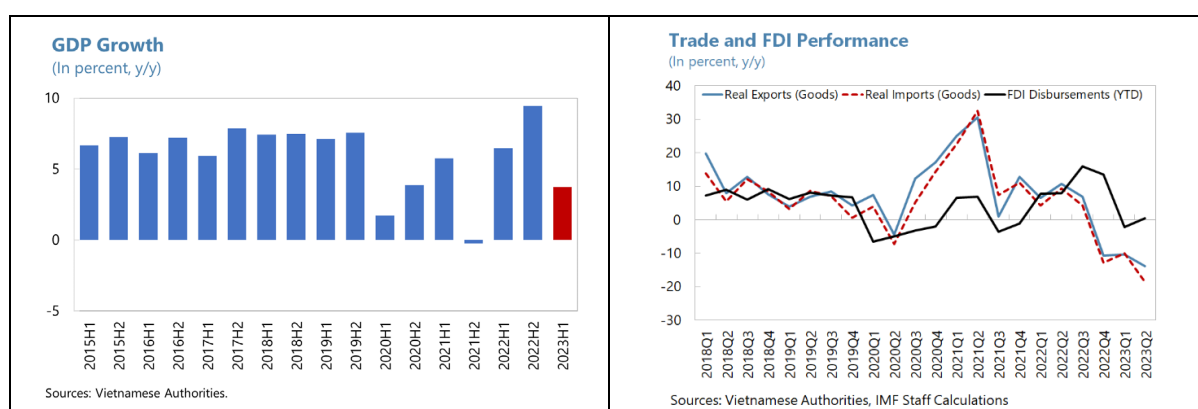
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CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

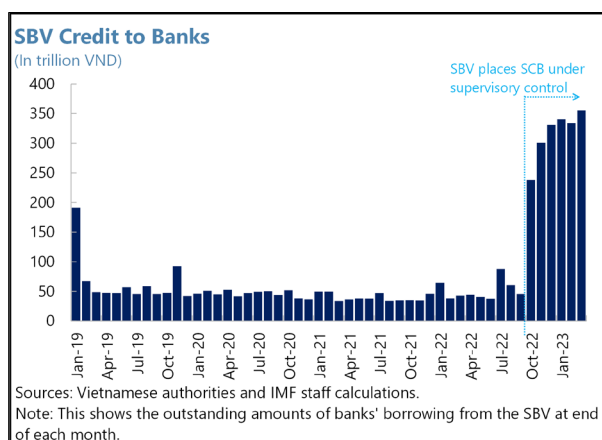
1. Vietnam experienced a strong recovery in 2022. The shift to “living with COVID,” along with an impressive vaccination campaign, and strong domestic and foreign demand spurred activity in 2022. GDP grew at the historically high rate of 8 percent. Average annual inflation registered at 3.2 percent; however, price pressures, especially in core items, picked up steadily during the year. Strong external demand early in the year helped reduce the current account deficit to 0.3 percent of GDP.

2. Economic activity deteriorated sharply, however, starting in late 2022 due to domestic and external headwinds. Economic growth slowed to 3.7 percent y-o-y in the first half of 2023, with investment recording one of the worst performances in more than a decade. The unexpected and abrupt deterioration in the outlook was driven by domestic financial distress, turmoil in the real estate sector, and a sharp contraction in exports (12 percent y-o-y in the first 6 months of 2023) due to a decline in foreign demand that has hit the region. On the upside, the labor market displayed some resilience—the unemployment rate remained low, at 2.3 percent in June. However, some manufacturing firms have started to reduce working hours and lay off workers, most of whom are moving to the service sector, often with informal status.



3. Liquidity distress in the FX and financial markets surfaced in late 2022.

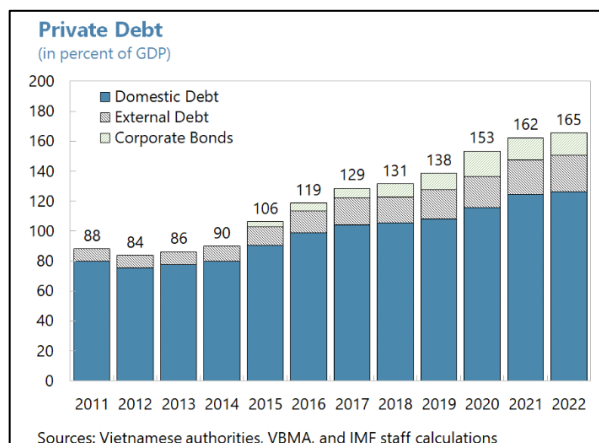
Pressures on the dong mounted throughout 2022 as global interest rates rose sharply, opening a large gap with domestic rates. Capital outflows, including the sale of FX reserves by the State Bank of Vietnam (SBV) to contain rising FX pressures, contributed to a decline in liquidity in the financial system. In October 2022, Sai Gon Joint Stock Commercial Bank (SCB), the fifth largest bank by assets, suffered a deposit run and was placed under SBV's control. Liquidity in the interbank market deteriorated sharply. However, after



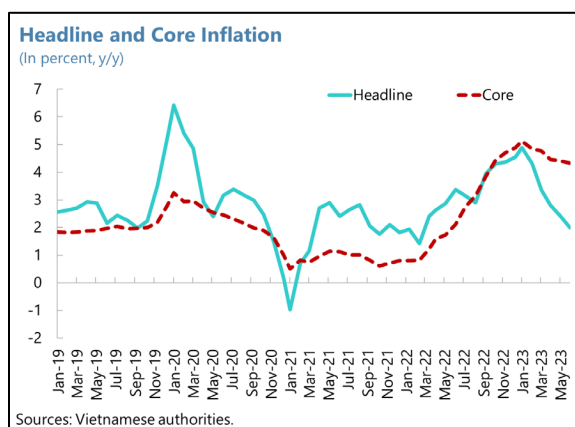
taking control of SCB, the SBV has provided ample liquidity and, by early 2023, liquidity pressures in the banking sector had eased.¹

4. The turbulence in the real estate and corporate bond markets remains a source of pressure to the economy and the financial sector (Box 1).

The liquidity crunch emerged in the context of rising private debt, especially during the low-growth pandemic years. Many real estate developers became highly leveraged in recent years and faced financial distress as interest rates rose and sales declined in late 2022. In addition, the corporate bond market, where real estate represents the largest market share, came to a halt amidst a decline in investor confidence and a crackdown on illegal activities (which also involved real estate issuers). In turn, this aggravated the liquidity squeeze, with a growing number of developers defaulting on bond payments. Furthermore, some banks highly exposed to the real estate market are facing a deterioration in asset quality. The authorities promptly issued a series of regulations aimed at facilitating access to funding and reducing bankruptcy risks in the near term (Text Table 1). While these measures can provide temporary relief, they could create their own risks down the road without further reforms.



5. Monetary policy has been nimble, adjusting to contain risks in a fast-changing environment. Like other peer countries facing inflation and exchange rate pressures, the SBV increased its main policy rates in the fall of 2022—the cumulative hike reached 200 basis points. It also raised the 2023 inflation target from 4 to 4.5 percent. After peaking at 4.9 percent in January 2023, headline inflation declined sharply in recent months (down to 2 percent y-o-y in June 2023), while the drop in core inflation was more modest (from 5.2 to 4.3 percent). As the SBV reduced its FX interventions in late 2022, the dong temporarily depreciated but pressures abated following the policy rate hikes. Since March 2023, the SBV has lowered its main policy rates by a cumulative 150-200 basis points to support the faltering economic activity, while the exchange rate has remained stable and modest reserve accumulation has resumed in 2023.



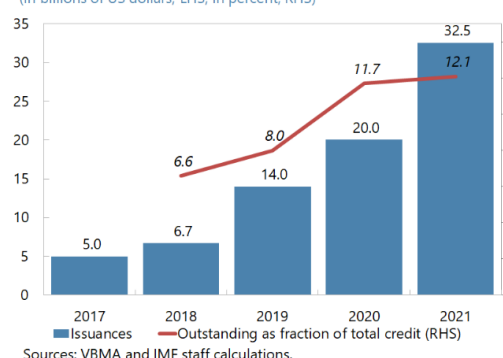
¹ In addition, in June 2023, Vietnam was placed by the Financial Action Task Force (FATF) on its list of jurisdictions under increased monitoring as it works to address strategic deficiencies in its AML-CFT regime.

Box 1. Real Estate Sector and Corporate Bond Market Turbulence

Vietnam's corporate bond market, after expanding at a fast pace over the last 6 years, experienced a sudden stop in issuances starting in late 2022. Outstanding bonds rose from 6.6 to 12 percent of total credit (8.6 to 15 percent of GDP) between 2018 and 2021. However, the market froze in the last quarter of 2022, and market activity remains limited while defaults continue. Bondholders, especially retail investors, are pressuring underwriting banks to buy back bonds.

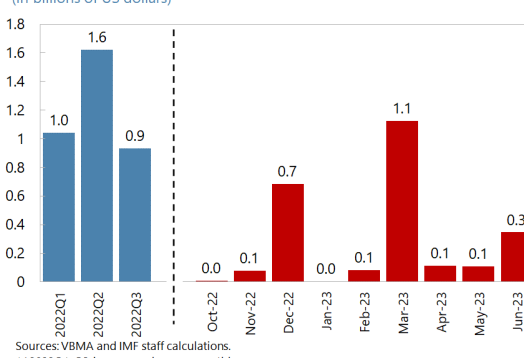
Corporate Bond Market

(In billions of US dollars, LHS; in percent, RHS)



Corporate Bond Issuances 2022-23 1/

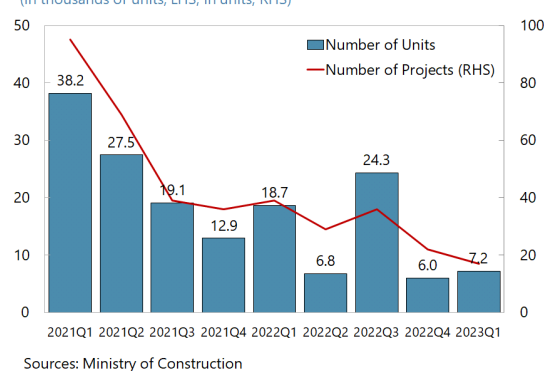
(In billions of US dollars)



Distress among real estate developers increased as funding sources dried up and legal bottlenecks intensified. Real estate transaction activity slowed since late 2022 (after booming in previous quarters), as demand weakened and new projects coming to the market fell due to delays in securing authorizations and land use titles. The delays arose amid heightened uncertainty around how land and construction regulations were being applied, especially given overlapping, unclear, and sometimes inconsistent real estate related laws and regulations. In addition, developers' profitability declined further due to higher financing and other costs, and funding pressures were exacerbated due to the freeze of the bond market. Consequently, 56 developers, including the second largest, defaulted on bond payments in the first 5 months of 2023 (over 70 percent of total defaulted value). Risks remain elevated as a majority of upcoming maturities are for developer issued bonds. In addition, some homebuyers received bridge loans to finance pre-sales and other financial incentives from developers. Rollover risks for these loans have risen due to market uncertainty. On the upside, the market appears to distinguish between developers, with stock prices falling significantly more for those most leveraged. Medium-term prospects for real estate demand also remain promising, given low levels of urbanization and limited supply of affordable housing.

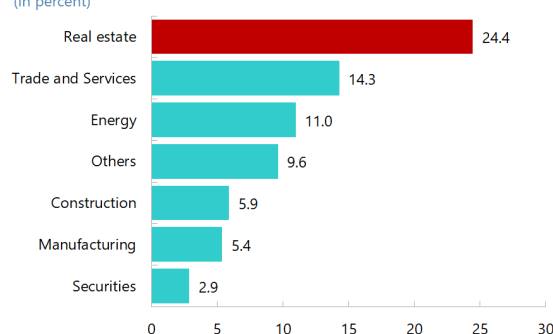
Residential Housing Projects Licensed

(In thousands of units, LHS; in units, RHS)



Corporate Bond Default Ratio by Sector 1/

(In percent)



Sources: FitchRatings
1/ As of May 4, 2023.

6. Fiscal policy was countercyclical in 2022, as spending was kept under control

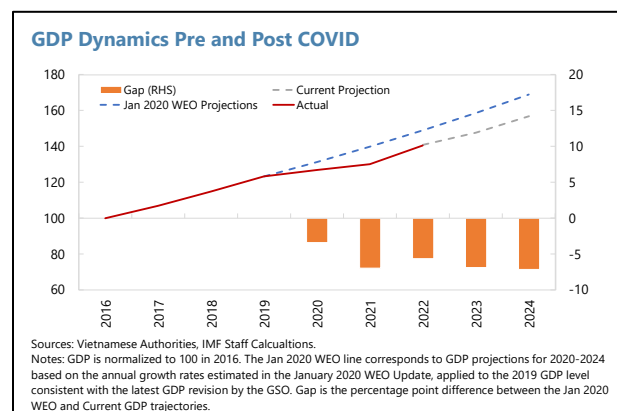
despite rising inflation. The fiscal position improved to an estimated small surplus in 2022 from a deficit of 1.4 percent of GDP in 2021. While the economic recovery and high oil prices drove revenues higher, with public wages frozen, current spending fell sharply as a share of GDP. Capital spending reached 6 percent of GDP despite a slow start to the investment programs in the 2022-23 Program for Socio-economic Recovery and Development (PRD). Public debt fell to an estimated 35 percent of GDP due to strong nominal GDP growth and an improved primary fiscal balance.

Text Table 1. Vietnam: Measures Addressing the Real Estate and Corporate Bond Market Turbulence

Policy	Date	Main provisions and policy objectives	Potential unintended effects
Circular No. 26/2022/TT-NHNN	December 2022	Enlarging banks' regulatory capacity to lend by including State deposits in the denominator of the regulatory loan to deposit ratio.	Could increase bank liquidity risks if deposits are rapidly withdrawn.
Resolution 33/NQ-CP	March 2023	Easing access to funding to the real estate sector and treating real estate risk in a more differentiated way.	May lead to banks increasing exposure to (non-viable) real estate developers and associated higher risk.
Decree No. 08/2023/ND-CP	March 2023	Deferring some recent regulations (issuer rating obligation and the limitation to professional investors under Decree No. 65/2022) by one year. Allowing deferral of corporate bond maturities by up to two years and the payment of maturing corporate bonds with non-cash assets, subject to bondholders' approval.	Could delay the resolution of problems and the return of confidence, thus undermining medium-term development of the corporate bond market.
Circular No. 02/2023/TT-NHNN	April 2023	Allowing one-year regulatory forbearance on loan classification for loans restructured with financially viable businesses and individuals; banks are required to gradually set aside the required additional provisioning.	Could increase risks to the banking sector by masking actual deterioration in asset quality, while delaying provisioning and NPL workouts.
Circular No. 03/2023/TT-NHNN	April 2023	Allowing banks to purchase corporate bonds they sold within the previous 12 months until end-2023 (previously prohibited).	May pressure banks to repurchase corporate bonds sold to their clients, which could involve taking on larger risks and reduces liquidity.

OUTLOOK AND RISKS

7. Economic growth is projected to bounce back in the second half of the year. After a weak first half, growth in 2023 is expected to accelerate and reach 4.7 percent for the whole year, assuming that the real estate turbulence is contained, and exports and credit growth pick up gradually in the second semester and in 2024. Given the opening up of the output gap, inflation is expected to remain below the 4.5 percent target. The current account balance will improve to a small surplus in 2023, driven partly by a rebound in tourism. Merchandise export and import volumes are expected to decline relative to 2022 due to depressed demand. The exit from the pandemic has been challenging and has left some scarring, but the economy is expected to revert to the pre-COVID growth trajectory over the medium term as reforms are implemented.



8. Downside risks to growth loom large. Uncertainty surrounding the forecast is high. The main external risk is a deeper and more persistent weakness in external demand. While recently benefitting from some business diversion from China, Vietnam stands to lose from a slowdown in global trade due to geoeconomic fragmentation. Domestic downside risks mostly emanate from a further deterioration of financial conditions, which could damage growth prospects over the medium term (Box 2). Further energy shortages after the episodes in May-June 2023 could harm economic activity and business sentiment. On the upside, a faster than anticipated deployment of public investment may boost growth.

Authorities' Views

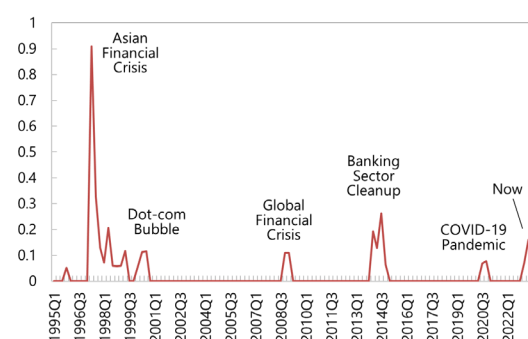
9. The authorities agreed with staff's overall assessment, although they are more optimistic about the rebound in the second half of the year. The authorities are maintaining their 2023 economic growth target of 6-6.5 percent while recognizing that external and domestic risks make achieving that target a harder task. They expect that their economic policy mix and a recovery in external demand will allow for strong growth in the second half of the year. They agreed with staff that inflation pressures have subsided and the SBV is confident the inflation target will be met.

Box 2. Growth Risks from Financial Turbulence

A Financial Stress Index (FSI) shows that turbulence in the markets is increasing but, at present, remains lower than in past distress events. The FSI captures episodes of high credit intermediation costs or disruptions to credit supply, based on text analysis of the Economist Intelligence Unit country reports (Ahir, Dell’Ariccia, Furceri, Papageorgiou, and Qi, forthcoming).¹ The FSI shows the presence of financial distress at the moment. The index is far from the peak reached during the Asian financial crisis, but it is close to the values of 2014, when an attempt to clean up the rising levels of bad debts from banks’ balance sheets slowed down credit provision to the economy.

Empirical analysis shows that the impact on economic activity from heightened financial distress could be severe. Using estimates derived in Ahir et al. (forthcoming), an episode of financial turmoil of the intensity (measured by the FSI) experienced in Vietnam in the second quarter of 2023 is estimated to lead to a GDP loss in the order of 0.15 percent in 2023 and around 0.35 percent in every year between 2024 through 2027. If Vietnam’s FSI reached the peak value recorded in 2014, the loss of GDP could be around 0.3 percent in 2023 and around 0.7 percent in 2024–2027. Were the FSI to reach the maximum level measured during the Asian financial crisis, GDP would decline by up to 1.4 percent in 2023, and around 3 percent in 2024–2027—losses consistent with an average annual growth in 2023–27 of 5.6 percent, instead of the 6.2 percent projected in this report.

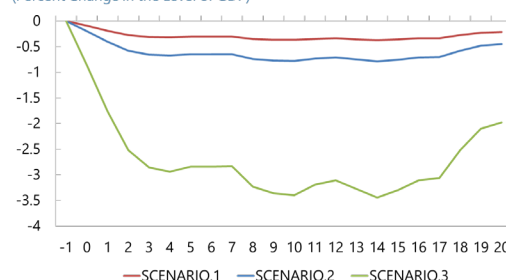
Financial Stress Index – Vietnam



Sources: Ahir et al. (forthcoming), Economist Intelligence Unit, and IMF staff calculations.

Impact of Financial Stress on GDP

(Percent Change in the Level of GDP)



Sources: Ahir et al. (forthcoming) and IMF staff calculations.

Note: In Scenario.1, the FSI increases to the level of 2023Q2; in Scenario.2, to the level observed in 2014Q3; and in Scenario.3, to the level observed in 1997Q3.

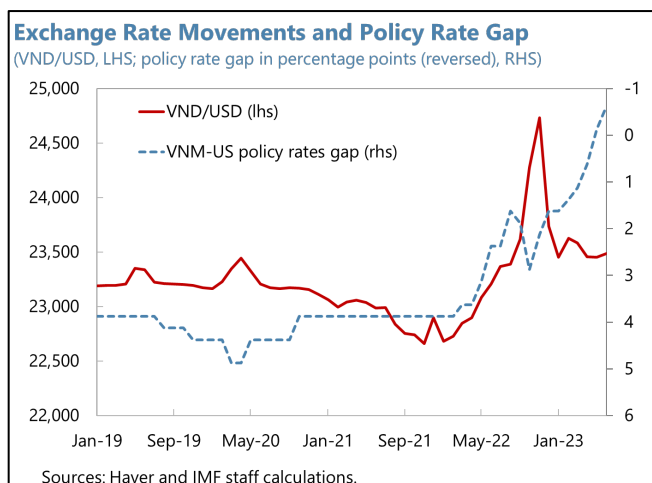
¹ The FSI counts the number of instances in which two keywords jointly appear in a sentence/paragraph of a EIU report, and scales that by the number of words in the report. The keywords are: (i) credit, financial, bank, lending, and fund, and; (ii) crisis, crunch, squeeze, bailout, rescue, tight, contract, and reluctant. Ahir and coauthors build the index for the period 1967Q1–2018Q4, and the Vietnam team extended it to 2023Q2.

POLICY DISCUSSION

10. Amid heightened uncertainty, there was broad agreement that the policy priorities should be to restore strong growth and protect financial stability. Discussions centered around the policy mix, achieving greater balance between monetary and fiscal policies, and the need for a coordinated and comprehensive approach to tackle with greater urgency immediate challenges regarding: (i) the real estate and corporate bond market distress, and (ii) the financial system, given the turmoil stemming from the real estate sector and the rise in non-performing loans due to weak economic activity. Finally, achieving Vietnam’s medium-term goals will require executing the ambitious agenda of climate and structural reforms.

A. Monetary and Exchange Rate Policy

11. Monetary policy actions should be cautious given significant underlying risks, while fiscal policy has more flexibility in supporting activity. During the first half of 2023, policy rate cuts were the first line of response to the slowdown—as headline inflation fell well below target, the negative output gap widened, and the dong remained stable, partially thanks to a large trade surplus in the first half of the year. However, further cuts would bring policy rates to historically (pre-COVID) low levels and could reignite disruptive FX dynamics—as global rates are likely to stay high for longer and the large trade surplus of the first half of the year is likely to unwind as the economy strengthens—heightening the risk of exchange rate depreciation passing through to inflation (Annex IV). In addition, with banks facing increasing non-performing loans and high loan-to-deposit ratios, incentivizing credit growth would be risky and likely ineffective. Instead, fiscal policy could take the lead in sustaining demand given the highly leveraged corporates and weak external demand. If inflationary pressures re-emerge, policy rates may need to be increased once again. Conversely, if more generalized financial distress materializes or the economic slowdown proves deeper, further support measures could be needed, which reinforces the need for keeping monetary policy’s powder dry for now.



12. Greater exchange rate flexibility would help absorb external shocks. The widening of the exchange rate trading band in October 2022 was a positive step. After drawing down reserves to fend off disruptive FX dynamics in 2022, the SBV has been gradually rebuilding its FX reserve buffers given favorable market conditions. Interventions in FX markets should be limited to smooth volatility and not to counter persistent trends. Greater exchange rate flexibility would require lower FX reserve buffers and strengthen the policy rate transmission mechanism.

13. Accelerating modernization of the monetary policy framework would help better manage the different challenges. In recent years, the SBV has worked to improve its forecasting capacity and its monetary policy decision-making process. Further progress could entail introducing an interest rate corridor and improving liquidity forecasting. Monetary policy should gradually move away from tools such as credit growth ceilings and deposit interest rate caps and adopt market-based mechanisms along with appropriate macroprudential measures—for example, by introducing a systemic risk surcharge for domestically important banks, countercyclical buffers, and loan-to-value or debt-to-income limits on borrowers.

Authorities' Views

14. The SBV remains committed to keeping inflation in check and agrees that there is limited space for further monetary loosening. While lower inflation allowed policy rate cuts to support growth, the authorities are aware of the risks of further monetary loosening. Policies are aimed at maintaining macroeconomic stability in the current challenging external environment. The SBV acknowledged that favorable market conditions in the first half of the year have allowed it to start rebuilding foreign exchange reserve buffers. The authorities reiterated that they do not target any level of the VND/USD exchange rate.

B. Fiscal Policy

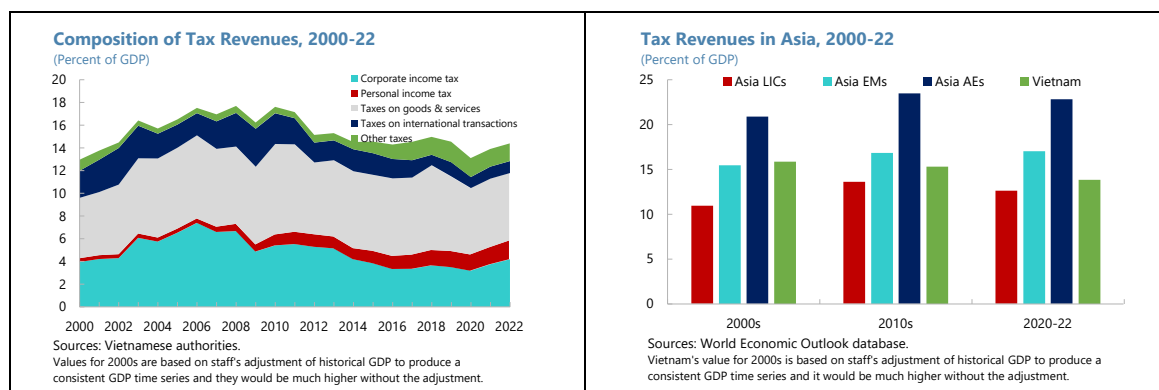
15. Fiscal policy is expected to become expansionary in 2023-24 to boost domestic demand. The fiscal deficit is projected to reach 1½ percent of GDP in 2023. Public wages, frozen since 2019, were set to rise by 20.8 percent in July, with an estimated annual budgetary impact of 1.2 percent of GDP, helping reduce the gap between public and private compensation. Public investment is expected to accelerate. Revenues are expected to fall mainly due to weaker economic activity and lower revenues from oil revenues and land use rights. Temporary tax deferrals, cuts in environmental taxes, and cuts to VAT rates and car registration fees in the second half of 2023 will also provide some relief to firms and households. However, frequent changes to tax rates and excessive use of deferrals add uncertainty to the tax system and can undermine tax collection. Some of the tax cuts are regressive and have negative effects on climate and congestion. Instead, policies could focus on spending to address infrastructure and social needs. Vietnam's medium-term strategy, including fiscal rules, provides a medium-term anchor to ensure sustainable debt.²

16. Further fiscal support could be considered, especially if the economic recovery disappoints. Given the slowdown and the constraints faced by monetary policy, going forward, fiscal policy can take a leading role in supporting aggregate demand. For instance, the government could scale up social safety nets—and consider cash transfers to provide swift relief to poorer households. Building on successful fiscal consolidation in recent years, there is fiscal space to provide further support. If the current turmoil proves more damaging to the economy and the financial sector, targeted support could be considered, including to help real estate developers restructure. To contain costs, it is recommended that any support goes through the budget, is temporary, and there are mechanisms in place to control and monitor risk exposure from guarantees or other contingent liabilities.

17. Revenue mobilization efforts over the medium term are needed to reverse the trend of tax erosion and create space to bolster social spending and address infrastructure gaps. Tax revenues have been eroded since their peak in the late 2000s, in contrast to trends in regional peers (and despite Vietnam's tax rates being close to peers' average). Implementing the

² The strategy for 2021-26 sets a debt ceiling of 60 percent of GDP. In addition, budget deficits (which are based on very conservative revenue projections) need to converge to below 3 percent of GDP.

Tax System Reform Strategy 2021-2030 would help widen the tax base and enhance tax compliance. Reforms could include reducing exemptions and rationalizing preferential regimes for FDI firms, broadening the VAT base, and raising environmental tax and excise duties. The planned introduction of a unified property tax and a land registry would also be important.



18. The adoption of the global minimum corporate tax (GMT) in 2024 will increase tax revenues but will require improvements to the investment climate. Vietnam could be among those most affected by the GMT—as it has often granted tax incentives to multinational enterprises to attract FDI, including lower income taxes, that will be eroded. The effects of the higher tax can be compensated by improving the business environment, upgrading infrastructure, and enhancing human capital.

19. Strengthening the fiscal framework and budget processes would increase transparency and enhance the quality and effectiveness of fiscal policy. The budget process is weakened by overly conservative revenue projections in recent years. A budget based on realistic projections and assessment of risks would allow to better decide on the appropriate fiscal space and level of spending and debt, while increasing transparency. The scope and duration of permitted carryover spending could be more limited and ensure that all spending is integrated in the budget process. It would be important to accelerate efforts to strengthen macro-fiscal capacity (projections, risk assessment, impact of fiscal measures). Conducting expenditure reviews would help identify priorities and improve the quality of expenditures.

Authorities' Views

20. The authorities reiterated their objective of maintaining macroeconomic stability and confirmed their fiscal structural reform agenda. They noted that fiscal policy has already played a role in supporting output and are confident that the combined revenue and expenditure measures in 2023 will help boost demand. They agreed there is fiscal space to provide further support if needed given the past successful consolidation efforts that reduced public debt. To reform the tax base and support businesses, they have proposed a revision of several tax laws. The authorities are considering measures that limit the possible negative economic impacts of adopting the GMT that are consistent with international agreements. They cautioned that revenue collection is volatile and prefer to be conservative in the budget.

C. Tackling the Distress in the Real Estate and Corporate Bond Markets

21. Addressing excessive corporate leverage swiftly would help limit the impact of the real estate turmoil and promote a sound corporate bond market. An intergovernmental taskforce is working with local governments to identify and address legal obstacles and administrative delays preventing completion of real estate projects. However, solving the financial distress stemming from the real estate-corporate bond nexus will likely require a more comprehensive response. Unaddressed corporate balance sheet problems, especially among real estate developers, could percolate throughout the economy and the banking system. International experience shows that the lack of an efficient framework to deal with debt overhang cases results in higher costs that take longer to mend.³ Moreover, ensuring the corporate bond market is a sustainable source of funding for the private sector requires reforms to enhance governance and boost investors' confidence.

22. The necessary deleveraging of high private debt could be made more efficient, and with appropriate burden sharing to not compromise financial stability, by:

- *In the short term*, promoting swift restructuring of viable firms through out-of-court workouts and hybrid solutions for debt restructuring, while liquidating non-viable firms. In addition, if there are concerns regarding completion of ongoing projects deemed critical, the authorities could consider targeted fiscal support subject to adequate safeguards and with appropriate burden sharing between public and private stakeholders. If the real estate turmoil intensifies, the authorities could provide subsidized financing or guarantees to banks for onward lending to viable developers.
- *Over the medium term*, strengthening the effectiveness of the debt enforcement and insolvency framework to deal with debt overhang in real estate and other sectors of the economy (Box 3). A more effective insolvency regime would contribute to a better allocation of resources in the economy and the development of the corporate bond market. Banks have been granted extraordinary powers until end-2023 to seize collateral (Resolution 42), which has helped process their nonperforming loans. However, including such temporary regulation into the Law on Credit Institutions would enshrine unequal treatment of secured creditors and could hinder the establishment of an effective debt enforcement and insolvency framework.

23. Further institutional reforms would help strengthen governance of domestic capital markets and restore investors' confidence. Such reforms include ensuring that investor protection and transparency principles are respected to restore confidence in the corporate bond market and that all investors are treated equally when issuers make use of recently adopted temporary measures. Improving the capacity of rating agencies and making the process for the public listing of bonds less cumbersome would also boost confidence in the bond market and make it a more durable and stable source of funding.

³ See "Systemic Banking Crises Revisited," IMF WP/18/206.

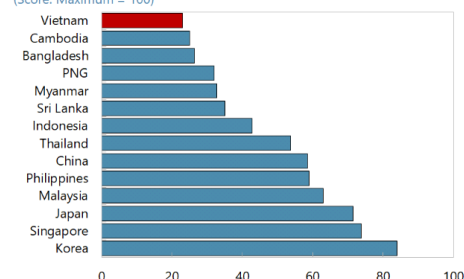
Box 3. Improving Vietnam's Crisis Preparedness

Vietnam has ample room to improve its preparedness to tackle widespread corporate debt distress.

Staff developed a crisis preparedness indicator based on the existence and availability of a set of insolvency and restructuring tools known to be most useful in a debt crisis. The analysis shows several important shortcomings in Vietnam's overall crisis preparedness:

- Vietnam lacks enhanced mechanisms for **out-of-court restructuring** and a legal framework conducive to restructuring. Effective multi-creditor workouts for distressed but viable firms rely on enhanced mechanisms (e.g., a set of principles, master restructuring agreements, and the use of alternative dispute resolution mechanisms) to aid coordinated solutions. An effective debt enforcement regime creates incentives for negotiation, and an enabling framework avoids obstacles in other laws (e.g., tax, banking) to restructurings.
- **Hybrid restructurings** are yet to be introduced in Vietnam's framework. They involve limited formal intervention by courts to confirm or facilitate informal restructuring agreements, allowing for quick restructuring, without over-burdening the courts.
- The Vietnamese corporate **reorganization proceeding** is largely untested and needs improvements. A debtor in possession reorganization could create appropriate incentives for debtors to seek reorganization. Technical aspects of the stay of creditor actions, the treatment of executory contracts, and post-petition finance could be addressed. Safeguards for dissenting creditors would increase confidence in the process.
- The **liquidation** framework does not provide rapid and significant recoveries for creditors. For effectiveness and simplicity, it should allow the possibility of selling the business as a going concern and allow secured creditors to enforce on their collateral. The use of e-auctions and other modern technologies would improve the efficiency of liquidations.
- Some **institutional** aspects may be particularly useful in the event of a corporate debt crisis. In Vietnam, the specialization of courts on insolvency matters and the use of modern technology for case management are limited. The regulation of insolvency representatives needs reforms, including on proper qualifications and relevant training.

Crisis Preparedness Indicator: Select Asia Pacific Economies
(Score: Maximum = 100)



Sources: Araujo, Juliana, et al. 2022. "Policy Options for Supporting and Restructuring Firms Hit by the COVID-19 Crisis." IMF DP/2022/002, International Monetary Fund.

Specific challenges of the real estate sector accentuate the gaps in crisis-preparedness. Real estate developers can be highly leveraged and exposed to liquidity risk as they invest in land and inventory or face legal obstacles. Uncompleted real estate projects adversely affect banks, investors, and consumers. Some key issues affecting insolvency and creditor rights include the following:

- Prompt enforcement mechanisms minimize the losses of creditors and increase their confidence in real estate collateral. In Vietnam, **collateral enforcement** needs strengthening for all economic actors and in all situations under the broader debt enforcement framework.
- Pre-sales can involve fraud and mismanagement risks and buyers may find themselves in the position of unsecured creditors. This may justify the adoption of **protection measures for pre-sales**, either preventive (e.g., mechanisms to allocate sale proceeds for the project) or reactive (e.g., dealing with conflicts between homebuyers and lenders).
- Typically, liquidators can **complete work-in-progress or inventory if that maximizes value**, even if a developer is in liquidation. Additional financing can be provided by existing creditors or a new lender. The challenge is facilitating such financing with adequate priority given existing secured creditors.

Authorities' Views

24. The authorities stressed they are making significant efforts to resolve legal and regulatory bottlenecks in the real estate sector and address social housing needs. A new land law (among other real estate related laws) will be presented to the National Assembly for approval later this year. Affordable housing remains a priority, and the government recently approved a USD 5 billion credit package for social housing projects. On the corporate bond market, the authorities noted there are signs the situation is improving and investors' sentiment has gradually stabilized thanks to the implementation of measures to stabilize the market. In addition, the authorities are working to increase the capacity of rating agencies and researching ways to incentivize institutional investor participation.

D. Protecting Financial Stability

25. SBV acted decisively in 2022 to protect financial stability within the limitations of the existing legal framework; but the real estate turmoil and economic downturn pose increasing risks. SBV took control of SCB in October 2022 using the special control regime and provided it with (secured and unsecured) funding. The authorities also took several ad-hoc measures to support corporates under financial distress due to the problems in the real estate market and deteriorating economic conditions. These included temporary forbearance on bank loans and allowing (unlisted) bond buybacks by banks. These measures imply that more risks will be shifted to the banks amidst an unfavorable environment. Asset quality has been worsening; the combined non-performing loan (NPL) ratio⁴ reached 5.5 percent by end-March, and the aggregate loan-to-deposit ratio approached 100 percent (excluding government deposits) as loans have been outgrowing deposits for several years. Some banks are also highly exposed to the ailing real estate sector. Bank capitalization was 11.5 percent at end-2022 and some banks have been actively raising capital, but further efforts may be needed.

26. The stress in 2022 highlights the importance of strengthening cooperation on prevention and management of crises. Establishing a crisis and financial stability monitoring function at the SBV, in consultation with the Ministry of Finance (MOF) in the short term, is critical to improve coordination and information sharing, and should involve all relevant actors. Such a function could include: (i) coordinating the consistent identification and monitoring of weaker banks and defining remedial actions; (ii) estimating losses and resolution costs (including fiscal) and discussing contingency plans; (iii) monitoring forbearance measures and improving bank balance sheet transparency; and (iv) conducting bank solvency and liquidity stress tests to inform on financial stability risks. Data sharing, confidentiality, and developing communication strategies will be critical for the function.

27. The ongoing revision of the Law on Credit Institutions (LCI) is a very timely opportunity to modernize the bank resolution and emergency liquidity frameworks.

⁴ This ratio is composed of the NPLs at the banks, restructured loans and impaired loans at VAMC.

Resolving banks has proven to be a complex and overly lengthy process due to constraints in the legal framework. For instance, the SBV is still working on the resolution of banks placed under special control in 2015. As recent experience in Vietnam and other countries shows, bank distress can emerge suddenly. As such, having an effective bank resolution framework that ensures swift action can be taken and contingency plans to enhance crisis preparedness are in place is vital. Similarly, an emergency liquidity framework that makes liquidity available to illiquid but solvent banks against adequate collateral and appropriate pricing is needed.

28. Amendments to the LCI could provide adequate tools and powers to SBV.⁵ The LCI could be strengthened by adopting international standards, in particular by: reinforcing the role and responsibilities of SBV (including in the early intervention regime), clarifying decision-making procedures, offering legal protection to SBV staff, and including the option to transfer parts of a bank under special control to a viable bank. It will be important to clearly specify the objectives and the elements of recovery planning, early intervention, and resolution regimes. Caution and adequate safeguards are necessary when requiring other parties (Deposit Insurance of Vietnam, banks) to support the restructuring of a bank put in early intervention, in terms of providing liquidity and loss absorption.

29. The recent setbacks in the banking system also call for additional reforms to strengthen financial sector resilience over the medium term. Priorities include:

- Strengthening bank regulation and supervision. For example, by increasing the operational independence of SBV, improving coordination between relevant institutions, enhancing risk-based supervision, and introducing a framework for consolidated supervision of banking groups.
- Fully disclosing ownerships and related party lending.
- Enhancing securities markets oversight and implementing risk-based supervision of securities markets participants.

30. Non-cash payments in Vietnam are rising rapidly, necessitating an improvement in fintech regulation. Transactions through most non-cash payment channels doubled in 2022 compared to 2021. More than 2.8 million mobile money accounts were opened in 2022, of which 70 percent were in rural, remote, and isolated areas. This development has boosted financial inclusion but has come with an increase in identity theft and fraud, calling for oversight by the SBV. Some of the priority areas include operationalizing the regulatory sandbox, improving the regulatory framework and supervision of payment service providers, and increasing data collection and analysis on all fintech service providers.

⁵ Changes to the LCI include: (i) expanding SBV's powers in early intervention measures (EIM) including the ability to provide special loans; (ii) involving other actors (e.g., DIV) during EIM to support the bank in distress; (iii) introduction of a mechanism to deal with bank runs; (iv) elaboration of the special control regime, dissolution, mergers, DIV payouts and bankruptcy and (v) adding a chapter on bad debts.

Authorities' Views

31. The authorities recognized the risks and are taking measures to address them, while agreeing that reforms to strengthen resilience of the financial sector remain a priority. To this end, SBV has intensified its monitoring of the banks and taken measures to allow banks to deal with rising NPLs. The authorities have established a steering committee to identify further policy options. They are revising the LCI in order to enhance the ability of SBV to intervene in troubled banks and expressed interest in CD to support the process. The authorities intend to make progress on the implementation of the Basel II framework and the development of regulation for the fintech sector.

E. Climate and Structural Policies

32. Achieving the ambitious medium-term growth and climate goals will require accelerating reforms to improve the business environment, critical infrastructure, and human capital. Following a period of high economic growth, building on decades of market-oriented structural reforms, the COVID-19 pandemic posed a severe test to the resilience of the economy. To resume the transition to upper-middle income and, eventually, advanced economy status requires further reforms to sustain growth and manage risks. The economy has faced several challenges. For example, legal uncertainty (e.g., due to complex and sometimes inconsistent laws) is undermining investment. Weaknesses and delays in the implementation of public infrastructure, including to ensure reliable energy supply, also pose a risk. Efforts to promote economic development will also need to align with climate objectives. Further investment in education would help spur productivity and reduce the dual economy.

33. The newly approved Power Development Plan 8 (PDP8) and the planned Emissions Trading System (ETS) have the potential to transform Vietnam's energy sector. The authorities are committed to achieve net-zero emissions by 2050, but Vietnam's power sector is currently highly reliant on coal. The PDP8 and ETS will shift electricity generation to a lower carbon, more sustainable mix, while improving energy security and accessibility. The goal of doubling electricity generation will require large expansions of renewable energy and alleviating current transmission bottlenecks. Renewable energy generation targets under PDP8 are estimated to require investments averaging USD 12 billion per year between 2021 and 2030. Most of this investment is envisaged to be private, which requires a clear legal and regulatory framework that promotes appropriate incentives (including on pricing mechanisms).

34. The planned ETS could be a cost-effective method of achieving emissions reductions targets but will require careful design of accompanying policies (Annex VI). The ETS creates market incentives to promote energy efficiency and shift supply towards more sustainable sources of energy by making carbon-intensive fuels like coal more expensive. The ETS can increase firms' costs, with larger increases in more energy-intensive sectors, and raise energy prices for households. Part of the substantial revenues generated by the ETS can be used to fund measures (such as cash transfers to households) to limit these impacts. The success of

the transition will also depend on the ability to scale up renewable energy to replace coal and other carbon-intensive fuels to sustain the economic development goals.

35. The National Strategy for Climate Change until 2050, issued in 2022, is a step in the right direction, but calls for translating principles and strategies into concrete actions and plans. Climate trends and projections indicate macro-critical risks for Vietnam that warrant swift and effective adaptation actions (annex VII). In its 2022 Nationally Determined Contribution, Vietnam made an unconditional commitment to reduce emissions by 15.8 percent below business-as-usual levels by 2030. It also made the commitment to reach Net Zero emissions by 2050. Such measures require investing in capacity to integrate climate change considerations at all levels of governments, including budgeting and fiscal planning. This process can be facilitated by updating Public Financial Management practices to include climate considerations. Mobilizing external funding and private sector involvement, including through the Just Energy Transition Partnership (estimated at USD 15.5 billion), will be key given large needs. Ensuring appropriate financial market regulation would facilitate the issuance of green bonds.

36. Improving the quality of infrastructure investment and social spending is crucial to support the country's development goals and climate agenda. In this context, the Public Investment Law was revised in 2019 and the new Public-Private Partnership Law was issued in 2020, however, progress in implementation of the latter has been slow. Competitive bidding in procurement is planned, but the effectiveness of project selection and appraisal remains to be improved. It would be useful to conduct a Public Investment Management Assessment (PIMA) update together with a Climate-PIMA to identify further reform priorities. Improvements to the social protection system to address incomplete coverage and fragmented delivery are warranted, especially given the high share of informal workers.

37. Product and labor market reforms are crucial to unlock Vietnam's medium-term potential. Reforms aimed at fostering technological diffusion and reducing economic dualism by fostering greater interactions between FDI and domestic firms (e.g., through dense local supplier networks) would boost productivity. Efforts to increase human capital levels and reduce skill mismatches would further improve growth prospects. There is evidence of potentially excessive labor market churning (Annex V), partly underpinned by pervasive informality, which acts as a deterrent for firms to invest in upskilling their workforce.

38. Sustaining the gains in reducing corruption will involve continued efforts to strengthen governance. Indicators of perceived corruption improved significantly following a scaled-up anti-corruption campaign in recent years. However, further efforts could be taken to strengthen governance in several areas, including through the ongoing development of the national database on asset and income. Other reforms include making laws and administrative processes clearer, simpler, and more transparent to provide greater legal certainty, reduce scope for excessive discretion by public officials, and limit red tape. Addressing shortcomings on AML/CFT, including those identified by FAFT, will require, among other actions, increasing risk understanding and risk-based supervision, improving domestic coordination and international

cooperation, identifying ultimate beneficial owners, and enacting other amendments to bring the current framework closer to best international practices.

39. Addressing data gaps would increase transparency and help better inform policy making and risk management. On the fiscal front, the lengthy delay in compiling final accounts, sizeable discrepancies, and lack of spending details in the budget reports hamper the timely monitoring and best use of fiscal policy.⁶ The magnitude of errors and omissions in the balance of payments in 2022 (over 7 percent of GDP) reduces the ability to assess the external position. Other key weaknesses include the lack of publication of a property price index and related real-estate indicators (reflecting the lack of a land registry), and the absence of data on job vacancies, informal sector-related trackers, and on the international investment position. A unified and collaborative data sharing system between the central and local governments as well as among government agencies is crucial to support comprehensive economic surveillance.

Authorities' Views

40. The authorities reiterated their commitment to climate goals and that structural reforms are key to long-term growth. They agreed that achieving climate goals will be challenging and stressed the need for joint international efforts, including financial and capacity building support. The authorities agreed with the need to improve institutions to support the economic transition towards a developed economy. They noted there are ongoing efforts to address legal uncertainties and ease excessive administrative burdens to improve the business environment and promote economic growth. They welcomed the ongoing Fund support on improving the fiscal statistics but cautioned that it could take time to make the required upgrades to the legislative and IT frameworks. The authorities are committed to improve AML/CFT framework and have developed a government action plan to guide the work.

STAFF APPRAISAL

41. As Vietnam emerges from the effects of COVID-19, it is encouraged to embark on a set of reforms to sustain the high, green, and inclusive economic growth that it aspires to achieve. Economic growth averaged 7 percent between 2014-2019, before slowing to 2.7 percent during the pandemic. The robust rebound in 2022 was disrupted by further external and internal shocks. As the economy develops, Vietnam will need to strengthen institutions further and adopt reforms to make the economy more resilient to shocks and promote its appropriately ambitious development agenda over the medium term.

42. At the current juncture, the policy mix should prioritize consolidating macro-financial stability in the face of the large external and domestic shocks. Further monetary easing and policies to boost credit growth carry risks, reinforcing the need for fiscal

⁶ A first step solution is compiling cash budget execution data from the Treasury and Budget Management Information System (TABMIS).

policy to take the lead in supporting economic activity. The SBV was able to both contain inflation pressures and stabilize liquidity in financial markets in a very challenging environment in 2022, and appropriately shifted policies in early 2023 as the economy weakened abruptly and inflation pressures subsided. Going forward, the SBV will have to continue to operate with caution under a complex outlook and limited policy space, especially given the high global interest rates, while risks in the financial system have risen. The exchange rate regime should move towards greater flexibility, along with a modernization of the monetary policy framework.

43. Fiscal policy has ample space available to support growth and the most vulnerable, thanks to prudent policies. In the current environment, fiscal policy can be more effective in promoting domestic demand moving forward, given highly leveraged corporates and weak external demand. However, policy implementation should be stepped up, including by addressing bottlenecks in the public investment cycle. Ramping up social safety nets and cash transfers to the most vulnerable would help sustain more inclusive growth. Strengthening the budget processes would ensure the effectiveness and transparency of fiscal policy. Over the medium term, further efforts are warranted to mobilize revenues to bolster social spending and infrastructure investment.

44. The external sector position is assessed to be stronger than warranted by fundamentals and desirable policies. Structural policies aimed at promoting investment and expanding safety nets would help external rebalancing. However, this assessment is subject to significant uncertainty given the large errors and omissions that emerged in 2022 due to unrecorded capital outflows affecting the balance of payments. FX reserves were assessed at below what standard metrics would suggest as appropriate at end 2022 but the SBV is already rebuilding its buffers.

45. Bold reforms would strengthen the resilience of the financial system and enhance the authorities' ability to prevent and manage crises. As international and domestic events illustrate, financial distress can emerge suddenly. As such, Vietnam should accelerate reforms to protect financial stability. In the short term, these include establishing a crisis and financial stability monitoring function to identify and address risks to financial stability, with the SBV coordinating with the Ministry of Finance. Resolution and emergency liquidity frameworks should be promptly strengthened in line with international standards. To bolster banks' capital buffers, the SBV could consider restricting dividend payments at weaker institutions. In the medium term, the supervisory framework could be further enhanced.

46. Solving the problems in the real estate and corporate bond markets will require further efforts in fostering corporate restructuring and developing efficient insolvency frameworks. There is room for Vietnam to improve in all areas of crisis preparedness and build public trust in its insolvency system. In the short term, the focus should be on deploying out-of-court and hybrid solutions for debt restructuring. Reforms in other areas should be pursued over time. Bolstering institutions, including by strengthening supervision, ensuring investor protection, and increasing transparency would help restore confidence in the corporate bond market.

47. The next step for the ambitious climate agenda would be to swiftly translate goals into specific actions. The implementation of the PDP8 and the ETS will transform Vietnam's energy sector and help achieve both economic development and climate goals. However, it will require enhancing the legal and regulatory framework to promote private investment and develop a compensation scheme for those most impacted during the transition. Funding, including international support, is critical to pursue mitigation and adaptation policies.

48. Further efforts to enhance anti-corruption frameworks and close gaps in governance and data reliability would be welcome. Despite improvements, strengthening governance is warranted in several areas, including the development of an income and assets national database. Anti-corruption efforts would benefit from greater legal certainty, including through stronger institutions and simplified laws and regulations, and less burdensome administrative procedures. In addition, overcoming data deficiencies, most notably, in fiscal and balance of payments accounts, would improve policy making and the monitoring of risks. It will be important to press ahead with the plans to strengthen the AML/CFT framework.

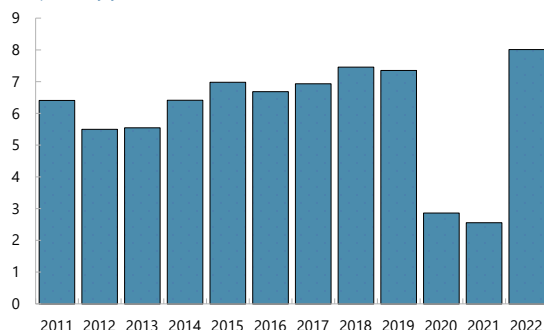
49. It is recommended that the next Article IV consultation be held on the standard 12-month cycle.

Figure 1. Recent Economic Developments

After two years of subdued activity during the pandemic, the economy rebounded strongly in 2022...

Real GDP Growth

(In percent, y/y)

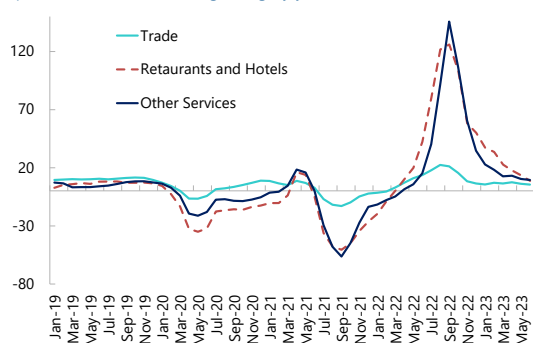


Sources: Vietnamese authorities.

Domestic demand is still holding up...

Retail Sales of Trade Goods and Services

(In percent, real, 3-month moving average, y/y)

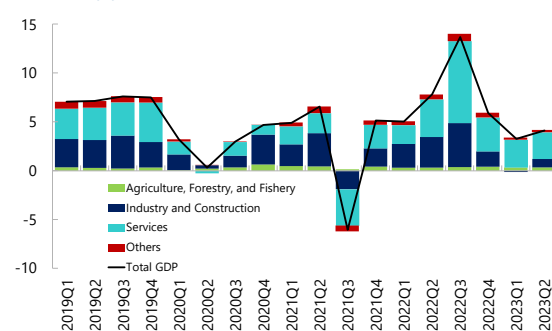


Sources: Vietnamese authorities.

GDP growth was historically low in 2023H1, with industry having one of the worst performances in over a decade.

Contributions to Growth, by Economic Activity

(In percent, y/y)

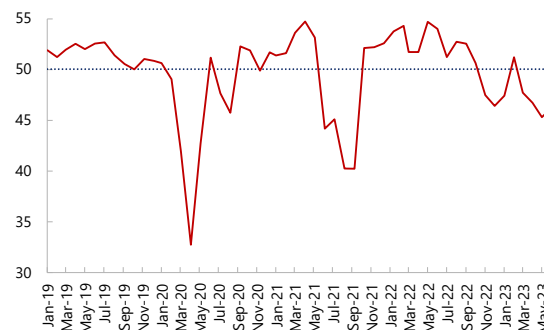


Sources: Vietnamese authorities, IMF staff calculations.

...but it is currently facing headwinds that started blowing late last year.

Purchasing Manufacturing Index

(0-100, index)

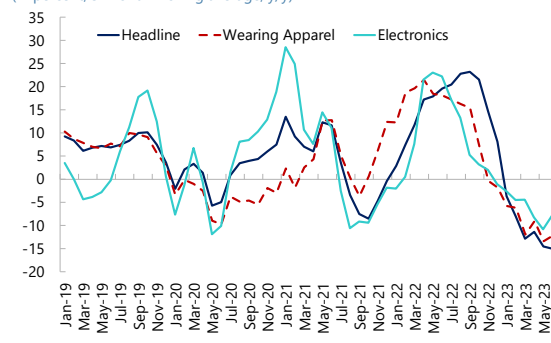


Sources: Haver.

...but exports are plunging, leading firms to cut back production.

Index of Industrial Production

(In percent, 3-month moving average, y/y)

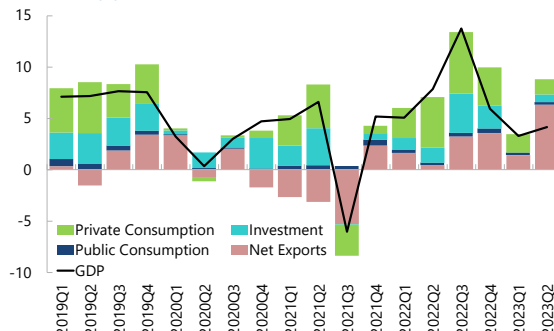


Sources: Vietnamese authorities.

Consumption and investment slowed down while the trade surplus was due to imports declining more than exports.

Contributions to Growth, by Expenditure

(In percent, y/y)



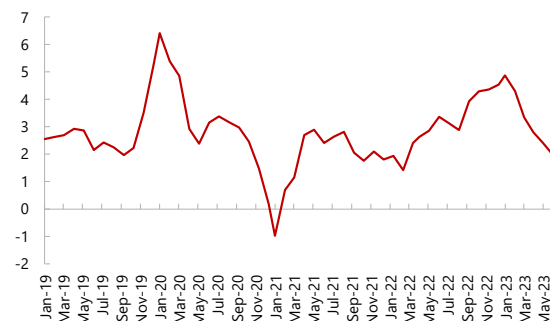
Sources: Vietnamese authorities, IMF staff calculations.

Figure 2. Prices and Wages

Headline inflation is declining fast...

Headline CPI Inflation

(In percent, y/y)

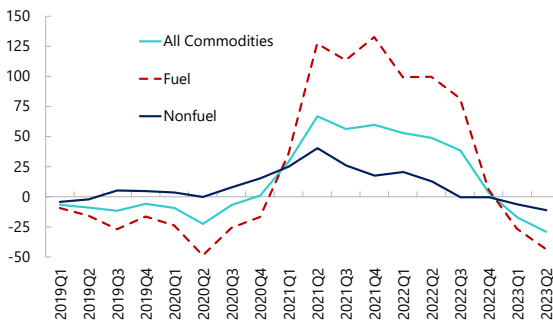


Sources: Vietnamese authorities.

...largely due to a fall in commodity prices, especially fuel.

Global Commodity Price Inflation

(In percent, y/y)

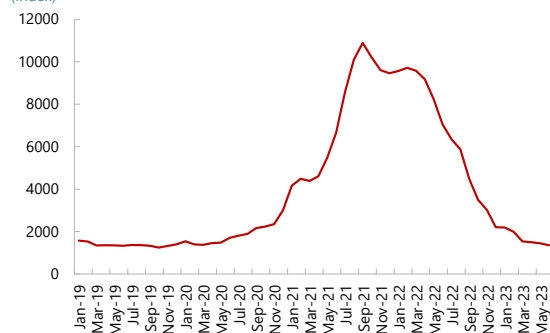


Sources: IMF World Economic Outlook Database.

Lower shipping costs ...

Baltic Exchange Freightos Container Index

(Index)

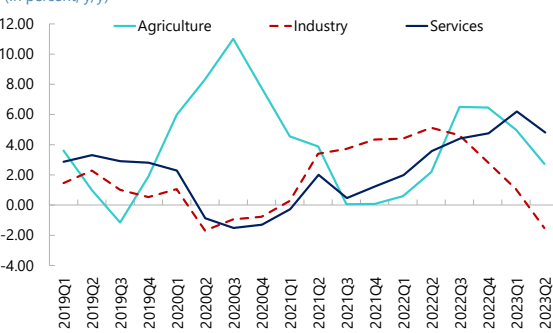


Sources: Haver.

... are also contributing to cool producer prices, especially in manufacturing.

Input Producer Price Inflation

(In percent, y/y)

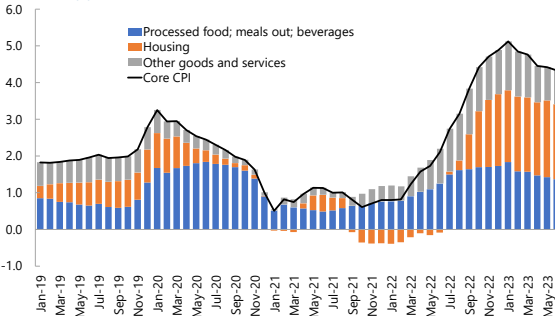


Sources: Haver.

Core inflation is also declining, but more gradually than headline as the price of housing remains elevated.

Core CPI Decomposition

(In percent, y/y)

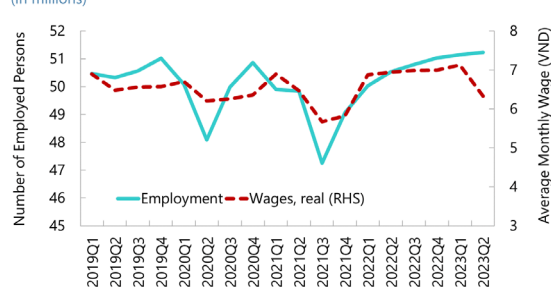


Sources: Vietnamese authorities and IMF staff calculations.

The labor market remains resilient, but real wages have started to decline as some firms cut down on working hours.

Average Wages and Employment

(In millions)



Sources: Vietnamese authorities and IMF staff calculations.

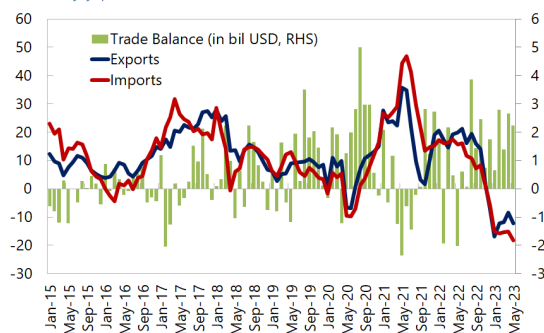
Notes: Real wages are nominal wages deflated by the CPI, in constant 2019 prices.

Figure 3. External Sector

Merchandise trade slowed in the first half of 2023...

Trade Performance

(3mma, y/y, percent)

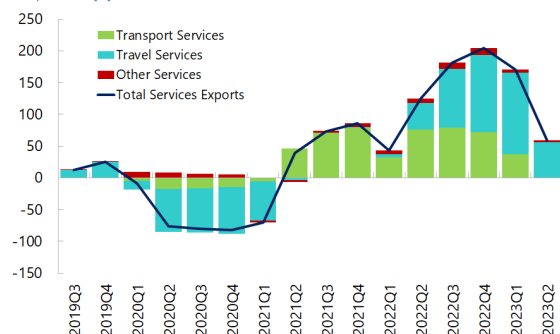


Sources: Vietnamese Authorities, IMF Staff Calculations

Services exports rebounded strongly in 2022 and the first half of 2023...

Main Drivers of Services Exports Growth

(In percent, y/y)

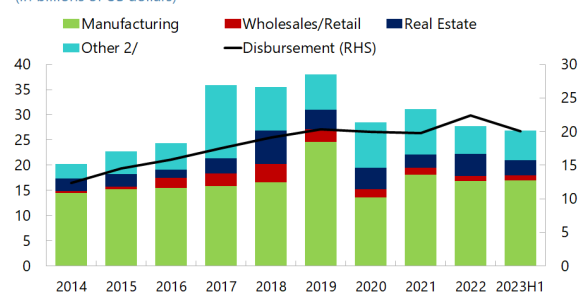


Sources: Vietnamese authorities, IMF staff calculations.

FDI commitment and disbursement levels in 2023 fell below recent trends.

FDI Commitments and Disbursements 1/

(In billions of US dollars)



Source: Vietnamese authorities; and IMF staff calculations.

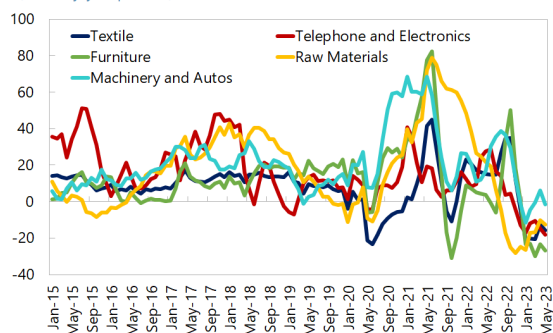
1/ 2023H1 data annualized.

2/ Construction, Hotel and Restaurants, Mining, Agricultural, Forestry and Fishery, Electricity, Gas and AC production, and other.

... as weak external demand depressed exports, especially of textiles, electronics, and furniture.

Export Performance by Commodities

(3mma, y/y, in percent)

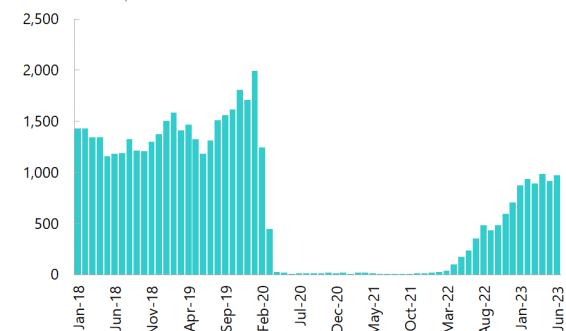


Sources: Vietnamese Authorities, IMF Staff Calculations

... due to higher tourism, though arrivals still lag pre-pandemic levels.

International Visitors

(In thousands of persons)

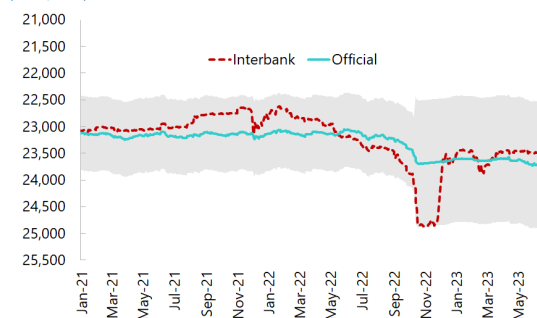


Sources: Haver

The SBV widened the exchange rate trading band in 2022.

Exchange Rates

(VND / US\$)



Sources: IMF Staff Calculations

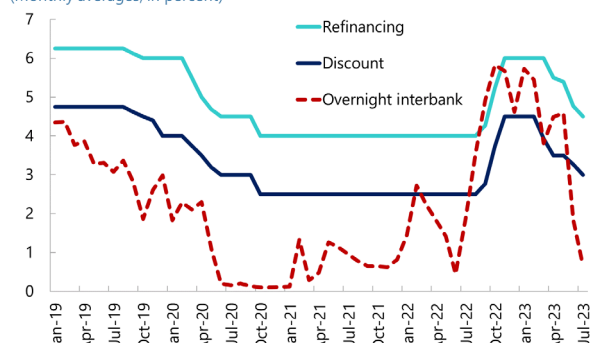
Note: Shaded area indicates the State Bank of Vietnam's exchange rate trading band.

Figure 4. Monetary Sector

Policy rates were tightened in the fall of 2022, but reversed partially since March 2023...

Policy Interest Rates

(Monthly averages, in percent)

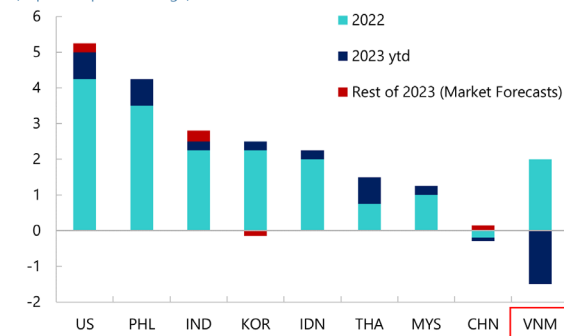


Sources: Vietnamese authorities and IMF staff calculations.

While other countries mostly increased or kept policy rates constant.

Policy Rates Changes in 2022-23: US and Asia

(In percent points change)

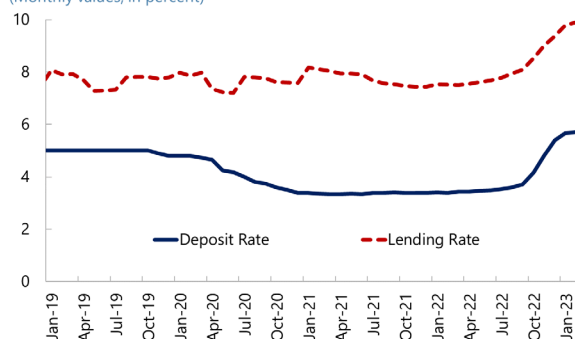


Sources: Haver, Bloomberg, and IMF staff calculations.

Both lending and deposit rates have risen in late 2022 as policy rates were raised.

Lending and Deposit Rates

(Monthly values, in percent)

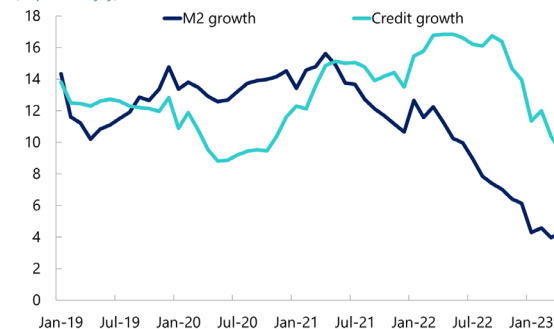


Sources: International Financial Statistics, Vietnamese authorities and IMF staff calculations.

After a strong 2022, credit growth weakened in 2023 while M2 growth has continued declining.

Credit and M2 Growth

(In percent, y/y)

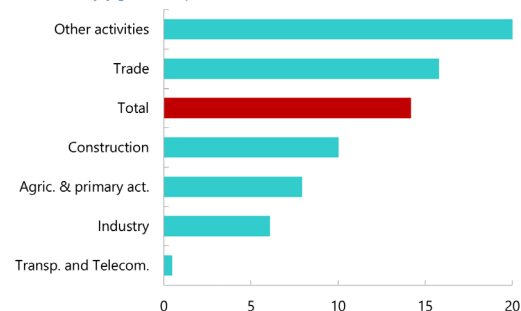


Sources: Vietnamese authorities and IMF staff calculations.

Credit growth in 2022 was concentrated in other activities (including real estate) and trade, due to their strong growth early in the year.

Credit Growth by Sector

(End of 2022, y/y growth, in percent)

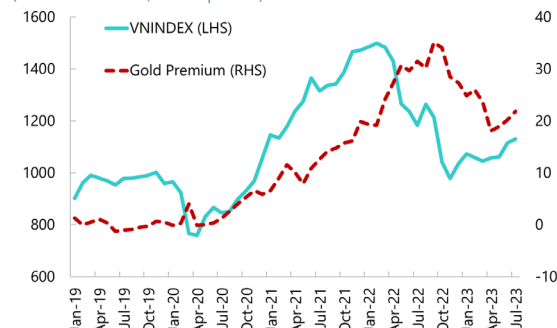


Sources: Vietnamese authorities and IMF staff calculations.

Stock prices peaked out and declined in later 2022 due to uncertainty in global/domestic financial market and real sector.

Stock Market Indices

(LHS: 2000.7.28=100, RHS: in percent)



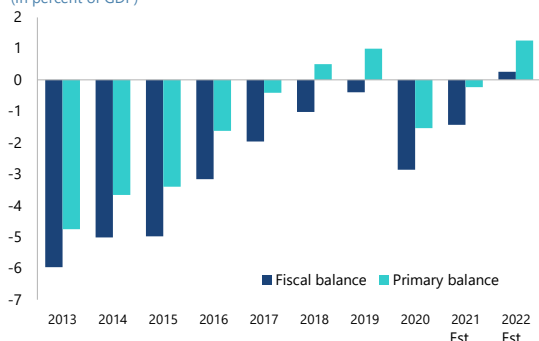
Sources: Vietnamese authorities and IMF staff calculations.

Figure 5. Fiscal Sector

The fiscal position improved in 2022...

Fiscal Balance

(In percent of GDP)

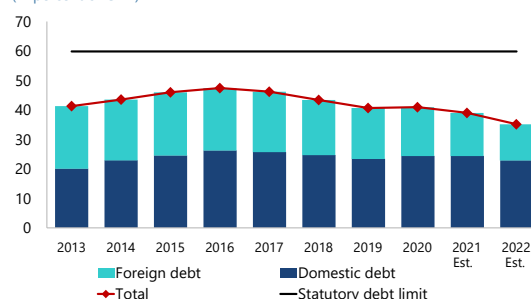


Sources: Vietnamese authorities; and IMF staff calculations.

...along with strong GDP growth, contributing to a fall in PPG debt ratio.

Public and Publicly Guaranteed Debt

(In percent of GDP)



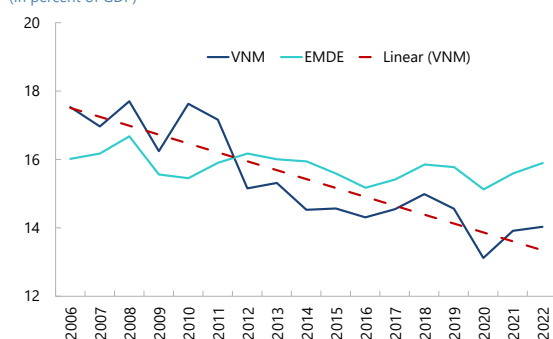
Sources: Vietnamese authorities; and IMF staff calculations.

Note: The formal PPG debt ceiling was revised from 65 to 60 percent of GDP in 2021.

The declining trend in tax revenues needs to be reversed ...

General Government Tax Revenue

(In percent of GDP)

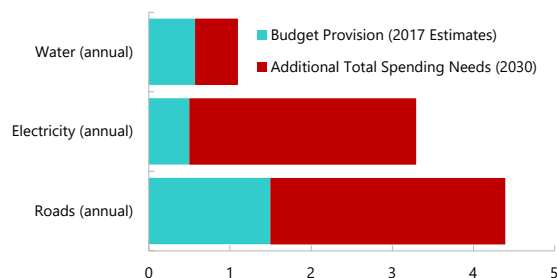


Sources: IMF staff calculations.

...to finance increasing infrastructure and development needs.

Spending Needs to Achieve Selected SDGs

(additional total spending, in percent of GDP)

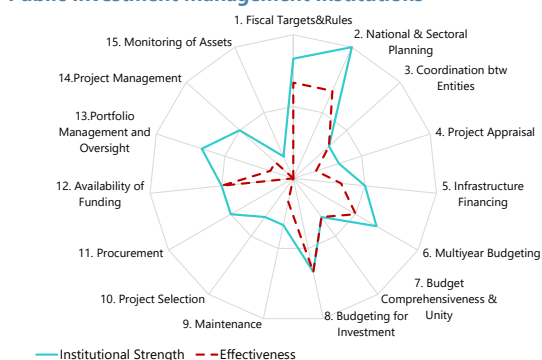


Sources: Baum (IMF WP 2020/31).

Notes: Additional spending needs are based on current budget provisions above which spending would need to increase.

Reforms are needed to strengthen public investment management ...

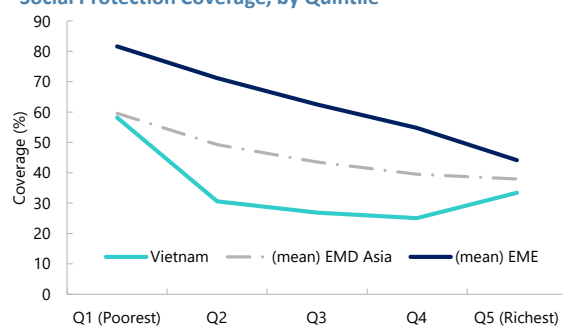
Public Investment Management Institutions



Source: IMF (2018). Vietnam: Public Investment Management Assessment – PIMA.

... and expand coverage of social protection systems.

Social Protection Coverage, by Quintile



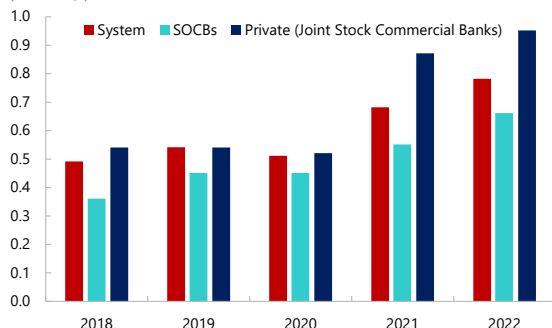
Sources: IMF FAD Social Protection & Labor - Assessment Tool (SPL-AT)

Figure 6. Financial Sector Developments

Bank profitability remained high in 2022, driven by strong credit growth and NIMs.

Bank Profitability

(ROA in Q2)

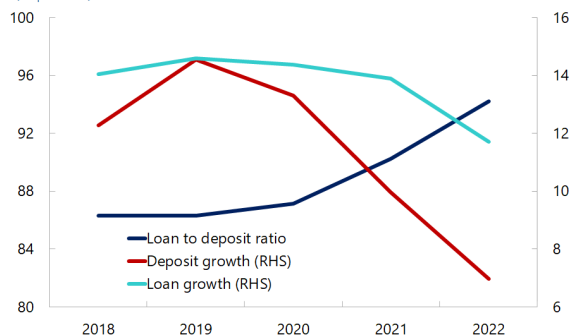


Sources: Haver Analytics and IMF staff calculations.

...and liquidity tightened sharply as lending grew faster than deposits.

Loan to Deposit Ratio

(In percent)

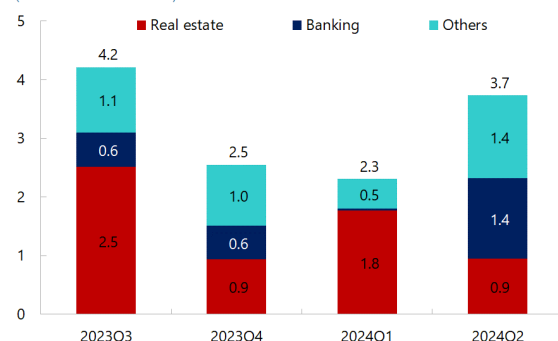


Sources: Financial Soundness Indicator Database and IMF staff calculations.

Bond defaults could rise further as real estate developer issued bonds form the bulk of upcoming maturities.

Corporate Bond Market: Scheduled Maturities

(In billions of US dollars)

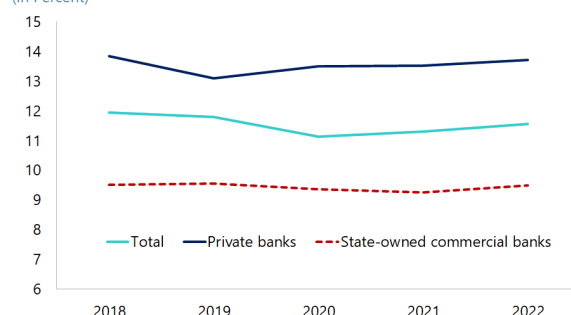


Sources: VBMA and IMF staff calculations.

However, capital adequacy remained weak, especially in SOCBs.

Capital Adequacy Ratios

(In Percent)

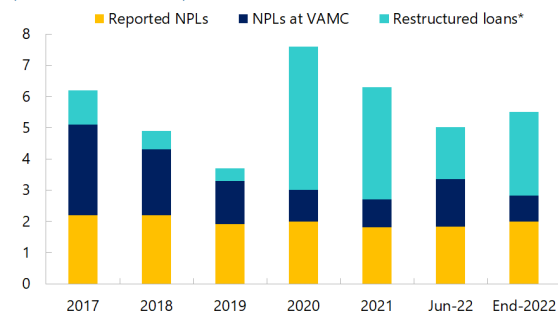


Sources: Financial Soundness Indicators, authority's data and IMF staff calculations.

NPLs are picking up again since June 2022.

Impaired Assets of Banking System, 2017-2022

(In Percent of Total Loans)



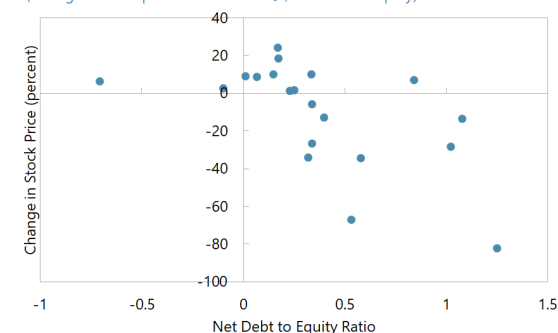
Sources: Financial Soundness Indicators (FSI). 2022 data is from the authorities.

Note: * restructured loans including the legacy restructured loans and covid 19 loan forbearance

Share prices have fallen steeply for the most leveraged developers.

Real Estate Developers: Share Price and Leverage

(Change in stock price vs. end-2022Q3, net debt to equity)



Sources: Capital IQ and IMF staff calculations

Note: Analysis includes top 20 listed real estate developers with reported leverage values.

Table 1. Vietnam: Selected Economic Indicators, 2019–2024

	2019	2020	2021	2022	Projections	
					2023	2024
Output						
Real GDP (percent change)	7.4	2.9	2.6	8.0	4.7	5.8
Output Gap (percent of GDP)	0.4	-0.4	-1.9	-0.1	-1.1	-1.1
Prices (percent change)						
CPI (period average)	2.8	3.2	1.8	3.2	3.7	3.5
Core inflation (period average)	2.0	2.3	0.9	2.7	4.2	3.4
Saving and investment (in percent of GDP)						
Gross national saving	35.6	36.3	31.3	33.1	32.4	32.4
Gross investment	32.0	31.9	33.5	33.4	32.1	31.8
Private	26.6	24.9	27.2	27.4	25.5	24.8
Public	5.3	7.0	6.2	6.0	6.6	7.0
State budget finances (in percent of GDP) 1/						
Revenue and grants	19.4	18.4	18.7	19.0	18.4	18.5
Expenditure	19.8	21.3	20.1	18.8	19.6	20.2
Expense	14.5	14.3	13.9	12.8	13.0	13.2
Net acquisition of nonfinancial assets	5.3	7.0	6.2	6.0	6.6	7.0
Net lending (+)/borrowing(-) 2/	-0.4	-2.9	-1.4	0.3	-1.3	-1.7
Public and publicly guaranteed debt (end of period)	40.8	41.1	39.1	35.3	33.6	32.3
Money and credit (percent change, end of period)						
Broad money (M2)	14.8	14.5	10.7	6.2	6.1	6.9
Credit to the economy	12.8	11.6	13.5	14.0	9.0	9.7
Balance of payments (in percent of GDP, unless otherwise indicated)						
Current account balance (including official transfers)	3.7	4.3	-2.2	-0.3	0.2	0.7
Exports f.o.b.	79.6	81.6	90.9	91.4	81.6	80.9
Imports f.o.b.	73.2	72.7	86.7	85.0	75.8	75.1
Capital and financial account 3/	5.7	2.4	8.3	2.3	2.5	1.8
Gross international reserves (in billions of U.S. dollars) 4/	78.5	95.2	109.4	86.7	98.7	110.5
In months of prospective GNFS imports	3.5	3.3	3.5	2.9	3.1	3.1
Total external debt (end of period)	37.0	37.6	37.9	36.2	36.6	36.5
Nominal exchange rate (dong/U.S. dollar, end of period)	23,173	23,098	22,826	23,633	...	...
Memorandum items (current prices):						
GDP (in billions of U.S. dollars)	331.8	346.3	369.7	406.5	438.2	476.9
Per capita GDP (in U.S. dollars)	3,439	3,549	3,753	4,087	4,365	4,707

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6–7 percent of GDP).

2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.

3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outflows).

4/ Excludes government deposits.

Table 2. Vietnam: Medium-Term Projections, 2019–2028

	2019	2020	2021	2022	Projections					
					2023	2024	2025	2026	2027	2028
Output										
Real GDP (percent change)	7.4	2.9	2.6	8.0	4.7	5.8	6.9	6.8	6.8	6.8
Output Gap (percent of GDP)	0.4	-0.4	-1.9	-0.1	-1.1	-1.1	-0.6	-0.4	-0.2	0.0
Prices (percent change)										
CPI (period average)	2.8	3.2	1.8	3.2	3.7	3.5	3.5	3.4	3.4	3.4
CPI (end of period)	5.2	0.2	1.8	4.6	4.1	3.4	3.4	3.4	3.4	3.4
Core inflation (period average)	2.0	2.3	0.9	2.7	4.2	3.4	3.0	2.6	2.5	2.5
Core inflation (end of period)	2.8	1.0	0.8	4.9	3.8	3.2	2.8	2.5	2.5	2.5
Saving and investment (in percent of GDP)										
Gross national saving	35.6	36.3	31.3	33.1	32.4	32.4	32.8	33.2	33.4	33.5
Gross investment	32.0	31.9	33.5	33.4	32.1	31.8	32.0	32.2	32.3	32.4
Private	26.6	24.9	27.2	27.4	25.5	24.8	24.7	24.9	25.0	25.0
Public	5.3	7.0	6.2	6.0	6.6	7.0	7.3	7.3	7.3	7.4
State budget finances (in percent of GDP) 1/										
Revenue and grants	19.4	18.4	18.7	19.0	18.4	18.5	18.8	19.0	19.2	19.4
Of which: Oil revenue	0.7	0.4	0.5	0.8	0.6	0.6	0.5	0.5	0.5	0.6
Expenditure	19.8	21.3	20.1	18.8	19.6	20.2	20.8	21.0	21.3	21.4
Expense	14.5	14.3	13.9	12.8	13.0	13.2	13.5	13.7	14.0	14.0
Net acquisition of nonfinancial assets	5.3	7.0	6.2	6.0	6.6	7.0	7.3	7.3	7.3	7.4
Net lending (+)/borrowing(-) 2/	-0.4	-2.9	-1.4	0.3	-1.3	-1.7	-2.1	-2.1	-2.1	-2.0
Net lending /borrowing including EBFs	0.3	-1.8	-0.5	1.1	-0.5	-1.0	-1.5	-1.7	-1.7	-1.8
Public and publicly guaranteed debt (end of period)	40.8	41.1	39.1	35.3	33.6	32.3	31.3	30.7	30.1	29.5
Money and credit (percent change, end of period)										
Broad money (M2)	14.8	14.5	10.7	6.2	6.1	6.9	7.9	8.5	9.0	9.0
Credit to the economy	12.8	11.6	13.5	14.0	9.0	9.7	10.5	10.5	10.5	10.5
Balance of payments (in percent of GDP, unless otherwise indicated)										
Current account balance (including official transfers)	3.7	4.3	-2.2	-0.3	0.2	0.7	0.8	1.0	1.1	1.1
Exports f.o.b.	79.6	81.6	90.9	91.4	81.6	80.9	82.2	84.4	86.7	89.0
Imports f.o.b.	73.2	72.7	86.7	85.0	75.8	75.1	76.5	78.6	80.9	83.3
Capital and financial account 3/	5.7	2.4	8.3	2.3	2.5	1.8	1.5	1.4	1.4	1.5
Gross international reserves (in billions of U.S. dollars) 4/	78.5	95.2	109.4	86.7	98.7	110.5	122.7	136.3	151.5	168.6
In months of prospective GNFS imports	3.5	3.3	3.5	2.9	3.1	3.1	3.1	3.1	3.1	3.1
Total external debt (end of period)	37.0	37.6	37.9	36.2	36.6	36.5	36.2	35.8	35.4	35.0
Nominal exchange rate (dong/U.S. dollar, end of period)	23,173	23,098	22,826	23,633	...	...	...	...	...	...
Memorandum items (current prices):										
GDP (in billions of U.S. dollars)	331.8	346.3	369.7	406.5	438.2	476.9	520.8	564.8	611.6	662.8
Per capita GDP (in U.S. dollars)	3,439	3,549	3,753	4,087	4,365	4,707	5,097	5,483	5,890	6,334

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6-7 percent of GDP).

2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.

3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outflows).

4/ Excludes government deposits.

Table 3. Vietnam: Balance of Payments, 2019–2028

(In billions of U.S. dollars, unless otherwise indicated)

	2019	2020		Prelim.			Projections			
			2021	2022	2023	2024	2025	2026	2027	2028
Current account balance	12.5	15.1	-8.1	-1.1	1.0	3.2	4.2	5.7	6.6	7.4
Trade balance	21.0	30.7	15.7	25.7	25.4	27.9	29.8	32.2	35.1	38.1
Of which: Oil balance	-3.6	-1.5	-2.1	-6.0	-4.9	-4.7	-4.8	-4.8	-4.9	-5.0
Exports, f.o.b.	264.3	282.6	336.2	371.3	357.5	386.0	428.0	476.4	530.2	590.1
Of which: Oil	2.0	1.6	1.7	2.4	1.9	1.8	1.6	1.5	1.5	1.4
Imports, f.o.b.	243.3	251.9	320.5	345.6	332.1	358.0	398.3	444.2	495.0	551.9
Of which: Oil	5.6	3.1	3.8	8.4	6.8	6.5	6.4	6.4	6.4	6.4
Nonfactor services	-0.9	-10.3	-15.4	-12.6	-10.4	-9.9	-11.1	-12.5	-14.0	-15.8
Receipts	20.4	7.6	5.3	12.9	15.4	17.6	19.1	20.8	22.6	24.5
Payments	21.4	17.9	20.7	25.5	25.8	27.5	30.2	33.3	36.6	40.3
Investment income	-16.8	-14.8	-18.7	-19.7	-20.2	-21.3	-21.8	-22.4	-24.1	-25.9
Receipts	2.2	1.4	1.0	2.3	2.1	2.2	2.3	2.4	2.4	2.3
Payments	19.0	16.2	19.7	22.0	22.2	23.6	24.1	24.8	26.5	28.2
Transfers	9.2	9.5	10.3	5.6	6.2	6.5	7.3	8.4	9.6	11.0
Private (net)	8.7	8.9	9.6	5.0	5.7	6.3	7.2	8.3	9.5	11.0
Official (net)	0.6	0.6	0.7	0.6	0.5	0.2	0.1	0.1	0.0	0.0
Capital and financial account balance	19.0	8.5	30.8	9.5	11.0	8.5	8.0	7.8	8.6	9.7
Direct investment (net)	15.7	15.4	15.3	15.2	14.7	15.5	17.0	18.4	20.0	21.7
Of which: Foreign direct investment in Vietnam	16.1	15.8	15.7	17.9	17.5	18.4	20.1	21.7	23.4	25.3
Portfolio investment	3.0	-1.3	0.3	1.5	0.3	0.4	0.4	0.5	0.5	0.6
Medium- and long-term loans	4.9	2.4	2.8	2.2	2.9	3.4	4.0	3.2	3.2	3.4
Disbursements	13.0	11.5	15.2	15.6	18.7	20.8	22.6	23.7	25.6	27.7
Amortization	8.1	9.1	12.4	13.5	15.8	17.4	18.6	20.5	22.4	24.3
Short-term capital 1/	-4.6	-8.0	12.5	-9.4	-6.9	-10.8	-13.4	-14.2	-15.1	-15.9
Errors and omissions	-8.2	-6.9	-8.4	-31.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	23.3	16.6	14.3	-22.7	12.0	11.7	12.2	13.6	15.2	17.1
Memorandum items:										
Gross international reserves 2/	78.5	95.2	109.4	86.7	98.7	110.5	122.7	136.3	151.5	168.6
In months of prospective GNFS imports	3.5	3.3	3.5	2.9	3.1	3.1	3.1	3.1	3.1	3.1
Current account balance (in percent of GDP)	3.8	4.3	-2.2	-0.3	0.2	0.7	0.8	1.0	1.1	1.1
Export value (percent change)	8.4	6.9	18.9	10.5	-3.7	8.0	10.9	11.3	11.3	11.3
Export value (in percent of GDP)	79.6	81.6	90.9	91.4	81.6	80.9	82.2	84.4	86.7	89.0
Import value (percent change)	7.1	3.5	27.2	7.8	-3.9	7.8	11.2	11.5	11.4	11.5
Import value (in percent of GDP)	73.3	72.7	86.7	85.0	75.8	75.1	76.5	78.6	80.9	83.3
External debt	122.7	130.3	140.2	147.2	160.2	174.0	188.5	202.1	216.5	232.0
In percent of GDP 3/	37.0	37.6	37.9	36.2	36.6	36.5	36.2	35.8	35.4	35.0
GDP	331.8	346.3	369.7	406.5	438.2	476.9	520.8	564.8	611.6	662.8

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and US dollar currency holdings by residents outside the formal financial sector).

2/ Excludes government deposits.

3/ Uses interbank exchange rate.

Table 4a. Vietnam: Consolidated State Budgetary Operations, 2019-2024 1/

(In trillions of dong)

	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024
Total revenue and grants	1496	1479	1587	1810	1914	2124
Tax revenue	1122	1056	1181	1376	1450	1612
Oil revenues	56	32	44	78	63	63
CIT	42	26	32	60	49	49
Natural resource tax	14	6	12	18	15	15
Non-oil tax revenues	1066	1024	1137	1298	1387	1549
PIT	109	115	128	163	178	198
CIT	229	231	286	279	305	340
VAT	363	340	376	445	468	530
Trade	97	79	90	114	112	120
Others	269	259	257	296	324	362
Grants	5	5	17	8	8	8
Other revenue	369	419	389	427	455	504
Expenditure	1527	1710	1708	1786	2044	2316
Expense	1115	1146	1180	1216	1357	1514
Interest	107	106	102	95	97	103
Other expense	1008	1040	1079	1121	1260	1410
Net acquisition of non-financial assets	412	563	528	570	687	803
Net lending (+)/borrowing (-)	-31	-230	-122	24	-131	-192
Net incurrence of liabilities	65	9	-24	60	131	192
Net incurrence of financial liabilities	127	196	53	67	128	189
Domestic	90	165	113	116	127	164
Foreign	37	31	-60	-49	1	25
Disbursement	79	112	-8	61	116	136
Amortization	42	81	53	110	115	111
Net acquisition of financial assets	-62	-187	-77	-7	3	3
of which: Privatization receipts	54	30	4	4	3	3
Statistical discrepancies 2/	-35	221	146	-84	...	...
Memorandum items:						
Net lending/borrowing including VSS	153	-136	-30	117	-39	-103
Net lending/borrowing including EBFs	22	-145	-42	104	-54	-120
Public and publicly guaranteed debt	40.8	41.1	39.1	35.3	33.6	32.3
Primary balance (% GDP)	1.0	-1.5	-0.2	1.3	-0.3	-0.8
Cyclically Adjusted Primary Balance (% potential GDP)	0.9	-1.5	0.1	1.3	-0.1	-0.6
Cyclically Adjusted Non-Oil Primary Balance (% potential GDP)	0.2	-1.8	-0.4	0.4	-0.7	-1.1
Nominal GDP (in trillions of dong)	7707	8044	8480	9513	10412	11466

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Government Finance Statistics 2001 presentation. The baseline projections include assumptions of lower trade-related tax revenue due to international trade agreements, gradual improvements in tax collection, and current plans for SOE equitization/divestment. Figures consolidate central and provincial government accounts, but exclude net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security and other extra-budgetary funds.

2/ Difference between net lending/borrowing and identified below-the-line financing.

Table 4b. Vietnam: Consolidated State Budgetary Operations, 2019-2024 1/

(In percent of GDP, unless otherwise indicated)

	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024
Total revenue and grants	19.4	18.4	18.7	19.0	18.4	18.5
Tax revenue	14.6	13.1	13.9	14.5	13.9	14.1
Oil revenues	0.7	0.4	0.5	0.8	0.6	0.6
CIT	0.5	0.3	0.4	0.6	0.5	0.4
Natural resource tax	0.2	0.1	0.1	0.2	0.1	0.1
Non-oil tax revenues	13.8	12.7	13.4	13.6	13.3	13.5
PIT	1.4	1.4	1.5	1.7	1.7	1.7
CIT	3.0	2.9	3.4	2.9	2.9	3.0
VAT	4.7	4.2	4.4	4.7	4.5	4.6
Trade	1.3	1.0	1.1	1.2	1.1	1.0
Others	3.5	3.2	3.0	3.1	3.1	3.2
Grants	0.1	0.1	0.2	0.1	0.1	0.1
Other revenue	4.8	5.2	4.6	4.5	4.4	4.4
Expenditure	19.8	21.3	20.1	18.8	19.6	20.2
Expense	14.5	14.3	13.9	12.8	13.0	13.2
Interest	1.4	1.3	1.2	1.0	0.9	0.9
Other expense	13.1	12.9	12.7	11.8	12.1	12.3
Net acquisition of non-financial assets	5.3	7.0	6.2	6.0	6.6	7.0
Net lending (+)/borrowing (-)	-0.4	-2.9	-1.4	0.3	-1.3	-1.7
Net incurrence of liabilities	0.8	0.1	-0.3	0.6	1.3	1.7
Net incurrence of financial liabilities	1.7	2.4	0.6	0.7	1.2	1.7
Domestic	1.2	2.1	1.3	1.2	1.2	1.4
Foreign	0.5	0.4	-0.7	-0.5	0.0	0.2
Disbursement	1.0	1.4	-0.1	0.6	1.1	1.2
Amortization	0.5	1.0	0.6	1.2	1.1	1.0
Net acquisition of financial assets	-0.8	-2.3	-0.9	-0.1	0.0	0.0
<i>of which: Privatization receipts</i>	0.7	0.4	0.0	0.0	0.0	0.0
Statistical discrepancies 2/	-0.5	2.7	1.7	-0.9	...	...
Memorandum items:						
Net lending/borrowing including VSS	2.0	-1.7	-0.4	1.2	-0.4	-0.9
Net lending/borrowing including EBFs	0.3	-1.8	-0.5	1.1	-0.5	-1.0
Public and publicly guaranteed debt	40.8	41.1	39.1	35.3	33.6	32.3
Primary balance	1.0	-1.5	-0.2	1.3	-0.3	-0.8
Cyclically Adjusted Primary Balance (% potential GDP)	0.9	-1.5	0.1	1.3	-0.1	-0.6
Cyclically Adjusted Non-Oil Primary Balance (% potential GDP)	0.2	-1.8	-0.4	0.4	-0.7	-1.1
Nominal GDP (in trillions of dong)	7,707	8,044	8,480	9,513	10,412	11,466

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Government Finance Statistics 2001 presentation. The baseline projections include assumptions of lower trade-related tax revenue due to international trade agreements, gradual improvements in tax collection, and current plans for SOE equitization/divestment. Figures consolidate central and provincial government accounts, but exclude net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security and other extra-budgetary funds.

2/ Difference between net lending/borrowing and identified below-the-line financing.

Table 5. Vietnam: Monetary Survey, 2019-2024 1/

(In trillions of dong, unless otherwise indicated)

	2019	2020	2021	2022	Proj.	
					2023	2024
Net foreign assets	2,131	2,642	2,737	2,361	2,750	3,164
State Bank of Vietnam (SBV)	1,813	2,199	2,536	2,049	2,379	2,694
Commercial banks	319	443	200	312	371	470
Net domestic assets	8,443	9,469	10,665	11,866	12,351	12,985
Domestic credit	8,583	9,647	10,860	12,103	13,289	14,693
Net claims on government	257	354	312	80	181	313
SBV	-276	-485	-551	-450	...	...
Credit institutions	533	839	863	530	...	...
Credit to the economy	8,326	9,293	10,548	12,023	13,107	14,380
Claims on state-owned enterprises (SOEs)	450	465	443	425	...	...
Claims on other sectors	7,877	8,829	10,105	11,598	...	...
In dong	7,847	8,794	9,966	11,509	...	...
In foreign currency	480	499	583	514	...	...
By state-owned banks (SOCBs)	3,911	4,251	4,731	5,348	...	...
By non-SOCBs	4,415	5,042	5,817	6,675	...	...
Other items net	-140	-178	-195	-237	...	...
Total liquidity (M2)	10,574	12,111	13,402	14,227	15,101	16,149
Dong liquidity	9,718	11,141	12,467	13,193	...	...
Deposits	8,520	9,803	10,947	11,840	...	...
Currency outside banks	1,198	1,338	1,520	1,353	...	...
Foreign currency deposits	856	969	936	1,034	...	...
Memorandum items:						
Reserve money (year-on-year percent change)	24.0	10.0	12.5	-13.1	6.1	6.9
Liquidity (M2; year-on-year percent change)	14.8	14.5	10.7	6.2	6.1	6.9
Currency/deposits (in percent)	12.8	12.4	12.8	10.5	...	...
Credit/deposits (total, in percent)	88.8	86.3	88.8	93.4	...	...
Credit/deposits (dong, in percent)	92	90	91	97	...	...
Credit/deposits (foreign currency, in percent)	56	51	62	50	...	...
Credit to the economy						
Total (in percent of GDP)	108.0	115.5	124.4	126.4	125.9	125.4
Total (year-on-year percent change)	12.8	11.6	13.5	14.0	9.0	9.7
In dong (year-on-year percent change)	13.5	12.1	13.3	15.5	...	...
In FC (year-on-year percent change)	2.5	4.0	16.8	-11.7	...	...
In FC at constant exchange rate (year on year percent change)	1.6	4.6	18.2	-13.9	...	...
To SOEs (year-on-year percent change)	-5.0	3.3	-4.6	-4.0	...	...
To other sectors (year-on-year percent change)	14.1	12.1	14.5	14.8	...	...
To SOEs (percent of total)	5.4	5.0	4.2	3.5	...	...
Nominal GDP (in trillions of dong)	7,707	8,044	8,480	9,513	10,412	11,466

Sources: SBV; and IMF staff estimates and projections.

1/ Includes the SBV and deposit-taking credit institutions.

Table 6. Vietnam: Financial Soundness Indicators, 2018-2022

(In percent)

	2018	2019	2020	2021	2022
Regulatory Capital to Risk-Weighted Assets	11.9	11.8	11.1	11.3	11.5
Regulatory Tier 1 Capital to Risk-Weighted Assets	9.4	9.4	9.5	9.6	10.1
Non-performing Loans Net of Provisions to Capital	9.3	7.5	8.0	4.3	9.1
Non-performing Loans to Total Gross Loans 1/	2.1	1.8	1.9	1.6	1.9
Return on Assets	1.2	1.2	1.2	1.5	1.1
Return on Equity	12.3	12.4	11.9	14.9	13.9
Interest Margin to Gross Income	70.0	68.6	68.7	67.0	70.8
Non-interest Expenses to Gross Income	48.9	47.1	47.4	40.2	42.0
Liquid Assets to Total Assets (Liquid Asset Ratio)	11.3	11.7	11.3	10.3	9.2

Source: Financial Soundness Indicators (FSI)

1/ Excluding restructured and VAMC loans.

Annex I. Progress Against IMF Recommendations

Policies	2022 Article IV Consultations Recommendations	Actions Since 2022 Article IV Consultations
Fiscal Policy	Fiscal policy should strike a balance between providing temporary, targeted support and facilitating economic transformation. Fiscal policies should be agile given fluid economic conditions Longer-term spending priorities should promote more inclusive growth. Revenue mobilization efforts are critical to accommodate higher development spending. Strengthen public financial management frameworks. Pension reforms are needed to address unfunded pension liabilities and improve the coverage, adequacy, sustainability, and fairness of pensions.	To a large extent, fiscal support in 2022 delivered through the Program for Recovery and Development (PRD) focused on investment in infrastructure and temporary tax cuts. There was more limited spending on housing support, childcare, training and job search assistance. The fiscal balance was tighter than expected as the economic recovery in 2022 was stronger than expected at the time of the 2022 Article IV. Vietnam and development partners agreed to a USD15.5 billion Just Energy Transition Partnership. Work on Vietnam's climate change reform plan is underway to achieve net zero emission by 2050. The 2023 budget includes large public investment increases. The MOF conducted assessments of the implementation of key tax laws (including CIT, Excise, VAT, PIT, environmental tax, land taxes, natural resource tax, export and import tax) and collected comments on amendments of these laws to raise revenue intake over the medium term by strengthening tax administration, especially in e-commerce and digital businesses, broadening VAT base, raising some excise taxes, and amending tax incentives. A comprehensive Treasury modernization program is underway, focusing on: budget execution, active cash management, internal audit, re-designing the Charter of Accounts, improving information system. But, weaknesses remain on fiscal accounting and reporting. An ongoing CD assistance on social security fund reform focuses on improving the coverage of pension fund. Training on pension fund modeling is also being conducted to support VSS in forecasting its long-term financial position to ensure its sustainability.
Monetary Policy	Monetary policy should be data dependent, forward looking, and increasingly vigilant of rising inflation risks. Greater exchange rate flexibility Continue to modernize the monetary framework.	Monetary policy was tightened in second half of 2022 to contain inflation and mitigate exchange rate depreciation pressures. The policy was loosened in early 2023 as headline inflation receded. In October 2022, the FX trading band was widened to +/-5 percent from +/-3 percent. The modernization of the monetary policy framework is ongoing, with the SBV enhancing its analytical and forecasting capacity through IMF-supported FPAS TA.

Policies	2022 Article IV Consultations Recommendations	Actions Since 2022 Article IV Consultations
Financial Sector Policies	Close monitoring of risks in the banking sector, and loan classification and provisioning rules should be normalized. Enhance banking sector resilience. Strengthen the macroprudential framework. Strengthen AML system Deepening capital markets Harness digital transformation	SBV has been closely monitoring risks in the banking sector and acted swiftly to contain contagion from the bank run. Loan classification and provisioning rules have been normalized for loans restructured after January 1, 2023. Full normalization of accounting and provisioning rules will take effect on January 1, 2024. Adoption of Basel II is continuing. The amendments to the law on Credit Institutions are being debated. Macro-prudential measures to limit risks from real estate and consumer loans and reduce maturity mismatches were introduced. A new AML-CFT law was passed and came into effect in March 2023, but it does not fully address the shortcomings identified. Documents guiding the implementation of the AML-CFT law have also been issued. In September 2022, Vietnam revised the rules on corporate bond issuances toward more transparency and limited the participation of small retail investors. However, as the corporate bond market was facing severe liquidity issues, a March 2023 decree delayed the credit rating requirement and the limits on retail investors to January 1, 2024. Vietnam has made progress toward digital transformation in both public service and business. More public services can be provided through the e-government Portal, including tax and customs services, and a national personal identification has been introduced.
Structural policies	Improve further the business environment and reduce corruption. Improve the quality of the labor force and reduce skill mismatches	Vietnam is working on amendments of several economic laws, including: credit institutions, land, real estate business, housing law, and e-commerce. The government is further promoting e-government, reducing regulations and licensing requirements to simplify and improve the business environment. Limited vocational training and job search assistance was undertaken under the PRD.

Annex II. Integration of Capacity Development Assistance in Surveillance

Overview

1. **To achieve its ambitious development objectives, Vietnam needs to continue to modernize its economic institutions.** The IMF and other development partners are actively engaged in their respective areas of expertise and are coordinating regularly.
2. **CD has been well integrated with IMF surveillance.** High-quality CD remains central in strengthening the effective implementation of IMF policy advice and engagements with the authorities. The main surveillance priorities include modernizing policy frameworks, enhancing financial stability, and improving data quality and transparency to help Vietnam transition to the next phase of its development.
3. **Fund CD assistance focuses on Vietnam's ambitious reform agenda.** IMF CD assistance is playing a key role in SBV's plan to modernize its monetary policy framework via the FPAS. A FSSR was undertaken and a broad reform roadmap was design to help enhance financial stability. The IMF stands ready to continue helping the SBV strengthen financial stability. In the field of public finance, the IMF continues to support the authorities' efforts to strengthen treasury management, domestic revenue mobilization, tax administration, and public debt management. IMF technical assistance will also continue to support the authorities' initiatives to improve the coverage, quality, and timeliness of fiscal statistics. Vietnam has also benefitted from IMF TA and capacity building on AML/CFT, central bank digital currency, cybersecurity, pension fund reform, customs modernization, and climate policies.

Table 1. Vietnam: Integrating Fund Surveillance and Capacity Development

Area	Surveillance Recommendations	Capacity Development Recent Actions/Plans
Monetary policy	Continue to modernize the monetary policy framework.	Phase 1 on the Forecasting and Policy Analysis System (FPAS) on enhancing analytical and forecasting capacity was successfully completed. Phase II on integration to policy discussion started in April 2022.
Financial Policy	Strengthen the resilience of the banking sector and modernize the macroprudential framework.	A Financial Sector Stability Review was undertaken in 2022 and identified gaps in the financial sector infrastructure, policies, and statistics.
Central bank governance	Strengthen the central bank capacity on internal audit toward more transparency and risk-based management	TA on strengthening SBV internal audit started in August 2022 and aims at developing capacity in the application of risk-based internal auditing.
Tax Policy	Strengthen revenue mobilization by enhancing tax policy	The property tax CD is ongoing.
Tax Administration	Strengthen revenue mobilization by improving tax administration	The Fund continues to work closely with General Taxation Department on the implementation of the Tax System Reform Strategy for 2021-2030. A multiple-year CD program is ongoing with priorities given to further support compliance on risk management and improvement of core tax administration functions.
Treasury management	Improve public financial management and fiscal data, accounting and reporting.	The Vietnam State Treasury received TA on implementation of its Modernization Strategy for 2021-30, including internal audit, improvement of Chart of Accounts and cash management. CD assistance has also been provided in improving quality of financial reports, shortening timing of state budget finalization report and upgrading Treasury's Financial Management Information System.

Table 1. Vietnam: Integrating Fund Surveillance and Capacity Development (Concluded)

Debt management	Improve public debt management, accounting and reporting.	Helped improve public debt management and reporting by providing training on the development of a Medium-Term Debt Strategy, as well as review current institutional arrangements for public debt management. Helped the MOF to assess its legal framework regarding external debt statistics and develop a roadmap for improvement of external debt statistics by currency and residency.
Social Security Fund management	Expanding social security coverage	A potential multi-year CD program with the Vietnam Social Security Fund (VSS) on expanding the social security coverage. Provided training courses to VSS to help project its long-term financial position and distributional features of public pensions.
Customs modernization	Strengthening compliance management and enforcement in Customs	Assisted General Department of Vietnam Customs (GDVC) in strengthening compliance management. Regarding enforcement function, the CD assistance will focus on intelligence, surveillance, and criminal investigation.
Data and statistics	Improve the coverage, quality, transparency, and timeliness of statistics.	TA and training continue in the following areas: transitioning Vietnam's state budget data to Government Financial Statistics Manual 2014 (GFSM 2014) and publishing budget data for 2020-21, in line with GFSM 2014; macroeconomic analysis and forecasting, national accounts, monetary and financial data reporting; and external sector statistics.
AML/CFT	AML/CFT framework and execution should be strengthened in line with the FATF standards to address key country risks.	A multi-year TA program to help resolve gaps has been agreed. The TA program has started with a scoping mission in November 2022
Macroeconomic Framework	Strengthening the capacity of macroeconomic analysis and forecasting.	The scoping mission identified areas of improvement and formulated a multi-year CD action plan.

Annex III. Impact of an Interest Rate Shock on the Corporate Sector in Vietnam¹

This annex examines the impact of an interest rate shock on the default risk of the non-financial corporate sector in Vietnam. Simulations suggest that a 20 percent increase in borrowing costs could increase the share of firms- and debt-at-risk by 11 and 13 percentage points, respectively. Small and micro firms are most vulnerable to interest rate hikes. Although larger firms can weather the shock better, their high leverage ratios remain a concern.

1. Vietnamese firms were vulnerable to interest rate shocks even prior to the pandemic.

The share of debt-at-risk (i.e., the debt of firms with interest coverage ratio, or ICR, less than 1) is used as a metric of firms' debt service capacity.² An ICR lower than 1 means that operating earnings are insufficient to cover interest payment obligations, which is taken as a proxy for high default risk. Calculations based on 150 thousand firms in the Orbis database show that 42 percent of firms in 2020 were at risk (ICR<1), a small increase from the 39 percent in 2019. Total debt of these firms stood at 37.3 percent of total corporate debt in Vietnam. This is consistent with Kroeger et al. (2020), who report a share of firm- and debt-at-risk of 33.5 percent and 28.7 percent, respectively, in 2017.³

2. Three simulations quantify the impact of interest rate hikes of different magnitude on firms' default risk. The scenarios consider rising firms' interest payments resulting in average borrowing rates increasing by 20 percent (Scenario 1), 40 percent (Scenario 2), and 60 percent (Scenario 3). With a calculated borrowing rate of 6.6 percent on average in 2020 (baseline), the shocks imply borrowing rates of 7.9, 9.2, and 10.6 percent, on average, in the three scenarios.⁴

3. According to the simulation, more than 10 percent of firms (and debt) would be re-classified as high risk due to the interest rate hikes in Scenario 1. A 20 percent rise in borrowing rates would increase the share of firms-at-risk (ICR<1) by 12 percentage points, making 53.2 percent of firms at risk of default. Correspondingly, 49 percent of total debt (an additional 13 percentage points compared to the baseline scenario) would be categorized as risky under Scenario 1. Firms- and debt-at-risk are expected to continue rising if interest rates increase further as in Scenario 2 and Scenario 3, but at a slower pace. This suggests that a non-negligible share of firms is at the edge of

¹ Prepared by Anh Thi Ngoc Nguyen, Federico Díez, and Giacomo Magistretti.

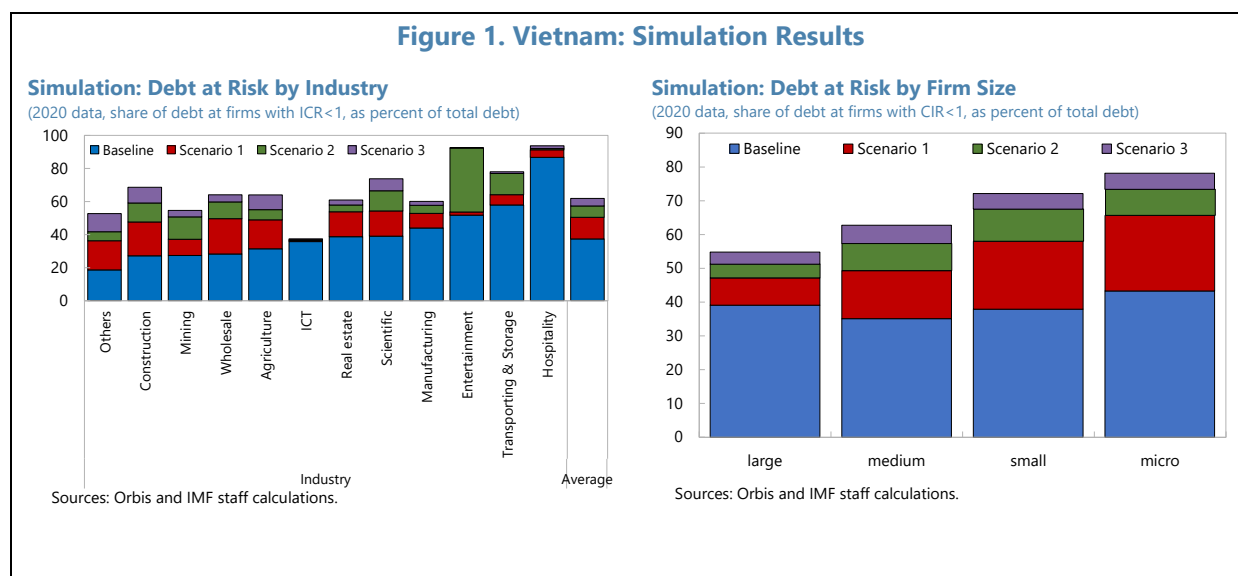
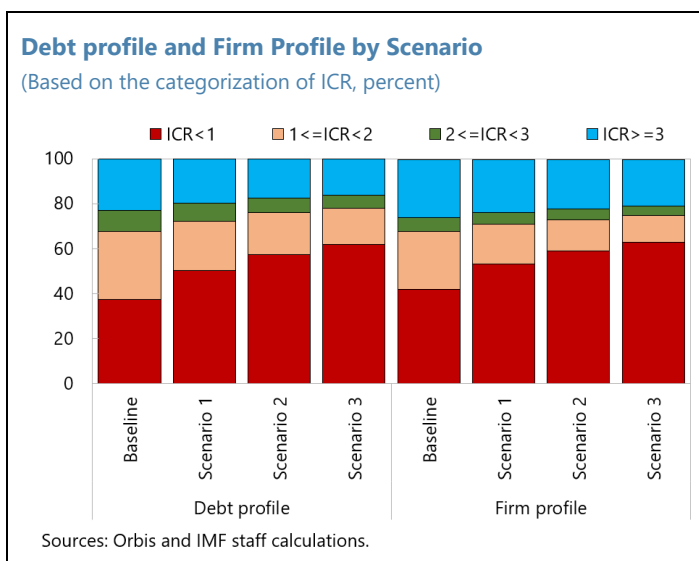
² Interest coverage ratio is defined as earnings before tax and interest payment (EBIT) over interest payment.

³ See Thilo Kroeger, Anh Thi Ngoc Nguyen, Yuanyan Sophia Zhang, Pham Dinh Thuy, Nguyen Huy Minh, and Duong Danh Tuan, 2020, "[Corporate Vulnerabilities and Implications of COVID-19](#)", IMF Working Paper No.20/260.

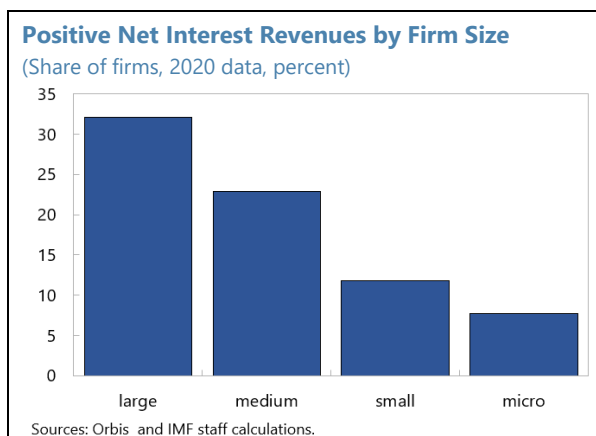
⁴ By using 2020 data, the latest available year with good coverage at the time of writing, the exercise assumes that debt and profits remained constant since then. If profit growth was higher than debt growth in 2021-22, then the simulations would be an upper bound of the true effect. Conversely, if debt grew faster than profits in 2021-22, which would be consistent with the last five years of pre-pandemic data, then the impact of the shock would be more severe than what is calculated in this annex.

the ICR threshold cutoff, and even a relatively small hike in interest rate would put them in danger of default.

4. Smaller firms, and firms in sectors such as construction, wholesale trade, and real estate are most vulnerable to interest rate shocks (Figure 1). These industries would likely witness more than 10 percentage point increases in the share of debt at risk under Scenario 1. Small and micro firms would suffer disproportionately from interest shocks, with over 20 percent of debt re-categorized at high risk of default even under a relatively mild increase in borrowing rates.

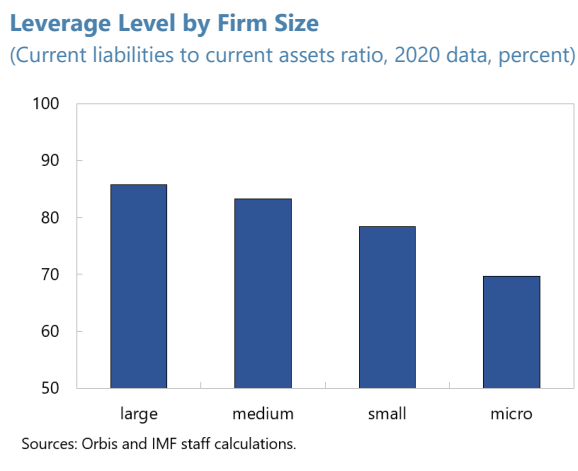


5. Some firms, particularly larger firms, have sufficiently high financial revenue to cover their interest payments. Since firms' financial revenues comprise interest earnings and investment income, higher interest rates could potentially benefit firms holding a high share of interest-bearing assets. In 2020, around 10 percent of firms had positive net interest revenues, defined as the difference between financial income and interest payments. This implies that an increase in interest rates would



benefit these firms, at least in terms of their financial activities.⁵ Large firms (in terms of employees) would disproportionately benefit, as 32 percent of them had positive net interest revenues compared to only 7 percent of micro firms.

6. However, large firms are also more leveraged, pointing to possible pockets of vulnerability. Large firms have the highest ratios of current liabilities to current assets. This observation partly reflects their greater ability to tap financial markets as compared to smaller firms, which are more likely to rely on retained earnings. That said, in the current context of uncertainty and economic slowdown, some large firms could become more vulnerable to increasing borrowing costs unless their working capital needs are carefully managed.



⁵ Interest rate hikes will likely negatively impact operational income, leaving the net effect a priori indeterminate.

Annex IV. Exchange Rate Pass-Through to Inflation in Vietnam¹

This annex provides two pieces of evidence on the impact of changes in the VND/USD exchange rate (ER) on the CPI in Vietnam. First, it shows the correlation between ER and price changes was substantial during the last major depreciation episode in 2010-11. Second, it estimates an exchange rate pass-through (ERPT) to CPI inflation in ASEAN countries, including Vietnam, of 0.3 percentage points 12 months after a 10 percent change in the ER, increasing to 1.7 in case of depreciations. These findings imply that falls in the value of the dong can have meaningful consequences for inflation.

1. It is challenging to quantify the ERPT in Vietnam based on recent data. Tight regulation of prices of fuel and electricity, limited ER volatility, and low inflation in the past decade prevent an accurate quantification of the ERPT in Vietnam. Mindful of these constraints, the analysis in this annex first documents the co-movement between the ER and inflation in the last major episode of ER depreciation and inflation in 2010-11. Second, it estimates the ERPT in ASEAN countries, an informative benchmark given that Vietnam has an import share in household consumption—a proxy for the preconditions that make the ERPT relevant in a country—of 15 percent, similar to the median among ASEAN countries.²

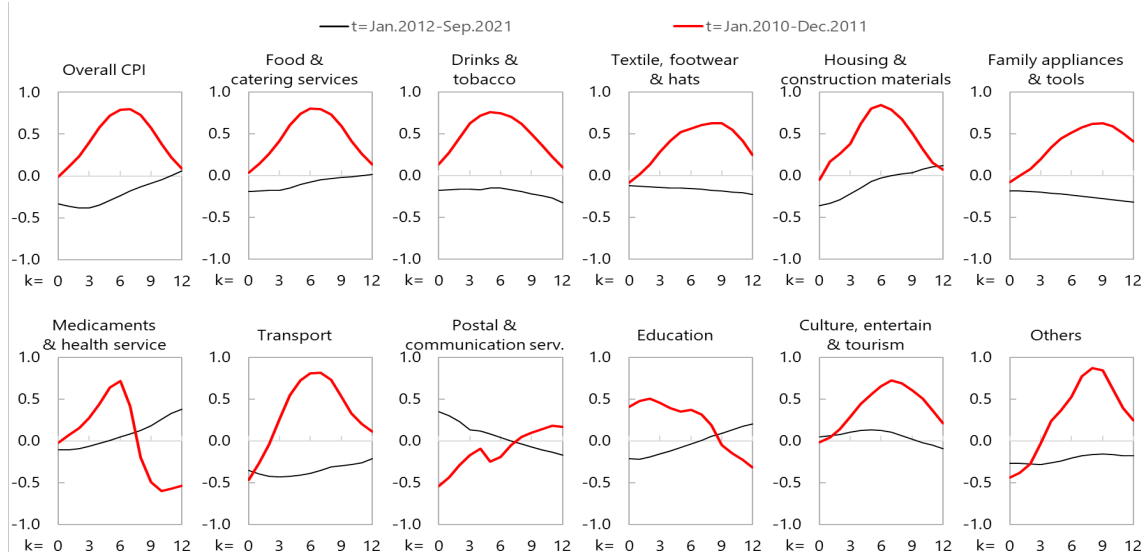
Step 1. Exchange Rate and Inflation in Vietnam

2. Inflation picked up sharply in 2010-11, a few months after sharp ER depreciation. The top-left panel in Figure 1 shows that while there has been no significant co-movement recently, the time-difference correlation between ER depreciation and overall CPI inflation was large and strongly positive during the 2010-11 period, peaking at over 0.8 about six months after the depreciation.³ The correlation was the highest for transport and housing (including fuel for cooking and electricity)—CPI categories with a direct connection to fuel, a large share of which is imported and priced in dollars—and food and catering services—mostly impacted by a stronger dollar through rising costs of imported fertilizer, animal feed, and transportation.

¹ Prepared by Faizaan Kisat, Giacomo Magistretti, and Ryoichi Okuma.

² Estimated from input-output tables published by the Asian Development Bank, the median import share in household consumption is calculated as the share of imported inputs over total inputs into household demand in 2020.

³ The dong depreciated by about 13 percent against the dollar between January and December 2010.

Figure 1. Vietnam: Correlation between ER and CPI in Vietnam

Source: Vietnam authorities and IMF staff calculations.

Note: Correlations are calculated between the year-on-year percent changes in ER and CPI, with ER leading CPI by k months. The ER is the interbank one (monthly average), a proxy for the actual rate faced by firms and households.

Step 2. Estimating the ERPT for ASEAN Countries

3. Inflation in ASEAN countries increases by 0.3 percentage points one year after a 10 percent change in the ER, and by 1.7 percent after depreciations. Local projections are used to trace out impulse responses for the ERPT in ASEAN countries since 2000.⁴ The pass-through coefficients can be interpreted as the percent (age point) change in CPI inflation 0–12 months after a percent (age point) change of the exchange rate. In the baseline model, the ERPT is estimated as a 0.3 percentage points increase in inflation after a 10 percent depreciation (Figure 2, left panel).⁵ When condensing only depreciation episodes, the ERPT is estimated at 1.7 percent 12 months after a 10 percent ER decline (Figure 2, right panel), substantially larger than the baseline estimate. The ERPT for appreciations is much lower and close to zero up to 3 months after the shock, before turning negative and reaching about -0.9 percent 12 months after a 10 percent ER appreciation. This

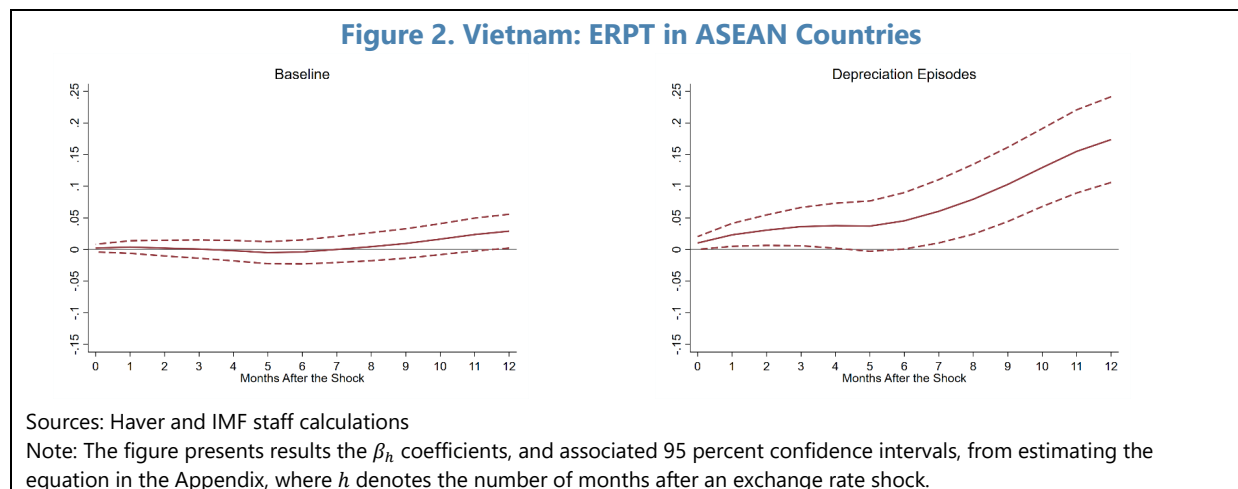
⁴ The countries in the sample include Brunei (2000–2022), Indonesia (2000–2022), Lao PDR (2000–July 2021), Malaysia (July 2005–2022), Philippines (2000–2022), Singapore (2000–2022), Thailand (2000–2022), and Vietnam (2000–2022). The empirical model estimated follows Caselli and Roitman (2016):

$$\Delta cpi_{i,t+h} = \alpha + \beta_h \Delta ER_{i,t} + \sum_{s=1}^p \rho_s \Delta cpi_{i,t-s} + \sum_{s=1}^p \gamma_s \Delta cpi_{i,t-s}^{US} + \mu_i + \varepsilon_{i,t+h}$$

where $\Delta ER_{i,t}$ is the y-o-y percent change in the nominal ER relative to the US dollar in country i at month t (a positive value for $\Delta ER_{i,t}$ represents a depreciation of the local currency). $\Delta cpi_{i,t}$ is the y-o-y percent change in the domestic CPI, and $\Delta cpi_{i,t}^{US}$ is the yoy percent change in the US CPI (a proxy for foreign prices). Both domestic and foreign prices are included with a lag of six periods (i.e., $p = 6$). μ_i are country fixed effects. $\varepsilon_{i,t+h}$ is the error term.

⁵ These estimates are in line with the literature. Carriere-Swallow, et al. (2016) estimate an ERPT of around 0.1 for Asian EMs for the period 2003–2015. Similarly, Ha, Stocker and Yilmazkuday (2019) estimate an ERPT of 0.08 for emerging market and developing economies over 1998–2017. Both studies also find a broad-based decline in ERPTs since the late 1990s, in line with the relatively moderate ERPT estimates for our sample period.

asymmetry is consistent with previous studies (Bussiere, 2013), and may be explained by export price rigidities being more binding in case of appreciations than depreciations.



4. Monetary policy credibility and lower volatility in ER movements dampen the ERPT.

The literature finds that countries with more credible central banks or inflation targeting regimes generally display lower ERPTs (Carriere-Swallow, Gruss, Magud, & Valencia, 2016; Caselli & Roitman, 2016), as producers are less likely to raise prices following bursts of depreciation if they believe that the central bank will promptly act to keep inflation stable after an ER shock. The strong focus on inflation containment of ASEAN countries since the early 2000s (Filardo & Genberg, 2009), including by the SBV with the practice of setting annual inflation targets, may have therefore contributed to the relatively low ERPT values estimated in this annex. Existing studies have also documented larger ERPTs following more severe depreciation episodes, which have been less frequent in ASEAN countries in the sample period relative to other emerging markets outside Asia.

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Annex V. Estimating Worker Flows and Labor Market Dynamism¹

This annex uses the Vietnamese Labor Force Survey to estimate worker flows and explore the dynamism behind headline labor statistics. While overall employment changed little over the years (except during the pandemic), this masks sizable labor fluidity, with around 4.7 percent of the working-age population changing labor status every quarter. Females, youths, and those less educated are the most likely to change. Furthermore, labor market dynamism comes largely from the informal sector while there seems to be barriers to formalization. There are also signs of excessive churning, which makes it costly for firms to invest in labor training, hindering long-term human capital accumulation.

1. Vietnam's employment recovery from the pandemic has reinforced long-standing questions about the functioning of the labor market. While headline employment and unemployment numbers have reverted to pre-pandemic levels, labor-skill mismatches, high levels of labor informality, and lack of adequate training of workers remain a concern (IMF, 2022).

2. The annex utilizes the Labor Force Survey (LFS) to measure labor mobility in Vietnam.² A panel is constructed with individuals observed at two continuous points in time to measure quarterly labor movement rates, including worker flows, job finding rates, and employment exit rate.³ Data limitations prevent analyzing overall job switching, but it can identify those who move between self-employment and wage jobs as well as those switching between informal and formal jobs—which allows to gauge the magnitude of worker flows within the employment pool.

3. Aggregate headline employment and unemployment numbers mask a significant degree of labor market churning. Aggregate data indicate that employment increased, on average, by 254 thousand (or 0.35 percent of working-age population) each quarter in 2018 while the corresponding figure was 4 thousand (0.01 percent of working-age population) for unemployment. However, using the panel LFS for 2017 and 2018, calculations suggest that about 4.7 percent of the working-age population changed their labor status across employment, unemployment, and inactivity in each quarter (Table 1).

Table 1. Vietnam: Gross Worker Flows in Vietnam						
Employment → Unemployment	Employment → Inactivity	Unemployment → Employment	Unemployment → Inactivity	Inactivity → Employment	Inactivity → Unemployment	Total
0.3	1.2	0.5	0.2	2.1	0.3	4.7

Note: Gross worker flows are expressed as a percentage of the population aged 15+.

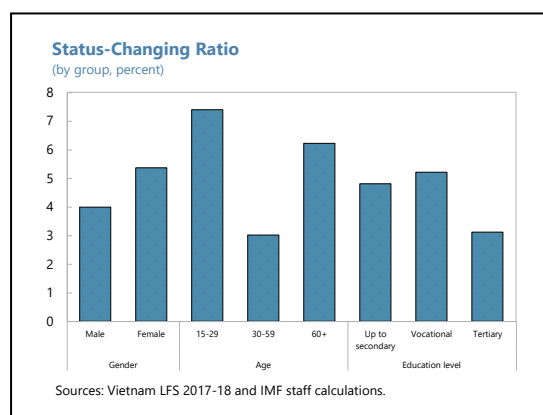
¹ Prepared by Anh Ngoc Nguyen with inputs from Federico Díez.

² The LFS survey is an individual-level representative survey conducted on a quarterly basis, with household groups visited over two continuous quarters before being visited again for another two continuous quarters after 6 months.

³ The survey only tracks individuals within a year, and there are almost no continuous data points between years, i.e., in Q4 of the previous year and Q1 of the current year. Therefore, the reported results do not capture labor transitions happening during Q4-Q1 and might suffer from a downward bias as this is the most active period of labor movement.

4. Some demographic groups are more likely to change their labor status:

- *By gender.* Females are more likely to switch labor status: 5.4 percent of working-age females move across employment, unemployment and inactivity within each quarter. The corresponding figure for males is 4 percent.
- *By age.* Youths are the most likely to change their labor status: 7.4 percent of them moves each quarter, while only 3 (6.2) percent of the prime age (older) group change status.
- *By education level.* university graduates or higher tend to stay within their labor status more than those without a tertiary education.

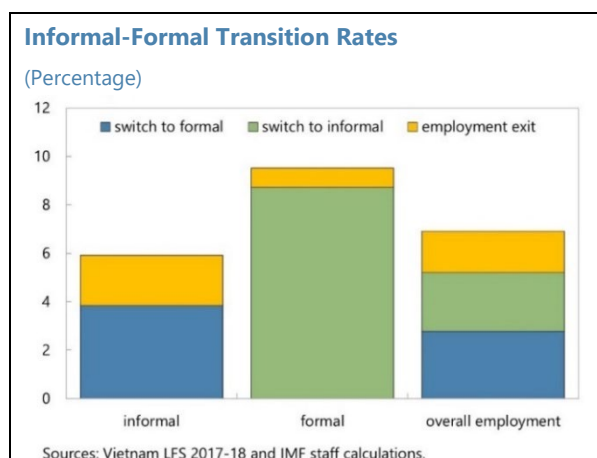


5. Transitions between labor statuses are greatly affected by informality and self-employment—issues that are pervasive in Vietnam.

- **Job-finding rates.** Around 14 percent of the non-employed find a job on a quarterly basis, 88 percent in informal (versus formal) jobs. Roughly 41 percent start as a salaried worker, while 59 are self-employed. Further, the unemployed are more likely to find a job than those inactive,⁴ which is in line with the findings by Donovan et al. (2020), that use data from 42 countries. As is typical in developing countries, there is a large share of marginally-attached inactive workers (i.e., who do not actively search for jobs but can easily start working if they happen to find a suitable one). For instance, 18.4 percent of the inactive in Vietnam are marginally-attached, explaining the finding from Table 1 that worker flows between inactivity and employment are much larger than the flows between unemployment and employment. These results also suggest the importance of the inactive as a potential source of labor supply.
- **Employment-exit rates.** Employment-exit rates are estimated to be 1.7 percent. Workers who exit the employment status are mainly self-employed (65 percent) and work informally (87 percent). Upon leaving employment, 25 percent move to the unemployment pool and 75 percent become inactive.
- **Transition rates between self-employment and wage jobs.** The transition rate from self-employment to a wage-earning job is 5 percent, which is rather low relative to peers (Donovan et al 2020). As a large share of self-employed workers in Vietnam work informally with lower wages and limited social protection (Dabla-Norris et al. 2020) than wage workers, this finding could be of concern as it is suggestive of barriers preventing self-employed workers from moving to more secure wage jobs. At the same time, the wage job to self-employment transition rate is 4.8 percent, comparable with peers, and almost cancels out the reverse flow from self-employment to wage jobs.

⁴ Among the unemployed, 40 percent found a job within a quarter; this rate is about 11 percent for those inactive.

- **Transition rates for formal-informal work.** Informal work constitutes a large share of total employment, with around 20 percent of workers even in formal firms working informally (Dabla-Norris et al. 2020). The figure shows labor flows as share of total informal, formal, and total employment. Around 6 percent of informal workers change their work status every quarter, either by getting a formal job (3.8 percent) or by exiting from employment (2.1 percent). Further, roughly 10 percent of formal workers change their status quarterly: 8.7 percent get an informal job⁵ and 0.8 percent exit employment. Overall, 7 percent of the currently employed either exits employment (1.7 percent) or changes formality status (2.8 percent from informal to formal and 2.4 percent the other way around).



6. The inactive working age population is an important source of labor supply and should be considered as one of key targets for labor market upskilling and training. While the unemployed have a much higher job-finding rate, the inactivity pool provides three quarters of total new employment given the sizable number of people in the pool.

7. Labor market churning can affect long term human capital accumulation. While data limitations preclude an in-depth assessment of job-to-job transitions, transitions between self-employment and wage jobs and between informal and formal work point to excessive churning in the labor market. For instance, the transition rate from a wage job to self-employment is 4.8 percent. Combined with 1.4 percent of wage workers exiting employment, it implies that over 6 percent of wage jobs need to be replaced in a given quarter. Similarly, the formal job exit rate is around 10 percent, so 10 percent of formal jobs need to be re-hired within a quarter. These numbers would be even higher if it were possible to account for workers switching between wage/formal jobs. This high turnover, in turn, creates disincentives for workers and firms to invest in human capital and training, impacting longer term human capital accumulation. As noted in IMF (2022), university-level and vocational-technical skills are under-supplied in Vietnam, and on-the-job skill acquisition does not fill the gap, as few firms provide formal training. Skill mismatches are particularly pronounced for low-skilled and informal workers, reinforcing labor market duality.

8. Labor fluidity mainly comes from the informal sector, while the formal sector is relatively segmented for the non-employed. The analysis reveals the presence of bidirectional formal-informal flows within the employment pool. This bidirectional mobility implies a relatively integrated labor market, in line with findings in Dabla-Norris et. al (2020). However, the formal sector is more likely to be segmented and difficult to access for the jobless as flows to the sector

⁵ The data suggests that those moving from formal to informal works are less educated, have lower incomes, and are more likely to have worked on the service sector than those staying formal.

from the non-employment pool are limited. Among new workers entering the employment pool, only 12 percent get formal jobs, suggesting that there are barriers that hinder workers from accessing formal jobs. It is also possible that the informal sector serves as a bridge, or “interim training”, in which the non-employed first get informal jobs, accumulate experience, and then can move to formal work.

9. These findings point to the need for enhancing active labor policies aimed to address market segmentation and hurdles to finding formal jobs. Improvements in labor training, skill upgrading and job matching for people who are not working are essential. If the segmented formal sector is a result of high costs of hiring, training or firing workers, such that informal jobs are used as a transition mechanism, addressing these distortions would be critical. Overall, both supply and demand side reforms are needed to help remove labor market barriers and facilitate greater labor market dynamism.

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Annex VI. Climate Mitigation: Introducing an Emission Trading System in Vietnam¹

Achieving net-zero emissions by 2050 will likely require carbon pricing. The government plans to pilot an emission trading system (ETS) in 2025 and make it fully operational by 2028. The ETS will bring many benefits such as on health, pollution, and revenues, while its heterogenous impacts on households and firms could be mitigated through a comprehensive strategy and policy responses during the transition.

1. **Vietnam has committed to mitigating its emissions and shifting away from coal power, including by setting an objective of net-zero emissions by 2050.** Vietnam has historically had very low greenhouse gas (GHG) emissions per capita, but, over the past two decades, it has seen some of the fastest emissions growth rates in the world. From 2000 to 2015, as GDP per capita increased from \$390 to \$2,000, per capita emissions more than quadrupled. However, the government announced at the 2021 UN Climate Change Conference the intention to achieve net-zero emissions by 2050. Vietnam also committed to end all investment in new coal power generation, scale up deployment of clean power generation, phase out existing coal power by the 2040s, and increase deployment of green technologies.
2. **Achieving net-zero emissions by 2050 in Vietnam would require one of the most ambitious efforts in cutting CO₂ emissions among its peers.** A linear emissions pathway to emissions neutrality between 2022 and 2050 would imply reducing GHGs to 333 million tonnes by 2030, a 32 percent reduction relative to 2021 levels, which puts Vietnam among the most ambitious middle-income countries along with Brazil, Mexico, and South Africa in pledging to reduce emissions. In comparison, some middle- and low-income countries (e.g., China, India) currently have non-binding pledges for 2030 (see chart below).
3. **Achieving a substantial emissions reduction will likely require carbon pricing.** The 2020 revised Law on Environmental Protection establishes a mandate for the MOF to design a domestic ETS and a crediting mechanism that encompass a cap, a method of allowance allocation, and domestic and international offsets. The government has decided on an ETS over carbon taxes as the preferred instrument for carbon pricing. A pilot ETS is expected to start by 2025 and to become fully operational by 2028.

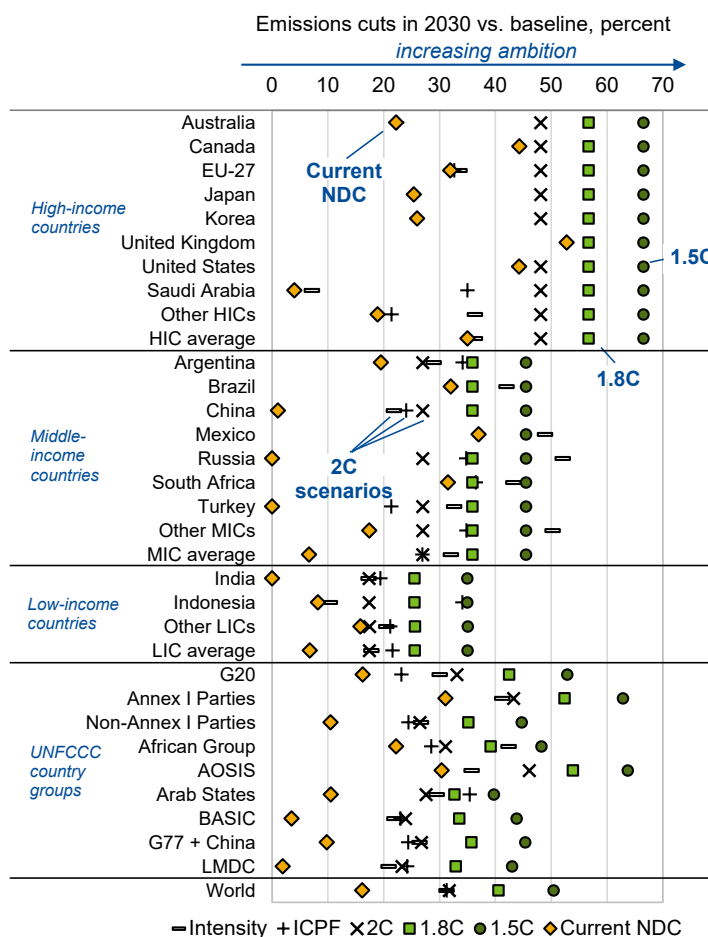
¹ Prepared by Antung A. Liu and Yuan Xiao.

Carbon Pricing: Impacts and Responses

4. Pricing carbon would bring many benefits to Vietnam, while its costs could be managed by a gradual introduction and carefully designed accompanying measures.

It would help to transition the economy to using more sustainable energy sources, reduce pollution and congestion, benefit the health and quality of living of Vietnamese citizens, generate substantial fiscal revenues that can be invested or spent on public services, and contribute to the global effort to fight climate change. The ETS, through increases in energy costs, would have heterogenous impacts on households and firms, but as the analysis in this annex and international experience show, appropriate policy responses and a good communication strategy would help maximize the net benefits (Box 1).² The scenarios below are chosen to illustrate the quantitative implications, but there are many paths to Net Zero by 2050. In fact, many countries use transitional periods to gradually phase in the new policy.

Current and Illustrative CO2 Emissions Cuts for G20 Countries versus 2030 BAU



Source. Black and others (2022).Ax1

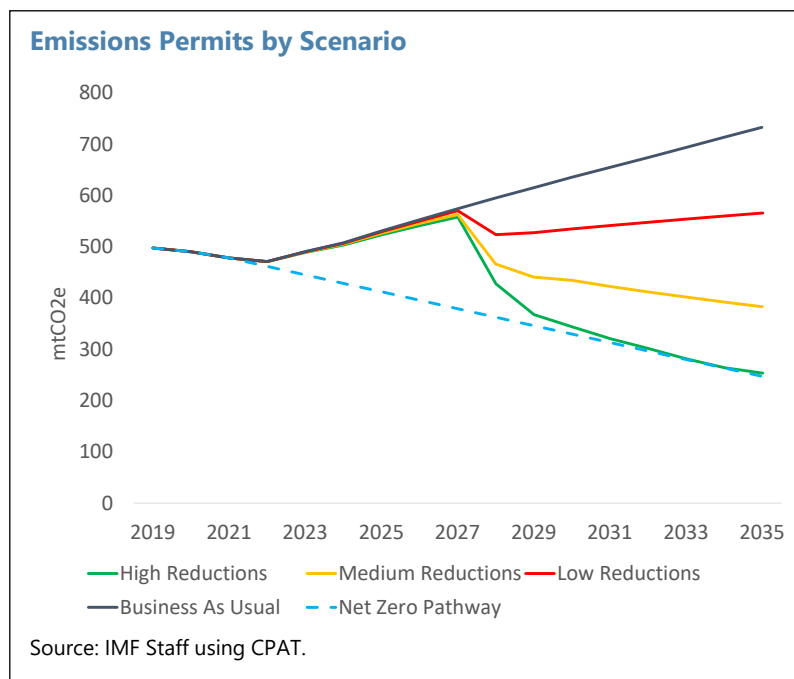
5. We examine three scenarios to illustrate the effects of reducing the number of permits that will be available in the ETS along with a coal tax.³ These three scenarios are presented alongside the Business-As-Usual scenario, where no policies restricting carbon are implemented.⁴

² Dabla-Norris et al. (2021).

³ The quantitative assessment of carbon pricing is based on the Climate Policy Assessment Tool (CPAT). CPAT is a spreadsheet-based model providing projections of fuel use and GHG emissions for the major energy sectors in 188 countries. CPAT, which was developed jointly by IMF and World Bank staff.

⁴ Vietnam's 2022 NDC lists an unconditional emissions target of 781.6 million tons of CO₂ equivalent by 2030 and a conditional emissions target of 524.2 million tons. IMF models suggest that these targets will be easy to hit, even under the Business-As Usual scenario. As a result, the 2050 Net Zero target is the focus of this current report.

- *High Reductions Scenario*: the quantity of ETS permits is reduced sufficiently to establish Vietnam on the linear path to Net Zero by 2050. The ETS permits are combined with a \$US 10 per gigajoule (GJ) tax on coal (see Table 1.) This coal excise tax shifts more of the increase in price to coal and away from other energy resources.⁵
- *Medium Reductions Scenario*: permits are reduced sufficiently to bring Vietnam two-thirds of the way to the linear path to Net Zero. A \$US 6 per GJ excise tax on coal is required in this scenario.
- *Low Reductions scenario*: permits are reduced to bring Vietnam one-thirds of the way to the linear path to Net Zero. In this scenario, a \$US 2 per GJ excise tax on coal is required.



6. The model assumes that limiting the number of carbon emissions permits and taxing coal will result in a broader set of changes to the economy. As the prices of carbon-intensive sources of energy like coal and gasoline rise, households and firms are incentivized to become more energy efficient, reducing the quantity of energy demanded. Renewable sources of energy like solar power or wind power will become more economical and should expand as a result.

⁵ Our policy scenarios include a coal tax because of Vietnam's heavy reliance on coal and the government's intention to shift away from coal power. Coal accounted for about 30 percent of installed capacity, 59 percent of electricity generation, and 71 percent of CO₂ emissions in 2020.

Box 1. The International Experience on Carbon Pricing

To date, 70 carbon pricing initiatives in 47 countries have been implemented, covering 23% of global greenhouse gas initiatives in 2022. Carbon pricing, which includes both carbon taxes and emissions trading systems (ETSs) have been implemented in each country in the European Union (EU), China, South Korea, New Zealand, and areas of the U.S.

Prices on carbon vary widely, with most countries pricing emissions in the range of US\$20 through US\$100 per ton. The most widely used price, from the EU's ETS, was US \$83 per ton in 2022. Empirical evidence has consistently found that pricing carbon has resulted in large cuts of emissions (e.g., Bayer and Aklin 2020).

The evidence on the effect of carbon prices on GDP is still emerging. Previously, most macroeconomic models have predicted that a price on carbon will negatively affect economic growth, especially if revenues are not used to invest in other growth-promoting initiatives such as cutting taxes and investing in infrastructure. However, a nascent empirical literature on the experience of countries with carbon prices suggests that the actual effect on GDP has been near zero (Andersson, 2019, Metcalf & Stock, forthcoming). The reasons for the difference between the ex-ante and ex-post literatures are not yet understood.

Many countries adopting an ETS use transitional periods to gradually phase in the new policy. For example, the first two phases of the European Union's ETS lasted between 2005 and 2012. During these phases, the EU targeted a reduction in emissions of 7% from 2005 levels. To further decrease the burden on firms, most allowances were given to firms for free during the first phase. Prices of emissions permits were low during much of these first two phases, limiting the effectiveness of the ETS in reducing emissions. Later ETS systems such as that in California and in New Zealand enacted a price floor, a minimum level by which permits could be bought and sold, to ensure that their policies would be effective in reducing emissions.

To help maintain competitiveness, the EU passed legislation enacting a Carbon Border Adjustment Mechanism (CBAM), expected to enter into force in October 2023. The CBAM will require importers of goods from 5 emission-intensive, trade-exposed sectors to purchase permits based on the carbon intensity of their goods; these permits will be priced at the same level as EU ETS permits. A CBAM is intended to reduce the competitive advantage of importers over domestic producers; firms in jurisdictions without their own carbon price will be most affected.

Countries have used the revenues generated on environmental spending, tax cuts, direct transfers, and reducing the deficit. Most countries raise under 1% of GDP in new revenues, with only Uruguay, Bulgaria, Estonia, and Poland reaping revenues higher than that threshold. Spending has also varied widely. Environmental economists have long encouraged governments to use revenues to cut taxes or enact household transfers¹. Carbon tax revenues have often been used to enact tax cuts, while ETS permit auction revenue has most often been legally earmarked for new initiatives like environmental spending (Marten & van Dender, 2019).

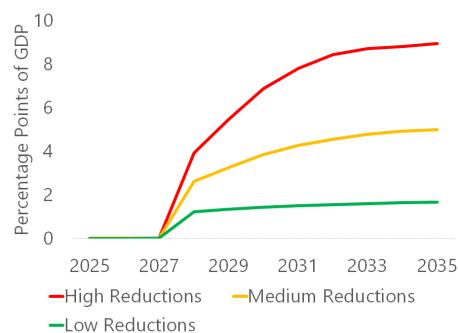
¹ For example, when Iran eliminated fuel subsidies, it also enacted an unconditional cash transfer to households intended to maintain household purchasing power.

7. As expected, pricing carbon will have significant effects on the costs of energy.

Depending on the scenario, the price of permits will vary and the number of permits will be reduced. One of the largest sources of energy in Vietnam is oil; its price will rise 96%, 33%, or 7% by 2030 under the high, medium, or low reductions scenarios respectively. Electricity prices will rise by 80%, 50%, or 20% under these scenarios. Because each scenario couples Vietnam's ETS with an excise tax on coal, the largest price increases are reserved for this energy source: coal prices are expected to rise by 443%, 207%, or 60% under each scenario.

8. However, the ETS will also generate substantial revenues for Vietnam, beyond cutting emissions. As the figure illustrates, if emissions permits from Vietnam's ETS are fully auctioned, they can generate substantial revenues. The High Reductions, Medium Reductions, and Low Reductions scenarios are projected to generate new fiscal revenues in the amount of 6.9%, 3.9%, and 1.4% of GDP respectively in 2030. These new revenues are annual and can be used to help achieve Vietnam's development goals and mitigate the impacts of higher energy costs on households and firms.

Annual Revenues from Pricing Carbon by Scenario, 2030

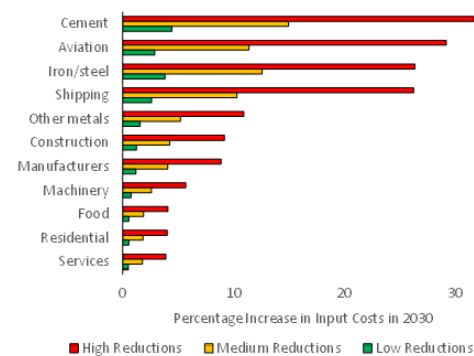


Source: IMF Staff using CPAT

Notes: Calculations account for erosion of revenue from pre-existing fuel taxes.

9. In addition to these new fiscal revenues, pricing carbon is expected to produce major co-benefits for Vietnam. Transport co-benefits are realized when higher prices on gasoline and diesel result in less driving of private vehicles and more usage of public transportation decreasing road congestion. Air pollution co-benefits (e.g., reduced deaths from improved air quality) are realized when airborne pollutants in coal, such as sulfur dioxide and particulate matter, are decreased as coal is replaced in Vietnam's energy systems. Liu and Xiao (2023) find that these co-benefits could total 4.5%, 3.0%, or 1.5% of GDP in the High Reductions, Medium Reductions, and Low Reductions scenarios.

Cost Increases for Most-Affected Vietnam Industries



Source: IMF staff calculations.

10. Price increases to energy will have a significant impact on costs for Vietnamese industrial firms. Because the ETS is expected to be phased in between 2028 and 2030, the cost of energy will rise quickly for firms, with larger cost increases for more energy-intensive sectors of the economy. Price increases will be passed through the economy. For example, the price of iron and steel will rise, increasing the costs for purchasers of those products such as construction firms and shipping companies. These increases in price could result in two competitiveness disadvantages if other countries do not enact similar measures. First, domestic producers will be at a cost disadvantage in the domestic market if they pay a price for emissions while foreign producers do not. Second, domestic exporters will be at a disadvantage in foreign markets if they must pay a price for emissions that emitters in other countries do not. The degree of these effects depends on

progress in other countries—this is one of the reasons it is critical to have global efforts to address climate change.

Table 1. Vietnam: Energy Price Increases Under Reductions Scenarios, 2030

Fuel	Unit	Baseline price	High Reductions Scenario	Medium Reductions Scenario	Low Reductions Scenario
Gasoline	US\$ per liter	0.84	1.15	0.95	0.86
Diesel	US\$ per liter	0.65	1.00	0.77	0.68
LPG	US\$ per liter	0.73	0.95	0.80	0.74
Kerosene	US\$ per liter	0.56	0.88	0.67	0.58
Oil	US\$ per barrel	56.9	111.8	75.9	61.1
Coal	US\$ per gigajoule (GJ)	4.75	25.8	14.58	7.60
Natural gas	US\$ per gigajoule (GJ)	8.89	15.42	11.15	9.39
Electricity	US\$ per kwh	0.10	0.18	0.15	0.12

Source: IMF staff using CPAT.

11. To address the issue of competitiveness, a variety of options could be considered.

Because rises in energy prices will increase costs to exporters while giving an advantage to importers, the issue of export competitiveness is likely to be important in Vietnam. To address competitiveness, Vietnam might consider a Border Cost Adjustment, where exporters are refunded for the price paid for permits as goods cross the border. The EU is currently enacting a Carbon Border Adjustment Mechanism, and a BCA in Vietnam would ensure that it keep carbon revenues when exporting to the EU. However, this is a complex framework that requires building significant capacity. It might also consider exempting export-dependent, energy-intensive sectors from the ETS, as many countries have done for at least a few years after a new ETS.

12. Several complementary policy tools could address the issue of leakage. Leakage can occur if firms leave Vietnam because costs have risen too much. Vietnam could consider giving incumbent firms free allowances, as was done in Korea, New Zealand, and the EU. Alternatively, Vietnam could use a Tradeable Permit System in some industries, as was done in China and Canada. Finally, Vietnam could consider recycling ETS revenues, returning funds to trade-exposed firms in the form of lump sum transfers, tax cuts, or output-based rebates. When deciding on the approach will need to consider the different trade-offs, including the use of ETS revenues as discussed below.

13. The ETS needs to be accompanied by other policies to help households during the transition.⁶ The effect of the High Reductions scenario on household consumption is displayed in the first panel of Figure 1.⁷ While increases in the cost of electricity and of gasoline reduce

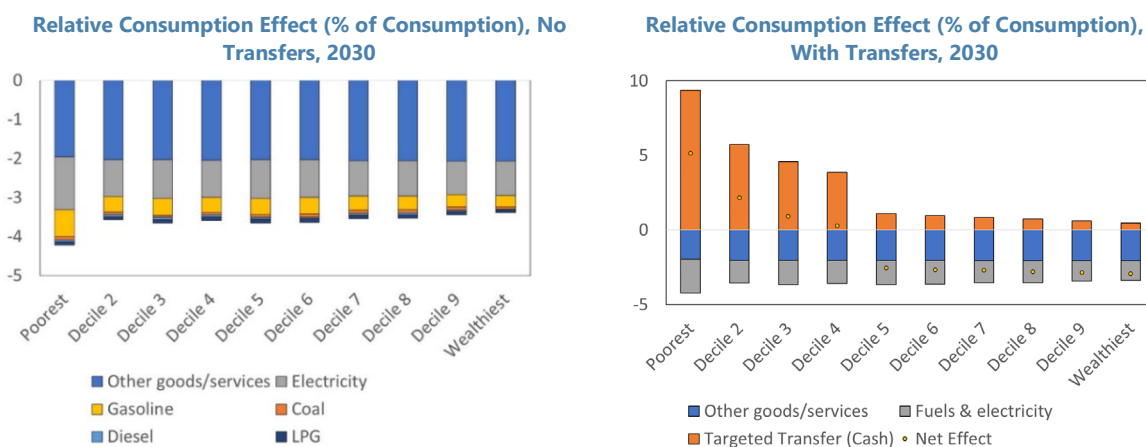
⁶ The ETS will have the effect of increasing coal prices, negatively impacting the coal mining industry. ETS revenues could also be deployed for transition assistance for displaced workers from affected industries.

⁷ To analyze the effect of carbon pricing on Vietnamese households, we begin by analyzing their patterns of consumption from the Vietnam Household Livings Standards Survey of 2016. After dividing households into deciles, we then analyze the energy intensity of the bundles of consumption for each of these deciles.

household consumption, increases in prices of other goods consumed have the largest negative impact. Because poorer households spend larger fractions of their incomes on energy, they are most hurt by rises in energy prices. An ETS with no accompanying reforms is regressive and is likely to be unpopular.

14. The simulation suggests that targeted transfers using revenues from the ETS could leave the poorest households better off, more than compensating for increases in energy prices. Using revenues for targeted transfers and public investment could make the policy both progressive while also boosting consumption for the poorest households. More generally, it can also reduce any potential negative impact on growth—e.g., high quality public investment gives a boost to domestic demand and can contribute to rising productivity. As an example, in the second graph of Figure 1, we apply 30 percent of carbon pricing revenues in targeted transfers for the bottom 40 percent of households. On net, the bottom two deciles of households are left better off by this set of policies, while impact on the next two deciles is near zero. Using a larger proportion of revenues on transfer would yield even larger benefits for the poorest households. This accompanying reform reverses the regressivity of an ETS, as also found for other Asian countries.⁸ When policies raising energy prices are accompanied with progressivity-boosting transfers, they are much more likely to be popular with Vietnamese households.

Figure 1. Vietnam: Burden on Households from Medium Reductions Scenario, 2030



Source: IMF staff calculations using CPAT.

Note: Panels show relative to consumption impact of the carbon price on consumption deciles before (left) and after (right) revenue recycling. Revenue recycling assumes 30 percent of carbon pricing revenues are used for targeted transfers.

⁸ Dabla-Norris et al. (2021).

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Annex VII. Climate Change Risks and Efficient Adaptation¹

Climate change poses macro-critical risks, especially from sea-level rise, but adaptation can be highly effective. With many competing needs the government would benefit from focusing on adaptations with positive externalities, market reforms to facilitate efficient private adaptation, and welfare measures to make adaptation equitable. Cost-benefit analysis can play an important role in helping collect, aggregate, and compare information on adaptation projects.

1. Vietnam is becoming more vulnerable to climate change as it experiences higher temperatures and sea-level rise. Average annual temperature has oscillated until approximately the 1980s, when a clear upward trend starts (Figure 1). In the period 1985–2014, average annual temperature in Vietnam was approximately 0.3 to 0.4 °C higher than its historical norm. The number of days with maximum daily temperature above 35 °C has also significantly increased. Vietnam's long coastline and heavily populated low-lying regions make it highly vulnerable to sea level rise, especially along the Mekong delta (World Bank CCDD, 2022). There is instead no discernible nation-wide trend in total annual precipitation (Figure 1), in the number of days with heavy precipitations, and in the number of consecutive dry days (World Bank CCKP).

2. Temperature and sea-level will continue to rise, while changes in precipitations and weather extremes are more uncertain but can potentially cause large losses. Climate models project additional warming of 0.8 °C in 2030 relative to the 1985–2014 period under all emission scenarios (Figure 2). Temperature is projected to increase between 1.2 and 1.4 °C in 2050 (Table 1). In 2070, the temperature is likely to further increase even with large global emission reductions (Paris scenario)—at present trends, temperature is expected to increase by 1.8 °C in 2070, and by 2.1 °C in a High emission scenario. In 2050 sea-level rise is expected to increase by an additional 22 to 26 cm. The consensus among models shows an increase in total annual precipitation in all emission scenarios, but not larger than normal interannual variability (Figure 2). Projections of changes in extreme rainfall and dry periods are also very uncertain (World Bank CCKP). Tropical cyclones periodically affect Vietnam causing large losses. While uncertainty about changes in frequency and intensity of tropical cyclones is large, the upward trend in tropical cyclones observed in recent years is expected to continue with medium confidence (IPCC, 2021).

3. In this context, Vietnam would greatly benefit from adapting to increasing temperature and to additional sea-level rise, and from monitoring risks from precipitation changes and tropical cyclones. Higher temperature throughout the year has the potential to cause productivity losses across the economy, but especially in agriculture. Higher ocean temperature and acidification may negatively impact fishery sector. Sea-level rise and a potential increase in the frequency and/or intensity of tropical cyclones will amplify risks along the coastline. While scenarios of temperature and sea-level rise change indicate robust trends that can be used to plan incremental adaptation measures, uncertainty around scenarios suggest focusing on win-win measures that reduce present risks and can turn to be beneficial under a wide range of scenarios.

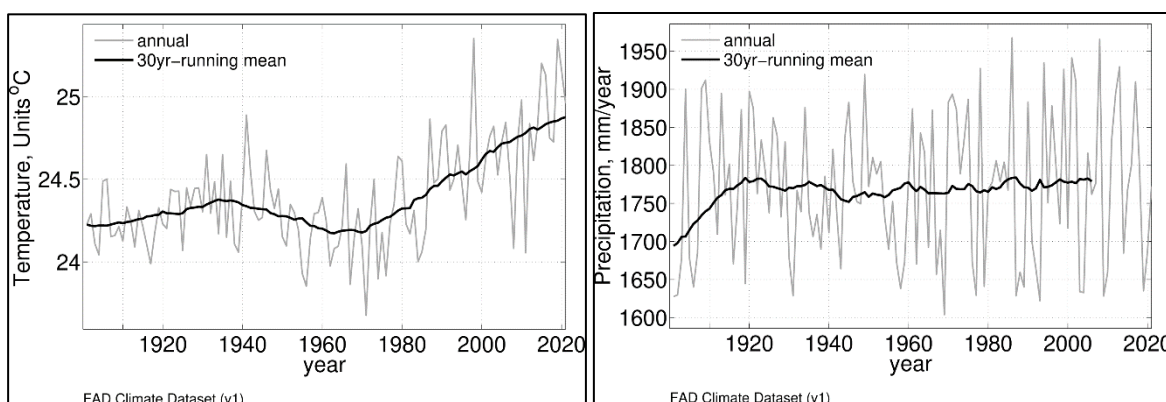
¹ Prepared by Emanuele Massetti.

For example, projects that enhance efficient water use or effective storm water management have both immediate benefits and will be useful under a wide range of future scenarios. Enhancing preparedness against tropical cyclones will be beneficial even if future risks will not change noticeably.

4. With many competing needs, the government must carefully allocate resources across all possible uses, including adaptation to climate change, while considering the distributional effects of its programs. This requires (1) concentrating government efforts and resources in key areas, and (2) collecting information on how effective spending is across alternative programs and how spending affects distinct groups in society (Bellon and Massetti, 2022).

Figure 1. Vietnam: Average Annual Timeseries for the Period (1900-2021)

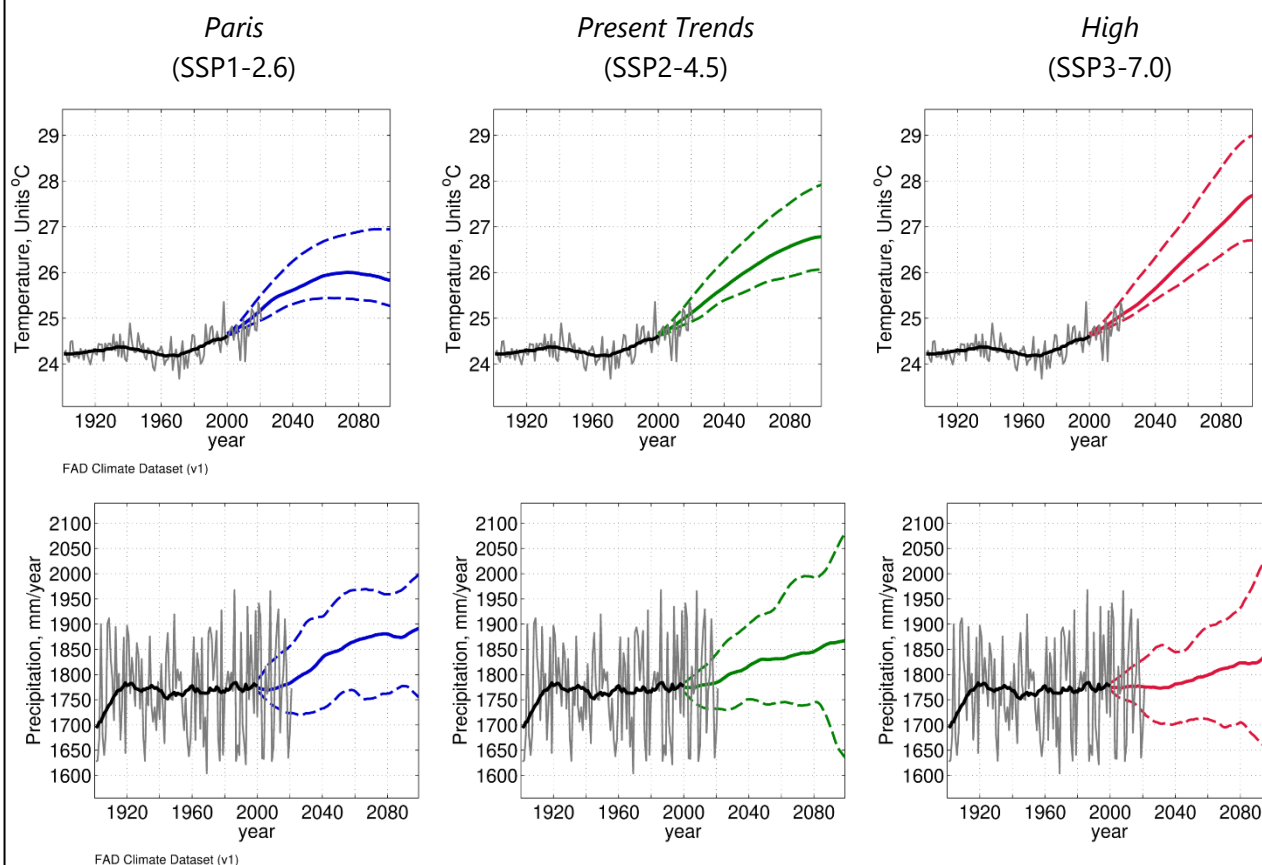
(left) temperature (°C), (right) precipitation (mm/year).



Notes: The solid line displays the 30-year average centered around each 30-year period.

Source: FADCP Climate Dataset (Massetti and Tagklis, 2023), using CRU data (Harris et al., 2020).

Figure 2. Vietnam: Time Series of Average Annual Temperature (°C), and Total Annual Precipitation
(Mm/Year).



Notes: The gray line describes historical mean annual temperature/precipitation based on observations (CRU). The black line describes the 30-year moving average of historical data centered around each 30-year period. Colored lines represent the median and the 80 percent range of temperature anomalies (10th and 90th percentiles) added to the CRU value (thick black line in the year 2000). SSP1-2.6 scenario is in line with the Paris goal to keep global mean temperature increase below 2 °C with respect to pre-industrial times. SSP2-4.5 represents continuation of present trends. SSP3-7.0 is a high emission scenario.

Source: FADCP Climate Dataset (Masseti and Tagklis, 2023), using CRU data (Harris et al., 2020), and CMIP6 data (Copernicus Climate Change Service, Climate Data Store, (2021): CMIP6 climate projections).

Table 1. Vietnam: Summary Table of Temperature Historical Observations and Projections (°C)

	1985-2014 (level)	1931-1960 (change)	1961-1990 (change)	2030 (2015-2044)	2050 (2035-2064)	2070 (2055-2084)
<i>Paris</i>						
SSP1-2.6				(0.5, 0.8 ,1.3)	(0.8, 1.2 ,1.9)	(0.8, 1.4 ,2.2)
<i>Present Trends</i>						
SSP2-4.5	24.6	-0.3	-0.4	(0.5, 0.8 ,1.4)	(0.9, 1.3 ,2.0)	(1.2, 1.8 ,2.6)
<i>High</i>						
SSP3-7.0				(0.6, 0.8 ,1.4)	(1.0, 1.4 ,2.2)	(1.5, 2.1 ,3.2)

Notes: 1985-2014 average temperature is used as the benchmark to measure observed and projected temperature change. Future projections indicate the 10th, 50th, and 90th percentile of the range of all climate models. The 50th percentile is the “consensus” estimate.

Source: FADCP Climate Dataset (Masseti and Tagklis, 2023), using CRU data (Harris et al., 2020), and CMIP6 data (Copernicus Climate Change Service, Climate Data Store, 2021).

5. Governments can prioritize adaptation policies with positive externalities, by removing the market imperfections and policies that hinder efficient private adaptation, and by ensuring a just transition. Individuals and firms have strong incentives to adapt because many adaptation benefits tend to be local and private. However, there is a clear role for government intervention when adaptation has large externalities (Bellon and Massetti, 2022), for example:

- Some market imperfections pertain to the nature of the adaptation goods themselves. For example, markets invest suboptimally in adaptations with large positive externalities and public goods, such as information about climate change, emergency preparedness plans, seawalls, basic research in new materials, and technologies to cope with higher temperature.
- In many instances, resilience depends on networks, such as a system of dikes, a water network, or a transportation network. As adaptation in each part of a network has impacts on the rest of the network that may not be captured, private adaptation will tend to be underprovided.
- The extent of needed cooperation for adaptation projects depends on the extent of the externality that is addressed by the project. As risks grow in scope and complexity, cooperation might be needed at the national or even the international level, for example to manage floods in transnational rivers. In general, the optimal distribution of responsibilities across levels of government also depends on the existing allocation of responsibilities.
- Other market imperfections affect the broad functioning of the economy and make adaptation to climate change inefficient. For example, a poor business environment and inefficient credit markets hamper opportunities for farmers to invest in new capital to grow crops that are more suitable to the new climate.
- Moral hazard may cause insufficient investment in adaptation if consumers, firms, and local government expect central governments to provide relief. Governments can implement regulations that minimize risk taking. Examples include zoning that prohibits construction in flood zones, building codes, and mandatory insurance.

- The government may also consider correcting market distortions resulting from their own policies. For example, subsidies to inputs can lead to inefficient use. Of particular concern is subsidized water use, which may worsen water scarcity problems due to climate change. Barriers to international trade also prevent efficient climate-change-induced reallocation of capital, land use, and other resources to maximize their productivity.

6. Cost-benefit analysis (CBA) can play an important role in helping collect, aggregate, and compare information on adaptation projects. What to do, when, how, and at what cost ultimately relies on ethical choices that should reflect the preferences of each society. However, cost-benefit analysis (CBA), complemented by analysis and correction of distributional impacts, can help decision makers maximize overall social welfare by avoiding wasting scarce resources. CBA should be applied to adaptation as well as to all other development programs in a consistent manner (Bellon and Massetti, 2022). Competing programs should be ranked using CBA and only programs with the highest ranking should be financed. By consistently investing in projects with the highest returns, governments can maximize the impact of their spending. This means, for example, saving the largest number of lives, providing access to education to the largest number of children, ensuring that the largest possible number of people are above the poverty line, and boosting long-term growth (Bellon and Massetti, 2022).

7. Compensation might be more efficient than investments in adaptation to achieve society's equity preferences. Full protection of all assets and populations at risks may be very expensive in some cases and as a result adaptation projects may have a negative NPV. While there can be specific reasons to warrant investment even with a negative NPV, the authorities should consider if it is possible to support the affected population in alternative ways. This can take the form of relocation subsidies or other forms of supports with less stringent conditionality (Bellon and Massetti, 2022).

References

Bellon, Matthieu, and Emanuele Massetti, 2022. "Economic Principles for Integrating Adaptation to Climate Change into Fiscal Policy." IMF Staff Climate Note 2022/001, International Monetary Fund, Washington, DC.

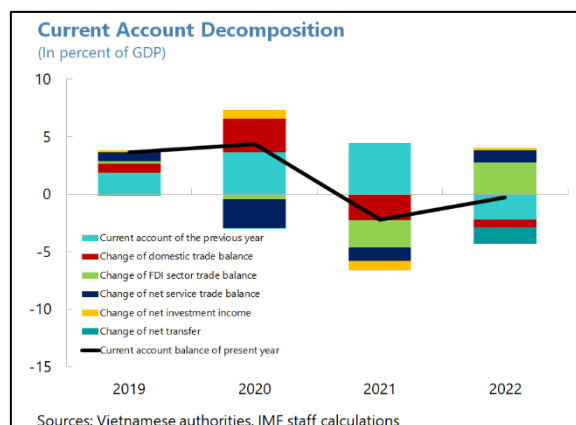
Massetti, Emanuele, and Filippas Tagklis, 2023. "Guidance Note on the FADCP Climate Dataset: Temperature and Precipitation." Unpublished manuscript, forthcoming, International Monetary Fund, Washington, DC.

Harris, Ian, Timothy J. Osborn, Phil Jones, and David Lister, 2020. "Version 4 of the CRU TS monthly high-resolution gridded multivariate climate dataset." *Scientific data* 7(1): 109.

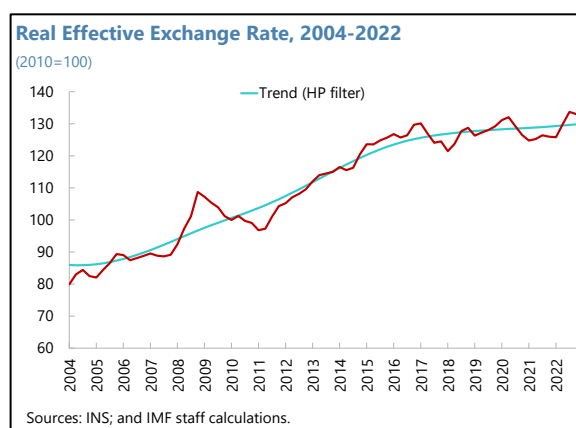
Annex VIII. External Sector Assessment

Vietnam's external position in 2022 was assessed to be stronger than the level implied by medium-term fundamentals and desirable policies. The current account balance (CAB) registered a deficit of 0.3 percent of GDP. The CAB is expected to improve further in 2023 as a result of China's reopening, subdued domestic demand, and a pick-up in net transfers. Policies geared towards promoting investment, including a stronger rollout of public investment, and strengthening of safety nets would support external rebalancing.

1. The CA improved noticeably from a deficit of 2.2 percent of GDP in 2021 to a deficit of 0.3 percent in 2022, following a higher merchandise trade surplus and a rebound in services exports. Vietnam's post-pandemic recovery boosted both domestic and FDI-related trade activity during the first nine months of 2022. However, merchandise trade declined in the last quarter as external and domestic headwinds arose, dampening FDI imports in particular. Additionally, an increase in tourist arrivals boosted services exports, which in 2022 were roughly 2.5 times higher than their 2021 levels. These factors increased the trade balance (including services) from 0.1 percent of GDP in 2021 to 3.2 percent of GDP in 2022. Net transfers fell by nearly 50 percent in 2022, due to higher remittance outflows.



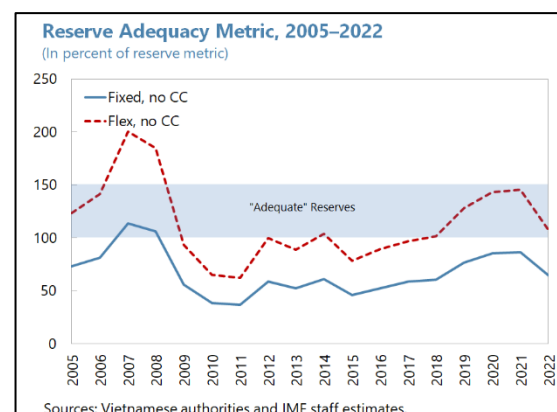
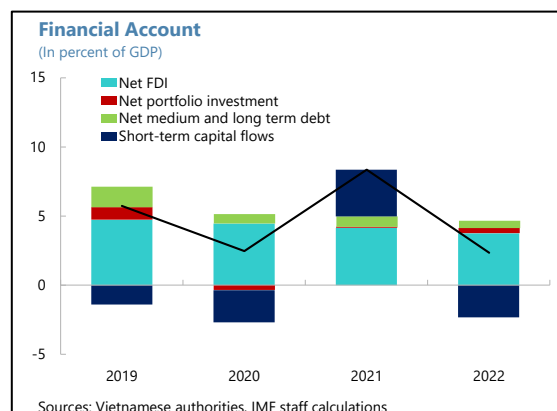
2. The real effective exchange rate (REER) appreciated during the first three quarters of 2022 before stabilizing in the remainder of the year. REER movements mirrored the trends in the nominal effective exchange rate (NEER). The depreciation of the dong versus the US dollar was more muted than that in Vietnam's other major trading partners (EU, China) until the end of 2022Q3, driving up Vietnam's NEER. As depreciation pressures on the dong came to bear in 2022Q4, the REER depreciated slightly, though it ended the year up 5.6 percent versus the end-2021 level.



3. The financial account declined in 2022 driven by short-term capital flows. Commercial banks repaid offshore debt and more deposits were placed abroad due to a widening interest rate differential (prior to the SBV's rate hike in fall 2022). FDI levels remained stable during the year and medium-term external borrowing was in line with previous years

4. Gross international reserves fell by 21 percent (USD 22.7 billion) in 2022. The authorities used FX interventions to counter depreciation pressures against the dong and stabilize the FX market, after a period of steady reserve accumulation between 2017-21. As of 2022 year-end, reserves stood at USD 86.7 billion, equivalent to 2.3 times short-term external debt and 65 percent of the Assessing Reserve Adequacy (ARA) metric under a fixed exchange rate regime. Reserve levels were at 107 percent of the metric under a flexible exchange rate. Staff assesses the end-2022 reserve levels to be moderately below adequacy, as the exchange rate regime is in between fixed and floating, and expects reserves to reach adequate levels again in 2023.

5. Vietnam's external position in 2022 is assessed to be stronger than warranted by fundamentals and desirable policies. Based on the current account model, the CA gap is estimated at 3.4 percent of GDP. The gap reflects both policy and unexplained factors. Some policy gaps have opposing signs: fiscal policy increased the gap by 1.3 percent of GDP (reflecting the tighter stance than in the rest of the world) while FXI interacted with capital controls reduced the gap by 2.2 percent (reflecting the drawdown in reserves along with the relatively closed financial account). Structural factors, not accounted by the model (like informality and weak social safety nets that lead to precautionary saving), also contributed to the gap. In addition, the large errors and omissions increase the uncertainty surrounding the assessment as the current account balance may have been more negative than reported, reducing the gap. The CA model implies a REER gap of -5 percent (applying an elasticity of 0.7). Instead, the EBA REER models suggest a gap of 16.2-21.4 percent, highlighting the significant uncertainty surrounding an exchange rate assessment.



EBA Model Estimates for 2022 (in percent of GDP) 1/

CA model	
CA-Actual	-0.3
Cyclical contributions (from model) (-)	-1.3
Adjusted CA	1.0
CA Norm (from model) 2/	
Standard Error	0.6
CA Gap	3.4
o/w Relative policy gap	-1.5
o/w fiscal policy gap	1.3
o/w FXI*KC gap	-2.2
REER Gap	
CA-implied	-5.0
Elasticity	0.7
REER-Index Model	21.4
REER-Level Model	16.2

1/ Vietnam transitioned from EBA-lite to EBA in 2022.

2/ Cyclically adjusted, including multilateral consistency adjustments.

Annex IX. Debt Sustainability Analysis

Figure 1. Vietnam: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting a relatively low level of vulnerability in the medium-term horizon and a low to moderate level of vulnerability in the long term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low, reflecting a stable fiscal outlook and low amortization need. The fanchart analysis suggests that baseline projections are reasonable and the public debt will be on a downward trajectory. GFN analysis indicates that financing needs are trending downward. Tighter global financing conditions remain a risk.
Fanchart	Low	...	
GFN	Low	...	
Stress test	...	...	
Long term	...	Moderate	Long-term risks are low to moderate as aging-related expenditures on health and social security as well on climate spending feed into debt dynamics, which will increase debt and GFN without policy actions. The government is aware of these risks and policy measures are envisaged, such as revenue mobilization, pension reforms, and galvanizing private sector support.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes
DSA summary assessment			
Commentary: Vietnam is at a low overall risk of sovereign stress. The public debt continued to fall since 2020 and is projected to further decline, and medium-term risks as analyzed by the DSA are also low. Over the longer run, Vietnam should maintain fiscal prudence and continue with reforms to strengthen the authorities' debt management institutions to tackle any long-term risks arising from population aging and climate change.			

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Vietnam: Debt Coverage and Disclosures

										Comments			
1. Debt coverage in the DSA: 1/				CG	GG	NFPS	CPS	Other					
1a. If central government, are non-central government entities insignificant?									n.a.				
2. Subsectors included in the chosen coverage in (1) above:													
Subsectors captured in the baseline								Inclusion					
CPS	NFPS	GG: expected	CG	1	Budgetary central government				Yes	Not applicable (see commentary below)			
				2	Extra budgetary funds (EBFs)				No				
				3	Social security funds (SSFs)				No				
				4	State governments				Yes				
				5	Local governments				Yes				
				6	Public nonfinancial corporations				No				
				7	Central bank				No				
				8	Other public financial corporations				No				
3. Instrument coverage:				Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
4. Accounting principles:													
Basis of recording					Valuation of debt stock								
Non-cash basis 4/		Cash basis	Nominal value 5/	Face value 6/	Market value 7/								
5. Debt consolidation across sectors:						Consolidated	Non-consolidated						
Color code: chosen coverage Missing from recommended coverage Not applicable													
Reporting on intra-government debt holdings													
				Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
Issuer													
CPS	NFPS	GG: expected	CG	1	Budget. central govt								0
				2	Extra-budget. funds								0
				3	Social security funds								0
				4	State govt.								0
				5	Local govt.								0
				6	Nonfin pub. corp.								0
				7	Central bank								0
				8	Oth. pub. fin. corp								0
Total				0	0	0	0	0	0	0	0	0	

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

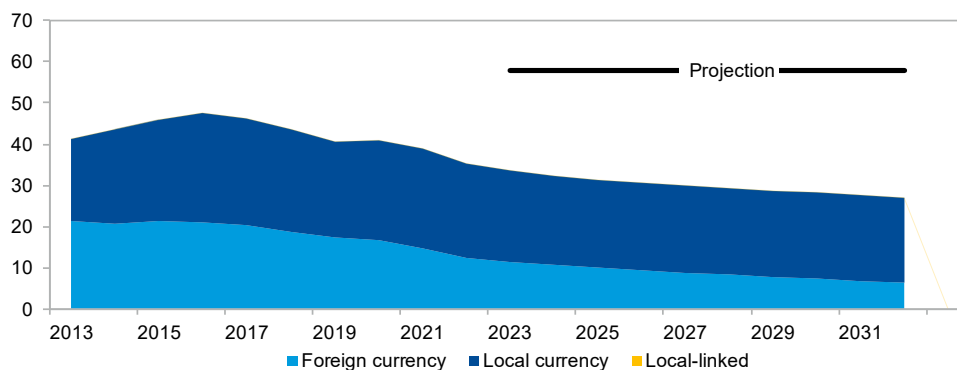
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

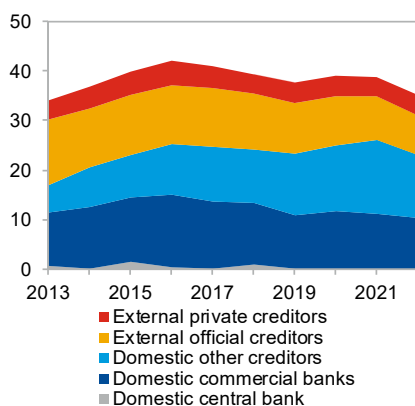
Commentary: Public debt of the Vietnam Social Security (VSS) is not included in Vietnam's definition of public debt. With cross-debt holdings of about 10 percent of GDP, its inclusion would currently reduce public debt by the same amount.

Figure 3. Vietnam: Public Debt Structure Indicators

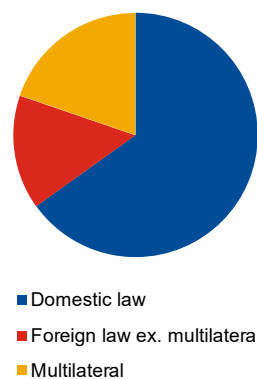
(Debt by currency (percent of GDP))



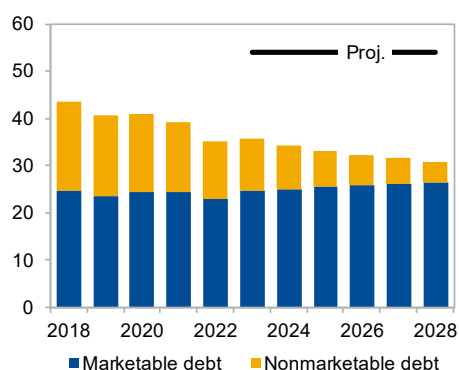
Note: The perimeter shown is general government.

Public debt by holder (percent of GDP)

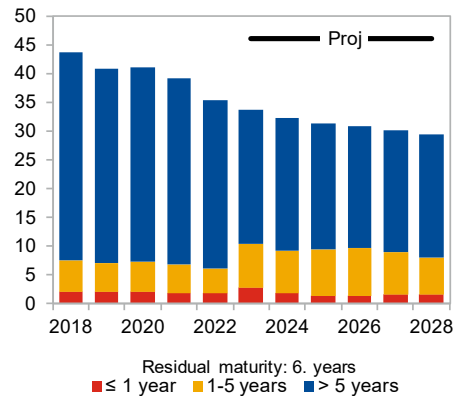
Note: The perimeter shown is general government.

Public debt by governing law, 2022 (percent)

Note: The perimeter shown is general government.

Debt by instruments (percent of GDP)

Note: The perimeter shown is general government.

Public debt by maturity (percent of GDP)

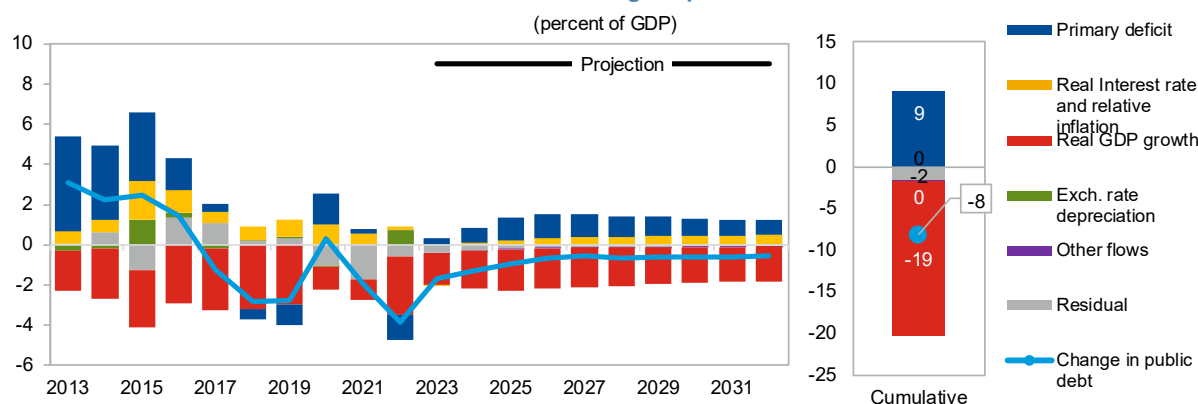
Note: The perimeter shown is general government.

Commentary: Debt has been increasingly held by domestic commercial banks and nonbank financial institutions. The share of foreign currency debt is projected to decline as the government favors domestic financing for the budget, with gradual decay of nonmarketable debt.

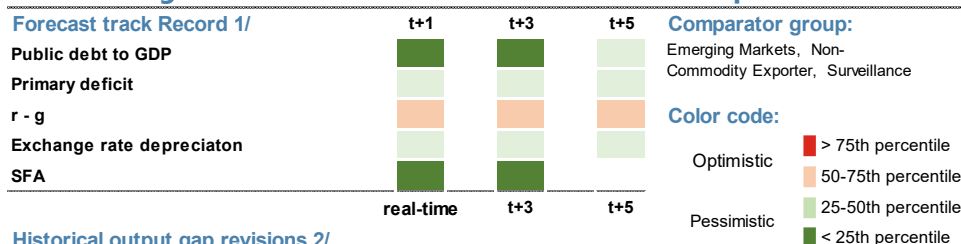
Figure 4. Vietnam: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	35.3	33.6	32.3	31.3	30.7	30.1	29.5	28.9	28.2	27.6	27.1
Change in public debt	-3.9	-1.7	-1.3	-0.9	-0.6	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6
Contribution of identified flows	-3.3	-1.3	-1.0	-0.7	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Primary deficit	-1.3	0.3	0.8	1.2	1.2	1.1	1.0	1.0	0.8	0.8	0.8
Noninterest revenues	19.0	18.4	18.5	18.8	19.0	19.2	19.4	19.5	19.6	19.6	19.7
Noninterest expenditures	17.8	18.7	19.3	19.9	20.2	20.4	20.5	20.5	20.5	20.5	20.5
Automatic debt dynamics	-2.0	-1.6	-1.8	-1.9	-1.7	-1.6	-1.6	-1.4	-1.4	-1.3	-1.2
Real interest rate and relative inflation	0.2	0.0	0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.5	0.5
Real interest rate	-0.3	-0.5	-0.3	-0.1	0.0	0.1	0.1	0.2	0.2	0.3	0.3
Relative inflation	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Real growth rate	-2.9	-1.6	-1.8	-2.1	-2.0	-2.0	-1.9	-1.8	-1.8	-1.8	-1.7
Real exchange rate	0.7	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.6	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	2.1	3.4	4.2	3.6	3.4	3.3	3.4	3.4	3.5	3.4	2.7
of which: debt service	3.4	3.0	3.4	2.5	2.2	2.1	2.3	2.4	2.7	2.6	1.9
Local currency	2.5	1.8	2.3	1.6	1.4	1.4	1.6	1.8	2.1	2.0	1.4
Foreign currency	0.9	1.3	1.1	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5
Memo:											
Real GDP growth (percent)	8.0	4.7	5.8	6.9	6.8	6.8	6.8	6.7	6.6	6.6	6.6
Inflation (GDP deflator; percent)	3.9	4.5	4.1	3.5	2.9	2.8	2.9	2.7	2.7	2.7	2.7
Nominal GDP growth (percent)	12.2	9.5	10.1	10.7	10.0	9.8	9.9	9.6	9.6	9.6	9.6
Effective interest rate (percent)	2.9	2.9	3.0	3.0	3.1	3.3	3.4	3.5	3.6	3.8	4.0

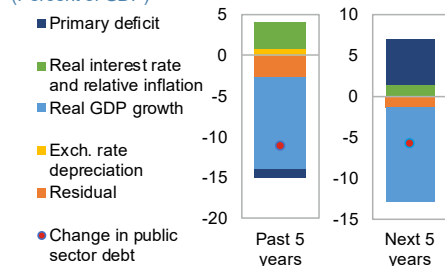
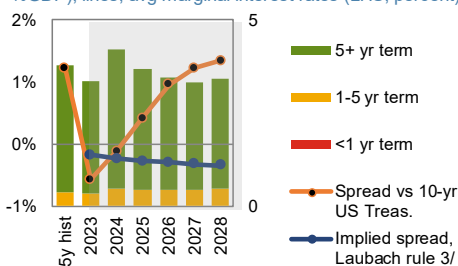
Contribution to change in public debt



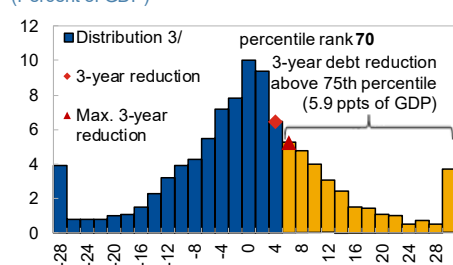
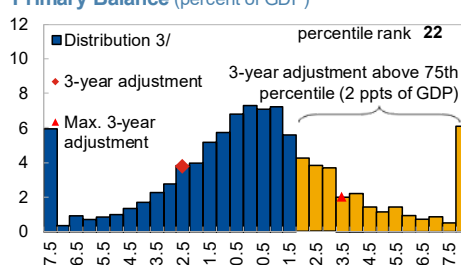
Staff commentary: Public debt is projected to gradually decline, reflecting expectations of a narrowing of primary deficits and strong GDP growth amid stable economic conditions. Continued revenue mobilization and spending prudence will help lower the primary deficit to around 1 percent of GDP in the medium term. After a weaker performance owing to lackluster external demand in 2023, growth is expected to recover to the potential annual rate of 6.8 percent in the medium term, together with a projected inflation of 3.1 percent, helping to keep the debt-to-GDP ratio in check.

Figure 5. Vietnam: Realism of Baseline Assumptions**Historical output gap revisions 2/****Public Debt Creating Flows**

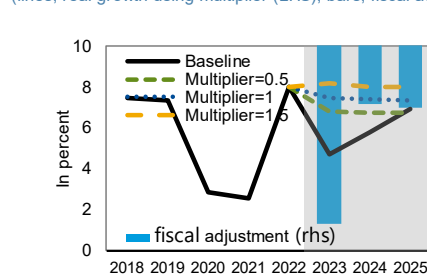
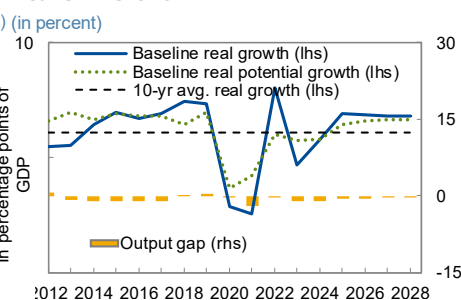
(Percent of GDP)

**Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))****3-Year Debt Reduction**

(Percent of GDP)

**3-Year Adjustment in Cyclically-Adjusted****Primary Balance (percent of GDP)****Fiscal Adjustment and Possible Growth Paths**

(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS) (in percent))

**Real GDP Growth**

Commentary: Realism analysis does not point to major concerns as past forecasts appear to be conservative and the projections are well within norms. The primary deficit is projected to become the main driver of debt creation as the generally tight fiscal policy in the past few years loosens.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Vietnam: Medium-Term Risk Assessment

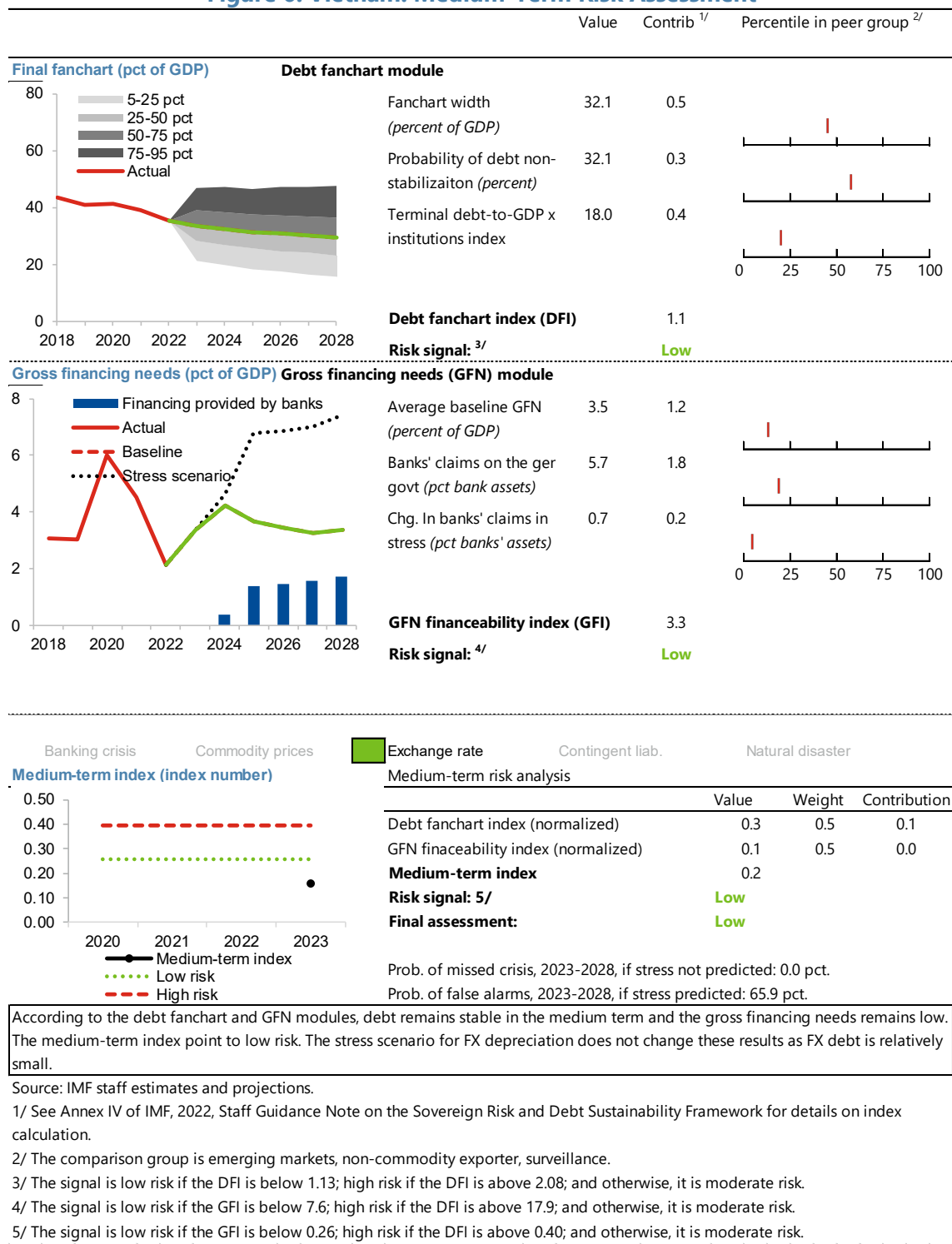
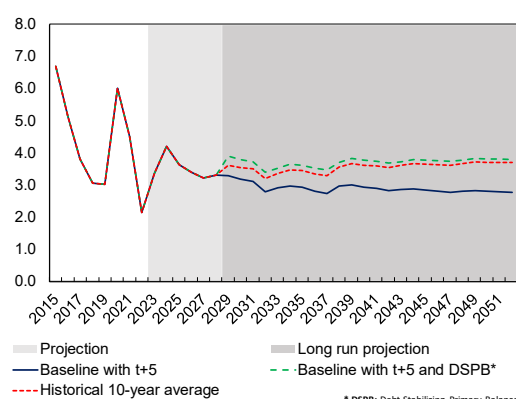
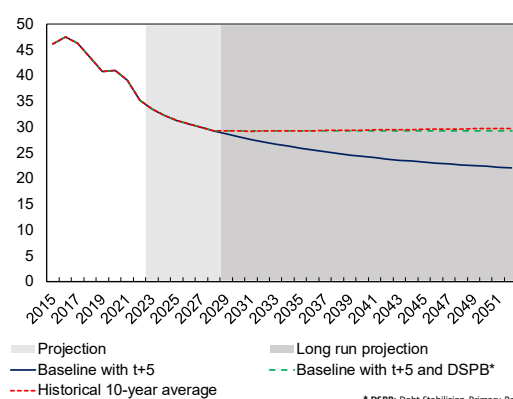


Figure 7. Vietnam: Long-Term Risk Analysis

Large Amortization Trigger

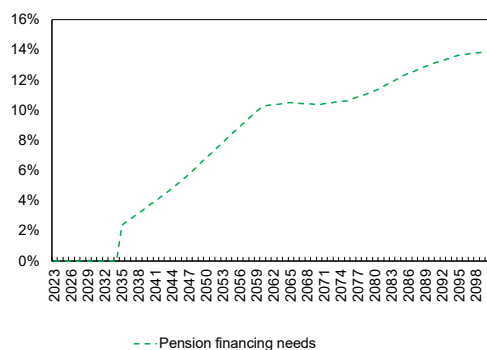
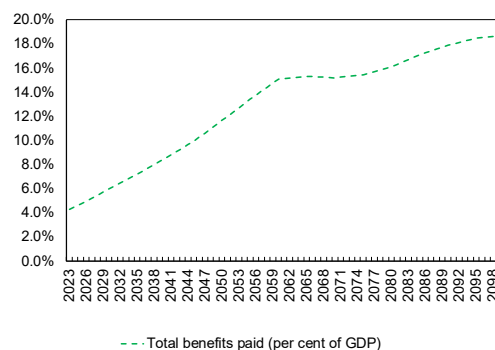
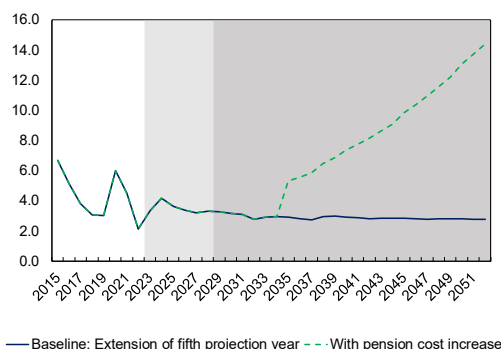
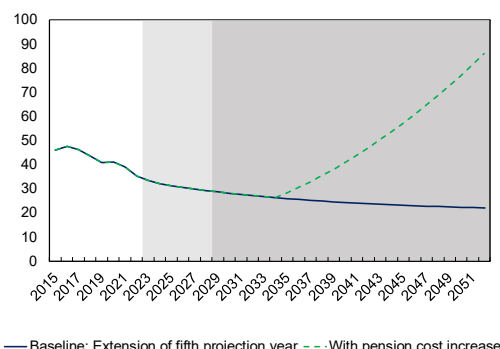
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
	Amortization	Red
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
	Amortization	Red
Historical average assumptions	GFN-to-GDP ratio	Green
	Amortization-to-GDP ratio	Red
	Amortization	Red
Overall Risk Indication		Green

Alternative Baseline Long-term Projections**GFN-to-GDP ratio****Total public debt-to-GDP ratio**

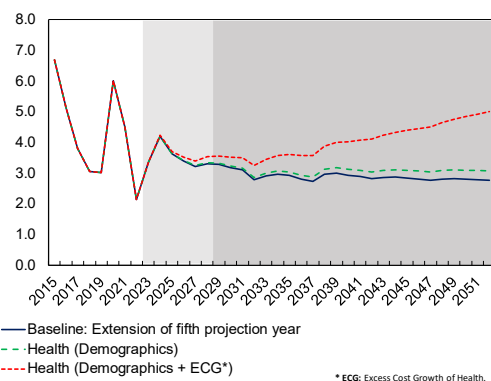
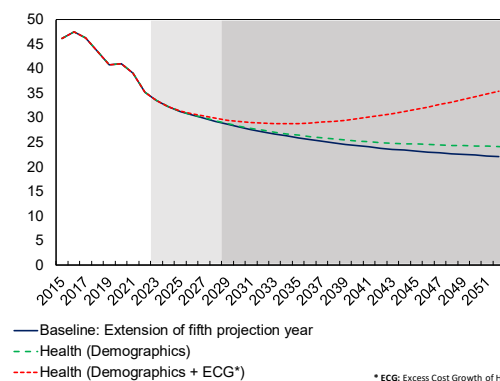
Commentary: Long-term debt is broadly stable and remain relatively low under alternative assumptions. The "Historical 10-year average" and "t+5 and DSPB" scenarios show somewhat higher financing needs.

Figure 7. Vietnam: Long-Term Risk Analysis (Continued)**Demographics: Pension**

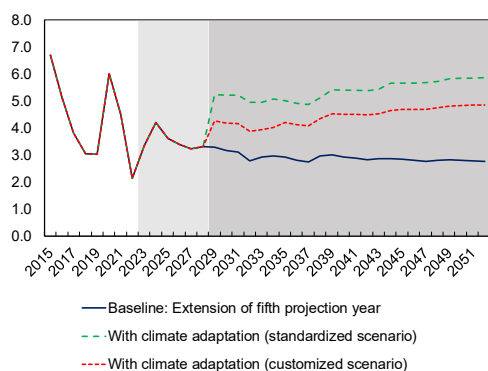
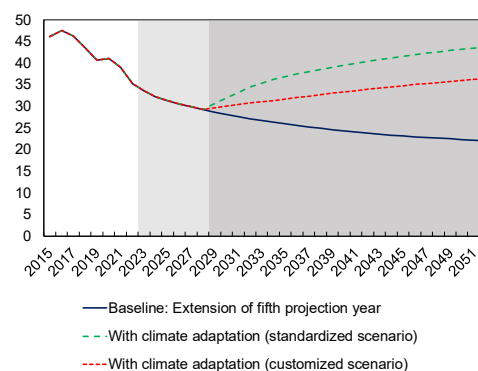
Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	3.74%	7.70%	10.73%

Pension Financing Needs**Total benefits paid****GFN-to-GDP ratio****Total public debt-to-GDP ratio**

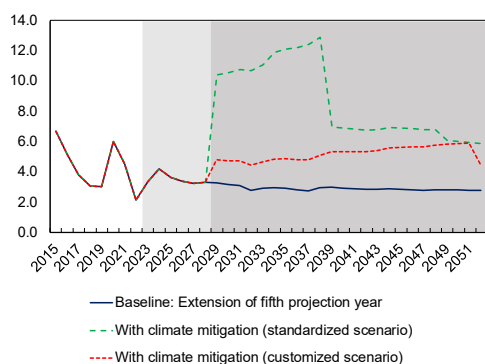
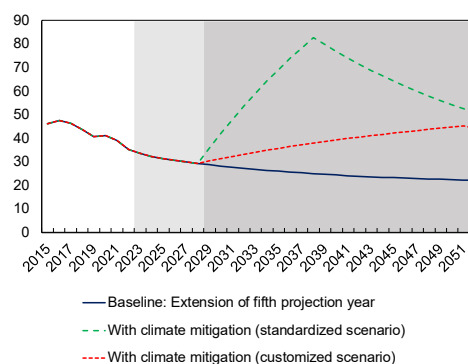
Commentary: Population aging is expected to increase pension cost significantly after 2035 in the absence of reforms. The government is aware of the pressure from population aging and is expected to implement pension reforms and revenue mobilization to meet the challenge.

Demographics: Health**GFN-to-GDP ratio****Total public debt-to-GDP ratio**

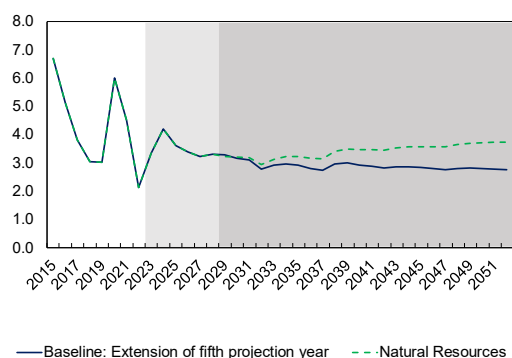
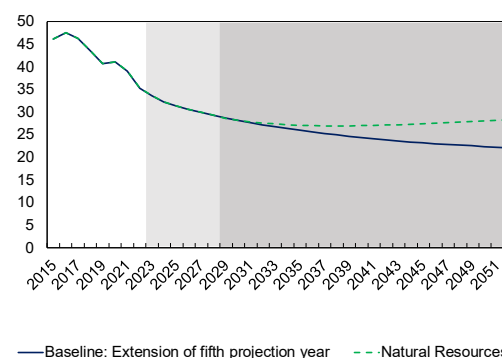
Commentary: In the long term, the health spending need is rising. It could be managed if the government devotes enough gains from its efforts to mobilize tax revenues to health spending and implement structural reforms to improve spending efficiency.

Figure 7. Vietnam: Long-Term Risk Analysis (Concluded)**Climate Change: Adaptation****GFN-to-GDP ratio****Total public debt-to-GDP ratio**

Commentary: Investments to address climate adaptation will increase the long-term financing need. However, the government's planned ETS is expected to generate significant revenues which could be used to finance climate adaptation. The government is also committed to prioritizing investment toward climate adaptation.

Climate Change: Mitigation**GFN-to-GDP ratio****Total public debt-to-GDP ratio**

Commentary: In the absence of measures, the mitigation spending need is high in the standardized scenario. However, the government's planned ETS will operate starting 2028 which will help reduce the spending need and generate significant revenues which could be used on shifting toward renewable energy.

Natural Resources**GFN-to-GDP ratio****Total public debt-to-GDP ratio**

Commentary: Vietnam is an oil producer. In the absence of new discoveries, the exhaustion of the oil reserves in the long run would have negative impacts on the GFN and public debt, but as the natural resource sector constituted less than 3 percent of GDP in 2022, the sector's influence on public debt is small.

Annex X. Risk Assessment Matrix

Risk	Likelihood of Risk	Time Horizon	Impact if realized	Policy Response
External Risks				
Intensification of regional conflict(s).	High Downside: Escalation of the war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	ST, MT	High Higher commodity prices, extended supply chain disruptions, tighter financial conditions, lower global demand, and less trade.	• Provide targeted policy support. • Allow greater exchange rate flexibility. • Accelerate structural reforms and improve business environment. • Diversify sourcing of intermediate goods.
Abrupt global slowdown or recession.	Medium Downside: Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	ST	High Lower exports, tourism, and FDI.	• Provide targeted policy support. • Allow greater exchange rate flexibility. • Facilitate reallocation of resources through structural reforms. • Diversify sourcing of intermediate goods.
Deepening geo-economic fragmentation.	High Downside/upside: Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	ST/MT	Medium Supply disruptions and weaker confidence adversely affect economic activity globally. However, Vietnam may continue benefiting from trade diversion.	• Allow greater exchange rate flexibility. • Accelerate structural reforms and improve business environment
Monetary policy miscalibration.	Medium Downside: Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets.	ST, MT	High/Medium Tighter global financial conditions, lower capital inflows; increase inflationary pressure.	• Allow greater exchange rate flexibility. • Tighten monetary policy when economic situation allows. • Agile and more targeted fiscal policy
Systemic financial instability.	Medium Downside: Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing markets dislocations and adverse cross-border spillovers.	ST, MT	Medium Lower external demand and tighter global financial conditions.	• Allow greater exchange rate flexibility. • Tighten monetary policy when economic situation allows. • Closely monitor financial stability risks. • Provide targeted policy support.

Domestic Risks				
Slowdown in credit to the economy.	High Downside: A deepening of the current ongoing real estate and corporate bond markets turmoil could adversely affect banks, including some that could become distressed.	ST, MT	Medium Reduced economic activity accompanied by tighter financial conditions as credit risks increase.	- Establish a crisis monitoring function to address short-term risks to financial stability. - Urgently modernize the bank resolution and the emergency liquidity frameworks - Contagion from troubled real estate developers should be prevented to avoid posing risks to financial stability. - Over time, strengthen bank regulation, supervision and resolution frameworks, establish a well-functioning corporate bond market and firm insolvency framework.
Slow and inconsistent policy implementation.	Medium Downside: coordination and capacity issues hamper implementation of the stimulus and create policy uncertainties.	ST, MT	Medium Hampers labor reallocation and fuels supply disruptions; weak stimulus implementation slows recovery.	- Enhance policy coordination and reduce regulatory and other barriers - Clearly communicate harmonized policies and consistent application nationally.
Debt overhang and liquidity constraints.	Medium Downside: businesses and households deplete buffers, propagating balance sheet stress.	ST, MT	Medium Slows recovery threatens financial stability.	- Target support to viable firms and vulnerable households. - Closely monitor asset quality, enhance provisioning, and rebuild capital buffers.
Climate change.	High Downside: Vietnam is amongst the most vulnerable yet least ready/able to adapt.	ST, MT	High By 2100, climate change could severely impact more than 12 percent of the population and reduce growth by 10 percent.	- Address both climate mitigation and adaptation. - Lower the intensity of fossil fuels - Provide stronger incentives through taxation of fossil fuels - Invest in climate resilient infrastructure. - Improve capacity to adapt technological change.
"L" =Low; "M" =Medium; "H" =High. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly				



VIETNAM

July 25, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

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FUND RELATIONS

(As of June 30, 2023)

Membership Status

Joined: September 21, 1956; Article VIII

General Resources Account

	SDR Million	Percent of Quota
Quota	1,153.10	100.00
Fund holdings of currency	1,153.10	100.00
Reserve position in Fund	0.01	0.00

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	1,419.99	100.00
Holdings	1,403.61	98.85

Outstanding Purchases and Loans: None

Latest Financial Arrangements

In millions of SDRs

Type	Date of Arrangement	Expiration Date	Amount Approved	Amount Drawn
ECF ¹	04/13/2001	04/12/2004	290.00	124.20
ECF ¹	11/11/1994	11/10/1997	362.40	241.60
Stand-By	10/06/1993	11/11/1994	145.00	108.80

¹ Formally PRGF.

Projected Payments to Fund

In millions of SDRs (based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2023	2024	2025	2026	2027
Principal					
Charges/interest	0.32	0.67	0.67	0.67	0.67
Total	0.32	0.67	0.67	0.67	0.67

Exchange Rate Arrangement

The de facto exchange rate arrangement was reclassified to stabilized from crawl-like. The de jure arrangement is managed floating. The State Bank of Vietnam (SBV) is gradually increasing exchange-rate flexibility. In August 2015 it widened the VND/USD trading band to +/-3 percent from +/-1 percent while devaluing the central parity by one percent. SBV further widened its trading band to +/-5 percent from +/-3 percent in October 2022. In January 2016 it announced the VND/USD rate would be adjusted daily rate based on (i) the previous day's weighted average dong/USD exchange rate; (ii) a weighted average of movements in dong exchange rates vis-à-vis seven other important trading partners' currencies; and (iii) domestic macroeconomic conditions.

Vietnam has accepted the obligations under Article VIII, Section 2(a), 3, and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and 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.

Article IV Consultations

Vietnam is on a 12-month consultation cycle. The previous Article IV consultation was held hybrid during March 9-23, 2022, and was concluded by the Executive Board on June 6, 2022.

Technical Assistance

In recent years, Vietnam has received technical assistance (TA) in the areas of statistics (government finance, external sector, price, and national accounts), reserve management, debt management, tax administration, fiscal risks, liberalization of capital controls on external debt, foreign exchange management, and forecasting and policy analysis system (FPAS). The IMF-World Bank Financial Sector Assessment Program was undertaken during 2012–13.

In 2019, the IMF's Institute for Capacity Development (ICD) started a multi-year TA on FPAS. In 2021, Phase I of FPAS TA on modelling capacity was successfully completed and Phase II on structured policy discussion started in April 2022.

In 2022 and 2023, the IMF's Fiscal Affairs Department and the Capacity Development Center of Thailand (CDOT) have provided TA on tax administration and compliance risk management, strengthening Vietnam Treasury's cash management, internal audit, and chart of accounts. TA and training were also provided for the formulation of medium-term debt strategy, debt management institutional arrangement, custom modernization, and pension fund modeling. The IMF's Monetary and Capital Markets Department (MCM) started a multi-year project on strengthening the SBV Internal Audit in Aug 2022. The IMF's Legal Department (LEG) started a multi-year project to help SBV and relevant government agencies strengthen AML/CFT legal frameworks and risk-based AML supervision in November 2022. The IMF's Statistics Department (STA) provided TA on Government Finance Statistics (with CDOT), and National Accounts. CDOT provided TA on external sector statistics in coordination with STA. In April 2023, STA provided a TA to help the SBV transition to the new FSIs compiling format. A scoping mission for a Financial Sector Stability Review (FSSR) took place in 2021, with a full FSSR finalized in June 2023. The FSSR report was approved by the SBV management.

In 2023, ICD started a new multi-year CD on macroeconomic framework to strengthen the capacity of macroeconomic analysis and forecasting of the Ministry of Planning and Investment.

Resident Representative

Mr. François Painchaud is the Resident Representative for Vietnam and Lao P.D.R., based in Hanoi, since June 2019. Mr. Jochen Schmittmann will replace Mr. Painchaud in late August 2023.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: <http://www.worldbank.org/en/country/vietnam>

Asian Development Bank: <https://www.adb.org/countries/vietnam/main>

MAIN WEBSITES OF DATA

State Bank of Vietnam (www.sbv.gov.vn)

Exchange rates

Interest rates

Balance of payments

Credit to the economy

Financial Soundness Indicators

Money Market Operation

Ministry of Finance (www.mof.gov.vn)

Government budget

Customs data

Public Debt Bulletin

Ministry of Planning and Investment (www.mpi.gov.vn)

Public Investment

Foreign Direct Investment

Business registration

General Statistics Office of Vietnam (www.gso.gov.vn)

Price Indices

National accounts

Population and Employment

Investment and Construction

Socioeconomic information

Exports and Imports

STATISTICAL ISSUES

(As of June 29, 2023)

Assessment of Data Adequacy for Surveillance

General: Data provision is broadly adequate for surveillance, although some shortcomings remain where further efforts are needed. In particular, improving the quality of the balance of payments and the timely collection fiscal accounts are a priority. Other areas include national accounts and the financial sector.

National accounts: The General Statistics Office (GSO) provides quarterly and annual data on GDP by type of economic activity and by expenditure (both in current and constant prices), and monthly and annual data on external trade, industrial output, retail sales, and prices. Improving the quality of Quarterly National Accounts (QNA) estimates should be accorded priority, in particular to compile discrete and independent quarterly GDP, using consistent data sources and methods. Currently, the GSO produces cumulative QNA estimates for the first three quarters of the year and the fourth quarter estimate is a residual. The compilation of national and provincial estimates is centralized at the GSO. The National Accounts base year is 2010. Vietnam plans to use 2020 (a year impacted by COVID 19) as the new benchmark year and employ chain-linking volume measures which will help to preserve the structure of national accounts components for each year of the new GDP series. However, finalization of the national account rebase could be delayed to 2024. STA has provided TA for the benchmarking exercise, with a focus on better incorporating non-observed activities, including informal activities, as well as the development of supply and use tables (SUTs) and input-output tables (IOTs).

Prices statistics: The CPI methodology is broadly in line with international standards. Monthly CPIs are released on a timely basis by the end of the reference month. The current CPI weights (2019) were calculated based on the Household Living Standards and CPI weight survey conducted in 2018. The CPI basket is also scheduled to be updated in 2024. Monthly producer and trade price indices are published quarterly. STA TA to support sampling and data collection improvements for services producer price indexes was also conducted. New residential property price indexes were developed by the GSO, although limited availability of administrative source data has delayed progress and publication. Indexes based on data obtained through web scraping were designed but compilation faces challenges mainly due to absence of reliable data.

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, data exclude quasi fiscal activities of the central bank (and state-owned enterprises (SOEs)), and extra-budgetary funds, among which are the Social Security Fund, 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 government cash and domestic financing cannot be reconciled as reported in the fiscal accounts. Moreover, a process

of final budget accounts production that takes up to 18 months, the lack of granular recurrent expenditure data by economic classifications, and typically large revisions in the budget outcomes between the 1st/ 2nd budget estimate and final accounts to reflect carryover complicate policy making and timely assessments of the fiscal policy stance. The World Bank and the IMF have recommended improving the coverage of fiscal data and aligning definitions with the *GFSM 2014*. The authorities provided GFSM 2014 consistent data for 2003–2019 based on final budget account, supported by the CDOT.

Monetary and financial statistics: The SBV reports monetary data for the central bank, monetary survey and other depository corporations to STA with monthly periodicity, although using old report forms with very limited information. STA has encouraged the SBV to develop a reporting scheme providing a comprehensive breakdown of data by counterparties and by currency of transaction, which would facilitate the migration to the standardized report forms (SRFs). In October 2018, the SBV informed STA of its action plan to complete the migration to the SRFs by end-May 2019, which is still in progress. The SBV reports data on some key series and indicators of the Financial Access Survey (FAS), including the two indicators of the U.N. Sustainable Development Goals. Vietnam reports 10 of the 12 core financial soundness indicators (FSIs), 7 of the 13 additional FSIs for deposit takers, and one FSI for real estate markets—on a semi-annual basis—for posting on the IMF’s FSI website with a 12-month lag. Vietnam has informed STA that it continues to provide FSIs in old format through 2021 and would follow the recommendation of the recent STA TA and apply the new compilation method for 2022 FSIs in July 2023. The new IMF compilation method was introduced with relevant sectoral financial statements (consolidated balance sheet and income statement data) and additional underlying series for the compilation of the new FSIs.

External sector statistics: Starting from 2013 data, the authorities are reporting balance of payments in BPM6 format. Weaknesses persist in the compilation of external sector position statistics—international investment position (IIP) statistics, external debt statistics, and Coordinated Direct Investment Survey (CDIS). While more comprehensive data on external debt flows and positions have become available with recent improvements, capacity constraints prevent the compilation of an overall measure of Vietnam’s gross external debt position. Improved BOP compilation data is in needed, especially to narrow the large Errors and Omissions. The annual foreign direct investment survey was last undertaken for 2015 reference year and has been discontinued thereafter. New administrative data sources have been explored to compile direct investment positions. CDOT is helping Vietnam improve the compilation and dissemination of the IIP as well as the compilation of comprehensive external debt statistics, the Coordinated Direct Investment Survey (CDIS), and the reserves data template.

Data Standards and Quality

Vietnam participates in the enhanced General Data Dissemination System (e-GDDS) and launched a National Summary Data Page (NSDP) in July 2019. No data ROSC are available.

Table 1. Vietnam: Common Indicators Required for Surveillance
(As of July 1, 2023)

	Date of Latest Observation	Date Received	Frequency of Data ¹	Frequency of Reporting ¹	Frequency of Publication ¹
Exchange Rates	June 2023	06/28/2023	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ²	March 2022	5/24/2023	M	M	N/A
Reserve/Base Money	March 2023	6/07/2023	M	M	N/A
Broad Money	March 2023	6/19/2023	M	M	N/A
Central Bank Balance Sheet	Mar 2023	6/07/2023	M	M	N/A
Consolidated Balance Sheet of the Banking System	Mar 2023	6/19/2023	M	M	N/A
Interest Rates ³	Apr 2023	6/05/2023	M	M	M
Consumer Price Index	June 2023	6/29/2023	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ⁴ —General Government ⁵	March 2023	April 2023	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	December 2022	June 2023	A	A	Semi-Annual
External Current Account Balance	Q1 2023	6/01/2023	Q	Q	Q
Exports and Imports of Goods and Services ⁷	May 2023	6/29/2023	M	M	M
GDP/GNP	Q2 2023	6/29/2023	Q	Q	Q
Gross External Debt	December 2022	June 2023	A	A	A
International Investment Position ⁸	...	...	N/A	N/A	N/A

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

²Any 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.

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

⁴Foreign, domestic bank, and domestic nonbank financing.

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

⁶Including currency and maturity composition.

⁷Services data available on an annual basis.

⁸Includes external gross financial asset and liability positions vis-à-vis nonresidents.

Statement by Mr. Anwar and Mr. Hendrayadi on Vietnam
August 30, 2023

On behalf of the Vietnamese authorities, we express our gratitude to the IMF mission team led by Mr. Paulo Medas for the constructive and open policy discussions during the 2023 Article IV consultation. The authorities hold the ongoing engagement by the team in high regard.

Our authorities broadly concur with the staff's assessment and policy recommendations. They underscore the significant importance of maintaining macroeconomic stability to consolidate the recovery and foster sustainable and inclusive growth. Simultaneously, policy priorities revolve around rebuilding policy buffers, ensuring macroeconomic and financial stability, managing inflationary pressures, and mitigating slower growth. In response to macroeconomic developments, fiscal and monetary policies will continue to be proactive, preemptive, and flexible.

The Vietnamese economy demonstrated remarkable resilience amidst global uncertainties, owing to prudent and pragmatic policies. Vietnam's economy managed to achieve a historically high growth rate of 8% in 2022, surpassing that of regional economies and many emerging markets, supported by heightened global demand and recovery in the tourism sector. Going forward, Vietnam's economy is projected to sustain robust growth, albeit at a more moderate pace due to anticipated global growth moderation. The authorities' economic projections largely align with the staff's forecasts, albeit with a more optimistic outlook. The authorities anticipate a strong recovery in the latter half of 2023, supported by sustained external demand and a policy mix to counter potential slowdown risks. Macroeconomic stability remains intact, with inflation expected to remain below the 4.5% target in 2023, accompanied by an improving current account balance.

Monetary and Exchange Rate Policy

Monetary policy, executed judiciously, has effectively managed inflation dynamics and risks to broader macroeconomic stability. In late 2022, the State Bank of Vietnam (SBV) decisively increased interest rates to proactively contain inflation risks, maintain stability, and safeguard the banking system. This strategy proved effective, resulting in a decline in inflation by early 2023 and a return to the target range, and contributing to enhanced financial stability. Core inflation, reflecting underlying demand pressures, has also receded. In anticipation of potential risks of future economic slowdown influenced by global factors that could impact macroeconomic stability, the SBV adopted a preemptive and front-loaded approach, easing monetary policy through interest rate cuts to stay ahead of potential challenges. This relaxation could alleviate the burden on small and micro firms. This relaxation of monetary policy will be complemented by fiscal stimulus and sectoral policies within the context of the national economic policy mix to mitigate the risks of an economic slowdown.

Exchange rate policy prioritizes flexibility to preserve the role of the exchange rate as a shock absorber and to maintain orderly market functioning. In October 2022, the exchange rate trading band was further widened to allow greater exchange rate flexibility and help absorb external shocks, following similar measures in previous years. Foreign exchange interventions were conducted to manage excessive volatility, without targeting specific exchange rate levels. Following the disruptive foreign exchange dynamics at the end of 2022, foreign exchange reserves increased supported by improved external conditions and positive investor's confidence in Vietnam's economic prospects.

The SBV continues to modernize the monetary policy framework with the support of IMF technical assistance. The SBV has enhanced its forecasting capabilities and strengthened the monetary policy decision-making process. This modernization will progress incrementally and is aligned with efforts to enhance institutional capacity and resources, strengthen domestic regulations, and improve policy coordination. The augmentation of monetary policy tools will be undertaken, considering overall preparedness and the prevailing operating environment.

Fiscal Policy

Fiscal policy is disciplined and follows a conservative approach, with a view on its impact over the medium- to long-term horizon. Fiscal consolidation is undertaken gradually and prudently, as reflected in the phasing out of pandemic-related measures and transitioning to more targeted policies while considering their implications on economic recovery. Public debt has decreased to 35% of GDP, supported by an improved fiscal balance and strong nominal GDP growth. Government-guaranteed debt continues to decrease as more state-owned enterprises (SOEs) gain access to market financing without government guarantees.

To mitigate the risks of potential economic slowdown, fiscal policy will play a counter-cyclical role through more expansionary measures, aligning with monetary policy. There is ample room for additional fiscal support if circumstances require it, given the successful prior fiscal consolidation efforts and debt reduction. The fiscal position has improved, and there is considerable room to utilize debt securities. Current public debt (including debt of affiliated institutions guaranteed by the government) remains below the National Assembly's 50% debt threshold. Nonetheless, the authorities will exercise prudence and opt for a conservative approach, considering the variability in revenue collection.

The authorities are confident that the expenditure measures in 2023 will support demand. Public wages have been raised by 20.8% after being frozen since 2019, with a well-contained budget impact. Efforts to better target and expand social safety nets continue, particularly focusing on the most vulnerable groups, with technical assistance from the IMF and World Bank. Initiatives to expedite the realization of public investments are also ongoing, to be accomplished through enhanced capacity of implementing officials and streamlined bureaucracy while upholding good governance practices.

The tax reform strategy moving forward aims to strike a balance between sustainable revenue generation and creating a more conducive business environment. Revisions to tax laws have been proposed to revamp the tax base and support businesses. Once approved, the new tax law will be cascaded into regulations at both central and provincial levels before full implementation of the new tax regime.

Financial Sector Policy

The SBV has taken swift and decisive measures to address liquidity challenges in late 2002 due to internal and external pressures. Globally, rising interest rates have widened the gap with domestic interest rates, leading to capital outflows. Domestically, there was negative sentiment arising from turbulence in the real estate and corporate bond markets. To mitigate their impact on the banking sector and broader financial system stability, the SBV swiftly injected liquidity into the interbank market. The liquidity situation has gradually improved, with the banking system currently maintaining sufficient liquidity.

The SBV has also implemented several temporary and targeted measures to support financially distressed corporations, responding to issues in the real estate market and deteriorating economic conditions. These policies have been gradually unwound to mitigate the risk of moral hazard and prevent the emergence of non-viable firms. Certain measures will remain in effect until mid-2024 but are limited in scope, specifically targeting well-performing companies facing production and business challenges due to recent financial stress.

The authorities remain committed to exploring further policy options to mitigate deteriorating credit quality. Mitigating the risk of credit quality deterioration, especially in

the real estate sector, involves enhanced supervision and measures for banks to manage non-performing loans (NPLs) while adhering to prudential principles. Credit to the real estate sector continues to be selective, particularly for low-risk ventures, including support for financing government affordable housing initiatives that aim to assist vulnerable households.

Moving forward, authorities acknowledge that reforms are pivotal to promote an efficient, robust, and resilient financial sector that sustainably supports economic development. In this regard, the authorities highly value the Article IV consultation's focus on strengthening the financial sector, particularly on enhancing the effectiveness of debt enforcement and insolvency frameworks and improving crisis preparedness. Recommendations, especially those pertaining to enhancing the legal framework and institutional capacity, have been well-received and will be progressively implemented. The ongoing revision of the Law on Credit Institutions is a step toward expediting structural reforms in the financial sector.

Significant efforts have been made to enhance the credibility and investors' confidence in the bond market. These efforts include the issuance of Vietnamese Government decrees that provides further clarity on investor status, issuance purposes, and principles for utilizing bond capital. Market infrastructure will be reinforced with the involvement of rating agencies. Moreover, consumer education efforts will be intensified and expanded as a preventive measure.

Structural Policies

The authorities remain resolute in their commitment to accelerate structural reforms to achieve sustainable and inclusive growth and facilitate the transition to a more developed economy. They highlight ongoing efforts to address legal uncertainties and reduce excessive administrative burdens, aimed at enhancing the business environment and fostering economic expansion.

Efforts to enhance data quality and availability are ongoing and are being gradually implemented. Necessary upgrades to legislative and IT frameworks to enhance data quality and availability need to be planned and sequenced appropriately, considering the involvement of various agencies and the need to amend several statistical provisions. The technical assistance received from the IMF is highly valued, and the authorities remain committed to its implementation. While awaiting a more robust regulatory data framework, authorities are diligently preparing various datasets that adhere to international standards, serving both Article IV consultations and domestic requirements.

The authorities remain committed to enhancing governance and strengthening the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) framework. Ongoing efforts to accelerate the implementation of AML/CFT measures aligned with FATF standards will be expedited. They recognize the need for stronger engagement to gain buy-

in from the various stakeholders involved. Efforts also encompass revising various existing legal provisions to accommodate AML/CFT-related measures.

Vietnam has formulated a comprehensive national strategy for climate adaptation and mitigation, in line with COP26 commitments. This involves concerted action across various ministries and state institutions and the development of enabling regulations. In this regard, the IMF's technical assistance on the implementation of the Emission Trading System (ETS) is welcomed. The authorities would also appreciate technical assistance on other non-price measures that are more feasible for near-term implementation.

Conclusion

Vietnam's economy is poised to continue growing at a reasonably healthy pace, supported by the coherent blend of prudent and pragmatic policy measures. Going forward, the policy direction will remain proactive and adaptable, factoring in the dynamics of external and domestic risks. Policies will take into consideration the characteristics of the Vietnamese economy, which heavily depends on external demand.

The Vietnamese authorities reiterate their strong commitment to pursue structural reforms to achieve sustainable and inclusive growth. The modernization of the legal and institutional framework is progressing, and efforts are ongoing to strengthen governance, AMLF/CFT, and address climate risks. Technical assistance from the IMF and other international organizations are of immense value and is highly appreciated. Looking ahead, the realization of this ambitious structural reform agenda necessitates meticulous planning, prioritization, and phased implementation, considering the available resources, to yield optimal benefits for Vietnam.

Exhibit 006

THE NATIONAL ASSEMBLY

SOCIALIST REPUBLIC OF VIET NAM

Independence - Freedom – Happiness

No. 46/2010/QH12

Hanoi, June 16, 2010

LAW

ON THE STATE BANK OF VIETNAM

Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam which was amended and supplemented under Resolution No. 51/2001/QH10;

The National Assembly promulgates the Law on the State Bank of Vietnam.

Chapter I

GENERAL PROVISIONS

Article 1. Scope of regulation

This Law provides for the organization and operation of the State Bank of Vietnam.

Article 2. Position and functions of the State Bank of Vietnam

1. The State Bank of Vietnam (below referred to as the State Bank) is a ministerial-level agency of the Government and the central bank of the Socialist Republic of Vietnam.
2. The State Bank is a legal entity with its legal capital being under the state ownership and its head office located in Hanoi.
3. The State Bank performs the state management of monetary, banking and foreign exchange (below referred to as monetary and banking) operations and performs the function of a central bank in issuing money, a bank of credit institutions and a provider of monetary services for the Government.

Article 3. National monetary policy and competence to decide on the national monetary policy

1. The national monetary policy consists of national-level decisions on monetary affairs made by competent state agencies, including decisions on the objective of currency value stability which is denoted by the inflation rate and decisions on the use of tools and measures to obtain the set objective.
2. The National Assembly shall decide on annual inflation rate targets by making decisions on consumer price indexes and overseeing the implementation of the national monetary policy.

3. The President shall perform his/her tasks and powers provided by the Constitution and laws in negotiating, concluding and acceding to, in the name of the State of the Socialist Republic of Vietnam, treaties on monetary and banking matters.

4. The Government shall propose the National Assembly to decide on annual inflation rate targets. The Prime Minister or the Governor of the State Bank shall decide on the use of administrative tools and measures to obtain objectives of the national monetary policy according to the Government's regulations.

Article 4. Tasks and powers of the State Bank

1. To conduct operations for the purpose of currency value stability; to assure the safety for banking operations and the system of credit institutions; to assure the safety and effectiveness of the national payment system; and to contribute to accelerating socio-economic development along the socialist orientation.

2. To participate in the elaboration of national socio-economic development strategies and plans.

3. To elaborate banking development strategies for submission to competent state agencies for approval, and organize the implementation of these strategies.

4. To promulgate or propose competent state agencies to promulgate legal documents on monetary and banking matters; to propagate, disseminate and examine legal documents on monetary and banking matters according to its competence.

5. To determine annual inflation rate targets for submission by the Government to the National Assembly for decision, and organize the realization thereof.

6. To organize, regulate and develop the monetary market.

7. To organize a monetary and banking statistics and forecast system; to publicize monetary and banking information according to law.

8. To organize the printing, minting, preservation and transportation of banknotes and coins: and to conduct operations of issuing, withdrawing, replacing and destroying banknotes and coins.

9. To grant, modify, supplement or revoke establishment and operation licenses of credit institutions, licenses for establishing branches of foreign banks, licenses for establishing representative offices of foreign credit institutions and other foreign organizations with banking operations; to grant or revoke licenses for provision of intermediary payment services for non-bank institutions; to grant or revoke licenses for provision of credit information services to organizations: to approve the acquisition, sale, division, splitting, consolidation, merger and dissolution of credit institutions according to law.

10. To act as the representative of the state capital portions in enterprises performing its functions and tasks and in credit institutions with state capital according to law; to use its legal

capital to contribute capital for establishing special enterprises to perform its functions and tasks under the Prime Minister's decision.

11. To examine, inspect and supervise banks: to handle violations of the monetary and banking laws.

12. To decide on the application of special handling measures to credit institutions which commit severe violations of the monetary and banking law-s or meet with financial difficulties, posing a threat to the safety of the banking system. These measures include purchasing shares from credit institutions; suspending or removing from post managers or executive officers of credit institutions; deciding on the merger, consolidation or dissolution of credit institutions; placing credit institutions under special control; and performing its tasks and powers as prescribed by the law on bankruptcy of credit institutions.

13. To assume the prime responsibility for. and coordinate with concerned agencies in. formulating and implementing anti-money laundering policies and plans.

14. To perform the state management of deposit insurance according to the law on deposit insurance.

15. To assume the prime responsibility for making, monitoring, forecasting and analyzing the international payment balance.

16. To organize, manage and supervise the national payment system and provide payment services for banks; to participate in organizing and supervising the operation of payment systems in the economy.

17. To perform the state management of foreign exchange, foreign exchange and gold trading activities.

18. To manage state foreign exchange reserves.

19. To manage the borrowing and repayment of foreign loans and the provision of loans to foreign parties and recovery of foreign debts according to law.

20. To assume the prime responsibility for. and coordinate with concerned agencies in, preparing for and conducting the negotiation for and conclusion of treaties with international financial or monetary institutions to which the State Bank acts as a representative and to act as the official representative of the borrower defined in treaties under the assignment or authorization of the President or the Government.

21. To undertake international cooperation in the monetary and banking sector.

22. To represent the State of the Socialist Republic of Vietnam at international monetary and banking institutions.

23. To organize a credit information system and provide credit information services; to perform the state management of credit information providers.

24. To act as an agent and provide banking services for the State Treasury.

25. To join the Ministry of Finance in issuing government bonds and government-guaranteed bonds.

26. To provide professional training in monetary and banking operations; to research and apply banking sciences and technologies.

27. To perform other tasks and exercise other powers provided by law.

Article 5. Responsibilities of ministries, ministerial-level agencies and People's Committees at all levels

Ministries, ministerial-level agencies and People's Committees at all levels shall, within the ambit of their tasks and powers, coordinate with the State Bank in performing the state management of monetary and banking operations.

Article 6. Interpretation of terms

In this Law, the terms below are construed as follows:

1. Banking operation means dealing in and providing on a regular basis one or several of the following operations:

a/ Receiving deposits;

b/ Extending credits;

c/ Providing via-account payment services.

2. Foreign exchange includes:

a/ Currencies of other countries or the common European currency and other common currencies used in international and regional payment (below referred to as foreign currencies):

b/ Payment instruments in foreign currencies, including checks, credit cards, bills of exchange, debentures and other payment instruments:

c/ Valuable papers in foreign currencies, including government bonds, corporate bonds, promissory notes, stocks and other valuable papers;

d/ Gold belonging to state foreign exchange reserves, gold on residents' offshore accounts; and gold bullions, bars, granules or ingots which are brought into or out of Vietnam's territory.

e/ Currency of the Socialist Republic of Vietnam which is brought into or out of Vietnam's territory or used for international payment.

3. Foreign exchange operation means residents' and non-residents' operations in current transactions or capital transactions involving the use of foreign exchange in Vietnam's territory, operations of providing foreign exchange services and other transactions related to foreign exchange.

4. State foreign exchange reserves means assets in foreign exchange which are indicated in the State Bank's balance sheet.

5. Foreign exchange rate of Vietnam dong means the price of a unit of a foreign currency in Vietnam's currency.

6. Monetary market means a place for short-term capital transactions.

7. Short-term transaction means an under-12 month transaction of valuable papers.

8. Valuable paper means a proof evidencing the debt-payment obligation of the issuer towards the owner in a certain duration under the interest payment condition and other conditions.

9. National payment system means an inter-bank payment system organized, managed and operated by the State Bank.

10. Intermediary payment service means an intermediary activity for connecting, transmitting and processing e-data on payment transactions between payment service providers and users.

11. Banking inspection means activities carried out by the State Bank to inspect the observance of the monetary and banking laws by inspected subjects.

12. Banking supervision means activities carried out by the State Bank to collect, synthesize and analyze information on supervised subjects through a information and reporting system so as to promptly prevent, detect and handle risks to the safety of banking operations, violations of regulations on safety of banking operations and other relevant laws.

Chapter II

ORGANIZATION OF THE STATE BANK

Article 7. Organization of the State Bank

1. The State Bank shall be organized into a centralized and unified system, comprising an executive apparatus and professional units at its head office, branches, representative offices and other attached units.

2. The organizational structure of the State Bank shall be defined by the Government.

3. The organizational structures, tasks and powers of the units of the State Bank shall be defined by the Governor of the State Bank, except the case prescribed in Clause 2. Article 49 of this Law.

4. The Governor of the State Bank shall decide on the establishment and termination of operation of branches, representative offices and consultancy committees and councils for matters related to the functions and tasks of the State Bank; and decide on the establishment and termination of operation of the units of the State Bank operating in such areas as training in banking operations, banking research, information and scientific theories or provision of treasure-related services, banking information technology services, payment services and credit information services according to his/her competence.

Article 8. Leading and managing the State Bank

1. The Governor of the State Bank is a cabinet member, the head and leader of the State Bank who shall take responsibility before the Prime Minister and the National Assembly for the state management in the monetary and banking sector.

2. The Governor of the State Bank has the following tasks and powers:

a/ To organize and direct the implementation of the national monetary policy according to his/her competence:

b/ To organize and direct the performance of tasks and the exercise of powers of the State Bank according to this Law and other relevant laws;

c/ To act as the legal representative of the State Bank.

Article 9. Cadres and civil servants of the State Bank

The recruitment, employment and management of cadres and civil servants of the State Bank must, in principle, comply with the Law on Cadres and Civil Servants. The Prime Minister shall provide for a mechanism on the recruitment of, and policies applicable to, cadres and civil servants of the State Bank in conformity with professional operations of the State Bank.

Chapter III

OPERATIONS OF THE STATE BANK

Section 1. IMPLEMENTATION OF THE NATIONAL MONETARY POLICY

Article 10. Tools for the implementation of the national monetary policy

The Governor of the State Bank shall decide on the use of tools for the implementation of the national monetary policy, including re-financing, interest rates, exchange rates, reserve

requirements, open-market operations and other tools and measures as prescribed by the Government.

Article 11. Re-financing

1. Re-financing means a form of extending credits by the State Bank, aiming to provide short-term capital and payment instruments for credit institutions.

2. The State Bank shall provide for and effect the re-financing to credit institutions in the following forms:

a/ Granting loans secured by the pledge of valuable papers;

b/ Discounting valuable papers; c/ Other forms.

Article 12. Interest rates

1. The State Bank shall announce the re-financing interest rate, prime interest rate and other interest rates to serve the regulation of the monetary policy and the fight against usury.

2. In case abnormal developments are seen in the monetary market, the State Bank shall provide for a mechanism for regulating interest rates applicable to credit institutions in their relations with others and their clients and in other credit relations.

Article 13. Exchange rates

1. Exchange rates of Vietnam dong shall be determined on the basis of the foreign currency supply and demand in the state-regulated market.

2. The State Bank shall announce exchange rates and decide on the exchange rate regime and management mechanisms.

Article 14. Reserve requirements

1. Reserve requirements means a sum of money to be deposited by a credit institution at the State Bank to serve the implementation of the national monetary policy.

2. The State Bank shall provide for the reserve requirement ratio applicable to each type of credit institution and each kind of deposit at credit institutions to serve the implementation of the national monetary policy.

3. The State Bank shall provide for the payment of interests on reserve requirement deposits and deposits in excess of reserve requirements applicable to each type of credit institution and each kind of deposit.

Article 15. Open-market operations

1. The State Bank shall carry out open-market operations through the purchase and sale of valuable papers with credit institutions.
2. The State Bank shall provide for types of valuable papers permitted for trading via open-market operations.

Section 2. ISSUANCE OF BANKNOTES AND COINS

Article 16. Currency unit

The currency unit of the Socialist Republic of Vietnam is "dong". with its national symbol being "d" and international symbol being "VND": one "dong" is equal to ten "hao" and one "hao" is equal to ten "xu".

Article 17. Issuance of banknotes and coins

1. The State Bank is the sole agency entitled to issue banknotes and coins of the Socialist Republic of Vietnam.
2. Banknotes and coins issued by the State Bank are lawful means of payment on the territory of the Socialist Republic of Vietnam.
3. The State Bank shall ensure the sufficient supply of, and an appropriate ratio between, banknotes and coins for the national economy.
4. Banknotes and coins issued for circulation shall be recorded as "debit" of the national economy and balanced by "credit" of the State Bank.

Article 18. Designing, printing, minting, preservation, transportation, distribution and destruction of money

1. The State Bank shall design the denominations, sizes, weights, designs, patterns and other characteristics of banknotes and coins, and submit them to the Prime Minister for approval.
2. The State Bank shall organize the printing, minting, preservation, transportation, distribution and destruction of money.

Article 19. Handling of torn or damaged money

The State Bank shall determine criteria for classification of torn or damaged money; exchange and withdraw money torn or damaged during the circulation process; and not exchange money which are torn or damaged due to acts of sabotage.

Article 20. Withdrawal and replacement of money

The State Bank shall withdraw from circulation types of money which are no longer appropriate and issue other types of money for replacement. The withdrawn money may be changed for others of equivalent value within a time limit prescribed by the State Bank. Beyond this time limit, to-be-withdrawn money will be invalid for circulation.

Article 21. Specimen and souvenir money

The State Bank shall organize the designing, printing, minting and domestic and overseas sale of specimen and souvenir money for collection or other purposes under the Prime Minister's regulations.

Article 22. Promulgation and examination of regulations on money issuance operations

1. The Government shall promulgate regulations on money issuance operations, covering activities of printing, minting, preserving, transporting, distributing, withdrawing, replacing and destroying money, and expenses for the issuance of money.
2. The Ministry of Finance shall examine the printing, minting and destruction of money.

Article 23. Prohibited acts

1. Making counterfeit money: transporting, storing and circulating counterfeit money;
2. Illegally destroying money;
3. Refusing to receive or circulate money issued by the State Bank which are qualified for circulation.
4. Other prohibited acts as prescribed by law.

Section 3. LENDING, GUARANTEE AND PROVISION OF ADVANCES FOR THE STATE BUDGET

Article 24. Lending

1. The State Bank shall provide short-term loans for credit institutions under Point a. Clause 2. Article 11 of this Law.
2. The State Bank shall consider and decide to grant special loans to a credit institution in the following cases:
 - a/ The credit institution falls into insolvency, posing a threat to the stability of the system of credit institutions:
 - b/ The credit institution is likely to fall into insolvency due to another serious incident.

3. The State Bank shall not grant loans to individuals and organizations other than credit institutions specified in Clauses I and 2 of this Article.

Article 25. Guarantee

The State Bank shall not provide guarantee for organizations and individuals to borrow loans, except cases of providing guarantee for credit institutions to borrow foreign loans under the Prime Minister's decision.

Article 26. Advances for the state budget The State Bank shall provide advances for the central budget to deal with a temporary deficit in the state budget fund under the Prime Minister's decision. These advance amounts must be refunded within the budgetary year, except special cases which shall be decided by the National Assembly Standing Committee.

Section 4. PAYMENT AND TREASURY OPERATIONS

Article 27. Opening of accounts and conduct of transactions via accounts

1. The State Bank may open accounts at foreign banks, international monetary and banking institutions and conduct transactions via these accounts.

2. The State Bank shall open accounts and conduct transactions for credit institutions.

3. The State Treasury shall open an account at the State Bank. In provinces, centrally run cities, districts, provincial towns and cities without a State Bank's branch, transactions for the State Treasury shall be conducted under the State Banks* regulations.

Article 28. Organization, management, operation and supervision of the national payment system

1. The State Bank shall organize, manage, operate and supervise the national payment system.

2. The State Bank shall manage payment instruments in the national economy.

Article 29. Treasury services

The State Bank shall provide treasury services through the collection and payment of cash for account owners and transportation, counting, classification and disposal of money in circulation.

Article 30. Agency for the State Treasury

The State Bank shall act as an agent for the State Treasury in organizing bidding and in issuing, depositing and making payment for treasury bonds and bills.

Section 5. MANAGEMENT OF FOREIGN EXCHANGE AND FOREIGN EXCHANGE OPERATIONS

Article 31. Tasks and powers of the State Bank in the management of foreign exchange and foreign exchange operations

1. To manage foreign exchange and the use of foreign exchange in Vietnam's territory according to law.
2. To organize and develop a foreign currency market.
3. To grant and withdraw foreign exchange operation permits to/from credit institutions and other institutions conducting foreign exchange operations;
4. To propose the Prime Minister to decide on measures to restrict foreign exchange transactions in order to assure the national financial and monetary security.
5. To organize, manage and participate in the inter-bank foreign currency market.
6. To perform other tasks and exercise other powers regarding the management of foreign exchange and foreign exchange operations under law.

Article 32. Management of state foreign exchange reserves

1. State foreign exchange reserves include:
 - a/ Foreign currencies in cash and foreign-currency deposits on offshore accounts;
 - b/ Securities and other valuable papers in foreign currencies issued by foreign governments, foreign organizations or international organizations;
 - c/ Special drawing rights and reserves at the International Monetary Fund;
 - d/ Gold under the State Bank's management;
 - e/ Other types of foreign exchange owned by the State.
2. The State Bank shall manage state foreign exchange reserves under the law on foreign exchange with a view to implementing the national monetary policy and ensuring international solvency and the conservation of state foreign exchange reserves.
3. The Prime Minister shall decide on the use of state foreign exchange reserves to meet unexpected and urgent needs of the State. In case the use of state foreign exchange reserves leads to a change in the state budget estimates, the Law on the State Budget will apply.
4. The State Bank shall report to the Government on the management of state foreign exchange reserves on a periodical and irregular basis.

5. The Ministry of Finance shall inspect the management of state foreign exchange reserves by the State Bank under the Government's regulations.

Article 33. Foreign exchange operations of the State Bank

The State Bank shall buy and sell foreign exchange on the domestic market for the attainment of objectives of the national monetary policy; buy and sell foreign exchange on international markets and conduct other foreign exchange transactions under the Prime Minister's regulations.

Article 34. Sale and purchase of foreign currencies between state foreign exchange reserves and the state budget

The Prime Minister shall provide for the level of foreign currencies to be retained by the Ministry of Finance from state budget revenues to cover regular foreign-currency expenditures of the state budget. The remaining foreign currency amount shall be sold by the Ministry of Finance to state foreign exchange reserves which are concentrated at the State Bank.

Section 6. INFORMATION AND REPORTING

Article 35. Responsibility to provide information for the State Bank

1. Organizations and individuals shall provide information for the State Bank to serve the formulation of Vietnam's monetary balance sheet, formulation of the payment balance and the assessment and forecast of development trends in the monetary market in service of the formulation and administration of the national monetary policy and the foreign exchange management.

2. Credit institutions shall provide information and statistical data at the request of the State Bank to serve the assessment, inspection and supervision of operations of the system of credit institutions as well as each credit institution.

3. The Governor of the State Bank shall provide for entities required to provide information, the process and scope of information provision, types of to-be-provided information, and the time limit and mode of information provision under Clauses 1 and 2 of this Article.

Article 36. Principles of information provision

The provision of information by organizations and individuals to the State Bank must be carried out in an accurate, truthful, adequate and timely manner.

Article 37. Tasks of the State Bank regarding information activities

I. The State Bank has the following tasks in information activities:

a/ To receive, use, archive, provide and disclose information in accordance with law:

b/ To organize and supervise the provision of credit information relating to clients having relations with credit institutions to these credit institutions:

c/ To guide the provision of information, and urge and examine the provision of information by organizations and individuals under law.

2. The State Bank shall disclose according to its competence the following information:

a/ Monetary and banking guidelines, policies and laws;

b/ The State Bank Governor's executive decisions on the monetary and banking matters;

c/ Actual monetary and banking developments;

d/ Announcements related to the establishment, acquisition, sale, division, splitting, consolidation, merger, bankruptcy or dissolution of credit institutions;

e/ Financial and operational results of the State Bank according to law.

Article 38. Confidentiality of information

1. The State Bank shall elaborate a list of state secrets in the monetary and banking sector and regulations on the change of the degree of confidentiality and the declassification of these secrets for submission to competent state agencies for decision; and protect its secrets and secrets of other organizations and individuals under law.

2. The State Bank may reject organizations' and individuals' requests for the provision on confidential monetary and banking information, except requests of competent state agencies made under law.

3. Cadres and civil servants of the State Bank shall keep confidential information on professional operations of the State Bank and credit institutions and information on deposits of organizations and individuals under law.

Article 39. Monetary statistics, analysis and forecast

The State Bank shall collect information and make statistics on economic, monetary and banking operations at home and abroad for the purposes of research, analysis and forecast of monetary developments in service of the formulation and administration of the national monetary policy.

Article 40. Reporting

1. The Prime Minister shall report or authorize the Governor of the State Bank to report to the National Assembly on the results of annual implementation of the national monetary policy, report and explain matters brought before the National Assembly, the National Assembly Standing Committee or National Assembly agencies; and promptly provide upon request

necessary information and documents to National Assembly agencies for overseeing the implementation of the national monetary policy.

2. The State Bank shall report to the Government on:

a/ Monetary and banking developments on a biannual and annual basis;

b/ Audited annual financial statements.

3. The State Bank shall provide ministries and ministerial-level agencies with reports specified by law.

Article 41. Publishing activities

The State Bank shall publish publications on monetary and banking issues under law.

Chapter IV

FINANCE AND ACCOUNTING OF THE STATE BANK

Article 42. Legal capital

The State Bank's legal capital shall be allocated from the state budget. The level of the State Bank's legal capital shall be decided by the Prime Minister.

Article 43. Financial revenues and expenditures

The State Bank's financial revenues and expenditures shall, in principle, be carried out under the Law on the State Budget- The Prime Minister shall provide for breakdowns of financial revenues and expenditures in conformity with particular professional operations of the State Bank.

Article 44. Financial results

Annual financial results of the State Bank shall be determined based on revenues from banking operations and other revenues, after deducting operation expenses and risk provisions.

Article 45. Funds

The State Bank may deduct its annual financial results to set up the following funds:

a/ The fund for the implementation of the national monetary policy;

b/The financial provision fund; c/ Other funds as decided by the Prime Minister.

2. The deduction levels for the setting up and the use of funds specified in Clause 1 of this Article comply with the Prime Minister's regulations.

3. After making deductions to set up funds specified in Clause 1 of this Article, the remainder of the State Bank's financial results shall be remitted into the state budget.

Article 46. Accounting of the State Bank The State Bank shall conduct accounting according to Vietnam's accounting standards and the specific accounting regime applicable to the central bank under the Prime Minister's regulations.

Article 47. Auditing

Annual financial statements of the State Bank shall be audited and certified by the State Audit.

Article 48. Fiscal year

A fiscal year of the State Bank starts on January 1 and ends on December 31 of the calendar year.

Chapter V

BANKING INSPECTION AND SUPERVISION

Article 49. The Banking Inspection and Supervision Agency

1. The Banking Inspection and Supervision Agency is a unit belonging to the State Bank's organizational structure and performing the tasks of banking inspection and supervision and money laundering prevention and combat.

2. The Prime Minister shall specify the organization, tasks and powers of the Banking Inspection and Supervision Agency.

Article 50. Objectives of banking inspection and supervision

Banking inspection and supervision aim to contribute to assuring the safe and sound development of the system of credit institutions and the financial system: to protect lawful rights and interests of money depositors and clients of credit institutions; to maintain and increase public confidence in the system of credit institutions; to ensure the observance of monetary and banking policies and laws; and to contribute to raising the effectiveness and efficiency of state management in the monetary and banking sector.

Article 51. Principles of banking inspection and supervision

1. Banking inspection and supervision shall be conducted under law in an accurate, objective, truthful, public, democratic and timely manner without impeding normal operations of agencies, organizations and individuals subject to banking inspection and supervision.

2. It is required to combine the inspection and supervision of the observance of monetary and banking policies and laws with the inspection and supervision of risks to operations of entities subject to banking inspection and supervision.
3. Banking inspection and supervision shall be conducted on the principle that all operations of credit institutions must be inspected and supervised.
4. Banking inspection and supervision shall be conducted under this Law and other relevant laws. In case provisions on banking inspection and supervision of this Law are different from those of other laws, provisions of this Law prevail.
5. The Governor of the State Bank shall provide for the order and procedures for banking inspection and supervision.

Article 52. Entities subject to banking inspection

The State Bank shall inspect the following entities:

1. Credit institutions, branches of foreign banks, representative offices of foreign credit institutions and other foreign institutions conducting banking operations. When necessary, the State Bank shall request competent state agencies to inspect or coordinate with it in inspecting subsidiary companies or associated companies of credit institutions:
2. Institutions conducting foreign exchange operations or gold trading activities; organizations engaged in credit information activities; and non-bank institutions providing intermediary payment services.
3. Vietnamese agencies, organizations and individuals and foreign agencies, organizations and individuals in Vietnam regarding the compliance with the monetary and banking laws under the state management of the State Bank.

Article 53. Rights and obligations of entities subject to banking inspection

1. To observe inspection conclusions.
2. To exercise rights and perform obligations as prescribed by law.

Article 54. Grounds for issuance of inspection decisions

An inspection decision shall be issued based on any of the following grounds:

1. Inspection programs or plans:
2. Requests of the Governor of the State Bank:
3. Upon detecting signs of violation of law;

4. Upon occurrence of risks to the operational safety of credit institutions.

Article 55. Contents of banking inspection

1. Inspecting the observance of the monetary and banking laws and the compliance with licenses granted by the State Bank;
2. Considering and assessing the risk degree, risk management capacity and financial status of entities subject to banking inspection.
3. Proposing competent state agencies to amend, supplement or annul existing legal documents or promulgate new ones to meet the requirements of the state management of monetary and banking operations.
4. Proposing and requesting entities subject to banking inspection to take measures to restrict, reduce and handle risks so as to ensure the safety of banking operations and prevent acts which may induce violations of law.
5. Detecting, preventing and handling according to its competence or proposing competent state agencies to handle violations of the monetary and banking laws.

Article 56. Entities subject to banking supervision

The State Bank shall conduct banking supervision of all operations of credit institutions and branches of foreign banks. When necessary, the State Bank shall request competent state agencies to supervise or coordinate with it in supervising subsidiary companies and associated companies of credit institutions.

Article 57. Rights and obligations of entities subject to banking supervision

1. To promptly, adequately and accurately provide information and documents at the request of the Banking Inspection and Supervision Agency; to take responsibility before law for the accuracy and truthfulness of provided information and documents.
2. To report on and explain about risk and operational safety recommendations and warnings issued by the Banking Inspection and Supervision Agency.
3. To comply with the Banking Inspection and Supervision Agency's risk and operational safety recommendations and warnings.

Article 58. Contents of banking supervision

1. Collecting, synthesizing and processing documents, information and data to meet banking supervision requirements.

2. Considering and monitoring the observance of regulations on safety of banking operations and other monetary and banking regulations; the implementation of inspection conclusions, recommendations and handling decisions and recommendations and warnings about banking supervision.
3. Analyzing and assessing financial status, operation, administration, management and risk degree of credit institutions; and annually rank credit institutions.
4. Detecting and giving warnings about risks to the safety of banking operations and threats of violation of the monetary and banking laws.
5. Proposing and recommending measures to prevent and handle risks and violations of law.

Article 59. Handling of entities subject to banking inspection and supervision

1. Entities subject to banking inspection and supervision that violate the monetary and banking laws shall, depending on the nature and severity of their violations, be disciplined, administratively sanctioned or examined for penal liability. If causing damage, they shall pay compensation under law.
2. Depending on the nature and degree of risks, the State Bank shall also apply the following handling measures to entities subject to banking inspection and supervision:
 - a/ Restricting the distribution of dividends, transfer of shares or transfer of assets;
 - b/ Restricting the expansion of the scale, scope and areas of operation;
 - c/ Restricting, terminating or suspending one or several banking operations;
 - d/ Requesting credit institutions to increase their charter capital to meet prudential requirements in banking operations;
 - e/ Requesting credit institutions to transfer their charter capital or equity capital; or requesting major shareholders or shareholders holding control or dominant shares to transfer their shares;
 - f/ Deciding on a credit growth limit applicable to credit institutions in case of necessity so as to ensure the safety for credit institutions and the system of credit institutions;
 - g/ Applying one or several prudential ratios higher than the prescribed ones.

Article 60. Coordination between the State Bank and ministries and ministerial-level agencies in banking inspection and supervision

1. The State Bank shall coordinate with concerned ministries and ministerial-level agencies in exchanging information on inspection and supervision in the finance and banking sector under its management.

2. The State Bank shall assume the prime responsibility for, and coordinate with competent state agencies in conducting inspection and supervision of credit institutions; coordinate with competent state agencies in inspecting and supervising subsidiary companies and associated companies of credit institutions under Articles 52 and 56 of this Law.

Article 61. Coordination in banking inspection and supervision between the State Bank and competent foreign banking inspection and supervision authorities

1. The State Bank shall exchange information and coordinate with competent foreign banking inspection and supervision authorities in inspecting and supervising foreign entities subject to banking inspection and supervision that operate in Vietnam's territory and Vietnam's entities subject to banking inspection and supervision that operate overseas.

2. The State Bank shall reach agreement with competent foreign banking inspection and supervision authorities on the form, contents and mechanisms of information exchange and inspection and supervision coordination in accordance with Vietnam's law.

Chapter VI

INTERNAL AUDIT

Article 62. Internal Audit

1. Internal Audit is a unit belonging to the organizational structure of the State Bank which shall conduct internal audit and control within the State Bank.

2. The regulation on internal audit and control shall be promulgated by the Governor of the State Bank.

Article 63. Entities subject to. objectives and operational principles of the Internal Audit

1. Subject to internal audit are units of the State Bank's system.

2. The objective of internal audit is to assess the effectiveness of internal control activities in order to assure the reliability of financial statements, the effectiveness of operations, the observance of laws, regulations and processes of the State Bank and the assurance of asset safety.

3. Operations of the Internal Audit shall be carried out on the following principles:

a/ Assuring the observance of laws, regulations, processes and plans approved by the Governor of the State Bank:

b/ Assuring the independence, truthfulness and objectivity and the confidentiality of state secrets and secrets of audited units;

c/ Not impeding normal operations of audited units:

d/ The Internal Audit is entitled to access documents, dossiers, transactions and other necessary documents of audited units to fulfill audit objectives.

Article 64. Tasks and powers and the Internal Audit

1. To audit all units of the State Bank's system in conformity with approved audit plans or at the request of the Governor of the State Bank.

2. To conduct financial audit, operational audit and audit of performance of other tasks of the State Bank.

Chapter VII

IMPLEMENTATION PROVISIONS

Article 65. Effect

1. This Law takes effect on January 1, 2011.

2. Law No. 01/1997/QH10 on the State Bank of Vietnam and Law No. 10/2003/QH11 Amending and Supplementing a Number of Articles of the Law on the State Bank of Vietnam cease to be effective on the effective date of this Law.

Article 66. Implementation detailing and guidance

The Government shall detail and guide this Law's articles and clauses as assigned to it: and guide other necessary contents of this Law to meet state management requirements.

This Law was passed on June 16, 2010, by the XIIth National Assembly of the Socialist Republic of Vietnam at its 7th session.-

CHAIRMAN OF THE NATIONAL ASSEMBLY

Nguyen Phu Trong

QUỐC HỘI

Luật số: 46/2010/QH12

CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM

Độc lập – Tự do – Hạnh phúc

LUẬT

NGÂN HÀNG NHÀ NƯỚC VIỆT NAM

Căn cứ Hiến pháp nước Cộng hoà xã hội chủ nghĩa Việt Nam năm 1992 đã được sửa đổi, bổ sung một số điều theo Nghị quyết số 51/2001/QH10;

Quốc hội ban hành Luật Ngân hàng Nhà nước Việt Nam.

CHƯƠNG I

NHỮNG QUY ĐỊNH CHUNG

Điều 1. Phạm vi điều chỉnh

Luật này quy định về tổ chức và hoạt động của Ngân hàng Nhà nước Việt Nam.

Điều 2. Vị trí và chức năng của Ngân hàng Nhà nước Việt Nam

1. Ngân hàng Nhà nước Việt Nam (sau đây gọi là Ngân hàng Nhà nước) là cơ quan ngang bộ của Chính phủ, là Ngân hàng trung ương của nước Cộng hoà xã hội chủ nghĩa Việt Nam.

2. Ngân hàng Nhà nước là pháp nhân, có vốn pháp định thuộc sở hữu nhà nước, có trụ sở chính tại Thủ đô Hà Nội.

3. Ngân hàng Nhà nước thực hiện chức năng quản lý nhà nước về tiền tệ, hoạt động ngân hàng và ngoại hối (sau đây gọi là tiền tệ và ngân hàng); thực hiện chức năng của Ngân hàng trung ương về phát hành tiền, ngân hàng của các tổ chức tín dụng và cung ứng dịch vụ tiền tệ cho Chính phủ.

Điều 3. Chính sách tiền tệ quốc gia và thẩm quyền quyết định chính sách tiền tệ quốc gia

1. Chính sách tiền tệ quốc gia là các quyết định về tiền tệ ở tầm quốc gia của cơ quan nhà nước có thẩm quyền, bao gồm quyết định mục tiêu ổn định giá trị đồng tiền biểu hiện bằng chỉ tiêu lạm phát, quyết định sử dụng các công cụ và biện pháp để thực hiện mục tiêu đề ra.

2. Quốc hội quyết định chỉ tiêu lạm phát hằng năm được thể hiện thông qua việc quyết định chỉ số giá tiêu dùng và giám sát việc thực hiện chính sách tiền tệ quốc gia.

3. Chủ tịch nước thực hiện nhiệm vụ, quyền hạn do Hiến pháp và pháp luật

quy định trong việc đàm phán, ký kết, gia nhập điều ước quốc tế nhân danh Nhà nước Cộng hòa xã hội chủ nghĩa Việt Nam về lĩnh vực tiền tệ và ngân hàng.

4. Chính phủ trình Quốc hội quyết định chỉ tiêu lạm phát hằng năm. Thủ tướng Chính phủ, Thống đốc Ngân hàng Nhà nước quyết định việc sử dụng các công cụ và biện pháp điều hành để thực hiện mục tiêu chính sách tiền tệ quốc gia theo quy định của Chính phủ.

Điều 4. Nhiệm vụ, quyền hạn của Ngân hàng Nhà nước

1. Hoạt động của Ngân hàng Nhà nước nhằm ổn định giá trị đồng tiền; bảo đảm an toàn hoạt động ngân hàng và hệ thống các tổ chức tín dụng; bảo đảm sự an toàn, hiệu quả của hệ thống thanh toán quốc gia; góp phần thúc đẩy phát triển kinh tế - xã hội theo định hướng xã hội chủ nghĩa.

2. Tham gia xây dựng chiến lược và kế hoạch phát triển kinh tế - xã hội của đất nước.

3. Xây dựng chiến lược phát triển ngành ngân hàng trình cơ quan nhà nước có thẩm quyền phê duyệt và tổ chức thực hiện.

4. Ban hành hoặc trình cơ quan nhà nước có thẩm quyền ban hành văn bản quy phạm pháp luật về tiền tệ và ngân hàng; tuyên truyền, phổ biến và kiểm tra theo thẩm quyền văn bản quy phạm pháp luật về tiền tệ và ngân hàng.

5. Xây dựng chỉ tiêu lạm phát hằng năm để Chính phủ trình Quốc hội quyết định và tổ chức thực hiện.

6. Tổ chức, điều hành và phát triển thị trường tiền tệ.

7. Tổ chức hệ thống thống kê, dự báo về tiền tệ và ngân hàng; công khai thông tin về tiền tệ và ngân hàng theo quy định của pháp luật.

8. Tổ chức in, đúc, bảo quản, vận chuyển tiền giấy, tiền kim loại; thực hiện nghiệp vụ phát hành, thu hồi, thay thế và tiêu hủy tiền giấy, tiền kim loại.

9. Cấp, sửa đổi, bổ sung, thu hồi giấy phép thành lập và hoạt động của tổ chức tín dụng, giấy phép thành lập chi nhánh ngân hàng nước ngoài, giấy phép thành lập văn phòng đại diện của tổ chức tín dụng nước ngoài, tổ chức nước ngoài khác có hoạt động ngân hàng; cấp, thu hồi giấy phép hoạt động cung ứng dịch vụ trung gian thanh toán cho các tổ chức không phải là ngân hàng; cấp, thu hồi giấy phép hoạt động cung ứng dịch vụ thông tin tín dụng cho các tổ chức; chấp thuận việc mua, bán, chia, tách, hợp nhất, sáp nhập và giải thể tổ chức tín dụng theo quy định của pháp luật.

10. Thực hiện đại diện chủ sở hữu phần vốn của Nhà nước tại doanh nghiệp thực hiện chức năng, nhiệm vụ của Ngân hàng Nhà nước, tổ chức tín dụng có vốn nhà nước theo quy định của pháp luật; được sử dụng vốn pháp định để góp vốn thành lập doanh nghiệp đặc thù nhằm thực hiện chức năng, nhiệm vụ của Ngân hàng Nhà nước theo quyết định của Thủ tướng Chính phủ.

11. Kiểm tra, thanh tra, giám sát ngân hàng; xử lý vi phạm pháp luật về tiền tệ và ngân hàng theo quy định của pháp luật.

12. Quyết định áp dụng biện pháp xử lý đặc biệt đối với tổ chức tín dụng vi phạm nghiêm trọng các quy định của pháp luật về tiền tệ và ngân hàng, gặp khó khăn về tài chính, có nguy cơ gây mất an toàn cho hệ thống ngân hàng, gồm mua cổ phần của tổ chức tín dụng; đình chỉ, tạm đình chỉ, miễn nhiệm chức vụ người quản lý, người điều hành của tổ chức tín dụng; quyết định sáp nhập, hợp nhất, giải thể tổ chức tín dụng; đặt tổ chức tín dụng vào tình trạng kiểm soát đặc biệt; thực hiện nhiệm vụ, quyền hạn của mình theo quy định của pháp luật về phá sản đối với tổ chức tín dụng.

13. Chủ trì, phối hợp với các cơ quan hữu quan xây dựng chính sách, kế hoạch và tổ chức thực hiện phòng, chống rửa tiền.

14. Thực hiện quản lý nhà nước về bảo hiểm tiền gửi theo quy định của pháp luật về bảo hiểm tiền gửi.

15. Chủ trì lập, theo dõi, dự báo và phân tích kết quả thực hiện cán cân thanh toán quốc tế.

16. Tổ chức, quản lý, giám sát hệ thống thanh toán quốc gia, cung ứng dịch vụ thanh toán cho các ngân hàng; tham gia tổ chức và giám sát sự vận hành của các hệ thống thanh toán trong nền kinh tế.

17. Quản lý nhà nước về ngoại hối, hoạt động ngoại hối và hoạt động kinh doanh vàng.

18. Quản lý Dự trữ ngoại hối nhà nước.

19. Quản lý việc vay, trả nợ, cho vay và thu hồi nợ nước ngoài theo quy định của pháp luật.

20. Chủ trì, phối hợp với cơ quan có liên quan chuẩn bị nội dung, tiến hành đàm phán, ký kết điều ước quốc tế với tổ chức tài chính, tiền tệ quốc tế mà Ngân hàng Nhà nước là đại diện và là đại diện chính thức của người vay quy định tại điều ước quốc tế theo phân công, ủy quyền của Chủ tịch nước hoặc Chính phủ.

21. Tổ chức thực hiện hợp tác quốc tế về tiền tệ và ngân hàng.

22. Đại diện cho Nhà nước Cộng hoà xã hội chủ nghĩa Việt Nam tại các tổ chức tiền tệ và ngân hàng quốc tế.

23. Tổ chức hệ thống thông tin tín dụng và cung ứng dịch vụ thông tin tín dụng; thực hiện chức năng quản lý nhà nước đối với các tổ chức hoạt động thông tin tín dụng.

24. Làm đại lý và thực hiện các dịch vụ ngân hàng cho Kho bạc Nhà nước.

25. Tham gia với Bộ Tài chính về việc phát hành trái phiếu Chính phủ, trái phiếu do Chính phủ bảo lãnh.

26. Tổ chức đào tạo, bồi dưỡng nghiệp vụ về tiền tệ và ngân hàng; nghiên cứu, ứng dụng khoa học và công nghệ ngân hàng.

27. Nhiệm vụ, quyền hạn khác theo quy định của pháp luật.

Điều 5. Trách nhiệm của bộ, cơ quan ngang bộ, Ủy ban nhân dân các cấp

Bộ, cơ quan ngang bộ, Ủy ban nhân dân các cấp trong phạm vi nhiệm vụ, quyền hạn của mình phối hợp với Ngân hàng Nhà nước trong việc quản lý nhà nước về tiền tệ và ngân hàng.

Điều 6. Giải thích từ ngữ

Trong Luật này, các từ ngữ dưới đây được hiểu như sau:

1. *Hoạt động ngân hàng* là việc kinh doanh, cung ứng thường xuyên một hoặc một số nghiệp vụ sau đây:

- a) Nhận tiền gửi;
- b) Cấp tín dụng;
- c) Cung ứng dịch vụ thanh toán qua tài khoản.

2. *Ngoại hối* bao gồm:

a) Đồng tiền của quốc gia khác hoặc đồng tiền chung châu Âu và đồng tiền chung khác được sử dụng trong thanh toán quốc tế và khu vực (sau đây gọi là ngoại tệ);

b) Phương tiện thanh toán bằng ngoại tệ, gồm séc, thẻ thanh toán, hối phiếu đòi nợ, hối phiếu nhận nợ và các phương tiện thanh toán khác;

c) Các loại giấy tờ có giá bằng ngoại tệ, gồm trái phiếu Chính phủ, trái phiếu công ty, kỳ phiếu, cổ phiếu và các loại giấy tờ có giá khác;

d) Vàng thuộc Dự trữ ngoại hối nhà nước, trên tài khoản ở nước ngoài của người cư trú; vàng dưới dạng khối, thỏi, hạt, miếng trong trường hợp mang vào và mang ra khỏi lãnh thổ Việt Nam;

đ) Đồng tiền của nước Cộng hòa xã hội chủ nghĩa Việt Nam trong trường hợp chuyển vào và chuyển ra khỏi lãnh thổ Việt Nam hoặc được sử dụng trong thanh toán quốc tế.

3. *Hoạt động ngoại hối* là hoạt động của người cư trú, người không cư trú trong các giao dịch vãng lai, giao dịch vốn, sử dụng ngoại hối trên lãnh thổ Việt Nam, hoạt động cung ứng dịch vụ ngoại hối và các giao dịch khác liên quan đến ngoại hối.

4. *Dự trữ ngoại hối nhà nước* là tài sản bằng ngoại hối được thể hiện trong Bảng cân đối tiền tệ của Ngân hàng Nhà nước.

5. *Tỷ giá hối đoái* của đồng Việt Nam là giá của một đơn vị tiền tệ nước ngoài tính bằng đơn vị tiền tệ của Việt Nam.

6. *Thị trường tiền tệ* là nơi giao dịch ngắn hạn về vốn.

7. *Giao dịch ngắn hạn* là giao dịch với kỳ hạn dưới 12 tháng các giấy tờ có giá.

8. *Giấy tờ có giá* là bằng chứng xác nhận nghĩa vụ trả nợ giữa tổ chức phát hành giấy tờ có giá với người sở hữu giấy tờ có giá trong một thời hạn nhất định, điều kiện trả lãi và các điều kiện khác.

9. *Hệ thống thanh toán quốc gia* là hệ thống thanh toán liên ngân hàng do Ngân hàng Nhà nước tổ chức, quản lý, vận hành.

10. *Dịch vụ trung gian thanh toán* là hoạt động làm trung gian kết nối, truyền dẫn và xử lý dữ liệu điện tử các giao dịch thanh toán giữa tổ chức cung ứng dịch vụ thanh toán và người sử dụng dịch vụ thanh toán.

11. *Thanh tra ngân hàng* là hoạt động thanh tra của Ngân hàng Nhà nước đối với các đối tượng thanh tra ngân hàng trong việc chấp hành pháp luật về tiền tệ và ngân hàng.

12. *Giám sát ngân hàng* là hoạt động của Ngân hàng Nhà nước trong việc thu thập, tổng hợp, phân tích thông tin về đối tượng giám sát ngân hàng thông qua hệ thống thông tin, báo cáo nhằm phòng ngừa, phát hiện, ngăn chặn và xử lý kịp thời rủi ro gây mất an toàn hoạt động ngân hàng, vi phạm quy định an toàn hoạt động ngân hàng và các quy định khác của pháp luật có liên quan.

CHƯƠNG II

TỔ CHỨC CỦA NGÂN HÀNG NHÀ NƯỚC

Điều 7. Tổ chức của Ngân hàng Nhà nước

1. Ngân hàng Nhà nước được tổ chức thành hệ thống tập trung, thống nhất, gồm bộ máy điều hành và các đơn vị hoạt động nghiệp vụ tại trụ sở chính, chi nhánh, văn phòng đại diện, đơn vị trực thuộc khác.

2. Cơ cấu tổ chức của Ngân hàng Nhà nước do Chính phủ quy định.

3. Cơ cấu tổ chức, nhiệm vụ, quyền hạn của các đơn vị thuộc Ngân hàng Nhà nước do Thống đốc Ngân hàng Nhà nước quy định, trừ trường hợp quy định tại khoản 2 Điều 49 của Luật này.

4. Thống đốc Ngân hàng Nhà nước quyết định thành lập, chấm dứt hoạt động của chi nhánh, văn phòng đại diện, các ban, hội đồng tư vấn về các vấn đề liên quan đến chức năng, nhiệm vụ của Ngân hàng Nhà nước; quyết định thành lập, chấm dứt hoạt động theo thẩm quyền các đơn vị trực thuộc Ngân hàng Nhà nước hoạt động trong các lĩnh vực đào tạo, bồi dưỡng nghiệp vụ ngân hàng, nghiên cứu, thông tin, lý luận khoa học ngân hàng, cung cấp dịch vụ liên quan

đến hoạt động kho quỹ, dịch vụ công nghệ tin học ngân hàng và thanh toán, dịch vụ thông tin tín dụng.

Điều 8. Lãnh đạo, điều hành Ngân hàng Nhà nước

1. Thống đốc Ngân hàng Nhà nước là thành viên của Chính phủ, là người đứng đầu và lãnh đạo Ngân hàng Nhà nước; chịu trách nhiệm trước Thủ tướng Chính phủ, trước Quốc hội về quản lý nhà nước trong lĩnh vực tiền tệ và ngân hàng.

2. Thống đốc Ngân hàng Nhà nước có các nhiệm vụ, quyền hạn sau đây:

a) Tổ chức và chỉ đạo thực hiện chính sách tiền tệ quốc gia theo thẩm quyền;
b) Tổ chức và chỉ đạo thực hiện nhiệm vụ, quyền hạn của Ngân hàng Nhà nước theo quy định của Luật này và các quy định khác của pháp luật có liên quan;

c) Đại diện pháp nhân của Ngân hàng Nhà nước.

Điều 9. Cán bộ, công chức của Ngân hàng Nhà nước

Việc tuyển dụng, sử dụng, quản lý cán bộ, công chức Ngân hàng Nhà nước về nguyên tắc thực hiện theo quy định của Luật cán bộ, công chức. Thủ tướng Chính phủ quy định cơ chế tuyển dụng, chế độ đãi ngộ cán bộ, công chức phù hợp với hoạt động nghiệp vụ đặc thù của Ngân hàng Nhà nước.

CHƯƠNG III

HOẠT ĐỘNG CỦA NGÂN HÀNG NHÀ NƯỚC

Mục 1

THỰC HIỆN CHÍNH SÁCH TIỀN TỆ QUỐC GIA

Điều 10. Công cụ thực hiện chính sách tiền tệ quốc gia

Thống đốc Ngân hàng Nhà nước quyết định việc sử dụng công cụ thực hiện chính sách tiền tệ quốc gia, bao gồm tái cấp vốn, lãi suất, tỷ giá hối đoái, dự trữ bắt buộc, nghiệp vụ thị trường mở và các công cụ, biện pháp khác theo quy định của Chính phủ.

Điều 11. Tái cấp vốn

1. Tái cấp vốn là hình thức cấp tín dụng của Ngân hàng Nhà nước nhằm cung ứng vốn ngắn hạn và phương tiện thanh toán cho tổ chức tín dụng.

2. Ngân hàng Nhà nước quy định và thực hiện việc tái cấp vốn cho tổ chức tín dụng theo các hình thức sau đây:

- a) Cho vay có bảo đảm bằng cầm cố giấy tờ có giá;
- b) Chiết khấu giấy tờ có giá;

c) Các hình thức tái cấp vốn khác.

Điều 12. Lãi suất

1. Ngân hàng Nhà nước công bố lãi suất tái cấp vốn, lãi suất cơ bản và các loại lãi suất khác để điều hành chính sách tiền tệ, chống cho vay nặng lãi.

2. Trong trường hợp thị trường tiền tệ có diễn biến bất thường, Ngân hàng Nhà nước quy định cơ chế điều hành lãi suất áp dụng trong quan hệ giữa các tổ chức tín dụng với nhau và với khách hàng, các quan hệ tín dụng khác.

Điều 13. Tỷ giá hối đoái

1. Tỷ giá hối đoái của đồng Việt Nam được hình thành trên cơ sở cung cầu ngoại tệ trên thị trường có sự điều tiết của Nhà nước.

2. Ngân hàng Nhà nước công bố tỷ giá hối đoái, quyết định chế độ tỷ giá, cơ chế điều hành tỷ giá.

Điều 14. Dự trữ bắt buộc

1. Dự trữ bắt buộc là số tiền mà tổ chức tín dụng phải gửi tại Ngân hàng Nhà nước để thực hiện chính sách tiền tệ quốc gia.

2. Ngân hàng Nhà nước quy định tỷ lệ dự trữ bắt buộc đối với từng loại hình tổ chức tín dụng và từng loại tiền gửi tại tổ chức tín dụng nhằm thực hiện chính sách tiền tệ quốc gia.

3. Ngân hàng Nhà nước quy định việc trả lãi đối với tiền gửi dự trữ bắt buộc, tiền gửi vượt dự trữ bắt buộc của từng loại hình tổ chức tín dụng đối với từng loại tiền gửi.

Điều 15. Nghiệp vụ thị trường mở

1. Ngân hàng Nhà nước thực hiện nghiệp vụ thị trường mở thông qua việc mua, bán giấy tờ có giá đối với tổ chức tín dụng.

2. Ngân hàng Nhà nước quy định loại giấy tờ có giá được phép giao dịch thông qua nghiệp vụ thị trường mở.

Mục 2

PHÁT HÀNH TIỀN GIẤY, TIỀN KIM LOẠI

Điều 16. Đơn vị tiền

Đơn vị tiền của nước Cộng hoà xã hội chủ nghĩa Việt Nam là "Đồng", ký hiệu quốc gia là "đ", ký hiệu quốc tế là "VND", một đồng bằng mười hào, một hào bằng mười xu.

Điều 17. Phát hành tiền giấy, tiền kim loại

1. Ngân hàng Nhà nước là cơ quan duy nhất phát hành tiền giấy, tiền kim loại của nước Cộng hoà xã hội chủ nghĩa Việt Nam.

2. Tiền giấy, tiền kim loại do Ngân hàng Nhà nước phát hành là phương tiện thanh toán hợp pháp trên lãnh thổ nước Cộng hoà xã hội chủ nghĩa Việt Nam.

3. Ngân hàng Nhà nước bảo đảm cung ứng đủ số lượng và cơ cấu tiền giấy, tiền kim loại cho nền kinh tế.

4. Tiền giấy, tiền kim loại phát hành vào lưu thông là tài sản "Nợ" đối với nền kinh tế và được cân đối bằng tài sản "Có" của Ngân hàng Nhà nước.

Điều 18. Thiết kế, in, đúc, bảo quản, vận chuyển, phát hành tiền vào lưu thông, tiêu huỷ tiền

1. Ngân hàng Nhà nước thiết kế mệnh giá, kích thước, trọng lượng, hình vẽ, hoa văn và các đặc điểm khác của tiền trình Thủ tướng Chính phủ phê duyệt.

2. Ngân hàng Nhà nước tổ chức thực hiện việc in, đúc, bảo quản, vận chuyển, phát hành tiền vào lưu thông, tiêu huỷ tiền.

Điều 19. Xử lý tiền rách nát, hư hỏng

Ngân hàng Nhà nước quy định tiêu chuẩn phân loại tiền rách nát, hư hỏng; đổi, thu hồi các loại tiền rách nát, hư hỏng do quá trình lưu thông; không đổi những đồng tiền rách nát, hư hỏng do hành vi huỷ hoại.

Điều 20. Thu hồi, thay thế tiền

Ngân hàng Nhà nước thu hồi và rút khỏi lưu thông các loại tiền không còn thích hợp và phát hành các loại tiền khác thay thế. Các loại tiền thu hồi được đổi lấy các loại tiền khác với giá trị tương đương trong thời hạn do Ngân hàng Nhà nước quy định. Sau thời hạn thu hồi, các loại tiền thuộc diện thu hồi không còn giá trị lưu hành.

Điều 21. Tiền mẫu, tiền lưu niệm

Ngân hàng Nhà nước tổ chức thực hiện việc thiết kế, in, đúc, bán ở trong nước và nước ngoài các loại tiền mẫu, tiền lưu niệm phục vụ cho mục đích sưu tập hoặc mục đích khác theo quy định của Thủ tướng Chính phủ.

Điều 22. Ban hành, kiểm tra nghiệp vụ phát hành tiền

1. Chính phủ ban hành quy định về nghiệp vụ phát hành tiền, bao gồm việc in, đúc, bảo quản, vận chuyển, phát hành, thu hồi, thay thế, tiêu huỷ tiền, chi phí cho các hoạt động nghiệp vụ phát hành tiền.

2. Bộ Tài chính kiểm tra việc thực hiện nghiệp vụ in, đúc và tiêu huỷ tiền.

Điều 23. Các hành vi bị cấm

1. Làm tiền giả; vận chuyển, tàng trữ, lưu hành tiền giả.

2. Huỷ hoại đồng tiền trái pháp luật.

3. Từ chối nhận, lưu hành đồng tiền đủ tiêu chuẩn lưu thông do Ngân hàng Nhà nước phát hành.

4. Các hành vi bị cấm khác theo quy định của pháp luật.

Mục 3

CHO VAY, BẢO LÃNH, TẠM ỨNG CHO NGÂN SÁCH

Điều 24. Cho vay

1. Ngân hàng Nhà nước cho tổ chức tín dụng vay ngắn hạn theo quy định tại điểm a khoản 2 Điều 11 của Luật này.

2. Ngân hàng Nhà nước xem xét, quyết định cho vay đặc biệt đối với tổ chức tín dụng trong các trường hợp sau đây:

a) Tổ chức tín dụng lâm vào tình trạng mất khả năng chi trả, đe dọa sự ổn định của hệ thống các tổ chức tín dụng;

b) Tổ chức tín dụng có nguy cơ mất khả năng chi trả do sự cố nghiêm trọng khác.

3. Ngân hàng Nhà nước không cho vay đối với cá nhân, tổ chức không phải là tổ chức tín dụng quy định tại khoản 1 và khoản 2 Điều này.

Điều 25. Bảo lãnh

Ngân hàng Nhà nước không bảo lãnh cho tổ chức, cá nhân vay vốn, trừ trường hợp bảo lãnh cho tổ chức tín dụng vay vốn nước ngoài theo quyết định của Thủ tướng Chính phủ.

Điều 26. Tạm ứng cho ngân sách nhà nước

Ngân hàng Nhà nước tạm ứng cho ngân sách trung ương để xử lý thiếu hụt tạm thời quỹ ngân sách nhà nước theo quyết định của Thủ tướng Chính phủ. Khoản tạm ứng này phải được hoàn trả trong năm ngân sách, trừ trường hợp đặc biệt do Ủy ban thường vụ Quốc hội quyết định.

Mục 4

HOẠT ĐỘNG THANH TOÁN VÀ NGÂN QUỸ

Điều 27. Mở tài khoản và thực hiện giao dịch trên tài khoản

1. Ngân hàng Nhà nước được mở tài khoản và thực hiện giao dịch trên tài khoản ở ngân hàng nước ngoài, tổ chức tiền tệ, ngân hàng quốc tế.

2. Ngân hàng Nhà nước mở tài khoản và thực hiện giao dịch cho tổ chức tín dụng.

3. Kho bạc Nhà nước mở tài khoản tại Ngân hàng Nhà nước. Ở tỉnh, thành phố trực thuộc trung ương, huyện, quận, thị xã, thành phố thuộc tỉnh không có chi nhánh của Ngân hàng Nhà nước, việc thực hiện các giao dịch cho Kho bạc Nhà nước theo quy định của Ngân hàng Nhà nước.

Điều 28. Tổ chức, quản lý, vận hành, giám sát hệ thống thanh toán quốc gia

1. Ngân hàng Nhà nước tổ chức, quản lý, vận hành, giám sát hệ thống thanh toán quốc gia.

2. Ngân hàng Nhà nước thực hiện việc quản lý các phương tiện thanh toán trong nền kinh tế.

Điều 29. Dịch vụ ngân quỹ

Ngân hàng Nhà nước cung ứng dịch vụ ngân quỹ thông qua việc thu, chi tiền cho chủ tài khoản, vận chuyển, kiểm đếm, phân loại và xử lý tiền trong lưu thông.

Điều 30. Đại lý cho Kho bạc Nhà nước

Ngân hàng Nhà nước làm đại lý cho Kho bạc Nhà nước trong việc tổ chức đấu thầu, phát hành, lưu ký và thanh toán tín phiếu kho bạc, trái phiếu kho bạc.

Mục 5

QUẢN LÝ NGOẠI HỐI VÀ HOẠT ĐỘNG NGOẠI HỐI

Điều 31. Nhiệm vụ, quyền hạn của Ngân hàng Nhà nước về quản lý ngoại hối và hoạt động ngoại hối

1. Quản lý ngoại hối và sử dụng ngoại hối trên lãnh thổ Việt Nam theo quy định của pháp luật.

2. Tổ chức và phát triển thị trường ngoại tệ.

3. Cấp, thu hồi giấy phép hoạt động ngoại hối cho tổ chức tín dụng, các tổ chức khác có hoạt động ngoại hối.

4. Trình Thủ tướng Chính phủ quyết định biện pháp hạn chế giao dịch ngoại hối để bảo đảm an ninh tài chính, tiền tệ quốc gia.

5. Tổ chức, quản lý, tham gia thị trường ngoại tệ liên ngân hàng.

6. Nhiệm vụ, quyền hạn khác về quản lý ngoại hối và hoạt động ngoại hối theo quy định của pháp luật.

Điều 32. Quản lý Dự trữ ngoại hối nhà nước

1. Dự trữ ngoại hối nhà nước bao gồm:

a) Ngoại tệ tiền mặt, tiền gửi bằng ngoại tệ ở nước ngoài;

b) Chứng khoán, giấy tờ có giá khác bằng ngoại tệ do Chính phủ, tổ chức nước ngoài, tổ chức quốc tế phát hành;

c) Quyền rút vốn đặc biệt, dự trữ tại Quỹ tiền tệ quốc tế;

d) Vàng do Ngân hàng Nhà nước quản lý;

đ) Các loại ngoại hối khác của Nhà nước.

2. Ngân hàng Nhà nước quản lý Dự trữ ngoại hối nhà nước theo quy định của pháp luật về ngoại hối nhằm thực hiện chính sách tiền tệ quốc gia, bảo đảm khả năng thanh toán quốc tế và bảo toàn Dự trữ ngoại hối nhà nước.

3. Thủ tướng Chính phủ quyết định việc sử dụng Dự trữ ngoại hối nhà nước cho nhu cầu đột xuất, cấp bách của Nhà nước; trường hợp sử dụng Dự trữ ngoại hối nhà nước dẫn đến thay đổi dự toán ngân sách thì thực hiện theo quy định của Luật ngân sách nhà nước.

4. Ngân hàng Nhà nước báo cáo Thủ tướng Chính phủ theo định kỳ và đột xuất về quản lý Dự trữ ngoại hối nhà nước.

5. Bộ Tài chính kiểm tra việc quản lý Dự trữ ngoại hối nhà nước do Ngân hàng Nhà nước thực hiện theo quy định của Chính phủ.

Điều 33. Hoạt động ngoại hối của Ngân hàng Nhà nước

Ngân hàng Nhà nước thực hiện việc mua, bán ngoại hối trên thị trường trong nước vì mục tiêu chính sách tiền tệ quốc gia; mua, bán ngoại hối trên thị trường quốc tế và thực hiện giao dịch ngoại hối khác theo quy định của Thủ tướng Chính phủ.

Điều 34. Mua, bán ngoại tệ giữa Dự trữ ngoại hối nhà nước với ngân sách nhà nước

Thủ tướng Chính phủ quy định mức ngoại tệ Bộ Tài chính được giữ lại từ nguồn thu ngân sách để chi các khoản chi ngoại tệ thường xuyên của ngân sách nhà nước. Số ngoại tệ còn lại Bộ Tài chính bán cho Dự trữ ngoại hối nhà nước tập trung tại Ngân hàng Nhà nước.

Mục 6

HOẠT ĐỘNG THÔNG TIN, BÁO CÁO

Điều 35. Trách nhiệm cung cấp thông tin cho Ngân hàng Nhà nước

1. Tổ chức, cá nhân có trách nhiệm cung cấp thông tin cho Ngân hàng Nhà nước để xây dựng Bảng cân đối tiền tệ, xây dựng cán cân thanh toán của Việt Nam và đánh giá, dự báo xu hướng phát triển của thị trường tiền tệ nhằm phục vụ việc xây dựng và điều hành chính sách tiền tệ quốc gia, công tác quản lý ngoại hối.

2. Các tổ chức tín dụng có trách nhiệm cung cấp thông tin, số liệu thống kê theo yêu cầu của Ngân hàng Nhà nước để đánh giá, thanh tra, giám sát tình hình hoạt động của hệ thống các tổ chức tín dụng và của từng tổ chức tín dụng.

3. Thống đốc Ngân hàng Nhà nước quy định đối tượng, quy trình, phạm vi, loại thông tin, kỳ hạn và phương thức cung cấp thông tin quy định tại khoản 1 và khoản 2 Điều này.

Điều 36. Nguyên tắc cung cấp thông tin

Thông tin do tổ chức, cá nhân cung cấp cho Ngân hàng Nhà nước phải bảo đảm chính xác, trung thực, đầy đủ, kịp thời.

Điều 37. Nhiệm vụ của Ngân hàng Nhà nước về hoạt động thông tin

1. Trong hoạt động thông tin, Ngân hàng Nhà nước có các nhiệm vụ sau đây:

a) Tổ chức thu nhận, sử dụng, lưu trữ, cung cấp và công bố thông tin phù hợp với quy định của pháp luật;

b) Tổ chức, giám sát việc cung cấp thông tin tín dụng của khách hàng có quan hệ với tổ chức tín dụng cho tổ chức tín dụng;

c) Hướng dẫn việc cung cấp thông tin và đôn đốc, kiểm tra việc thực hiện cung cấp thông tin của tổ chức, cá nhân theo quy định của pháp luật.

2. Ngân hàng Nhà nước có trách nhiệm công bố theo thẩm quyền các thông tin sau đây:

a) Chủ trương, chính sách, pháp luật về tiền tệ và ngân hàng;

b) Quyết định điều hành của Thống đốc Ngân hàng Nhà nước về tiền tệ và ngân hàng;

c) Tình hình diễn biến tiền tệ và ngân hàng;

d) Thông báo liên quan đến việc thành lập, mua, bán, chia, tách, hợp nhất, sáp nhập, phá sản hoặc giải thể tổ chức tín dụng;

đ) Kết quả tài chính và hoạt động của Ngân hàng Nhà nước theo quy định của pháp luật.

Điều 38. Bảo vệ bí mật thông tin

1. Ngân hàng Nhà nước có trách nhiệm lập danh mục, thay đổi độ mật, giải mật bí mật nhà nước về lĩnh vực tiền tệ và ngân hàng gửi cơ quan nhà nước có thẩm quyền quyết định; bảo vệ bí mật của Ngân hàng Nhà nước và của tổ chức, cá nhân theo quy định của pháp luật.

2. Ngân hàng Nhà nước được quyền từ chối yêu cầu của tổ chức, cá nhân về việc cung cấp thông tin mật về tiền tệ và ngân hàng, trừ trường hợp theo yêu cầu của cơ quan nhà nước có thẩm quyền theo quy định của pháp luật.

3. Cán bộ, công chức Ngân hàng Nhà nước phải giữ bí mật thông tin hoạt động nghiệp vụ của Ngân hàng Nhà nước, của các tổ chức tín dụng và bí mật tiền gửi của tổ chức, cá nhân theo quy định của pháp luật.

Điều 39. Thống kê, phân tích, dự báo tiền tệ

Ngân hàng Nhà nước tổ chức thống kê, thu thập thông tin về kinh tế, tiền tệ và ngân hàng trong nước và nước ngoài phục vụ việc nghiên cứu, phân tích và dự báo diễn biến tiền tệ để xây dựng và điều hành chính sách tiền tệ quốc gia.

Điều 40. Hoạt động báo cáo

1. Thủ tướng Chính phủ báo cáo hoặc ủy quyền cho Thống đốc Ngân hàng Nhà nước báo cáo Quốc hội kết quả thực hiện chính sách tiền tệ quốc gia hằng năm, báo cáo và giải trình về vấn đề được nêu ra trước Quốc hội, Ủy ban thường vụ Quốc hội và các cơ quan của Quốc hội; cung cấp kịp thời thông tin, tài liệu cần thiết cho cơ quan của Quốc hội khi được yêu cầu để giám sát thực hiện chính sách tiền tệ quốc gia.

2. Ngân hàng Nhà nước báo cáo Chính phủ các nội dung sau đây:

a) Tình hình diễn biến tiền tệ và ngân hàng theo định kỳ 06 tháng và hằng năm;

b) Báo cáo tài chính hằng năm đã được kiểm toán.

3. Ngân hàng Nhà nước cung cấp cho các bộ, cơ quan ngang bộ các báo cáo theo quy định của pháp luật.

Điều 41. Hoạt động xuất bản

Ngân hàng Nhà nước tổ chức xuất bản các ấn phẩm về tiền tệ và ngân hàng theo quy định của pháp luật.

CHƯƠNG IV

TÀI CHÍNH, KẾ TOÁN CỦA NGÂN HÀNG NHÀ NƯỚC

Điều 42. Vốn pháp định

Vốn pháp định của Ngân hàng Nhà nước do ngân sách nhà nước cấp. Mức vốn pháp định của Ngân hàng Nhà nước do Thủ tướng Chính phủ quyết định.

Điều 43. Thu, chi tài chính

Thu, chi tài chính của Ngân hàng Nhà nước về nguyên tắc thực hiện theo quy định của Luật ngân sách nhà nước. Thủ tướng Chính phủ quy định những nội dung thu, chi tài chính phù hợp với hoạt động nghiệp vụ đặc thù của Ngân hàng Nhà nước.

Điều 44. Kết quả tài chính

Kết quả tài chính hằng năm của Ngân hàng Nhà nước được xác định bằng nguồn thu về hoạt động nghiệp vụ ngân hàng và các nguồn thu khác, sau khi trừ chi phí hoạt động và các khoản dự phòng rủi ro.

Điều 45. Các quỹ

1. Ngân hàng Nhà nước được trích từ kết quả tài chính hằng năm để lập các quỹ sau đây:

- a) Quỹ thực hiện chính sách tiền tệ quốc gia;
- b) Quỹ dự phòng tài chính;
- c) Quỹ khác do Thủ tướng Chính phủ quyết định.

2. Mức trích lập và việc sử dụng các quỹ tại khoản 1 Điều này thực hiện theo quy định của Thủ tướng Chính phủ.

3. Kết quả tài chính của Ngân hàng Nhà nước sau khi trích lập các quỹ tại khoản 1 Điều này được nộp vào ngân sách nhà nước.

Điều 46. Hạch toán kế toán

Ngân hàng Nhà nước thực hiện hạch toán kế toán theo các chuẩn mực kế toán của Việt Nam và theo chế độ kế toán đặc thù của Ngân hàng trung ương theo quy định của Thủ tướng Chính phủ.

Điều 47. Kiểm toán

Báo cáo tài chính hằng năm của Ngân hàng Nhà nước được Kiểm toán Nhà nước kiểm toán và xác nhận.

Điều 48. Năm tài chính

Năm tài chính của Ngân hàng Nhà nước bắt đầu từ ngày 01 tháng 01 và kết thúc vào ngày 31 tháng 12 năm dương lịch.

CHƯƠNG V**THANH TRA, GIÁM SÁT NGÂN HÀNG****Điều 49. Cơ quan Thanh tra, giám sát ngân hàng**

1. Cơ quan Thanh tra, giám sát ngân hàng là đơn vị thuộc cơ cấu tổ chức của Ngân hàng Nhà nước, thực hiện nhiệm vụ thanh tra, giám sát ngân hàng, phòng, chống rửa tiền.

2. Thủ tướng Chính phủ quy định cụ thể về tổ chức, nhiệm vụ, quyền hạn của Cơ quan Thanh tra, giám sát ngân hàng.

Điều 50. Mục đích thanh tra, giám sát ngân hàng

Thanh tra, giám sát ngân hàng nhằm góp phần bảo đảm sự phát triển an toàn, lành mạnh của hệ thống các tổ chức tín dụng và hệ thống tài chính; bảo vệ

quyền và lợi ích hợp pháp của người gửi tiền và khách hàng của tổ chức tín dụng; duy trì và nâng cao lòng tin của công chúng đối với hệ thống các tổ chức tín dụng; bảo đảm việc chấp hành chính sách, pháp luật về tiền tệ và ngân hàng; góp phần nâng cao hiệu quả và hiệu lực quản lý nhà nước trong lĩnh vực tiền tệ và ngân hàng.

Điều 51. Nguyên tắc thanh tra, giám sát ngân hàng

1. Thanh tra, giám sát ngân hàng phải tuân theo pháp luật; bảo đảm chính xác, khách quan, trung thực, công khai, dân chủ, kịp thời; không làm cản trở hoạt động bình thường của cơ quan, tổ chức, cá nhân là đối tượng thanh tra, giám sát ngân hàng.

2. Kết hợp thanh tra, giám sát việc chấp hành chính sách, pháp luật về tiền tệ và ngân hàng với thanh tra, giám sát rủi ro trong hoạt động của đối tượng thanh tra, giám sát ngân hàng.

3. Thanh tra, giám sát ngân hàng được thực hiện theo nguyên tắc thanh tra, giám sát toàn bộ hoạt động của tổ chức tín dụng.

4. Thanh tra, giám sát ngân hàng được thực hiện theo quy định của Luật này và các quy định khác của pháp luật có liên quan; trường hợp có sự khác nhau giữa quy định về thanh tra, giám sát ngân hàng của Luật này với quy định của luật khác thì thực hiện theo quy định của Luật này.

5. Thống đốc Ngân hàng Nhà nước quy định trình tự, thủ tục thanh tra, giám sát ngân hàng.

Điều 52. Đối tượng thanh tra ngân hàng

Ngân hàng Nhà nước thanh tra các đối tượng sau đây:

1. Tổ chức tín dụng, chi nhánh ngân hàng nước ngoài, văn phòng đại diện của tổ chức tín dụng nước ngoài, tổ chức nước ngoài khác có hoạt động ngân hàng. Trong trường hợp cần thiết, Ngân hàng Nhà nước yêu cầu cơ quan nhà nước có thẩm quyền thanh tra hoặc phối hợp thanh tra công ty con, công ty liên kết của tổ chức tín dụng;

2. Tổ chức có hoạt động ngoại hối, hoạt động kinh doanh vàng; tổ chức hoạt động thông tin tín dụng; tổ chức cung ứng dịch vụ trung gian thanh toán không phải là ngân hàng;

3. Cơ quan, tổ chức, cá nhân Việt Nam và cơ quan, tổ chức, cá nhân nước ngoài tại Việt Nam trong việc thực hiện các quy định của pháp luật về tiền tệ và ngân hàng thuộc phạm vi quản lý nhà nước của Ngân hàng Nhà nước.

Điều 53. Quyền, nghĩa vụ của đối tượng thanh tra ngân hàng

1. Thực hiện kết luận thanh tra.

2. Thực hiện các quyền, nghĩa vụ theo quy định của pháp luật.

Điều 54. Căn cứ ra quyết định thanh tra

Việc ra quyết định thanh tra phải trên cơ sở một trong các căn cứ sau đây:

1. Chương trình, kế hoạch thanh tra;
2. Yêu cầu của Thống đốc Ngân hàng Nhà nước;
3. Khi phát hiện có dấu hiệu vi phạm pháp luật;
4. Khi có dấu hiệu rủi ro đe dọa sự an toàn hoạt động của tổ chức tín dụng.

Điều 55. Nội dung thanh tra ngân hàng

1. Thanh tra việc chấp hành pháp luật về tiền tệ và ngân hàng, việc thực hiện các quy định trong giấy phép do Ngân hàng Nhà nước cấp.

2. Xem xét, đánh giá mức độ rủi ro, năng lực quản trị rủi ro và tình hình tài chính của đối tượng thanh tra ngân hàng.

3. Kiến nghị cơ quan nhà nước có thẩm quyền sửa đổi, bổ sung, huỷ bỏ hoặc ban hành văn bản quy phạm pháp luật đáp ứng yêu cầu quản lý nhà nước về tiền tệ và ngân hàng.

4. Kiến nghị, yêu cầu đối tượng thanh tra ngân hàng có biện pháp hạn chế, giảm thiểu và xử lý rủi ro để bảo đảm an toàn hoạt động ngân hàng và phòng ngừa, ngăn chặn hành động dẫn đến vi phạm pháp luật.

5. Phát hiện, ngăn chặn và xử lý theo thẩm quyền; kiến nghị cơ quan nhà nước có thẩm quyền xử lý vi phạm pháp luật về tiền tệ và ngân hàng.

Điều 56. Đối tượng giám sát ngân hàng

Ngân hàng Nhà nước thực hiện việc giám sát ngân hàng đối với mọi hoạt động của tổ chức tín dụng, chi nhánh ngân hàng nước ngoài. Trong trường hợp cần thiết, Ngân hàng Nhà nước yêu cầu cơ quan nhà nước có thẩm quyền giám sát hoặc phối hợp giám sát công ty con, công ty liên kết của tổ chức tín dụng.

Điều 57. Quyền, nghĩa vụ của đối tượng giám sát ngân hàng

1. Cung cấp kịp thời, đầy đủ, chính xác thông tin, tài liệu theo yêu cầu của Cơ quan Thanh tra, giám sát ngân hàng; chịu trách nhiệm trước pháp luật về tính chính xác, trung thực của thông tin, tài liệu đã cung cấp.

2. Báo cáo, giải trình đối với khuyến nghị, cảnh báo rủi ro và an toàn hoạt động của Cơ quan Thanh tra, giám sát ngân hàng.

3. Thực hiện khuyến nghị, cảnh báo rủi ro và an toàn hoạt động của Cơ quan Thanh tra, giám sát ngân hàng.

Điều 58. Nội dung giám sát ngân hàng

1. Thu thập, tổng hợp và xử lý tài liệu, thông tin, dữ liệu theo yêu cầu giám sát ngân hàng.

2. Xem xét, theo dõi tình hình chấp hành các quy định về an toàn hoạt động ngân hàng và các quy định khác của pháp luật về tiền tệ và ngân hàng; việc thực hiện kết luận, kiến nghị, quyết định xử lý về thanh tra và khuyến nghị, cảnh báo về giám sát ngân hàng.

3. Phân tích, đánh giá tình hình tài chính, hoạt động, quản trị, điều hành và mức độ rủi ro của tổ chức tín dụng; xếp hạng các tổ chức tín dụng hằng năm.

4. Phát hiện, cảnh báo rủi ro gây mất an toàn hoạt động ngân hàng và nguy cơ dẫn đến vi phạm pháp luật về tiền tệ và ngân hàng.

5. Kiến nghị, đề xuất biện pháp phòng ngừa, ngăn chặn và xử lý rủi ro, vi phạm pháp luật.

Điều 59. Xử lý đối tượng thanh tra, giám sát ngân hàng

1. Đối tượng thanh tra, giám sát ngân hàng vi phạm pháp luật về tiền tệ và ngân hàng thì tùy theo tính chất, mức độ vi phạm mà bị xử lý kỷ luật, xử phạt vi phạm hành chính hoặc truy cứu trách nhiệm hình sự, nếu gây thiệt hại thì phải bồi thường theo quy định của pháp luật.

2. Tùy theo tính chất, mức độ rủi ro, Ngân hàng Nhà nước còn áp dụng các biện pháp xử lý sau đây đối với đối tượng thanh tra, giám sát ngân hàng:

- a) Hạn chế chia cổ tức, chuyển nhượng cổ phần, chuyển nhượng tài sản;
- b) Hạn chế việc mở rộng phạm vi, quy mô và địa bàn hoạt động;
- c) Hạn chế, đình chỉ, tạm đình chỉ một hoặc một số hoạt động ngân hàng;
- d) Yêu cầu tổ chức tín dụng phải tăng vốn điều lệ để đáp ứng các yêu cầu bảo đảm an toàn trong hoạt động ngân hàng;
- đ) Yêu cầu tổ chức tín dụng phải chuyển nhượng vốn điều lệ hoặc vốn cổ phần; cổ đông lớn, cổ đông nắm quyền kiểm soát, chi phối phải chuyển nhượng cổ phần;
- e) Quyết định giới hạn tăng trưởng tín dụng đối với tổ chức tín dụng trong những trường hợp cần thiết bảo đảm an toàn cho tổ chức tín dụng và hệ thống các tổ chức tín dụng;
- g) Áp dụng một hoặc một số tỷ lệ an toàn cao hơn mức quy định.

Điều 60. Phối hợp giữa Ngân hàng Nhà nước với bộ, cơ quan ngang bộ trong hoạt động thanh tra, giám sát ngân hàng

1. Ngân hàng Nhà nước phối hợp với bộ, cơ quan ngang bộ có liên quan trao đổi thông tin về hoạt động thanh tra, giám sát trong lĩnh vực tài chính, ngân hàng thuộc thẩm quyền quản lý.

2. Ngân hàng Nhà nước chủ trì, phối hợp với cơ quan nhà nước có thẩm quyền thanh tra, giám sát tổ chức tín dụng; phối hợp với cơ quan nhà nước có

thẩm quyền thanh tra, giám sát công ty con, công ty liên kết của tổ chức tín dụng theo quy định tại Điều 52 và Điều 56 của Luật này.

Điều 61. Phối hợp thanh tra, giám sát ngân hàng giữa Ngân hàng Nhà nước với cơ quan có thẩm quyền thanh tra, giám sát ngân hàng của nước ngoài

1. Ngân hàng Nhà nước trao đổi thông tin và phối hợp với cơ quan có thẩm quyền thanh tra, giám sát ngân hàng của nước ngoài trong việc thanh tra, giám sát đối tượng thanh tra, giám sát ngân hàng nước ngoài hoạt động trên lãnh thổ Việt Nam và đối tượng thanh tra, giám sát ngân hàng của Việt Nam hoạt động ở nước ngoài.

2. Ngân hàng Nhà nước thỏa thuận với cơ quan có thẩm quyền thanh tra, giám sát ngân hàng của nước ngoài về hình thức, nội dung, cơ chế trao đổi thông tin và phối hợp thanh tra, giám sát phù hợp với quy định của pháp luật Việt Nam.

CHƯƠNG VI KIỂM TOÁN NỘI BỘ

Điều 62. Kiểm toán nội bộ

1. Kiểm toán nội bộ là đơn vị thuộc cơ cấu tổ chức của Ngân hàng Nhà nước, thực hiện kiểm toán nội bộ và kiểm soát nội bộ Ngân hàng Nhà nước.

2. Quy chế kiểm toán nội bộ, kiểm soát nội bộ do Thống đốc Ngân hàng Nhà nước ban hành.

Điều 63. Đối tượng, mục tiêu và nguyên tắc hoạt động của Kiểm toán nội bộ

1. Đối tượng của Kiểm toán nội bộ là các đơn vị thuộc hệ thống Ngân hàng Nhà nước.

2. Mục tiêu của Kiểm toán nội bộ là đánh giá về hiệu quả hoạt động kiểm soát nội bộ nhằm bảo đảm độ tin cậy của báo cáo tài chính, hiệu lực của các hoạt động, tuân thủ pháp luật, quy định, quy trình của Ngân hàng Nhà nước, bảo đảm an toàn tài sản.

3. Hoạt động của Kiểm toán nội bộ được thực hiện theo các nguyên tắc sau đây:

a) Tuân thủ pháp luật, quy định, quy trình, kế hoạch đã được Thống đốc Ngân hàng Nhà nước phê duyệt;

b) Bảo đảm tính độc lập, trung thực, khách quan, giữ bí mật nhà nước và bí mật của đơn vị được kiểm toán;

c) Không làm cản trở hoạt động bình thường của đơn vị được kiểm toán;

d) Kiểm toán nội bộ được tiếp cận tài liệu, hồ sơ, giao dịch và các tài liệu cần thiết khác của đối tượng kiểm toán để thực hiện mục tiêu kiểm toán.

Điều 64. Nhiệm vụ, quyền hạn của Kiểm toán nội bộ

1. Thực hiện kiểm toán tất cả các đơn vị thuộc hệ thống Ngân hàng Nhà nước phù hợp với kế hoạch kiểm toán đã được phê duyệt hoặc theo yêu cầu của Thống đốc Ngân hàng Nhà nước.

2. Thực hiện kiểm toán tài chính, kiểm toán hoạt động và các nhiệm vụ khác của Ngân hàng Nhà nước.

CHƯƠNG VII
ĐIỀU KHOẢN THI HÀNH

Điều 65. Hiệu lực thi hành

1. Luật này có hiệu lực thi hành từ ngày 01 tháng 01 năm 2011.

2. Luật Ngân hàng Nhà nước Việt Nam số 01/1997/QH10 và Luật sửa đổi, bổ sung một số điều của Luật Ngân hàng Nhà nước Việt Nam số 10/2003/QH11 hết hiệu lực kể từ ngày Luật này có hiệu lực.

Điều 66. Quy định chi tiết và hướng dẫn thi hành

Chính phủ quy định chi tiết và hướng dẫn thi hành các điều, khoản được giao trong Luật; hướng dẫn những nội dung cần thiết khác của Luật này để đáp ứng yêu cầu quản lý nhà nước.

Luật này đã được Quốc hội nước Cộng hòa xã hội chủ nghĩa Việt Nam khóa XII, kỳ họp thứ 7 thông qua ngày 16 tháng 6 năm 2010.



Exhibit 007

THE GOVERNMENT

SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

No.70/2014/ND-CP

Hanoi, July 17, 2014

DECREE

DETAILING THE IMPLEMENTATION OF SEVERAL PROVISIONS OF THE ORDINANCE AND THE AMENDED ORDINANCE ON THE FOREIGN EXCHANGE

Pursuant to the Law on Government organization dated December 25, 2001;

Pursuant to the Law on the State Bank of Vietnam date June 16, 2010;

Pursuant to the Law on Credit Institutions dated June 16, 2010;

Pursuant to the Ordinance on the foreign exchange dated December 13, 2005 and the amended Ordinance on the foreign exchange dated March 18, 2013;

At the request of the Governor of the State Bank of Vietnam,

The Government hereby promulgates this Decree on detailing the implementation of several provisions of the Ordinance on the foreign exchange and the amended Ordinance on the foreign exchange.

Chapter I

GENERAL PROVISIONS

Article 1. Governing scope

1. This Decree provides for the specific implementation of several provisions of the foreign exchange Ordinance and the amended foreign exchange Ordinance in respect of foreign exchange transactions of residents and non-residents in the territory of the Socialist Republic of Vietnam.

2. Issues regarding the management of foreign-exchange reserves; gold trade; the Government's foreign loan, repayment of the Government's unsecured foreign debts; the Government's foreign loans and repayment of the Government's secured foreign debts as well as the handling of any violation against regulations on foreign exchange transactions shall be governed by other relevant laws promulgated by the Government.

Article 2. Applied entities

1. Organizations or individuals are residents or non-residents performing their foreign exchange transactions in Vietnam.
2. Organizations or individuals are residents involved in the management, inspection, supervision and handling of violations of foreign exchange transactions.

Article 3. Application of laws on foreign exchange, international treaties, foreign laws and international practices

1. Foreign exchange transactions must comply with regulations of this Decree and other relevant laws.
2. In case international treaties of which the Socialist Republic of Vietnam is a member has regulations different than regulations of this Decree, these treaties shall be applied.
3. Whenever any foreign exchange transaction is not regulated by Vietnam laws, parties can agree on applying foreign laws and international practices provided that this application is not in breach of basic principles specified in Vietnam laws.

Chapter II

SPECIFIC PROVISIONS

Article 4. Liberalization of current transactions

In the territory of Vietnam, all of non-current payment and money transfer transactions of residents and non-residents are freely performed in accordance with regulations of this Decree and other relevant laws to follow the principles below:

1. Residents, non-residents are entitled to purchase, remit and carry foreign currency overseas to serve the demands for payment and money transfer of current transactions.
2. Residents, non-residents are responsible to submit required records as regulated by credit institutions upon purchase, transfer and carry of foreign currency overseas to perform current transactions as well as take legal responsibility for the authentication of these records provided for authorized credit institutions.
3. Upon purchase, transfer and carry of foreign currency overseas to perform current transactions, residents and non-residents do not need to present any record regarding the confirmation of fulfillment of their tax obligations in Vietnam.

Article 5. Foreign currency payment and transfer regarding imported and exported goods and services as well as other current sources

1. Foreign currency revenues of residents earned from the import and export of goods and services or other current sources overseas must be deposited into the foreign currency accounts

opened at authorized credit institutions in Vietnam, which corresponds to the payment term specified in the relevant contracts or payment records, except for some cases that the State Bank of Vietnam considers allowing to retain a partly or entire amount of foreign currency revenue overseas.

2. Foreign currency payment and transfer regarding imported and exported goods and services must be performed by wire transfer through authorized credit institutions.

Article 6. Money transfer from foreign countries to Vietnam

1. Foreign currency receipts of residents as organizations earned from such transfer process must be deposited into foreign currency accounts opened at authorized credit institutions or sold to these credit institutions.

2. Foreign currency receipts of residents as individuals earned from such transfer process must be deposited into foreign currency accounts or used as cash withdrawals to serve for the purposes regulated in Article 13 of this Decree.

Article 7. Money transfer from Vietnam to foreign countries

1. Residents as organizations are entitled to perform money transfer from foreign countries to serve the purposes of aids, grants or others as stipulated by the State Bank of Vietnam.

2. Residents as Vietnamese citizens are entitled to purchase, transfer and carry foreign currency overseas according to regulations specified by the State Bank of Vietnam to serve the following purposes:

- a) Overseas study and medical healthcare;
- b) Overseas business trips, tourism and travels to visit friends or families;
- c) Payment of fees and charges abroad;
- d) Grants provided for relatives living overseas;
- d) Money transfer of an inheritance to heirs living abroad;
- e) Money transfer in case of people who settle overseas;
- g) One-way money transfer in case of other legal demands.

3. Non-residents and residents are foreigners who keep foreign currency in their accounts or legal receipts remitted or carried overseas; in case they own legal receipts in Vietnamese dong, they are allowed to purchase foreign currency to remit and carry overseas.

4. Authorized credit institutions are responsible to examine records and documents submitted by residents and non-residents for the purchase, transfer and confirmation of their personal foreign currency or an amount of foreign currency purchased from authorized credit institutions to carry abroad, depending on actual and proper requirements for each money transfer transaction.

Article 8. Opening and use of direct investment accounts

1. Residents as foreign direct investment enterprises and foreign investors who are involved in the business cooperation agreement (hereinafter collectively referred to as foreign investment enterprise) must open foreign currency accounts for the direct investment at 01 (one) authorized credit institution to perform the receipt and expenditure transactions regarding the FDI activities in Vietnam.

2. In the event that the investment is paid in Vietnamese dong, residents as foreign investment enterprises are entitled to open 01 (one) Vietnamese dong account for the direct investment at authorized credit institutions where foreign investment enterprises have open the foreign currency account for the direct investment in accordance with regulations stated at Clause 1 of this Article to perform the legal transaction of foreign currency receipts and expenditures regarding the foreign direct investment in Vietnam.

3. The State Bank of Vietnam promulgates specific regulations on the opening and use of direct investment accounts as stipulated in Clause 1 and 2 of this Article.

Article 9. Transfer of earnings created by direct investments from Vietnam to foreign countries

If there are demands for the transfer of legal Vietnamese dong revenues created by the direct investments in Vietnam to foreign countries, foreign investors are allowed to purchase foreign currency at authorized credit institutions and transfer this foreign currency amount overseas within the period of 30 (thirty) working days from the date of foreign currency purchase.

Article 10. Residents as securities offering organizations in foreign countries

1. When being allowed to issue foreign currency securities in foreign countries in the form of bonds, residents as organizations must observe current laws and regulations on the management of borrowing and foreign debt repayment as well as other relevant laws.

2. Whenever foreign currency securities offering in the form of stocks, investment fund certificate and other securities in foreign countries are allowed, residents as organizations must open one account of foreign currency securities capital at one authorized credit institution as well as perform the transactions of foreign currency receipts and expenditures regarding the securities offering through this account as stipulated by the State Bank of Vietnam

Article 11. Non-residents as securities offering organizations in Vietnam

1. Non-residents as organizations are only allowed to release Vietnamese dong securities in the territory of Vietnam on condition that they must adhere to laws on securities and other relevant legal regulations.
2. Whenever their securities offerings are licensed in Vietnam, non-residents as organizations must open 01 (one) Vietnamese dong account of securities offering capital at 01 (one) authorized credit institution to perform the transactions of Vietnamese dong receipts and expenditures regarding the securities offering through this account as stipulated by the State Bank of Vietnam.

Article 12. Opening and use of foreign currency accounts in foreign countries held by residents as organizations

The State Bank of Vietnam regulates procedures for the issuance and revocation of the certificate of opening and use of foreign currency accounts in foreign countries that residents as organizations below must follow:

1. Economic organizations that establish their agencies and representative offices overseas or wish to open foreign currency accounts overseas to obtain loans and fulfill their contract commitments and obligations to foreign parties.
2. Regulatory agency, the armed forces unit, political organization, socio-political organization, socio-occupational political organizations, social organization, socio-occupational organization, social fund and charity fund in Vietnam wish to open foreign currency accounts overseas in order to receive foreign grants and aids or others licensed by Vietnam's competent agencies.

Article 13. Use of personal foreign currency cash

1. Individual residents, non-residents have the rights to keep, carry, give, present, inherit and sell foreign currency cash to authorized credit institutions, transfer it overseas as regulated in this Decree, and pay it to any entity eligible for the receipt of foreign currency cash.
2. Residents as Vietnamese citizens are eligible to use foreign currency cash to open foreign currency savings account at authorized credit institutions, withdraw interest and savings amount of currency which they have deposited.

Article 14. Vietnam's foreign currency market

1. Foreign currency market is the place where the trading of various foreign currencies occurs. Entities involved in the foreign currency market consist of the State Bank of Vietnam, authorized credit institutions and clients as residents or non-residents in Vietnam.

The State Bank of Vietnam provides for standards, modes and types of foreign currency transactions on foreign currency market.

2. Inter-bank foreign currency market is considered the marketplace where the transactions between the State Bank of Vietnam and authorized credit institutions or between credit

institutions take place. Those who participate in inter-bank foreign currency market perform the trading of foreign currency in the modes and types of transactions that participants agree on and promise between them in conformity with international practices and regulations of the State Bank of Vietnam

Article 15. System of Vietnamese dong exchange rate

1. Vietnamese dong exchange rate is formed on the basis of foreign currency demand and supply on the state-controlled market. The State Bank of Vietnam shall regulate the exchange rate through the use of monetary policies and take measures to control transactions on the foreign currency market.
2. Vietnamese dong exchange rate system is a managed floating system that the State Bank of Vietnam defines on the basis of a basket of currencies of countries that establish a cooperation of commerce, loaning, debt repayment and investment with Vietnam, which conforms to macroeconomic objectives in each period.

Article 16. Document inspection

Authorized credit institutions and other organizations eligible to perform foreign exchange transactions are responsible to examine, review and keep any relevant document and record during actual transactions to ensure that the supply of foreign exchange services serve the right purpose and complies with legal regulations.

Article 17. Satisfaction of demands for foreign currency for current account transactions

Within the existing amount of foreign currency, authorized credit institutions are responsible to satisfy the demand of residents and non-residents for foreign currency to perform current payment transactions, depending on the actual demand of each transaction.

Article 18. Inspection, supervision and report

1. Authorized credit institutions and other organization eligible to perform foreign exchange transactions are subject to inspection, supervision and adhere to the report requirements as regulated by the State Bank of Vietnam.
2. Rights and obligations of authorized credit institutions in terms of report and information
 - a) Report information and data regarding foreign exchange transactions in a timely manner as regulated in current laws on the foreign exchange;
 - b) Request clients to provide their information for the purpose of collecting data and information regarding foreign exchange transactions;
 - c) Protect the confidentiality of information defined as the secret list of the banking sector.

3. Rights and obligations of organizations and individuals in terms of report and information

- a) Organizations, individuals involved in foreign exchange transactions are obliged to provide information and data if required by the State Bank of Vietnam and authorized credit institutions in the deadline as regulated in current laws on the foreign exchange;
- b) Organizations, individuals have the right to request authorized credit institutions to provide instructions on the compliance with foreign exchange management policies.

Article 19. Regulations on information and report

1. Responsibilities of the State Bank of Vietnam:

- a) Release regulations on report, analysis, forecast and publicize information on foreign exchange transactions;
- b) Direct and cooperate with Ministries and regulatory agencies to collect information and data for the State management of foreign exchange and make balance of international payments.

2. Responsibilities of Ministries, ministerial-level agencies, the Government's bodies, the People's Committee of centrally-governed cities and provinces

Ministries, ministerial-level agencies, the Government's bodies, the People's Committee of centrally-governed cities and provinces within the scope of their power shall be responsible to report information and data about foreign exchange transactions to the State Bank of Vietnam for the State management of foreign exchange and the establishment of balance of international payments.

Chapter III

IMPLEMENTATION

Article 20. Effect

- 1. This Decree comes into effect from September 05, 2014.
- 2. This Decree shall supersede the Decree No.160/2006/ND-CP dated December 28, 2006 of the Government on detailing the implementation of the Foreign Exchange Ordinance.

Article 21. Implementation responsibility

The Governor of the State Bank of Vietnam, Minister, Heads of ministerial-level agencies, Heads of Governmental agencies, the Presidents of People's Committees of centrally-affiliated cities and provinces, relevant organization and individual are responsible for the implementation of this Decree./.

**PP. THE GOVERNMENT
PRIME MINISTER**

Nguyễn Tấn Dũng

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Số: 70/2014/ND-CP

Hà Nội, ngày 17 tháng 7 năm 2014

NGHỊ ĐỊNH

**Quy định chi tiết thi hành một số điều của Pháp lệnh Ngoại hối và
Pháp lệnh sửa đổi, bổ sung một số điều của Pháp lệnh Ngoại hối**

Căn cứ Luật Tổ chức Chính phủ ngày 25 tháng 12 năm 2001;

Căn cứ Luật Ngân hàng Nhà nước Việt Nam ngày 16 tháng 6 năm 2010;

Căn cứ Luật Các tổ chức tín dụng ngày 16 tháng 6 năm 2010;

*Căn cứ Pháp lệnh Ngoại hối ngày 13 tháng 12 năm 2005 và Pháp lệnh
sửa đổi, bổ sung một số điều của Pháp lệnh Ngoại hối ngày 18 tháng 3 năm 2013;*

Theo đề nghị của Thống đốc Ngân hàng Nhà nước Việt Nam,

*Chính phủ ban hành Nghị định quy định chi tiết thi hành một số điều của
Pháp lệnh Ngoại hối và Pháp lệnh sửa đổi, bổ sung một số điều của Pháp lệnh
Ngoại hối.*

**Chương I
NHỮNG QUY ĐỊNH CHUNG**

Điều 1. Phạm vi điều chỉnh

1. Nghị định này quy định chi tiết thi hành một số điều của Pháp lệnh Ngoại hối và Pháp lệnh sửa đổi, bổ sung một số điều của Pháp lệnh Ngoại hối về các hoạt động ngoại hối của người cư trú, người không cư trú tại nước Cộng hòa xã hội chủ nghĩa Việt Nam.

2. Các nội dung liên quan đến quản lý dự trữ ngoại hối nhà nước, quản lý hoạt động kinh doanh vàng, quản lý vay, trả nợ nước ngoài không được Chính phủ bảo lãnh, vay, trả nợ nước ngoài của Chính phủ, vay có bảo lãnh của Chính phủ, xử lý vi phạm về ngoại hối và hoạt động ngoại hối được thực hiện theo quy định khác của Chính phủ.

Điều 2. Đối tượng áp dụng

1. Tổ chức, cá nhân là người cư trú, người không cư trú có hoạt động ngoại hối tại Việt Nam.

2. Tổ chức, cá nhân là người cư trú có liên quan trong việc quản lý, thanh tra, kiểm tra, giám sát và xử lý vi phạm về ngoại hối và hoạt động ngoại hối.

Điều 3. Áp dụng pháp luật về ngoại hối, điều ước quốc tế, pháp luật nước ngoài, tập quán quốc tế

1. Hoạt động ngoại hối phải tuân theo quy định tại Nghị định này và các quy định khác của pháp luật có liên quan.

2. Trường hợp điều ước quốc tế mà nước Cộng hoà xã hội chủ nghĩa Việt Nam là thành viên có quy định khác với quy định của Nghị định này thì áp dụng quy định của điều ước quốc tế đó.

3. Trường hợp hoạt động ngoại hối mà pháp luật Việt Nam chưa có quy định thì các bên có thể thoả thuận áp dụng pháp luật nước ngoài, tập quán quốc tế nếu việc áp dụng pháp luật nước ngoài, tập quán quốc tế đó không trái với những nguyên tắc cơ bản của pháp luật Việt Nam.

Chương II NHỮNG QUY ĐỊNH CỤ THỂ

Điều 4. Tự do hoá đối với giao dịch vãng lai

Trên lãnh thổ Việt Nam, tất cả các giao dịch thanh toán và chuyển tiền đối với giao dịch vãng lai của người cư trú và người không cư trú được tự do thực hiện phù hợp với các quy định tại Nghị định này và các quy định pháp luật khác có liên quan theo các nguyên tắc sau:

1. Người cư trú, người không cư trú được mua, chuyển, mang ngoại tệ ra nước ngoài phục vụ các nhu cầu thanh toán và chuyển tiền đối với giao dịch vãng lai.

2. Người cư trú, người không cư trú có trách nhiệm xuất trình các chứng từ theo quy định của tổ chức tín dụng khi mua, chuyển, mang ngoại tệ ra nước ngoài phục vụ các giao dịch vãng lai và chịu trách nhiệm trước pháp luật về tính xác thực của các loại giấy tờ, chứng từ đã xuất trình cho tổ chức tín dụng được phép.

3. Khi mua, chuyển, mang ngoại tệ ra nước ngoài phục vụ các giao dịch vãng lai, người cư trú, người không cư trú không phải xuất trình các chứng từ liên quan đến việc xác nhận hoàn thành nghĩa vụ thuế với Nhà nước Việt Nam.

Điều 5. Thanh toán và chuyển tiền liên quan đến xuất khẩu, nhập khẩu hàng hoá, dịch vụ và các nguồn thu vãng lai khác

1. Người cư trú có nguồn thu ngoại tệ từ xuất khẩu hàng hoá, dịch vụ hoặc từ các nguồn thu vãng lai khác ở nước ngoài phải chuyển vào tài khoản ngoại tệ mở tại tổ chức tín dụng được phép tại Việt Nam phù hợp với thời hạn

thanh toán của hợp đồng hoặc các chứng từ thanh toán, trừ một số trường hợp được Ngân hàng Nhà nước Việt Nam xem xét cho phép giữ lại một phần hoặc toàn bộ nguồn thu ngoại tệ ở nước ngoài.

2. Mọi giao dịch thanh toán và chuyển tiền liên quan đến xuất khẩu, nhập khẩu hàng hoá, dịch vụ phải thực hiện bằng hình thức chuyển khoản thông qua tổ chức tín dụng được phép.

Điều 6. Chuyển tiền một chiều từ nước ngoài vào Việt Nam

1. Người cư trú là tổ chức có ngoại tệ thu được từ các khoản chuyển tiền một chiều phải chuyển vào tài khoản ngoại tệ tại tổ chức tín dụng được phép hoặc bán cho tổ chức tín dụng được phép.

2. Người cư trú là cá nhân có ngoại tệ thu được từ các khoản chuyển tiền một chiều được gửi vào tài khoản ngoại tệ hoặc rút tiền mặt để sử dụng cho các mục đích quy định tại Điều 13 Nghị định này.

Điều 7. Chuyển tiền một chiều từ Việt Nam ra nước ngoài

1. Người cư trú là tổ chức được thực hiện chuyển tiền một chiều ra nước ngoài để phục vụ mục đích tài trợ, viện trợ hoặc các mục đích khác theo quy định của Ngân hàng Nhà nước Việt Nam.

2. Người cư trú là công dân Việt Nam được mua, chuyển, mang ngoại tệ ra nước ngoài theo quy định của Ngân hàng Nhà nước Việt Nam cho các mục đích sau:

- a) Học tập, chữa bệnh ở nước ngoài;
- b) Đi công tác, du lịch, thăm viếng ở nước ngoài;
- c) Trả các loại phí, lệ phí cho nước ngoài;
- d) Trợ cấp cho thân nhân đang ở nước ngoài;
- đ) Chuyển tiền thừa kế cho người hưởng thừa kế ở nước ngoài;
- e) Chuyển tiền trong trường hợp định cư ở nước ngoài;
- g) Chuyển tiền một chiều cho các nhu cầu hợp pháp khác.

3. Người không cư trú, người cư trú là người nước ngoài có ngoại tệ trên tài khoản hoặc các nguồn thu ngoại tệ hợp pháp được chuyển, mang ra nước ngoài; trường hợp có nguồn thu hợp pháp bằng đồng Việt Nam thì được mua ngoại tệ để chuyển, mang ra nước ngoài.

4. Tổ chức tín dụng được phép có trách nhiệm xem xét các chứng từ, giấy tờ do người cư trú, người không cư trú xuất trình để bán, chuyển, xác nhận nguồn ngoại tệ tự có hoặc mua từ tổ chức tín dụng được phép để mang ra nước ngoài căn cứ vào yêu cầu thực tế, hợp lý của từng giao dịch chuyển tiền.

Điều 8. Mở và sử dụng tài khoản vốn đầu tư trực tiếp

1. Người cư trú là doanh nghiệp có vốn đầu tư trực tiếp nước ngoài và nhà đầu tư nước ngoài tham gia hợp đồng hợp tác kinh doanh phải mở tài khoản vốn đầu tư trực tiếp bằng ngoại tệ tại 01 (một) tổ chức tín dụng được phép để thực hiện các giao dịch thu, chi liên quan đến hoạt động đầu tư trực tiếp tại Việt Nam.

2. Trường hợp thực hiện đầu tư bằng đồng Việt Nam, người cư trú là doanh nghiệp có vốn đầu tư trực tiếp nước ngoài và nhà đầu tư nước ngoài tham gia hợp đồng hợp tác kinh doanh được mở 01 (một) tài khoản vốn đầu tư trực tiếp bằng đồng Việt Nam tại tổ chức tín dụng được phép nơi doanh nghiệp có vốn đầu tư trực tiếp nước ngoài và nhà đầu tư nước ngoài tham gia hợp đồng hợp tác kinh doanh đã mở tài khoản vốn đầu tư trực tiếp bằng ngoại tệ theo quy định tại Khoản 1 Điều này để thực hiện các giao dịch thu chi hợp pháp bằng đồng Việt Nam liên quan đến hoạt động đầu tư trực tiếp nước ngoài tại Việt Nam.

3. Ngân hàng Nhà nước Việt Nam quy định chi tiết việc mở và sử dụng các tài khoản vốn đầu tư trực tiếp quy định tại Khoản 1 và Khoản 2 Điều này.

Điều 9. Chuyển thu nhập từ hoạt động đầu tư trực tiếp ra nước ngoài

Trường hợp có nhu cầu chuyển các nguồn thu hợp pháp bằng đồng Việt Nam từ hoạt động đầu tư trực tiếp tại Việt Nam ra nước ngoài, nhà đầu tư nước ngoài được mua ngoại tệ tại tổ chức tín dụng được phép và chuyển ra nước ngoài trong thời hạn 30 (ba mươi) ngày làm việc, kể từ ngày mua được ngoại tệ.

Điều 10. Người cư trú là tổ chức phát hành chứng khoán ở nước ngoài

1. Khi được phép phát hành chứng khoán ở nước ngoài bằng ngoại tệ dưới hình thức phát hành trái phiếu, người cư trú là tổ chức phải tuân thủ các quy định hiện hành về quản lý vay, trả nợ nước ngoài và các quy định pháp luật có liên quan.

2. Khi được phép phát hành chứng khoán bằng ngoại tệ ở nước ngoài dưới hình thức phát hành cổ phiếu, chứng chỉ quỹ đầu tư và các loại chứng khoán khác, người cư trú là tổ chức phải mở một tài khoản vốn phát hành chứng khoán bằng ngoại tệ tại một tổ chức tín dụng được phép, thực hiện thu, chi ngoại tệ có liên quan đến việc phát hành chứng khoán thông qua tài khoản này theo quy định của Ngân hàng Nhà nước Việt Nam.

Điều 11. Người không cư trú là tổ chức phát hành chứng khoán tại Việt Nam

1. Người không cư trú là tổ chức chỉ được phát hành chứng khoán bằng đồng Việt Nam trên lãnh thổ Việt Nam trên cơ sở tuân thủ các quy định của pháp luật về chứng khoán và pháp luật khác có liên quan.

2. Khi được phép phát hành chứng khoán tại Việt Nam, người không cư trú là tổ chức phải mở 01 (một) tài khoản vốn phát hành chứng khoán bằng đồng Việt Nam tại 01 (một) tổ chức tín dụng được phép để thực hiện các giao dịch thu, chi bằng đồng Việt Nam liên quan đến việc phát hành chứng khoán thông qua tài khoản này theo quy định của Ngân hàng Nhà nước Việt Nam.

Điều 12. Mở và sử dụng tài khoản ngoại tệ ở nước ngoài của người cư trú là tổ chức

Ngân hàng Nhà nước Việt Nam quy định thủ tục cấp và thu hồi giấy phép mở và sử dụng tài khoản ngoại tệ ở nước ngoài của người cư trú là tổ chức trong các trường hợp sau đây:

1. Tổ chức kinh tế có chi nhánh, văn phòng đại diện ở nước ngoài hoặc có nhu cầu mở tài khoản ngoại tệ ở nước ngoài để tiếp nhận vốn vay, thực hiện cam kết, hợp đồng với bên nước ngoài.

2. Cơ quan nhà nước, đơn vị lực lượng vũ trang, tổ chức chính trị, tổ chức chính trị - xã hội, tổ chức chính trị xã hội - nghề nghiệp, tổ chức xã hội, tổ chức xã hội - nghề nghiệp, quỹ xã hội, quỹ từ thiện của Việt Nam hoạt động tại Việt Nam có nhu cầu mở tài khoản ngoại tệ ở nước ngoài để tiếp nhận viện trợ, tài trợ của nước ngoài hoặc các trường hợp khác được cơ quan có thẩm quyền của Việt Nam cho phép.

Điều 13. Sử dụng ngoại tệ tiền mặt của cá nhân

1. Người cư trú, người không cư trú là cá nhân có ngoại tệ tiền mặt được quyền cất giữ, mang theo người, cho, tặng, thừa kế, bán cho tổ chức tín dụng được phép, chuyển, mang ra nước ngoài theo các quy định tại Nghị định này, thanh toán cho các đối tượng được phép thu ngoại tệ tiền mặt.

2. Người cư trú là công dân Việt Nam được sử dụng ngoại tệ tiền mặt để gửi tiết kiệm ngoại tệ tại tổ chức tín dụng được phép, được rút tiền gốc, lãi bằng đồng tiền đã gửi.

Điều 14. Thị trường ngoại tệ của Việt Nam

1. Thị trường ngoại tệ là nơi diễn ra hoạt động mua bán các loại ngoại tệ. Đối tượng tham gia thị trường ngoại tệ bao gồm Ngân hàng Nhà nước Việt Nam, các tổ chức tín dụng được phép và khách hàng là người cư trú, người không cư trú tại Việt Nam.

Ngân hàng Nhà nước Việt Nam quy định điều kiện, phương thức, các loại hình nghiệp vụ giao dịch ngoại tệ trên thị trường ngoại tệ.

2. Thị trường ngoại tệ liên ngân hàng là thị trường cho các giao dịch giữa Ngân hàng Nhà nước Việt Nam với các tổ chức tín dụng được phép và giữa các tổ chức tín dụng được phép với nhau. Các thành viên tham gia thị trường ngoại tệ liên ngân hàng thực hiện mua bán ngoại tệ theo các phương thức, loại hình nghiệp vụ giao dịch trên cơ sở các thoả thuận, cam kết giữa các bên theo thông lệ quốc tế và phù hợp với quy định của Ngân hàng Nhà nước Việt Nam.

Điều 15. Chế độ tỷ giá hối đoái của đồng Việt Nam

1. Tỷ giá hối đoái của đồng Việt Nam được hình thành trên cơ sở cung cầu ngoại tệ trên thị trường có sự điều tiết của Nhà nước. Ngân hàng Nhà nước Việt Nam thực hiện điều tiết tỷ giá hối đoái thông qua việc sử dụng các công cụ của chính sách tiền tệ và thực hiện phương án can thiệp trên thị trường ngoại tệ.

2. Chế độ tỷ giá hối đoái của đồng Việt Nam là chế độ tỷ giá thả nổi có quản lý do Ngân hàng Nhà nước Việt Nam xác định trên cơ sở rổ tiền tệ của các nước có quan hệ thương mại, vay, trả nợ, đầu tư với Việt Nam phù hợp với mục tiêu kinh tế vĩ mô trong từng thời kỳ.

Điều 16. Kiểm tra chứng từ

Tổ chức tín dụng được phép và tổ chức khác được phép hoạt động ngoại hối khi thực hiện các giao dịch ngoại hối cho khách hàng có trách nhiệm xem xét, kiểm tra, lưu giữ các giấy tờ và các chứng từ phù hợp với các giao dịch thực tế để đảm bảo việc cung ứng các dịch vụ ngoại hối được thực hiện đúng mục đích và phù hợp với quy định của pháp luật.

Điều 17. Đáp ứng nhu cầu ngoại tệ để thanh toán vãng lai

Trong phạm vi khả năng ngoại tệ hiện có, tổ chức tín dụng được phép có trách nhiệm đáp ứng các nhu cầu ngoại tệ của người cư trú, người không cư trú để thanh toán cho các giao dịch vãng lai căn cứ theo nhu cầu thực tế và hợp lý của từng giao dịch.

Điều 18. Thanh tra, kiểm tra, giám sát và báo cáo

1. Tổ chức tín dụng được phép và tổ chức khác được phép hoạt động ngoại hối phải chịu sự thanh tra, kiểm tra, giám sát và thực hiện chế độ báo cáo theo quy định của Ngân hàng Nhà nước Việt Nam.

2. Quyền và nghĩa vụ về thông tin, báo cáo của tổ chức tín dụng được phép:

a) Báo cáo các thông tin, số liệu liên quan đến ngoại hối và hoạt động ngoại hối theo đúng thời hạn quy định tại các văn bản pháp luật hiện hành liên quan đến hoạt động ngoại hối;

b) Yêu cầu khách hàng cung cấp thông tin nhằm phục vụ việc thu thập số liệu, thông tin liên quan đến ngoại hối và hoạt động ngoại hối;

c) Giữ bí mật và chịu trách nhiệm về các thông tin thuộc danh mục bí mật của ngành ngân hàng.

3. Quyền và nghĩa vụ về thông tin, báo cáo của tổ chức và cá nhân:

a) Tổ chức, cá nhân tham gia hoạt động ngoại hối có nghĩa vụ cung cấp các thông tin, số liệu theo yêu cầu của Ngân hàng Nhà nước Việt Nam, tổ chức tín dụng được phép theo đúng thời hạn quy định tại các văn bản pháp luật hiện hành liên quan đến hoạt động ngoại hối;

b) Tổ chức, cá nhân có quyền yêu cầu tổ chức tín dụng được phép cung cấp các thông tin hướng dẫn để thực hiện đúng các chính sách về quản lý ngoại hối.

Điều 19. Chế độ thông tin báo cáo

1. Trách nhiệm của Ngân hàng Nhà nước Việt Nam:

a) Ban hành chế độ thông tin báo cáo, phân tích, dự báo và công bố thông tin về hoạt động ngoại hối;

b) Chủ trì, phối hợp với các Bộ, ngành thu thập thông tin, số liệu nhằm phục vụ công tác quản lý ngoại hối của Nhà nước và lập cán cân thanh toán quốc tế.

2. Trách nhiệm của các Bộ, cơ quan ngang Bộ, cơ quan thuộc Chính phủ, Ủy ban nhân dân tỉnh, thành phố trực thuộc Trung ương

Bộ, cơ quan ngang Bộ, cơ quan thuộc Chính phủ, Ủy ban nhân dân tỉnh, thành phố trực thuộc Trung ương trong phạm vi nhiệm vụ, quyền hạn của mình, có trách nhiệm báo cáo thông tin, số liệu về hoạt động ngoại hối cho Ngân hàng Nhà nước Việt Nam nhằm phục vụ công tác quản lý ngoại hối của Nhà nước và lập cán cân thanh toán quốc tế.

Chương III ĐIỀU KHOẢN THI HÀNH

Điều 20. Hiệu lực thi hành

1. Nghị định này có hiệu lực thi hành kể từ ngày 05 tháng 9 năm 2014.

2. Nghị định này thay thế Nghị định số 160/2006/NĐ-CP ngày 28 tháng 12 năm 2006 của Chính phủ quy định chi tiết thi hành Pháp lệnh Ngoại hối.

Điều 21. Trách nhiệm thi hành

Thống đốc Ngân hàng Nhà nước Việt Nam, Bộ trưởng, Thủ trưởng cơ quan ngang Bộ, Thủ trưởng cơ quan thuộc Chính phủ, Chủ tịch Ủy ban nhân dân các tỉnh, thành phố trực thuộc Trung ương và tổ chức, cá nhân có liên quan chịu trách nhiệm thi hành Nghị định này./.

Nơi nhận:

- Ban Bí thư Trung ương Đảng;
- Thủ tướng, các Phó Thủ tướng Chính phủ;
- Các Bộ, cơ quan ngang Bộ, cơ quan thuộc CP;
- HĐND, UBND các tỉnh, TP trực thuộc TW;
- Văn phòng TW và các Ban của Đảng;
- Văn phòng Tổng Bí thư;
- Văn phòng Chủ tịch nước;
- Hội đồng Dân tộc và các Ủy ban của Quốc hội;
- Văn phòng Quốc hội;
- Tòa án nhân dân tối cao;
- Viện Kiểm sát nhân dân tối cao;
- UB Giám sát tài chính QG;
- Kiểm toán Nhà nước;
- Ngân hàng Chính sách xã hội;
- Ngân hàng Phát triển Việt Nam;
- UBTW Mặt trận Tổ quốc VN;
- Cơ quan Trung ương của các đoàn thể;
- VPCP: BTCN, các PCN, Trợ lý TTCP, TGĐ Công TTĐT, các Vụ, Cục, đơn vị trực thuộc, Công báo;
- Lưu: VT, KTTT (3b).KN **210**

TM. CHÍNH PHỦ
THỦ TƯỚNG



Nguyễn Tấn Dũng

Exhibit 008



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Exhibit 009

CHAPTER 9

INVESTMENT

Section A

Article 9.1: Definitions

For the purposes of this Chapter:

Centre means the International Centre for Settlement of Investment Disputes (ICSID) established by the ICSID Convention;

claimant means an investor of a Party that is a party to an investment dispute with another Party. If that investor is a natural person, who is a permanent resident of a Party and a national of another Party, that natural person may not submit a claim to arbitration against that latter Party;

covered investment means, with respect to a Party, an investment in its territory of an investor of another Party in existence as of the date of entry into force of this Agreement for those Parties or established, acquired, or expanded thereafter;

disputing parties means the claimant and the respondent;

disputing party means either the claimant or the respondent;

enterprise means an enterprise as defined in Article 1.3 (General Definitions), and a branch of an enterprise;

enterprise of a Party means an enterprise constituted or organised under the law of a Party, or a branch located in the territory of a Party and carrying out business activities there;¹

freely usable currency means “freely usable currency” as determined by the International Monetary Fund under its *Articles of Agreement*;

ICC Arbitration Rules means the arbitration rules of the International Chamber of Commerce;

¹ For greater certainty, the inclusion of a “branch” in the definitions of “enterprise” and “enterprise of a Party” is without prejudice to a Party’s ability to treat a branch under its laws as an entity that has no independent legal existence and is not separately organised.

ICSID Additional Facility Rules means the *Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the International Centre for Settlement of Investment Disputes*;

ICSID Convention means the *Convention on the Settlement of Investment Disputes between States and Nationals of other States*, done at Washington, March 18, 1965;

Inter-American Convention means the *Inter-American Convention on International Commercial Arbitration*, done at Panama, January 30, 1975;

investment means every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk. Forms that an investment may take include:

- (a) an enterprise;
- (b) shares, stock and other forms of equity participation in an enterprise;
- (c) bonds, debentures, other debt instruments and loans;^{2, 3}
- (d) futures, options and other derivatives;
- (e) turnkey, construction, management, production, concession, revenue-sharing and other similar contracts;
- (f) intellectual property rights;
- (g) licences, authorisations, permits and similar rights conferred pursuant to the Party's law;⁴ and

² Some forms of debt, such as bonds, debentures, and long-term notes, are more likely to have the characteristics of an investment, while other forms of debt, such as claims to payment that are immediately due and result from the sale of goods or services, are less likely to have such characteristics.

³ A loan issued by one Party to another Party is not an investment.

⁴ Whether a particular type of licence, authorisation, permit or similar instrument (including a concession to the extent that it has the nature of such an instrument) has the characteristics of an investment depends on such factors as the nature and extent of the rights that the holder has under the Party's law. Among such instruments that do not have the characteristics of an investment are those that do not create any rights protected under the Party's law. For greater certainty, the foregoing is without prejudice to whether any asset associated with such instruments has the characteristics of an investment.

- (h) other tangible or intangible, movable or immovable property, and related property rights, such as leases, mortgages, liens and pledges,

but investment does not mean an order or judgment entered in a judicial or administrative action.

investment agreement means a written agreement⁵ that is concluded and takes effect after the date of entry into force of this Agreement⁶ between an authority at the central level of government⁷ of a Party and a covered investment or an investor of another Party and that creates an exchange of rights and obligations, binding on both parties under the law applicable under Article 9.25.2 (Governing Law), on which the covered investment or the investor relies in establishing or acquiring a covered investment other than the written agreement itself, and that grants rights to the covered investment or investor:

- (a) with respect to natural resources that a national authority controls, such as oil, natural gas, rare earth minerals, timber, gold, iron ore and other similar resources,⁸ including for their exploration, extraction, refining, transportation, distribution or sale;

⁵ “Written agreement” refers to an agreement in writing, negotiated and executed by both parties, whether in a single instrument or in multiple instruments. For greater certainty:

- (a) a unilateral act of an administrative or judicial authority, such as a permit, licence, authorisation, certificate, approval, or similar instrument issued by a Party in its regulatory capacity, or a subsidy or grant, or a decree, order or judgment, standing alone; and
- (b) an administrative or judicial consent decree or order,

shall not be considered a written agreement.

⁶ For greater certainty, a written agreement that is concluded and takes effect after the entry into force of this Agreement does not include the renewal or extension of an agreement in accordance with the provisions of the original agreement, and on the same or substantially the same terms and conditions as the original agreement, which has been concluded and entered in force prior to the entry into force of this Agreement.

⁷ For the purposes of this definition, “authority at the central level of government” means, for unitary states, an authority at the ministerial level of government. Ministerial level of government means government departments, ministries or other similar authorities at the central level of government, but does not include: (a) a governmental agency or organ established by a Party’s constitution or a particular legislation that has a separate legal personality from government departments, ministries or other similar authorities under a Party’s law, unless the day to day operations of that agency or organ are directed or controlled by government departments, ministries or other similar authorities; or (b) a governmental agency or organ that acts exclusively with respect to a particular region or province.

⁸ For the avoidance of doubt, this subparagraph does not include an investment agreement with respect to land, water or radio spectrum.

- (b) to supply services on behalf of the Party for consumption by the general public for: power generation or distribution, water treatment or distribution, telecommunications, or other similar services supplied on behalf of the Party for consumption by the general public;⁹ or
- (c) to undertake infrastructure projects, such as the construction of roads, bridges, canals, dams or pipelines or other similar projects; provided, however, that the infrastructure is not for the exclusive or predominant use and benefit of the government;

investment authorisation¹⁰ means an authorisation that the foreign investment authority of a Party¹¹ grants to a covered investment or an investor of another Party;

investor of a non-Party means, with respect to a Party, an investor that attempts to make,¹² is making, or has made an investment in the territory of that Party, that is not an investor of a Party;

investor of a Party means a Party, or a national or an enterprise of a Party, that attempts to make, is making, or has made an investment in the territory of another Party;

LCIA Arbitration Rules means the arbitration rules of the London Court of International Arbitration;

⁹ For the avoidance of doubt, this subparagraph does not cover correctional services, healthcare services, education services, childcare services, welfare services or other similar social services.

¹⁰ For greater certainty, the following are not encompassed within this definition: (i) actions taken by a Party to enforce laws of general application, such as competition, environmental, health or other regulatory laws; (ii) non-discriminatory licensing regimes; and (iii) a Party's decision to grant to a covered investment or an investor of another Party a particular investment incentive or other benefit, that is not provided by a foreign investment authority in an investment authorisation.

¹¹ For the purposes of this definition, "foreign investment authority" means, as of the date of entry into force of this Agreement: (a) for Australia, the Treasurer of the Commonwealth of Australia under Australia's foreign investment policy including the *Foreign Acquisitions and Takeovers Act 1975*; (b) for Canada, the Minister of Industry, but only when issuing a notice under Section 21 or 22 of the *Investment Canada Act*; (c) for Mexico, the National Commission of Foreign Investments (*Comisión Nacional de Inversiones Extranjeras*); and (d) for New Zealand, the Minister of Finance, the Minister of Fisheries or the Minister for Land Information, to the extent that they make a decision to grant consent under the *Overseas Investment Act 2005*.

¹² For greater certainty, the Parties understand that, for the purposes of the definitions of "investor of a non-Party" and "investor of a Party", an investor "attempts to make" an investment when that investor has taken concrete action or actions to make an investment, such as channelling resources or capital in order to set up a business, or applying for a permit or licence.

negotiated restructuring means the restructuring or rescheduling of a debt instrument that has been effected through (a) a modification or amendment of that debt instrument, as provided for under its terms, or (b) a comprehensive debt exchange or other similar process in which the holders of no less than 75 per cent of the aggregate principal amount of the outstanding debt under that debt instrument have consented to the debt exchange or other process;

New York Convention means the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards*, done at New York, June 10, 1958;

non-disputing Party means a Party that is not a party to an investment dispute;

protected information means confidential business information or information that is privileged or otherwise protected from disclosure under a Party's law, including classified government information;

respondent means the Party that is a party to an investment dispute;

Secretary-General means the Secretary-General of ICSID; and

UNCITRAL Arbitration Rules means the arbitration rules of the United Nations Commission on International Trade Law.

Article 9.2: Scope

1. This Chapter shall apply to measures adopted or maintained by a Party relating to:

- (a) investors of another Party;
- (b) covered investments; and
- (c) with respect to Article 9.10 (Performance Requirements) and Article 9.16 (Investment and Environmental, Health and other Regulatory Objectives), all investments in the territory of that Party.

2. A Party's obligations under this Chapter shall apply to measures adopted or maintained by:

- (a) the central, regional or local governments or authorities of that Party; and

- (b) any person, including a state enterprise or any other body, when it exercises any governmental authority delegated to it by central, regional or local governments or authorities of that Party.¹³

3. For greater certainty, this Chapter shall not bind a Party in relation to an act or fact that took place or a situation that ceased to exist before the date of entry into force of this Agreement for that Party.

Article 9.3: Relation to Other Chapters

1. In the event of any inconsistency between this Chapter and another Chapter of this Agreement, the other Chapter shall prevail to the extent of the inconsistency.

2. A requirement of a Party that a service supplier of another Party post a bond or other form of financial security as a condition for the cross-border supply of a service does not of itself make this Chapter applicable to measures adopted or maintained by the Party relating to such cross-border supply of the service. This Chapter shall apply to measures adopted or maintained by the Party relating to the posted bond or financial security, to the extent that the bond or financial security is a covered investment.

3. This Chapter shall not apply to measures adopted or maintained by a Party to the extent that they are covered by Chapter 11 (Financial Services).

Article 9.4: National Treatment¹⁴

1. Each Party shall accord to investors of another Party treatment no less favourable than that it accords, in like circumstances, to its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments in its territory.

2. Each Party shall accord to covered investments treatment no less favourable than that it accords, in like circumstances, to investments in its territory of its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments.

¹³ For greater certainty, governmental authority is delegated under the Party's law, including through a legislative grant or a government order, directive or other action transferring or authorising the exercise of governmental authority.

¹⁴ For greater certainty, whether treatment is accorded in "like circumstances" under Article 9.4 (National Treatment) or Article 9.5 (Most-Favoured-Nation Treatment) depends on the totality of the circumstances, including whether the relevant treatment distinguishes between investors or investments on the basis of legitimate public welfare objectives.

3. For greater certainty, the treatment to be accorded by a Party under paragraphs 1 and 2 means, with respect to a regional level of government, treatment no less favourable than the most favourable treatment accorded, in like circumstances, by that regional level of government to investors, and to investments of investors, of the Party of which it forms a part.

Article 9.5: Most-Favoured-Nation Treatment

1. Each Party shall accord to investors of another Party treatment no less favourable than that it accords, in like circumstances, to investors of any other Party or of any non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments in its territory.

2. Each Party shall accord to covered investments treatment no less favourable than that it accords, in like circumstances, to investments in its territory of investors of any other Party or of any non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments.

3. For greater certainty, the treatment referred to in this Article does not encompass international dispute resolution procedures or mechanisms, such as those included in Section B (Investor-State Dispute Settlement).

Article 9.6: Minimum Standard of Treatment¹⁵

1. Each Party shall accord to covered investments treatment in accordance with applicable customary international law principles, including fair and equitable treatment and full protection and security.

2. For greater certainty, paragraph 1 prescribes the customary international law minimum standard of treatment of aliens as the standard of treatment to be afforded to covered investments. The concepts of “fair and equitable treatment” and “full protection and security” do not require treatment in addition to or beyond that which is required by that standard, and do not create additional substantive rights. The obligations in paragraph 1 to provide:

- (a) “fair and equitable treatment” includes the obligation not to deny justice in criminal, civil or administrative adjudicatory proceedings in accordance with the principle of due process embodied in the principal legal systems of the world; and

¹⁵ Article 9.6 (Minimum Standard of Treatment) shall be interpreted in accordance with Annex 9-A (Customary International Law).

- (b) “full protection and security” requires each Party to provide the level of police protection required under customary international law.

3. A determination that there has been a breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article.

4. For greater certainty, the mere fact that a Party takes or fails to take an action that may be inconsistent with an investor’s expectations does not constitute a breach of this Article, even if there is loss or damage to the covered investment as a result.

5. For greater certainty, the mere fact that a subsidy or grant has not been issued, renewed or maintained, or has been modified or reduced, by a Party, does not constitute a breach of this Article, even if there is loss or damage to the covered investment as a result.

Article 9.7: Treatment in Case of Armed Conflict or Civil Strife

1. Notwithstanding Article 9.12.6(b) (Non-Conforming Measures), each Party shall accord to investors of another Party and to covered investments non-discriminatory treatment with respect to measures it adopts or maintains relating to losses suffered by investments in its territory owing to armed conflict or civil strife.

2. Notwithstanding paragraph 1, if an investor of a Party, in a situation referred to in paragraph 1, suffers a loss in the territory of another Party resulting from:

- (a) requisitioning of its covered investment or part thereof by the latter’s forces or authorities; or
- (b) destruction of its covered investment or part thereof by the latter’s forces or authorities, which was not required by the necessity of the situation,

the latter Party shall provide the investor restitution, compensation or both, as appropriate, for that loss.

3. Paragraph 1 shall not apply to existing measures relating to subsidies or grants that would be inconsistent with Article 9.4 (National Treatment) but for Article 9.12.6(b) (Non-Conforming Measures).