Vietnam
Public Debt Management

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Outline

- Legal framework
- Public projects
- Project financing sources
- Financing alternatives
- Reports.
- Challenges
- Debt management views
Legal framework

- Law on Public Debt Management (enacted 2010, January)
- Scope of Public Debts:
  - Government Debts
  - Government Guaranteed Debts
  - Local Government Debts.

(not including SOEs’ debts without government guarantee)
Current status of Vietnam public debt
Public debt of Vietnam as of 31/12/2011
## Vietnam public debt Indicators

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012 (estimates)</th>
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</thead>
<tbody>
<tr>
<td>GDP (Billion USD)</td>
<td>121.5</td>
<td>140.5</td>
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<tr>
<td>Total Public Debt (Billion USD)</td>
<td>66.7</td>
<td>81.2</td>
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<tr>
<td>Total public Debt/GDP (%)</td>
<td>54.9</td>
<td>57.8</td>
</tr>
<tr>
<td>Gov’t Debt Service/Revenues (%)</td>
<td>15.0</td>
<td>15.6</td>
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Public projects

The Government focuses on national key investment projects of which investment orientation aims at achieving socio-economic development targets, focusing on economic stabilization and social welfare, including:

- Infrastructure (roads, bridges, schools, hospitals…)
- Human resource development
- Agriculture and rural development
- Environmental protection
- National security and defense…

- Investment decisions will be made basing on social benefit as well as financial benefit.
Project Financing Sources

Prime Minister issues regulations on which economic sectors, kinds of projects will be priority for funding by:

- State budget.
- State budget’s borrowings:
  + Domestic bonds
  + ODA and external concessional/commercial sources
  + Other sources
- Government guarantees.
- PPP (BT, BOT…)
Project Financing Sources (cont)

- Every year, the Prime Minister approves the list of detail projects will be funded by state budget (including domestic government bonds) for the following year basing on the amount of domestic issuance (which was approved by National Assembly when they discuss the state budget plan) and level of primary budget balance.

- Projects, funded by external sources (ODA, concessional loan, government guarantee) will be approved case by case by the Prime Minister depending on the negotiation with the creditors. In these cases, creditors will take part in the process of project appraisal.
## Financing Alternatives

<table>
<thead>
<tr>
<th>Sources</th>
<th>Projects</th>
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<tbody>
<tr>
<td>- Domestic Government bonds</td>
<td>State investment in education, health care, irrigation and transportation projects- high social benefit and low financial benefit.</td>
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<tr>
<td>- Budget revenue (tax, ...)</td>
<td></td>
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<tr>
<td>- Other borrowings</td>
<td></td>
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</table>
| ODA External Concessional loans | - State investment in education, health care, transportation, national security, infrastructure… projects which are high social benefit and low financial benefit  
- Onlending to projects which can be refundable (social benefit-financial benefit) |
| External commercial loans       | Onlending to profitable projects. (social benefit-financial benefit)                                                                        |
| International bonds             |                                                                                                                                          |
| Others (PPP, BOT, BT…)          | Infrastructure projects such as roads, hospital, bridges, sea ports, airports…                                                               |
Reports

- Yearly financial reports made by investors.
- Management agencies: Ministry of Finance, Ministry of Planning and Investment, line Ministries and Local Government Authorities have to make yearly reports to the Prime Minister on how state budget was used for investment.
- Auditor’s reports
- Appraisal reports by creditors (WB, ADB, …)
Challenges

- Do not have clear criteria for allocating limited state capital among public projects (difficult to determine which projects are more important than the others if they all are building roads in rural areas…)
- Do not have clear criteria for allocating state capital and onlending to public projects.
- Domestic market is underdeveloped so we have to rely on external sources (bilateral and multilateral donors). Government bonds with short maturities and interest rates are not totally market rates.
- Vietnam becomes a middle income country so in near future ODA sources may decrease, costs of financing for public projects will be higher.
Debt Management Views

- Giving recommendations on how much money that the government should allocate on public projects basing on medium term debt strategy and yearly borrowing plan.

- Government should provide more incentive measures to develop PPP type of project finance (BOT, BT…) in order to decrease public debt burden.
Thank you!

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